



# All together healthier

## Annual Report 2020

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# Company information

## Directors

R Abdin  
G Baldwin  
D J Beaven (appointed 17 April 2020)  
T Dunley-Owen (appointed 6 January 2020)  
R Gillies (appointed 3 February 2020)  
M A Hall  
J Knott (appointment 6 January 2020)  
J N Maltby

## Secretary

J Jansen-Alder (resigned 28 February 2021)

## Registered office

Hambleton House  
Waterloo Court  
Andover  
Hampshire  
SP10 1LQ

## Bankers

National Westminster Bank  
9 Bridge Street  
Andover  
Hampshire  
SP10 1BD

## Solicitors

Addleshaw Goddard  
Milton Gate  
60 Chiswell Street  
London  
EC1Y 4AG

## Independent auditor

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

# Focusing on a healthy future



## Chairman's welcome Gil Baldwin

I write my introduction having completed my first year as Chairman.

It is a privilege to have taken this role at this exciting, and somewhat challenging time in the development of Simplyhealth. I would like to thank Ken Piggott, my predecessor, for all his work on behalf of the business, and for ensuring such a smooth transition for me.

The year has been dominated by the COVID-19 pandemic and the effect it has had on all of us, in particular for those who have been touched by tragedy and heartbreak as a result.

When I wrote last year, there were hopes that by mid-summer, life would be slowly returning to normality. As I write this welcome, in the midst of a snowstorm and still firmly 'locked down', I suspect, despite the promise and hope of the vaccination programme, that we all may have to come to terms with a new normal.

If the experts are right, then we will need to learn to live with this disease and adapt so that we can still interact with others, meet family and friends, run businesses and provide services; but do so safely and without causing harm to others.

### Adapting to support our customers

At Simplyhealth we have been travelling on this journey towards digitisation for the last three years by investing in our digital estate; something which allowed us to close our buildings and operate remotely from home when the first lockdown was announced last March. This investment continued throughout 2020, simplifying and upgrading our systems and this year we will be embarking on a journey to replace our administration platform so that we will be able to offer all our customers an improved service, however and whenever they need it.

We adapted to maintain our commitment to you, our customers, our members and colleagues. We supported individuals in financial difficulty, offered COVID-19 antibody testing, enhanced our 24/7 GP helpline, our mental health provision and physio offering to name but a few. We gave £1.8m to support our dentists with the costs of Personal Protective Equipment (PPE), continued to provide financial support to many charities, donated computers for people in our region who have found home schooling difficult, and held our premiums at 2019 rates.

We will continue to use any profit made during the year to enhance the benefits and service we provide for our members, colleagues and communities and to bolster our capital when prudent in 2021 and beyond.

### Continuing to care for colleagues

We have changed the way in which we run our business, supporting our colleagues with a winter fuel allowance, providing new laptops, and an office equipment allowance. Our leaders have found new ways to help their teams cope with the twin challenges of supporting our customers and their families at the same time. I would like to take this opportunity to thank all of the Simplyhealth team for their support, fortitude, resilience, good humour and sheer determination to continue to provide our services throughout the year despite all the many challenges it presented.

### A strong and resilient business

As a result we end the year in a strong position and refocused on delivering healthcare services for our customers. We sold our pet health business and are successfully transferring those customers to their new entity without any break in service. We are launching an enhanced service to our Denplan member dentists and, for those of you who rely on us for your health needs, we will shortly be offering new services as part of our continued strategy to make ourselves ever more useful and relevant.

From a business perspective we have increased our capital reserves and Solvency ratio to 508.0%. This allows us to continue to invest in new and improved services for our customers and to withstand any new challenge which might present itself. We have strengthened our Risk and Compliance Team with the arrival of a Chief Risk Officer, Mark Steele and, at a Board level, Richard Harris stepped down as the Chair of our Audit Committee at the end of his full term to be replaced by a highly experienced Audit Chair, Tracy Dunley-Owen. In addition the Board was further strengthened with Jenny Knott joining us as a Non Executive. She will take over the Risk and Capital Committee in June when John Maltby leaves to Chair the West Bromwich Building Society.

In addition, we welcomed our Chief Financial Officer, Debbie Beaven and Richard Gillies, our Chief Operating Officer as Executive Board Directors.

### Looking to the future

Looking to the future, Simplyhealth is increasingly well positioned to cope with the new normal, whatever that might be. It will be another year of change and challenge as the effects of Brexit, the pandemic and the economic consequences of successive lockdowns play out. In addition, we say farewell to Romana Abdin, our Chief Executive who, after 7 years at the helm, hands over her responsibilities to Sneh Khemka who joins us from CVS Aetna. Sneh has built successful public health business around the globe, worked at Bupa, is a member of the World Economic Forum's future health committee and was a general and ophthalmic surgeon before going into business. I wish Romana every good fortune and thank her for the magnificent efforts she has made in bringing Simplyhealth and its Purpose to life.

Let me close by thanking you, our members, for your continued loyalty and support in these difficult and challenging times. Our commitment to you remains undiminished and we will continue to invest to improve our service, our offering and the health benefits you want and need. If, at any time, you feel we are not doing this, or that we are failing to meet your expectations, please speak out. As Chairman you have my total focus to deliver for you, whatever is needed and irrespective of circumstance. As the year unfolds please continue to look after yourself, your colleagues, friends and family. And remember, we all in Simplyhealth are merely a phone call away.

Thank you for reading this welcome and I wish you all the very best for the forthcoming year.

**Gil Baldwin MBE**  
Chairman



# A time for change



## Chief Executive's welcome Romana Abdin

**Dear Voting Members, Customers, Partners and Friends of Simplyhealth,**

2020 has been an extraordinary year.

We started the year with an exciting and challenging agenda as One Simplyhealth united behind One Purpose, One Team and One Plan:

To **Grow** our business because growth enables us to deliver more powerfully on our Purpose of giving more people access to the healthcare they need when they need it. To **Simplify** the business for our people and for you so that you can easily access our products and services and connect with us in the way that you want. We don't want you to waste a moment of your life. **Simplyhealth is more than a name - it is our promise to you.**

Then the World changed. The COVID-19 global pandemic arrived, and we entered a crisis unlike anything most of us have ever seen. Almost overnight, the pandemic moved us to into a 'no contact' world, radically changed social norms and interactions. We were asked to isolate and keep each other safe. Many of us who were able, worked from home while standing on doorsteps applauding those who couldn't, we have been wearing masks and social distancing.

I spoke to you last year about our concern that our beloved NHS stood at the threshold of a new decade under enormous pressure. The first days of 2020 brought the news that A&E waiting times were the worst on record. The shortage of doctors and nurses meant overfilled wards, three week waits to see a GP and cancelled operations. For NHS staff, this translated into burnout, depression, sickness and early retirement as they struggled to meet demand and expectations. Almost overnight the pandemic strained our healthcare system from teetering on the brink to breaking point.

Our doctors, nurses and healthcare workers are fighting the pandemic each day, risking their lives to save us and care for us and our families.

During this pandemic we've become obsessed with statistics, the number of infections, deaths and ICU admissions. It's easy to forget that behind each statistic lies a human story. I am deeply aware that many have suffered grief through the loss of loved ones and others are continuing to be impacted by the effects of contracting the virus. My thoughts are with you and your families, echoing the thoughts of everyone at Simplyhealth.



## A different Kind of Business

In each of my reports you have heard me talk about our Purpose and this letter to you is no different.

Purpose might seem like a fashionably recent concept but, over 149 years ago, Purpose was enshrined in the constitution of Simplyhealth. To understand Simplyhealth you have to look beyond the figures to why we exist, who we are and who we serve.

Purpose is our 'why'. It crystallises our reason to exist beyond simply making a profit - "Improving access to healthcare". By making it as easy as possible for people to access the healthcare they need because we understand that getting help with health isn't always easy. We're an organisation that has been helping people overcome those barriers since 1872, driven by our unwavering belief that no one should go without the healthcare support that they need.

We are here to serve: Our Colleagues, Our Customers and Our Communities. We have no shareholders and see beyond short term market pressures or shareholder expectations. We are here for the long term and aim to be serving colleagues, customers and communities today and tomorrow. In order for us to do so, we must be financially robust and sustainable. We therefore operate to generate a profit from running the business; we don't seek to maximise those profits but to optimise them. The profits that we generate are invested back into the business for our stakeholders.

## Community

We were established with the belief that business has a responsibility beyond its own bottom line. We believe that businesses should be a force for good and that business activity should create social and economic value for all stakeholders - encompassing consumers, employees, suppliers, local communities and society as a whole.

Going right back to our roots, serving our communities and wider society, has been a key part of how we deliver on our Purpose - our community giving in the 1900s saved hospitals, we have given education grants to health professionals and donated millions to

health related charities. It's why we volunteer for local charities and Give As You Earn.

Who we are: We are the kind of people who live by a Purpose. When you are able to live your personal purpose, you are able to live your truth at work: to understand what the organisation you work for means and to see your own story in it. This unleashes an amazing energy. I see it in the people who work for us. People whose care and concern for customers and colleagues finds an outlet, something to latch onto in their work.



"It's lovely to know we are working for a company that is happy to go the extra mile to make their customers feel valued and put a smile on their face during these hard times." **Molly D, Customer Options Executive**

## Leading with Purpose and Humanity

We are living through incredibly challenging times, with no playbook to guide us, with every day bringing new challenges, new decisions to make. The key question for me and the Leadership Team at Simplyhealth was how to lead in this environment. We chose to lead with our Purpose and humanity. A health crisis deserves a human response.

Purpose doesn't make decisions easy, it just makes them clear. But every tough decision we took had a genuine human focus and a mindfulness that we were affecting real lives: the lives of our people, our customers and our communities. In her report, Debbie talks about the principles that we set out to guide our colleagues in making decisions.

We put our People first: Moving to working from home, providing them with tools and support to enable them to continue to serve customers digitally, we provided full sick pay for colleagues who needed to self-isolate, we adopted a very flexible approach to home working enabling colleagues to work around childcare and caring for loved ones. We have provided health and wellbeing support to assist colleagues dealing with anxiety and other issues this pandemic has unleashed.



For our customers, we covered the costs of higher claims due to PPE and fallow time for treatments. We held our consumer prices and provided payment breaks, we launched a digital proposition providing access to essential healthcare from home. We supported our Denplan dentists by reducing administration fees, offering loans and health and wellbeing support to dentists and their teams. As dentists were able to reopen their practices after the end of the first lockdown we provided £1.8m of PPE.

“The last few months have been extremely hard on everyone including and especially Dental practices who were forced into lockdown. The measures that Denplan put in place to aid the plight of both member dentists and their patients are inspired, necessary and apposite. Denplan Dentists have a lot to be grateful for.”

**Meredyth B, MBE - Simplyhealth  
Voting Member and Practice Advisor to St  
Helens Dental Practice Ltd**

And for our communities we paid out £1.0m to our charitable partners and we forged new relationships to support organisations who would otherwise have crumbled under the insidious coronavirus.

I hope that as you turn the pages of our report that you see our Purpose in action through the words of our colleagues, customers and communities.

Looking back over 2020 we didn't get everything right. We took longer to answer your calls and adjust our processes and ways

of working to solve your problems. We learnt from those missteps and worked even harder to serve you.

“Whilst I was somewhat angered by the initial experience, I have been very impressed by the due diligence subsequently shown and the final outcome. Consequently, my faith in Simplyhealth has been fully restored. Mistakes happen, and they always will, but it is reassuring to see prudence and common sense prevailing.”

#### Customer comment



Our 2020 financial results reflect that our customers were unable to access the healthcare they needed. These profits are going to be put to work and our actions will be bold and brave.

#### We made progress against our Annual Plan

We have been working over the last three years to architect and transform Simplyhealth. What we have built, and the investments that we have made in technology, capabilities and partnerships, have allowed us to navigate the crisis. So, as well as meeting the challenges of COVID-19, we made good progress against our plan. We simplified our processes, consolidating and optimising our technology and becoming more digitally enabled.

#### Talent, Culture, Diversity and Belonging

Our continuing drive to recruit and develop talented people across our business has helped us navigate the issues that have arisen over the past year. This is enhanced by our Purpose-driven, collaborative culture. One of Simplyhealth's greatest strengths is the ability to enable people to bring their best selves to work - a culture that values diversity and inclusion and fosters a sense of belonging.

I am delighted that our engagement survey has shown a high colleague response level and, most importantly, a high level of engagement across the business.





During COVID-19, we have been part of the biggest experiment in living and working remotely. Work life has been completely transformed, the workplace has been replaced by the dining room table and bedrooms. While trying to work, some have been looking after and home-schooling children, while those that live alone will have experienced isolation. Technology has enabled remote working and connectivity. Meetings in offices have been replaced by video calls against the backdrop of children, pets and other symbols of life. These peeks into colleagues' homes and lives have blurred the links between personal and professional lives, necessitating, and even enabling, stronger connections and empathy in many ways. The crisis has revealed our human side. But it has also shown that we crave the intimacy and social nature of the workplace.

During 2020 we have been considering all of these factors and seeking the views of our colleagues in creating a blueprint for the Simplyhealth of the future. We are not trying to create a "new normal", we are trying to create something amazing. A place not to do emails but to inspire, connect and allow curiosity and learning to unfold.

### The future is now

In my last report to you I shared that we had reviewed our strategy to ensure that we were ready for the decade ahead. As part of that review, we assessed the mega trends that had been visible for a decade but appeared to be distant. We chose to align our strategy with those trends.

COVID-19 has shifted the way we live, work, shop and connect in a matter of weeks- "it has been a time machine to the future".

We are going to play a powerful part in supporting people's health and re-imagining healthcare, moving towards a future in which the collective focus shifts from a system of sick care, treating patients when they fall ill - to one of healthcare, which supports physical and mental wellbeing, prevention and early intervention.

During these challenging times we have seen the power of partnership and community. So we will do this in partnership with our customers, partners and clients, powered by technology but guided by humanity.

It is why, in 2020, we chose to reintroduce ourselves to the Nation by connecting personal health to community through the launch of our health and wellbeing app, SimplyMe. SimplyMe is your way of monitoring, managing and enabling health and wellbeing in the palm of your hand on us.

Simplyhealth is more than a name - it is our promise to you.

### So to conclude...

We are continuing to navigate the impact of COVID-19 protecting our people and serving our customers. At the same time, we are delivering against our strategy, to create a simpler organisation and enabling a greater focus to drive growth so that we can deliver on our Purpose more powerfully than any time in our history. We have a strong balance sheet which means we are well positioned to create and take advantage of opportunities as they will emerge.

I am writing to you for the final time as Chief Executive of Simplyhealth and in doing so I am reminded that Simplyhealth is more than a name it is a promise to uphold. I am also reminded of the promise I personally made to you:

That we would never lose our values. Never lose our human touch. Never forget that healthcare is about people and that each health story is personal. The original intent of our organisation, our values and that crucial humanity which lies deep in the roots of our heritage gave us a safe passage through 2020.

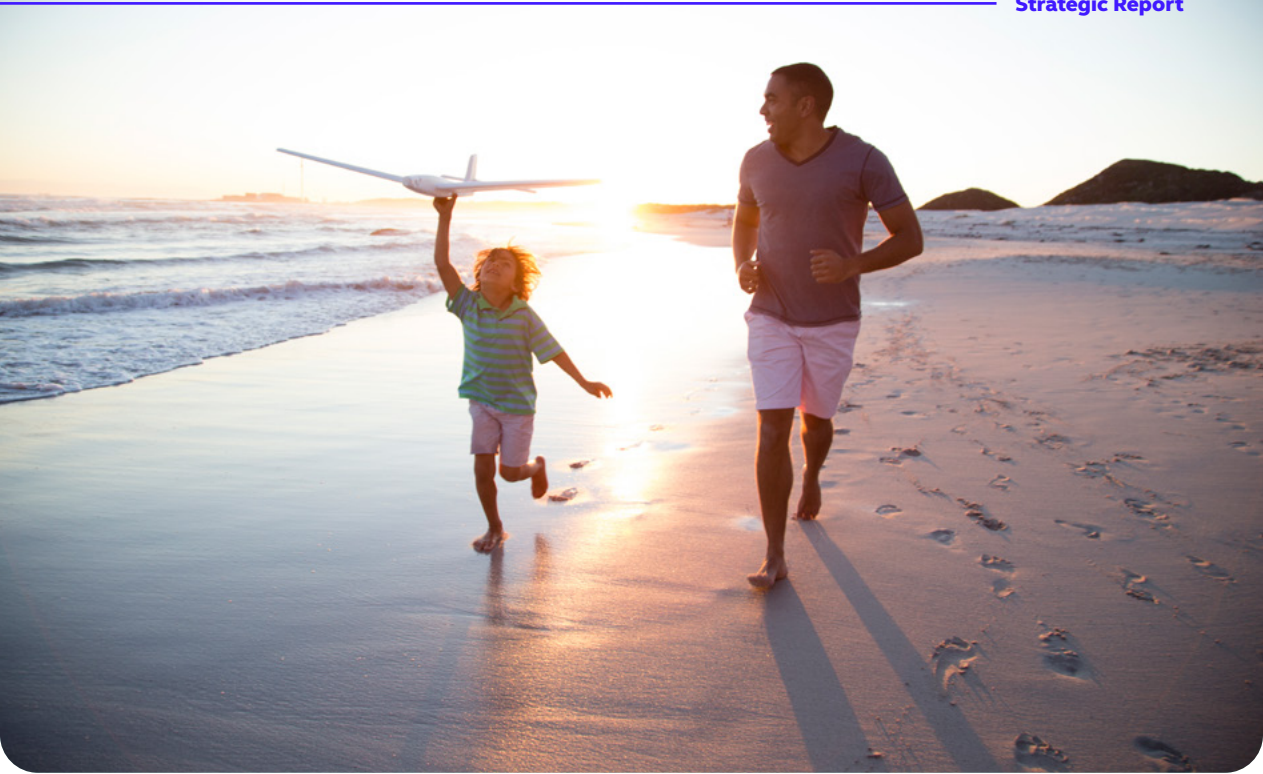
It is has been my privilege to serve an extraordinary organisation, with exceptional people for nearly eight years. During my time as steward of this great company, it has been an honour to work with such talented, passionate colleagues and I thank them for their hard work and commitment.

Simplyhealth enters its next chapter under the leadership of Sneh, with a future that promises more opportunities than ever before.

Thank you for your trust, support and challenge. My thoughts are with you all, and I hope you stay safe and well.

**Romana Abdin**  
Chief Executive  
Officer

*Romana*



## At Simplyhealth we're all together healthier

**We exist to improve access to healthcare for our millions of customers.**

Our health plans support them, their families and their business with their everyday health concerns; as we believe that no one should go without the healthcare support they need.

For nearly 150 years we've been making it easy, for the many for the long term. Whether that's providing fast access to GP appointments, cover for routine prescription and healthcare costs, or vital access to counselling support. Our customers' wellbeing is our reason for being.

Our Denplan dental plans make dental treatment easy to afford for patients, it allows Denplan dentists to offer their patients a monthly payment schedule that covers a range of treatments, such as check-ups, x-rays and hygienist visits.

But more than that, we're also supporting the health of the nation.

SimplyMe, our health and wellbeing app that is free to everyone, allows users to track their physical and emotional health, while nudging them to make improvements to support their long term health.

Community is at the heart of everything we do. It's a philosophy we have always believed in and is why we donate a proportion of our profits every year to good causes.

### Our purpose is

Improving access to healthcare

### We are

Making it easy...

for the many...

for the long term

## 2020 - the year everyday life changed

The COVID-19 pandemic has sped up the digitalisation of healthcare, boosted innovation and prompted a re-engineering of our relationship with health as well as the value we place on it.

As a nation, we're facing serious health challenges. We face a mental health crisis, an ageing population and rising avoidable disease. Protecting our NHS and each other has never been more important than it is today.

And we know that Simplyhealth has an important role to play in addressing the challenges across the health spectrum as well shaping improved health behaviours through the use of technology data and partnerships.

In 2020 we have continued to provide access to healthcare for the many. We have used technology, data and our partnerships to make accessing healthcare easier for our customers.

## Supporting more people to improve their health

In order to fulfil our Purpose and improve access to healthcare for more people, in October 2020 we relaunched our brand, with a new awareness campaign. The campaign focused on the power of people coming together as a community – to make great things happen.

All together healthier is a message that resonated especially well as we've all, in some way, felt the power of community this year.

It spotlighted the positive role and unique way Simplyhealth provides access to healthcare and wellbeing, as well as reinforcing our commitment to invest in communities, and put our Purpose into action with the launch of SimplyMe, our new, free to everyone health app.



# Sharing our Purpose with the nation

To spotlight the positive and unique way Simplyhealth provides access to healthcare and wellbeing, as well as reinforcing our commitment to communities, we relaunched our brand in October 2020. We focused on the power of people coming together as a community – to make great things happen.

- 18.6m people saw our television advertising
- Over 4.7m people watched our advert on YouTube
- Our PR activity reached more than 3.5m people across broadcast, trade and consumer media
- During the campaign we generated a 24% increase in traffic to our website
- More than 8,000 registered users for SimplyMe





# SimplyMe

## Small, easy steps that make a big difference to long-term health



We've all, in some way, felt the power of community this year and we put our Purpose into action with the launch of SimplyMe, our new, free to everyone, health and wellbeing app.

SimplyMe helps its users identify small, easy changes that they fit into everyday life, but which can make a big difference to how they feel today and ultimately, to their long-term health.

We worked with our partner HeadUp to develop the app, which connects with a health tracker and uses science-based algorithms to spot patterns. It gives users personalised insights and ideas to help them take small steps to readdress the balance and feel better.

By December 2020 over 8,000 people had downloaded the app. Together they have:

- Taken 1,906,470,019 steps
- Burnt 187,649,669 calories
- Accomplished 7,168,838 minutes of exercise
- Published 215,568 insights
- Completed 29,715 mood check-ins
- Finished 2,076 experiments



"I really like the little goals that you can set yourself to improve your wellbeing overall, reduce your portion sizes and set yourself those small challenges to make the bigger changes."

**Kenna (Lancashire)**



"I really like SimplyMe and the ease of it to be honest. It's given me lots of insights to think about. Am I drinking enough water? Maybe I haven't. I can't stop looking at them!"

**Lorraine (Scotland)**

SimplyMe is improving the long term health of the UK which is so important for healthcare, but it's also good for communities. By simply logging into the app and monitoring their everyday health SimplyMe users are also powering donations to charity and community organisations across the UK. The first charity to benefit from our support was Sported, who are transforming the lives of young people facing disadvantage through sport. You can read more about them later in our report.



# Standing for a healthier world

We're constantly looking inside our organisation to ensure that every working day, every decision, and every action – big or small – not only helps improve the health of our company, customers and communities, but also the health of everyone and everything we hold dear.

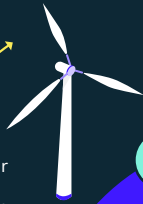
We have ambitious sustainability and responsibility goals and we will always comply with legislation and regulation.

But we also always want to challenge ourselves to do more. To push ourselves even further forward. Because settling for what's good enough, is simply not good enough in our eyes.

We have recently taken the opportunity to re-brand Simplythrive (our sustainability framework) as 'All Together Healthier' aligning our existing goals together under four new headings:

## All Together Healthier

**The health of our business**



We're constantly looking inside our organisation to ensure that every working day, every decision we make, and every action (big or small) not only helps improve the health of our company, customers and communities, but also the health of everyone and everything we hold dear.

Communities matter. That's why we're proud to work closely with people and charities at a local, regional and national level. Looking out for each can be a big gesture or a small offer of help. We're here for it all. With an aim to always do better.

**to benefit society as a whole.**



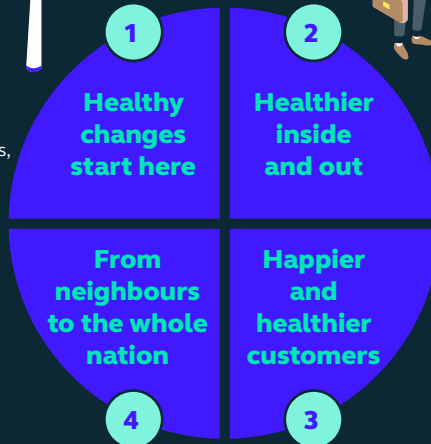
**can help improve the health of individuals**



We mean this both mentally and physically. The health and happiness of all our workforce is always top of our list. After all, feeling good is contagious (in a good way). And when our colleagues feel this way, they pass it on. (Again, in a good way).

When health issues or worries threaten to slow people down, we're here to give fast access to the healthcare they need. And because we believe prevention is better than cure, we'll continue to create quick and easy ways for millions of people to live healthier.

**which keeps communities strong**





# Healthy changes start here: our environmental impact

We're committed to improving the environmental performance of our services. And during the last twelve months, despite the significant disruption of the COVID-19 pandemic, we have made considerable progress against our sustainability targets.

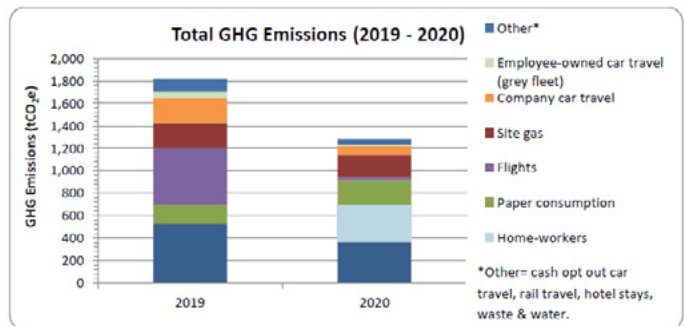
We:

- Hold Carbon Neutral plus certification
- Have removed diesel vehicles from our fleet choice list and started to replace with hybrid and electric vehicles
- Use 100% renewable energy
- Have obtained FSC certification (sustainable paper through all our internal, mail and marketing activities)

We have also progressed towards BCorp certification but chose to delay our application during 2020 reflecting the impact of the pandemic on our business. However we are committed to achieving BCorp certification during 2021.

## Carbon emissions

COVID-19 has had a significant impact on our CO<sub>2</sub> data, with a switch to home working for over 95% of our colleagues and a significant decrease in the day-to-day use of our buildings, whilst travel and events for 9 months has been close to zero. We have therefore included an assessment of the CO<sub>2</sub>e from our colleagues working from home and have included this assessment into our calculations.



**Note:** We appointed Carbon Footprint Ltd to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'. Our GHG emissions have been assessed following the GHG Protocol and we have used the 2020 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the GHG Protocol dual reporting methodology for reporting both location-based and market-based scope 2 from electricity usage. The financial control approach has been used. As a business we have been assessing our carbon emissions since 2019, and have provided this baseline year and last year's assessment results for comparison.



Simplyhealth's total energy consumption for 2019 and 2020 in KWh is:

KWH	2019	2020
<b>Totals</b>	4,370,833	3,032,167

Simplyhealth's 2019 and 2020 emissions in total tonnes of CO2 equivalent is reported in dual format and is:

tCO2e	2019	2020
Market Based	1,295.73	912.52
Location Based	1,821.47	1,283.68

Our Intensity Ratios are:

	Market Based	Location Based
Tonnes of CO2e per employee	1.13	1.59
Tonnes of CO2e per £1m turnover	4.02	5.65

With many of our colleagues not returning to the office in a substantial way throughout 2021, we anticipate that our energy consumption and CO2e emissions will remain lower than average for the majority of the year. However we are continuing our drive to become increasingly energy efficient and will focus our efforts on the following areas:

- The introduction, where feasible, of Electric Vehicles and Ultra Low Emission Vehicles
- Reducing our requirement for print and a move to digitisation



# Healthier inside and out: our One Simplyhealth Team

The health and happiness of our colleagues is hugely important to us. And throughout 2020 we have invested heavily in supporting our colleagues to navigate these incredibly difficult times.

## Mobilising from office working to home working

We were determined to keep our colleagues safe and well, and to ensure they could provide the support our customers would need. So as soon as COVID-19 took hold, we began to mobilise everyone we could to work from home.

In just ten days, over 98% of our workforce was working remotely. Microsoft Teams allowed our colleagues to connect, meet and collaborate and we upgraded our VPN capability to ensure all our colleagues could access our systems.



## Continuing to serve our customers

Our customer-facing teams were immediately issued Chromebooks to allow them to continue to serve our customers. Our office-based inbound call centre changed overnight into a mobile team, working on emails, live chat and responding to customer voicemails.

Our ability to take inbound phone calls took a little longer to deliver, but by July we were fully operational and we achieved this by truly working as One Simplyhealth team.

"I am loving taking inbound calls from home, it is great to be able to help our customers quicker and more efficiently. Customers are really grateful that we are back to taking inbound calls and have said how much they have missed us. Thanks to the delivery of the connectivity kits from IT, I can already see a difference with my system's efficiency which is so important when serving our customers."

Emily S



## Practical support for colleagues to work from home

Our commitment to our colleagues was to ensure they had the right kit to comfortably and effectively work from home over a sustained period. In April we offered a kit allowance of up to £200 per person to pay for equipment such as a monitor, chair, desk, keyboard, footstool, or mouse to improve their home working environment. Nearly 700 colleagues have taken up this offer. Anyone who had specialist equipment whilst in the office such as chairs and desks, could collect this in a COVID-19-secure way and all our colleagues were able to loan office equipment such as monitors, keyboards and docking stations.

We provided further financial support to colleagues with home broadband issues allowing them to upgrade and our IT



team were on hand to help improve their connections. Over the winter months, we gave every person a winter working allowance to cover the extra home costs of heating and lighting.

Finally, recognising that many colleagues may be in a position of having to look after loved ones at home, we offered the chance to work flexibly, buy an additional four weeks' leave, or bank hours.

### A new way of working - keeping colleagues connected

We've achieved so much together as one Simplyhealth team in such a short space of time: experimenting with new ways of working, learning new skills, flexing processes, importantly building trust, and caring for each other in a new virtual way. It's been a true partnership approach.

From virtual colleague briefings, to our new SimplySocial Facebook group, we worked hard to ensure colleagues were able to connect.

We have shared stories from across our business, celebrated successes and updated colleagues on our progress against our business priorities through videos, emails, briefing sessions and via our intranet.

We have also provided regular updates from our leadership team about the changing government advice, and our plans to support our colleagues.

"I don't normally make comments about my places of employment on public forums but honestly feel the need to say something-the support that Simplyhealth has provided to colleagues during this tough time has been really eye opening I've genuinely never witnessed such generosity and compassion from an employer before and I've worked with some great companies/people.

To be able to on-board people working remotely and to create that feeling of belonging to a team where some of them have never even met is refreshing to be a part of and gives me hope for the fast and ever changing work environments we've found ourselves in during this pandemic."

**Sarah M (via LinkedIn)**



### Hello to our new 'Simply Social' private Facebook group

As a consequence of working from home, we recognised our colleagues were missing their informal, social connections, a key element of the Simplyhealth culture.

So we set up a new, private Facebook group for our colleagues to connect, share what's going on in their lives and help each other stay positive and optimistic.

Through the group we have organised a virtual music festival (complete with live acts!), fundraising activities, and challenges to help get our colleagues up and moving while working from home. A massive 60% of our colleagues are part of the group, and we've had some great feedback.



"The steps challenge in July has really inspired me to try & up my steps, something I didn't pay much heed to before. Lockdown or not, Simply Social has been a fabulous idea & I really appreciate all the efforts of my colleagues in running this page - thank you!"

**Natasha O**



### Welcoming new starters - virtually

Ordinarily, each month, our new colleagues meet for a group induction in Andover with colleagues from across the business who share the work we do as a company. In our 'remote working' world we wanted this opportunity to continue. So we created a new agenda with live presenters, pre-recorded videos and an induction booklet.

So far we have delivered virtual inductions to 190 new colleagues.

"Meeting the team **\*\*virtually\*\*** and feeling welcomed was a great start and made me feel appreciated from the beginning. The training online and presentations were very clear and helpful."

**Anonymous, Contact team**  
(via Chatterbox survey)



"I attended a virtual induction in April and I really enjoyed seeing the faces of people who are new like me and going through the same thing. It was great to share so many similar thoughts and stories - we all seem very happy in our teams. It was a reminder to me as well that I am not going through this alone, there are lots of new starters facing the similar challenges to me."

"I am grateful that Simplyhealth was so quick to act and made it possible for myself and other new starters to join the business at this very strange time."

**Holly L, People Team**



### Supporting colleagues' health and wellbeing

We have always been passionate about making sure our colleagues know we are here to support their mental and physical wellbeing. When we launched our newly shaped Health and Wellbeing Strategy in January 2020 to support our 975 colleagues, little did we know that just a few months later, we'd be in a national lockdown due to the COVID-19 pandemic.

In that moment, our colleagues needed us, each other and our wellbeing support more than ever.

We had to quickly rethink our entire health and wellbeing plan for the year. We set about firstly making sure colleagues were safe and then explored how we could better support everyone, during this unsettling and unprecedented time.

In March we launched a new email publication aptly titled, "Wellbeing Weekly"! It provided information, support and tools for colleagues around our four pillars of wellbeing; mental, physical, social and financial wellbeing. Every week around 75% of our colleagues enjoy the read and contribute topics to help each other. We've tried to tailor the content around what our people are telling us they need and value, so we provide practical tips and in depth reads. We've covered challenging topics like coping with loss, as well as more practical advice including looking after children while working from home, nutrition, and tips on how to look after yourself whilst adjusting to a new way of working. We've also enjoyed more light hearted content, such as recipes from some of our Executive Team and ideas for Harry Potter inspired virtual meetings backgrounds! It's been important to us that we emotionally support colleagues, but find moments to have fun too.



### It's time to **ENERGISE YOU!**

In September 2020 we launched our brand new Health and Wellbeing programme – **ENERGISE YOU**. With this significant investment we're taking a longer term view of supporting our colleagues' personal health and wellbeing. We've partnered with 1992 Olympic gold medallist Sally Gunnell OBE, to deliver a bespoke series of virtual events that'll span September 2020 to May 2021.

The ultimate aim is to help every single Simplyhealth colleague to take control of their own health and wellbeing. Whatever their personal goals or ambitions, with our support we can help colleagues to make them a reality. Our colleagues are doing this using their personal wellness journal and action plan.

The eight areas of focus where further support is needed were determined by survey responses from nearly 80% of our colleagues:

- Mental wellbeing
- Managing stress
- Optimising your energy
- Habit formation
- Financial wellbeing
- Sleep
- Nutrition
- Exercise

The programme runs until May 2021 and feedback from our colleagues has been phenomenal.

## Colleague Experience of Wellbeing at Simplyhealth

“ I am very impressed with the various little things that are often going on within the company and have never experienced anything like it elsewhere. ”

“ Since lockdown there has been a noticeable increase in the amount and quality of wellbeing related activity. This needs to continue and a proper focus on mental health in particular is so important, but it needs to be at every level (team leaders, managers etc) and not just HR driven. It needs to become a cultural change for it to be effective. ”

“ Wellbeing has been high on the agenda since lockdown and I feel that this has contributed to feeling that you work for a company **that cares about its employees.** ”

“ I just can't imagine any other business going to the lengths that we have - **proud to be part of the team and the support has been first class.** ”

“ I find SH to be a really positive and encouraging organisation for wellbeing. The recent challenges have been a really good example of that and I'd love to see more. Perhaps encouraging staff who take less physical activity (everything counts etc). I'd like to really praise the comms team for this work as it seems to really have hit the mark. We all need to think about this while working at home now and in the future. There are lots of benefits to do this so we should recognise and encourage them! :) ”

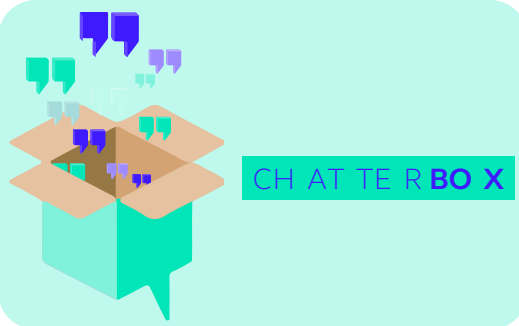
“ As a fairly new employee I am **really very impressed** by measures taken by Simplyhealth to monitor our health, wellbeing and home working environment. ”

“ I think Simplyhealth have done a brilliant job over the last few months encouraging people to use the wellbeing facilities that we have. I've enjoyed learning and being able to help other when needed - **thank you.** ”

## Mental health matters

We offer our colleagues access to an Employee Assistance Programme (EAP) service which has provided vital support in 2020 with nearly 1000 calls to the service through the year. This year we also trained a group of more than 50 colleagues as Mental Health First Aiders (MHFA) across the business. Our volunteers are there to listen and not judge, give support and information and signpost colleagues to appropriate professional help whatever their need.

Jason T, one of our volunteers shared his reason for becoming a MHFA: "Having had my own problems in 2010, what really surprised me was the number of people who approached me at the time to support me and to share their own experiences - this really helped. I was also surprised that many of them were men because there is an expectation that guys don't talk about this kind of thing. That needs to change. I was really pleased to see that Simplyhealth was supporting the MHFA initiative and jumped at the opportunity to get involved if only to show guys that 'it's OK not to be OK'. I'm a great advocate of talking about such issues as openly as possible. We're not counsellors, but we can be that first person someone talks to who understands and wants to help."



## Seeking colleague feedback and continuing to improve the colleague experience

Hearing from our colleagues and acting on their feedback is something we focus on each month and we have continued to listen and respond to our colleagues' feedback through our Chatterbox engagement surveys.

We started the year with an overall engagement score of 5.7 which increased to 7.9 by the end of the year (above our year-end target and industry benchmark of 7.6). We also saw an increase in our wellbeing scores, from 5.3 in January to 8.2 by December. This is a direct result of our continued focus on our colleagues' wellbeing, and shows how, by recognising trends in what really matters, we have made the biggest difference to a colleague's experience.

Through Chatterbox colleagues are able to leave specific comments and feedback anonymously. We recently implemented the ability for line managers to respond directly to those comments, giving the manager and the colleague the chance to have a one to one, open conversation – while maintaining anonymity if that's the colleague's preference. This means that what was previously just one way feedback, can now open into a two way discussion.

Our monthly surveys allow us to spot patterns and implement changes quickly. In October 2020 we spotted that colleagues were telling us that they were feeling overwhelmed with the number of meetings in their diary and some experiencing digital burnout. That's why from November, 'Meet-Free' Wednesday afternoons were introduced, requesting that no internal colleague meetings take place during that time.



## Our future ways of working – looking beyond 2021

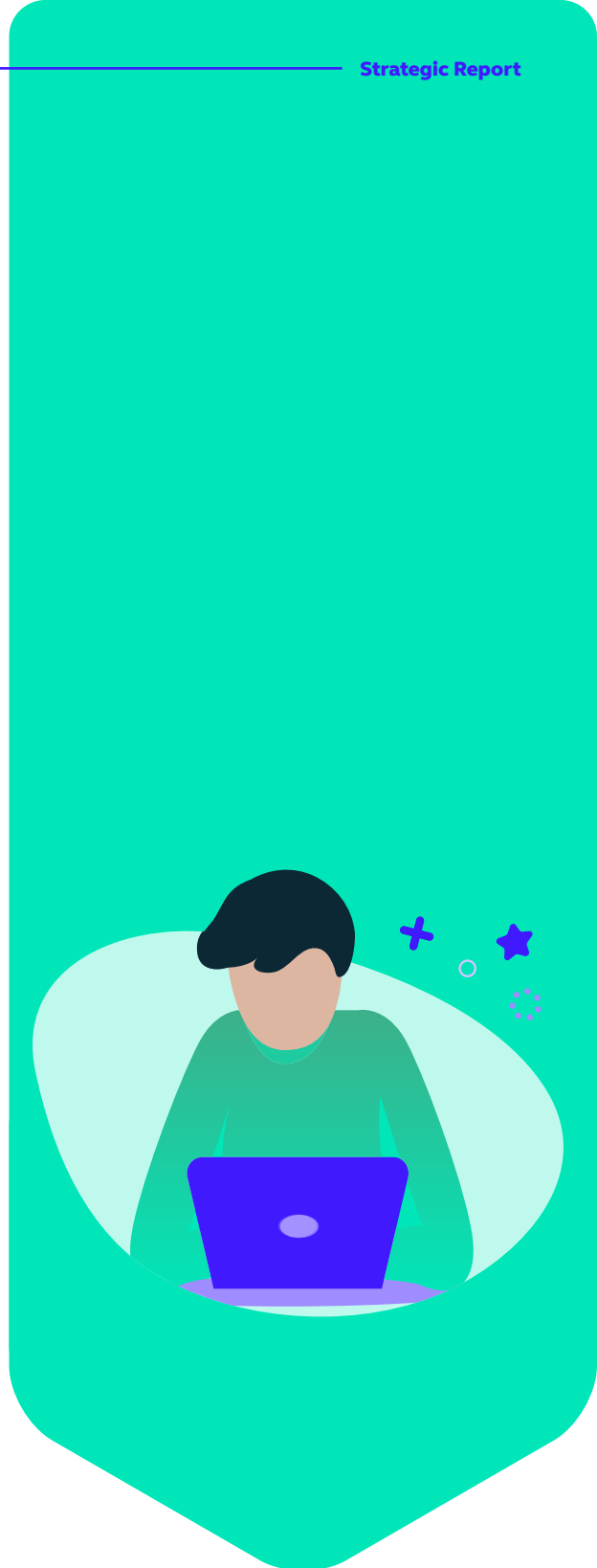
Having shifted our ways of working so dramatically over the year, we are now taking steps to reimagine the future of work – to shape a way forward that is unique to us and meets our changing business needs.

We ran two detailed Future of Work colleague surveys during 2020 which gave us insights into current thinking, preferences and learnings of homeworking experiences. We learnt that 67% of colleagues would like to continue to work always or mostly from home in the future and a further 24% would prefer to work equally in the office and at home. And 84% of colleagues would consider moving to a permanent working remotely contract. This feedback informed a review of our office portfolio and, in November 2020 we put forward a proposal to close our Winchester office. This proposal was agreed in December, so in September 2021 we will leave our Winchester office, and we will be welcoming all Winchester based colleagues to our Andover site.

Over the next 12 months and beyond we'll continue to explore ways to establish a different, more agile way of working for the longer term.

This will include the following:

- A hybrid approach with significantly more homeworking
- Collaboration space in our office for larger inductions, training, team meetings and for safe face-to-face contact as and when needed
- An environment which allows colleagues in the office to connect and collaborate with those working from home
- Continued investment in Microsoft Teams, Office 365 and other virtual collaboration tools to support improved home working
- Increased opportunity for ad hoc office working through bookable desks





# Happier and healthier customers: support through uncertain times

**We have always been clear that our customers' health and wellbeing is at the heart of our Purpose. And when health issues or worries threaten to slow people down, we're here to give fast access to the healthcare they need.**

Because we believe prevention is better than cure, we continue to create quick and easy ways for millions of people to live healthier while helping our customers to navigate the ever changing health landscape.

2020 has seen that health landscape shifting like never before; understandably our consumer customers, corporates clients and Denplan member dentists are under pressure and they need our help.

We are proud that we continue to play a part in supporting our customers' health. We understand and respond to the challenges they're facing in these uncertain times and continue to help them take responsibility for their personal health, the health of their family, their employees or their patients.



## Accelerating the delivery of innovation

With many healthcare providers closed during the UK's first lockdown we worked quickly to deliver a brand new, digital-only, entry level consumer proposition. At just £7.50 per month, the updated Simplyhealth Plan: Level 1 provides consumer customers with access to essential healthcare, from the comfort of their own home via our bespoke Simplyhealth app.

### Level 1 Services include:



Virtual GP appointments, available 24/7



Telephone counselling services, available 24/7



Wellbeing and lifestyle guidance, available 24/7



Physiotherapy assessment and triage, through our app



Claim back prescription costs up to £20



Cover for a range of virtual healthcare treatments, up to £50

Our GP Service has had an 46% increase in remote GP appointments in 2020 compared with 2019. It has also averaged 4500 registrations a month, and 89% of all GP consultations were delivered by video in December 2020 compared with just 2.1% during the whole of 2019.

To complement our new services we also launched a free to access Healthy Living Hub encouraging the prevention of illness through articles, guides, and expert insight on living life to the full. Since its launch in April 2020 more than 168,000 people have visited our pages.





## The impact of COVID-19 on our customers

**Recognising that the impact of the pandemic was far reaching, we put in place measures to further support our vulnerable customers and those facing hardship.**

As soon as lockdown was announced we started to proactively reach out to customers who we knew were vulnerable. Offering our support, and sometimes just a friendly voice to talk to.

We offered customers who were facing financial hardship the option to 'pause their premiums' for a period of 3 months.

However, access to physical healthcare became more difficult as some areas of healthcare were suspended for many months. And while our customers could access many of our online and virtual services, we're aware that our customers may have experienced - and may continue to experience - challenges in accessing healthcare services. This may have led to some people being unable to access some of their benefits allowance.

During this period, the level of claims we have reimbursed has been lower than we would normally experience. However, as healthcare providers have reopened, we are now seeing claims levels improve and the costs of treatments increase.

With the success in the UK's vaccination programme and a return to "normality" as all restrictions are potentially lifted in June 2021 we are hoping that the fear factor will disappear and confidence will return with more customers seeking and obtaining the healthcare treatments and support they need.

At a time when many are reviewing their finances, one of our long-standing customers called our customer services team to downgrade her cover. Molly Dawkins, Customer Options Executive, spoke with her and was instantly aware whilst chatting with her that she was very lonely. She clearly needed human contact at that moment and valued the conversation she was having with Molly - she kept apologising for taking up her time. Molly was sad that the customer felt like she'd inconvenienced us and wanted to do something for her to show that she was, and is, valued. The team arranged for a card and gift to be delivered to her.

The message in the card read:

“ I just wanted to send you a little card to say 'hello'. It was lovely speaking with you on the phone recently and please don't ever worry about taking up our time! We are always here for you, anytime you need us and we always love a good chat.

Thank you so much for your loyalty over the years, you are a very valued customer! I know that times are a little strange at the moment and I hope you are keeping safe and well. I hope this brightens up your day, as speaking to you did mine. Please don't hesitate to contact us if you need anything. ”

**Best wishes, Molly and all of the Customer Options team at Simplyhealth.**

The customer was so touched, she called in, clearly very moved and thankful – in fact, she was in tears. She said that the gesture had made her feel so much better, especially as she's felt so alone recently and has never had a company do this for her before.

“ It's lovely to know we are working for a company that is happy to go the extra mile to make their customers feel valued and put a smile on their face during these hard times. She's remained a customer, feels great about Simplyhealth and values both the plan, the company and how we see her. ”

**Molly D,**  
**Customer Options Executive**

“ I think it's really wonderful that Molly took the initiative to think that this customer could benefit from a little something from us as a company - for being such a valued customer and also taking into account how she feels during the current climate. I think it's lovely that Molly took the time to really listen to the customer and understand how she feels and not only help her from a customer service perspective but also on an emotional level. The customer was so moved and thrilled to have received such a lovely message and gift from Molly and it has really made an impact. This is such a fantastic example of going above and beyond. ”

**Katie S,**  
**Customer Options Team Leader**





## A comprehensive package of support for our Denplan member dentists

**The COVID-19 pandemic has impacted every aspect of life in the UK, with many non-essential services closing their doors in the wake of lockdown. And we saw a huge knock on impact in many medical services, not least for our community of 6,500 Denplan dentists.**

With patients not able to visit their dentist for routine appointments, many of our practices saw their income levels falling dramatically. So we launched the most holistic and comprehensive package of measures of support we have ever offered to our Denplan family.

We first focused on offering a range of financial support measures:



Reducing the administrative fee our dentists pay to us (which is related to the number of patients that are signed up to the Denplan plan)



Offering some special loans for those dentists who are facing real financial hardship. These loans were designed to help dentists with practical issues such as helping them pay for things like the salaries of their furloughed staff, while they're waiting for funds from the Government.



Giving Denplan patients the option to pause their payments for up to three months while they're unable to get routine treatment from our dentists.

Secondly, recognising how difficult many people are finding the current situation, we offered free health and wellbeing support for dentists and their teams. All members of a practice team were eligible to free access to Simplyhealth's 24/7 GP, counselling and advice services which gave dentists and their teams access to confidential support at any time. More than 400 of our practices have taken up this offer.

And finally we also gave our dentists advice and guidance via our COVID-19 Support Hub (which included regulatory and legislative advice) and a series of free webinars, all delivered by experts in their field. On the very day that routine dentistry was ordered to shut-down, a plan was initiated to develop an ambitious online education project. This was designed to help dentists continue their professional development and provide much needed structure to their 'working' weeks throughout this time of crisis.

In the first three weeks over 38,000 dentists have watched the lectures, with a total of over 55,000 registrations for the entire programme. There have also been 35,000 unique visitors to the Denplan branded web portal.



## A £2 million investment in our member dentists

Recognising that access to Personal Protective Equipment (PPE) was difficult for all healthcare providers, and wanting our Denplan member dentists to be able to reopen safely, in May we announced that we're making an unprecedented investment of £2 million in our Denplan business. The investment has been used to buy essential PPE, giving our member dentists the assurance that they'll be able to get the right PPE at the right time to help them get safely back to work and ensure their many patients get the treatment they need.

Nearly 3,000 dental practices took up our offer of PPE and we have had some wonderful feedback.

“Thank you for this extremely practical help. Availability of correct PPE was one of my major concerns. You have no idea how welcome a positive outlook is. Looking forward to the back to work conference. I am so grateful that someone is helping and has obviously listened.

**Sue S**

“Thank you so much this is great news, Denplan looking after us like a family member, helping us to support our Denplan patients.

**Jacobus R**



## Improving our customer experience

**As lockdown started and healthcare providers shut, our customer teams faced unprecedented levels of contact leading to pressures on our service, and a drop in customer satisfaction. We've been working hard through the year to make improvements in our customer service journey and have launched a number of new initiatives that will ultimately improve our customers' experience.**

- Opened a fully remote contact centre meaning that we can always answer customer calls regardless of any new government guidelines on where we can or can't work
- A new web contact form which collects information we need to know to identify a customer as well as the nature of their query. This means we have everything we need to look into it and don't have to make multiple contacts, leading to a quicker resolution for our customers
- Better management of our customers' expectations through the claim journey by providing more frequent proactive updates to them on the progress of their claim

- Launched new online journeys such as the Denplan retention journey which allow customers to self-serve without needing to contact us
- An increase in our team numbers to help us better manage the peaks in contact that we have been seeing as well as introducing new cross-team working to allow us to be more flexible.

Recognising that some of our customers may need additional support with using online services we ensured our customer service teams were on hand to support them 'in person' as well as producing easy to follow video tutorials for our website.



## Customer Voice

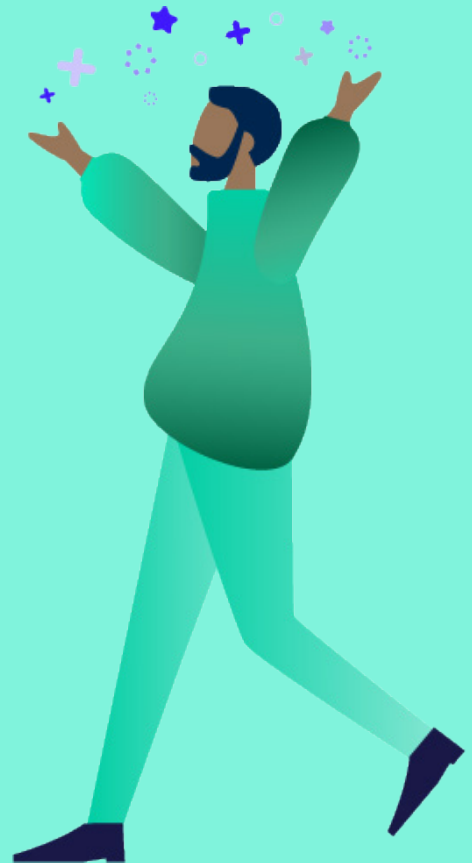
**Our feedback programme Customer Voice has allowed us to monitor and understand the experiences of customers on an on-going basis. We also started to analyse results on a weekly basis which meant we could quickly respond to anything that was causing a problem for our customers.**

Results from our direct customers and corporate client employees dipped when we first went into lockdown 1 due to in-bound phone lines being closed and being unable to access post. But thanks to the improvements we've put in place results improved and we ended the year almost back to the levels seen before the pandemic.

For our dental patients we saw a significant dip from March as dental practices closed their doors and patients looked to cancel their plans or get payment breaks. As practices reopened, our customer satisfaction scores have steadily climbed again.



Feedback through Customer Voice will continue to be used to identify areas where we can make improvements to our customer experience.



## Trustpilot

In 2019 we started to really harness the power of Trustpilot by proactively responding to all reviews posted. Over the course of 2020 we have seen a consistently high level of customer satisfaction for our Simplyhealth customers. However Denplan scores are on the whole lower, with the impact of practice closures being very evident in the negative reviews.

### Simplyhealth:

974 reviews to end of Dec 2020

4.4 score

### Denplan:

229 reviews to end of Dec 2020

3.7 score



### Denplan:

13 Dec 2020

#### Easy & Fast

Simple process, easily understood and fast response. All information is available on line - would recommend it!

9 Nov 2020

#### Good

My experience using Denplan has been great. Been with them a few years now and always had an excellent, no rush experience, and had all the treatment I needed without paying extra.



## Simplyhealth

All together healthier

### Simplyhealth:

24 Dec 2020

#### Making health more accessible

I have been with simply health for a long time. It used to be HSA. It's a great service, worth paying into it once a month. You're claims are dealt with very quickly and very efficiently. Very recommended. It also covers my husband.

22 Dec 2020

#### Want to say a massive thank you to...

Want to say a massive thank you to Simplyhealth for helping me with a difficult experience just before Christmas, especially to Alan, Jenny and Russell. All who handled my issue greatly, and saw that it was resolved right away. I have been extremely stressed and not always the easiest to talk to, but they all handled me with extreme care, ensuring I was ok throughout the call.

17 Dec 2020

#### Simplyhealth excellent service

Simplyhealth make it so easy to make a claim, the forms are easy to complete and uploading documents very simple even for a technophobe like me. Payments made very quickly and securely straight into my bank.

Excellent service





## Our business in 2020

Since 1872, we've continually evolved our business, responding to changing market opportunities and the needs of our customers and their communities, with a core belief at the heart, which is that no-one should go without the healthcare support they need.

In August 2020, we announced our plan to sell our pet health business to focus solely on everyday human healthcare where we can truly make the biggest difference. Further information about the sale can be found in note 13 to the financial statements.

We are confident that our business, focused solely on human health will be stronger. We will continue to evolve, innovate and invest to find new ways to meet the needs of our customers and deliver better health outcomes for more people.

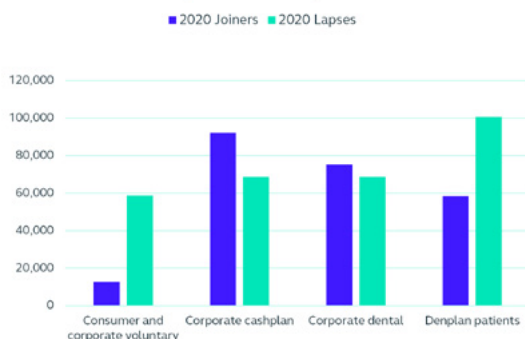
In 2020 we supported over 3 million customers.

Customer type	Number of customers	Volume of claims	Description
Simplyhealth corporate	4,413 corporate accounts	494,338	Helping businesses to support their employees' everyday health and wellbeing.
	497,499 employees covered		Robust data and MI combined with an easy-to-manage service.
Simplyhealth consumer	482,517 customers*	1,318,166 claims	<p>A fast, easy, and stress-free health plan. Round-the-clock access to a GP, and counselling support when you need it.</p> <p>Four levels of plan – all include virtual access to everyday healthcare.</p>
Denplan	6,665 Denplan dentists		Supporting dentists to help maintain their patients' oral health.
	1,355,736 Denplan patients		Business and professional support for dentists.

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

Against a challenging economic backdrop, we have not seen the growth in sales we anticipated at the start of the year, and the continued uncertainty has meant that as we moved through the year we saw increasing lapse levels.

**Customer joiners and lapses - 2020**



However we have made progress in a number of areas and our corporate business has remained solid, with our sales teams working in new ways to help companies support their employees with their health and wellbeing. Corporate sales have continued to deliver growth in 2020 with sales increasing from 2019. Similar to 2019, approximately 650 new clients were on boarded covering over 50,000 policies, including both Dental and Health plan. A major part of this success was due to the team securing 70% of this business between January and April. As expected, business slowed down after this due to the pandemic. However, towards the tail end of the year we saw some encouraging signs that evidenced our corporate clients are more focused than ever on supporting the health and wellbeing of their employees.

## ASTER GROUP

**In May 2020 we were delighted to welcome Aster Group as a new customer.**

Hampshire based housing provider Aster wanted a cash plan that could support their 1,300 employees' mental and physical wellbeing and chose Simplyhealth as their provider.

"We had a cash plan in place for colleagues as part of a wider benefits offering for all, and with good take up of this benefit across the business, we wanted to continue to provide this to colleagues to help support a healthier lifestyle.

Simplyhealth were able to offer us a competitive quote compared to our previous provider, who we had been with for the last five years. They were also able to offer us some enhanced and new benefits (including virtual physio) which we believe, based on claims data, our colleagues will value.

We've found the support we received through the transition to Simplyhealth absolutely fantastic, from group calls alongside our intermediary to regular webinars with our colleagues across the business. The positive, can-do attitude we've had in getting these sorted has filled us with confidence for the future."

**Holly C, Head of Reward and People Operations at Aster Group**

# From neighbours to the whole nation: Continuing to invest in our communities

**Communities matter. That's why we're proud to work closely with people and charities at a local, regional and national level.**

However, the COVID-19 pandemic has significantly impacted charities and community groups throughout the UK, with fundraising efforts being reduced and services scaled back.

At Simplyhealth, we are proud that we have been able to increase the support we can offer to our communities at this challenging time. Our donations have been directed where they are needed most, supporting vital, frontline services that are helping some of the most vulnerable people in society right now. Together, we're helping more people access the healthcare they need.

## At Simplyhealth, we believe a healthy life is a better life

As we did in 2019, we have again donated £1.0m to good causes all focused on healthcare-related initiatives.

But the pandemic has shown how much more we need to do to improve the nation's health. And it's exposed vast inequalities in people's ability and opportunity to live happier, healthier lives. So, we are doubling our effort to help even more people, from every walk of life, improve their health.



### SimplyMe and SportED

**Using SimplyMe, and together with our Simplyhealth community, we're going to partner with a number of amazing charities to help them have even greater impact on the health of the lives of the people they support.**

Charities like SportED, which is transforming the lives of young people facing disadvantage through sport.

For every person who downloaded SimplyMe in 2020 we donated £5 to SportED. A total of £36,000 went directly to support community groups that use sport to make a positive difference for young people in their area.

Vallance Community Sports Association is a group that has directly benefited from our donations. They have been delivering health and sports provisions for residents of Tower Hamlets since 1997. Every year since 2009 over 2000 people with learning disabilities benefit from their weekly programme of sports and physical activities. Our funding has supported them to continue to deliver their activities through the pandemic. This including support with venue and facility costs, in particular to help them pay for more space to ensure they were COVID-19 safe when running their activities.





## Engaging our colleagues to support our local communities

Living our Purpose of being happy and healthy is more important now than ever before. Over the course of 2020 our colleagues have come together to support our charity partners through a series of challenges.

### Supporting the Diabetes UK One Million Step Challenge

Staying active is an important part of managing diabetes. The benefits include helping the body use insulin better, looking after sufferers' blood pressure and helping with joints and flexibility.



As it is estimated that five million people in the UK will have Diabetes by 2025, we decided to use this as our target and challenged our colleagues to collectively walk five million steps just over two weeks. Our colleagues' Step Challenge led to a donation of £30,000, and we also pledged a further £70,000 to support Diabetes UK's response to the COVID-19 pandemic.

Our funding has:

- Supported more than 20,000 people through a 24/7 online forum, helping people with diabetes to feel less isolated, while offering access to essential information and peer-to-peer support
- Provided a listening ear for up to 600 people per day by a team of 22 staff manning phones and answering concerns about diabetes management and accessing medication and food
- Responded to over 800 emails, webchats and social media posts every day

"We would like to thank Simplyhealth for their extraordinary generosity in support of our response to the COVID-19 crisis. Now, more than ever, people living with diabetes need our help. By donating to help keep our services running, Simplyhealth is ensuring that vital support and information is shared by us with the millions of people that need it."

**Chris A, Chief Executive of Diabetes UK**



**DiABETES UK**  
KNOW DIABETES. FIGHT DIABETES.



## 30 Minutes Movement Challenge for the Mental Health Foundation

Research shows that physical activity can be good for our mental health. And during the challenging first months of lockdown, we launched a 30 Minutes Movement Challenge. For every 30 minute movement challenge completed by our colleagues we donated £10 to the Mental Health Foundation resulting in a total donation of £17,620.

As a charity, we focus on projects and research aimed at vulnerable, higher risk groups including BAME men, young mums, the elderly and refugees, as well as publications educating people on mental health. The money you have raised helps us to formulate our COVID-19 response which is updated weekly and has helped people all around the world in how to cope with their mental health during a pandemic. To date our advice has reached over 1.5 million people across the website, Facebook, Twitter, Instagram and LinkedIn.

“We cannot express how thankful we are to you and your company for supporting us, particularly during these difficult times.”



## Andover and Winchester Food Banks

Both Andover Food Bank and Winchester Basics Bank have had their busiest months on record due to COVID-19, distributing nearly double the number of food boxes compared to the same time the previous year.

In September our colleagues launched an activity titled ‘Simply Food Fest’, bringing festival culture, food and healthy recipes together to raise money for Andover Food Bank and Winchester Basic Bank. The community challenge involved colleagues sharing their photos of healthy drinks and dishes. Each photo shared unlocked a £10 donation for the local food banks, raising £2,500 for each charity.

“The ‘Simply Food Fest’ is such a good idea and our thanks to everyone at Simplyhealth for supporting us through this initiative. COVID-19 has impacted everyone but it is particularly hard for those already living with financial insecurity. This support means we can continue to provide emergency food parcels and ensure that no one in our community goes hungry.”

Jenny L, Andover Food Bank





## Colleagues donating their time to support communities and charities



**Give As You Earn:** a way our colleagues can easily donate to charities of their choice directly from their salary - nearly 10% of colleagues donate through Give As You Earn.



**Match funding:** additionally colleagues are match funded for any charity fundraising they do to a maximum of £500 per event. In total we have donated over £11,000 to causes close to our colleagues' hearts.



**Volunteering days:** many of our colleagues take advantage of the three volunteering days a year we offer each colleague. In 2020 we supported our colleagues with both formal, and informal, volunteering opportunities to support those impacted by COVID-19. The effects of the pandemic delayed the planned launch of a new volunteering platform to make it easier for our colleagues to search and sign up to volunteering opportunities. But this will launch in 2021.

## Using volunteering days to support the community

With the unprecedented times the COVID-19 pandemic has created for many communities and charities, many of our colleagues realise how important it is to play a part in helping and supporting others. These are just some of the stories from our colleagues who have used their volunteering days, or their own time to volunteer in the community during the pandemic.

"I've been making headbands for care workers to help ease the pain of continual use of face masks. These went to nursing homes, carers and even driving examiners. I've also made a few cakes to deliver to key workers as a thank you from the community. I delivered to the crematorium and funeral directors, as well as care workers. I really hope it helped to raise spirits."

**Jenny B, Case Handler, Customer Relations**

"I volunteer for the RAF and the Royal Voluntary Service and have been calling several elderly people in the community to check on them and have a little chat. It's so worthwhile when they say 'thank you, you have brightened my day.'"

**Liz M, Advisor, Customer and Client Servicing**

"Since November I've been volunteering at New Beginnings in Reading. Initially at the overnight café which is an open access alcohol and drug free night shelter and more recently at the Community Fridge, a non-referral food bank. The guests come from a variety of backgrounds, some being our previous (and current) rough sleepers but many from the local community who are struggling financially. We try and give out hot food as well as food bank staples, along with some treats if we can."

**Helen G, Head of Shared Services**



# Our partnerships



**England  
Rugby**

**TRUSTED  
HEALTHCARE  
PARTNER**

## RFU: maintaining our momentum

In 2019 we announced our partnership with England Rugby (the RFU) as their trusted healthcare partner, and lead partner of the RFU's safety awareness campaign, RugbySafe.

2020 got off to a great start, with our support of the Six Nations championship, where we hosted a topical and engaging panel event at Twickenham stadium ahead of the England

vs Ireland match. The event focused on how both individuals and organisations can build resilience and cope better with adversity in the workplace and was attended by over 40 senior professionals from a wide range of industries; existing and potential customers.

The pandemic had a momentous impact on Rugby resulting in the game being indefinitely postponed - impacting both elite sport and the community game. The RFU focused on providing support to the grass roots clubs as they themselves became local centres for support for their wider communities.

As a result we changed our RFU strategy and used the opportunity to build our brand exposure with the rugby audience by creating a content series, using our RFU health champions Heather Fisher and Dylan Hartley, which provided helpful guidance, tips and advice from them as they navigated their own lockdown journeys. This content was shared widely by the RFU and the players themselves.

## Ruggerbox: all together healthier

In October 2020 we launched Ruggerbox, goggle-box style content that followed Heather Fisher and Dylan Hartley, as well as up and coming stars the Johns' brothers, as they watch rugby games, comment on the action and discuss the steps they're taking to stay healthy and well.

More than 2.6m people saw the series on our social channels.




salesforce

## Improving our customer journeys with Salesforce

**In September 2020 we launched our new integrated Salesforce platform, which, for the first time, allowed our whole organisation to use the same simpler tools and processes to serve our customers.**

Now we're able to drive a brilliant customer experience, every time they contact us, from the moment they join us. And by having all our customer information in one place, we can provide a better service and get answers to customer queries faster.

The Salesforce technology has allowed us to improve our customer experience in other ways too. Our new digital agents, Digital Dave and Betty the Bot were booted up in April 2020, and they're automatically taking a significant proportion of contacts every day from our customers.

"This has been a project that has seen our One Simplyhealth vision in action like never before, with all our sales, service and marketing teams using the same system. And even better, it's lead us to deliver a better customer experience than we've ever been able to achieve before as we're able to resolve customer queries more quickly, many at first point of contact, and more efficiently.

It gives us a strong, customer-centric foundation on which to launch our future ambitions."

**Rosie Wilson**





# Chief Financial Officer's Report



## Debbie Beaven

At the time of writing this report we are still in the midst of the COVID-19 pandemic and our hopes of being through the worst of it by the end of 2020 were dashed by another lockdown in January 2021 as a result of forecasts of increasing cases and a rising number of deaths taking us to a new peak. However, despite this ongoing health crisis, there are still many successes to celebrate, many of which you will have read about in the preceding pages which show a strong spirit of togetherness resulting in a real sense of pride and gratitude;

**Pride** that our **Purpose**, which is at the core of all we do, has been the rock that has kept us strong to weather the COVID-19 storms and economic fall-out, and the guiding force for all our actions in the year as we supported our customers, colleagues and community partnerships,

**Gratitude** for the loyalty of our customers, colleagues and partners giving us resilience and support for a long and healthy future ahead.

Throughout we have made some good and some great decisions and investments, also accepting that there have also been times when our good intentions and plans haven't quite worked as a result of the changing needs of the nation and directives and narratives

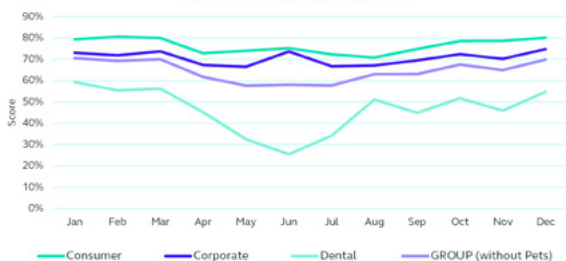
of the government, but all have been with Purpose and customers at their core.

Last year, in my report, I talked about 2019 being a "transformative year", highlighting the progress made in the reshaping of our business, setting us up for the decade ahead ready to deliver on our Purpose more powerfully than ever before. The fantastic progress made in the last few years has been a key enabler for a new way of working in 2020, giving us the resilience and ability to continue to operate and serve our customers at a time like no other in my lifetime, where everyday life was massively disrupted and altered pretty much overnight.

One of our great decisions was the investment of £4.9m in our modern working environment and agile working which enabled us to move our operations into the homes of 99.5% of our colleagues literally overnight. The great global experiment of remote working has now changed attitudes and an element of remote working will be a permanent feature for many businesses, including Simplyhealth. As a result of this change we gave notice on our Winchester office, the only one of our offices to be leasehold and with the support of our colleagues who have adapted to the new ways of working, we have taken £1.4m out of our future annual operating costs.

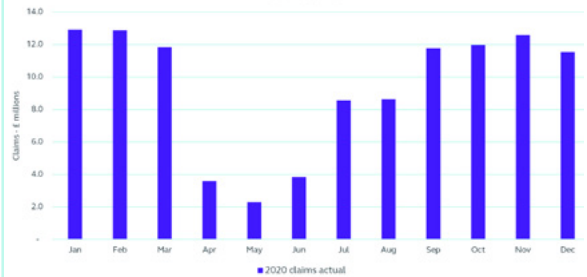
COVID-19 created anxiety, uncertainty and questions for many of our customers, and, like many businesses, this created additional customer contact, which we weren't resourced for in the short term. As a result of our reorganisation implemented in November 2019, when we came together as One Simplyhealth, we had reduced headcount throughout the business providing annualised savings of 17.4% for reinvestment into our continuing transformation strategy, digitisation and growth. As the pandemic impact took hold we were able to move resources from our claims teams (with claims volumes having dropped off significantly) to our customer contact teams. As claims started to return and the level of customer support calls continued to rise we saw our teams struggle to keep up with the volume. Our customer experience scores started to fall and we knew we had to recruit quickly to put things right for our customers. We were able to on-board an additional 45 customer facing people within a few months and our customer experience recovered towards the end of the year. The average Customer Experience score over the year on continuing business totalled 65.0% (2019: 73.0%), and rose to 70.0% in the last quarter. As a result of this experience we have created an outsource partnership to enable us to respond more rapidly to sudden fluctuations in customer contact volumes.

2020 Customer Satisfaction



With access to healthcare severely restricted, other than for emergencies for much of the year, we saw a significant drop in claims incidence. As restrictions lifted and healthcare practitioners adapted to new COVID-19 Secure arrangements customers were able to get treated and claims volumes increased, however as PPE costs were passed on to customers the costs of these treatments also increased.

2020 Claims



As the forecasts on the expected duration of the pandemic lengthen our response to the challenge of customer access and value changed. In March 2020 it was important for us to think beyond the initial three month lockdown and to consider what might happen when healthcare was once again accessible and we thought there might be a late surge of claims in the second half of the year. A COVID-19 response team came together to find ways to explore and recommend ways to support our customers with access to healthcare and to maintain “value for money” plans for our customers. We agreed key commercial principles:

- ✓ To proactively help our customers and corporates to manage their health by using our products/services and we will work with other partners to broaden our offering,
- ✓ To proactively support healthcare professionals, and in particular the NHS (and its workforce) through our products/ services, charitable donations and volunteering programme,
- ✓ To take sensible and balanced commercial decisions that help our customers, corporates and healthcare professionals,
- ✓ Not to take any decision that would negatively impact the reputation of Simplyhealth, and to communicate appropriate messages to our customers, corporates and healthcare professionals that support Government advice and the role we can play to help as many people as possible.

Within this context we agreed funds for:

- Payment holidays and premium waivers on cash plan products to support vulnerable customers and those facing financial difficulties
- Free access to 24/7 GP and digital services for Dentists and healthcare workers
- Securing £2.0m of PPE for Denplan dentists to enable them to re-open and to provide essential Dental care for our Denplan members
- Offering discounted access to Antibody tests through our healthcare partner Square Health, this was a decision that was made with great intention, but as the COVID-19 narrative and health needs changed quickly it didn't have the demand that we originally anticipated.
- Absorbing the increase in treatment costs with a "no quibble" approach on PPE costs whether itemised or not on receipts
- Relaxation of "difficult to get documentation" during the peak of the crisis

During the summer of 2020 social restrictions continued with speculation of further lock downs, which became a reality in the Autumn. Predicting claims patterns with any level of certainty was not possible. The possibility of claims surges once restrictions lift continues to be a factor in our considerations about how we treat the additional profits (referred to as surplus profits) arising from the drop in claims, the majority of which was in the first half of 2020, and the Board agreed to take a two year view and to focus on rebalancing the value equation for our customers and on that basis we set out some principles relating to surplus profits:

- ✓ We do not intend to make surplus profits from the COVID-19 pandemic
- ✓ We will make it a priority to offer substitute value that meet customers' healthcare needs, wherever we can, in order that we fulfil our purpose of improving access to healthcare

- ✓ We will take account of economic conditions, government policies (such as IPT), access to healthcare in the UK and consumer/corporate affordability to inform our decision making
- ✓ We will enhance support mechanisms for vulnerable customers and communicate these as part of our normal business processes
- ✓ Any surplus profits, in year, arising from the pandemic will be excluded from all performance incentive measures and payments for directors and employees.

At this time we still do not know how long the pandemic will affect our lives and access to healthcare, but with the vaccine being rolled out we are more optimistic of a return to "normality" later in 2021.

We've always had high levels of customer retention and 2020 was no different with brand and product loyalty being seen across the whole membership.



Corporate membership (which includes Corporate paid Cash and Dental Plans) grew by 16.5k (2.7%) in 2020. The economic landscape is challenging for businesses and it is likely that we will see more corporate restructuring and some Corporate failures, however the health and wellbeing of employees is high on Corporate agendas with many concerned about emotional wellbeing and we look forward to 2021 with confidence that this will translate into more growth.

Consumer overall declined despite retention holding steady to last year's levels. We held off targeted sales campaigns during the heat of the first six months of the pandemic to focus on supporting our existing customers through our "Protect and Serve" taskforce, the consequence of which was low levels of new business, but good retention levels. In September we launched our SimplyMe app (free to the nation) together with our brand campaign, which gave us an uptick in new business as the year came to a close, resulting in a net reduction in membership of 25.4k (6.7%).

With Dental practices in full lock down for 12 weeks followed by restricted treatments under COVID-19 Secure arrangements it has been a very challenging time for Dentists and patients seeking treatment. Dentists are working hard to get back to full capacity through extending practice hours, creating more treatments space and investing in new technology to improve patient safety, as a result our opportunity to grow the membership has not been their priority, and we ended 2020 with a net reduction in membership of 38.9k (2.7%), however this is now changing. In October we launched our new Denplan Growth contract, which incentivises increased patient penetration in practices, which we expect to generate good growth rates in 2021.

In August 2020 we announced the divestment of our Vets business to Premier Veterinary Group Plc (PVG) to enable us to focus solely on human health and it is now excluded from continuing activities of the business. The deal was completed on 12 October 2020 and the migration of the business commenced through a transition agreement which is expected to be complete by March 2021. The transition plan is on track and at year end, 10% of the independent Veterinary plan members had been successfully migrated onto the PVG platform. The remaining plans are expected to be migrated by the end of April 2021.

Last year we reported that the number of Dental Joint Ventures had increased to 11 with the total of our investment being £7m. In 2020 the number of Dental practices invested in remained at 11 as we decided to take a strategic pause and to consider the future of this model. During this time two of the JVs became 100% owned by Simplyhealth Partnerships and they are now treated as subsidiaries of the Group. All the practices suffered detrimentally as a consequence of the COVID-19 lockdown and subsequent restrictions. Overall our share of profits from the practices reduced and we felt it necessary to impair the investments. This led to a £1.4m loss from the joint ventures and an additional £1.0m goodwill impairment on the two new subsidiaries.

With surplus profits arising from reduced claims costs and in the expectation, aligned to our principles, that this will be rebalanced in 2021, we took the decision to maintain our donations at £1m and to review the prospect of a sum greater than this as we see how 2021 results.

## Business performance in 2020

The results are materially impacted by the reduction in claims throughout the lockdown and the months of social restrictions, as seen on pages 81 and 82.

Income was fairly stable throughout the year as a result of customer retention levels holding up well under the difficult economic conditions. Income only reducing by 0.7%, arising as a result of the decisions we made to support Dentists with reduced administration fees throughout the year and to give assistance to customers facing financial difficulties with premium waivers, together totaling £2.6m.

In our plan for 2020 we would have expected claims to be £151.0m, but in 2020 they were down to £115.9m, a difference of £35.1m. As a result of some of our actions to support customers we had additional costs of sales of £1.8m, mainly arising from the funding of PPE for Dentists.

We were, once again, able to reduce our operating costs, taking them down another £7.1m against 2019. We had reasonable investment gains despite the market volatility and we saw the benefits of the investments made in our technology infrastructure, which enabled us to operate effectively throughout the pandemic, working remotely with no interruption to our business.

As a result the Group made a profit before tax on continuing activities for the year of £21.1m (2019: loss of £12.1m) and the Group recorded a tax charge on continuing activities of £8.1m (2019: £0.1m).

In a “normal year” we would expect to see business performance results to be a reflection of the activities however 2020 was a long way from “normal”.

## Key performance indicators ('KPIs')

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

		2020	2019	
		Continuing operations	Continuing operations	Change
Total customers	'000	2,336	2,384	(48)
Total technical income	£m	210.9	212.3	(1.4)
Claims loss ratio (CLR) <sup>1</sup>	%	55.0	72.7	(17.7)
UK GAAP profit/(loss) before tax	£m	21.1	(12.1)	33.2
Solvency ratio <sup>2</sup> (2020 unaudited)	%	508.0	441.0	67.0
Customer experience index <sup>3</sup>	%	65.0	73.0	(8.0)
Underlying operating profit <sup>4</sup>	£m	46.2	11.7	34.5

### Notes

- <sup>1</sup> The claims loss ratio is calculated by dividing claims incurred in the statement of comprehensive income by the total technical income.
- <sup>2</sup> The Solvency Ratio is defined as Eligible Own Funds divided by the Solvency Capital Requirement. The Group's capital reserves primarily comprise retained profits (page 84 and note 4(f)).
- <sup>3</sup> The Group uses a Customer Experience Index to track its performance in meeting the needs of our customers and the quality of service they receive (page 29).
- <sup>4</sup> Underlying operating profit is designed to illustrate the Group's trading performance on its core activities by excluding 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.



## Technical account

Although total technical income has fallen in the year by £1.4m (2019: a reduction of £15.2m) it is a significant improvement on prior years and in the most challenging of years.

Total claims incurred reduced by £38.4m in the year primarily as a result of COVID-19 restrictions to access for healthcare treatment; (2019 claims increased in value by £1.2m). The claims loss ratio fell by 17.7% to an average of 55.0% during the year (2019: CLR was 72.7% up 5% on 2018) however, the CLR rose to 70.9% by Q4. Of the reduction in claims cost, £2.2m is primarily as a result of the reduction in membership numbers and £36.2m to the impact of COVID-19.

As a result net technical income after claims fell to £95.0m (2019: £58.0m).

### Technical income and claims incurred (continuing activities)



## Underlying operating profit

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. It is designed to illustrate the Group's trading performance on its core activities by excluding 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.

Clearly this year's result is impacted by the fall in claims as referenced on page 81.

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

	2020 Continuing operations £m	2019 Continuing operations £m
<b>Statement of comprehensive income:</b>		
<b>Profit/(Loss) on ordinary activities before tax</b>	<b>21.1</b>	<b>(12.1)</b>
<b>Adjustments</b>		
Add back donations	1.0	0.8
Add back amortisation of goodwill and other intangibles	13.1	13.0
Exclude investment return	(4.2)	(8.3)
Impairments	5.3	(0.1)
Add back revaluation loss	0.2	0.5
Add back corporate transformation expenses	6.7	10.4
Add back reorganisation costs	0.9	7.5
Cost of closing the Winchester office	2.1	-
<b>Underlying operating profit</b>	<b>46.2</b>	<b>11.7</b>

The underlying operating profit for the year of £46.2m (2019: £11.7m) shows a result materially impacted by the significant reduction in claims costs from March through to October, albeit without that there would still have been a profit generated from trading activities.

## Investment returns

The impact of COVID-19 flowed through into investment markets around the world with equity markets falling between 10-15% in March of this year as the pandemic spread across the globe. The Simplyhealth portfolio was well positioned for this event and while not immune from losses in the period, we saw the value of our assets increase in the first half of the year as markets sought high quality investment grade assets such as those contained within our Core Fixed income Fund. During the year we have constantly been working with our advisors and monitoring markets and while equity markets bounced back in the second half of the year as a result of the unheralded economic stimulus

packages and confidence in potential vaccines, to have invested in these markets would have been at increased risk and volatility in values when the fundamental economic environment remains uncertain. As in prior years as a business we do not seek to make short term decisions around investments and place the business at risk rather to invest in longer term economic fundamentals.

During the year 2020 the Group received investment income of £3.0m (2019: £2.9m). At 31 December 2020 market value of the Group's total investment portfolio was £201.8m, an increase of £28.6m from 31 December 2019. The movement on investments is explained below:

	Debt and other fixed interest securities	Derivatives	Total
	£m	£m	£m
<b>Opening balance</b>	<b>172.3</b>	<b>0.9</b>	<b>173.2</b>
Net purchase of debt and other fixed interest securities	21.9	1.1	23.0
Losses on realisation of investments and derivative settlements	0.0	(1.1)	(1.1)
Unrealised gains on investments and derivatives	3.5	0.3	3.8
Other investments	2.9	0.0	2.9
<b>Closing balance</b>	<b>200.6</b>	<b>1.2</b>	<b>201.8</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 2020 is a reflection on market movements rather than issues specific to our portfolio. The realised and unrealised gains of £2.7m (2019: profits of £6.1m) represents a decrease of £3.4m from last year; 2.0% of the portfolio value.

## Cash flow

The Group's cash and cash equivalents increased by £4.0m during the year (2019: £3.7m). Our operations brought an inflow of cash of £28.2m (2019: £3.2m) primarily as a result of the fall in claims. These funds were moved into our investments. A further £1.5m (2019: £2.7m) 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 purchases of investments totalled £21.9m (2019: net sales £9.8m) as outlined above.

On 31 December 2020 the group held cash and cash equivalent balances totalling £48.4m (2019: £44.4m). All of the group's other financial liabilities, which comprise accruals, trade and other creditors total £27.5m (2019: £33.6m).

## Solvency

The strength of our reserves and solvency II ratio of 508.0% (2019: 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. Capital headroom increased by £33.9m (2019: £4.7m), reflecting the statutory result. 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).

Our Own Risk and Solvency Assessment demonstrates a robust capital strength allowing us to absorb substantial shocks and still retain significant headroom above our capital holding requirement. We have tested our solvency with a number of scenarios including large membership lapses, financial market shocks, various levels of economic downturn including claim risks resulting from the pandemic. In all these scenarios our solvency position remains secure.

## Solvency position – capital surplus

The Group remains in a strong solvency position at the end of the year with Eligible Own Funds of £245.5m (2019: £211.1m) compared to its Solvency Capital Requirement ('SCR') of £48.3m (2019: £47.9m), giving a solvency ratio of 508.0% (2019: 441%).

Capital headroom of £177.9m (2019: £144.0m) 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 60.

## Taxation

The Group recorded a tax charge of £8.2m in the year (2019: tax charge of £0.5m). The tax charge is higher than the effective rate of corporation tax of 19% as certain costs, such as the goodwill amortisation and investment impairments, are not allowable as expenses for tax purposes.

The Group has a tax creditor of £1.1m (2019: debtor of £0.4m) which represents the balance of corporation tax payable on account.

In the spirit of the Simplyhealth Purpose and the tax strategy that is based on a culture of social responsibility we did not apply for any grants from the COVID-19 Job Retention Scheme.

**Debbie Beaven**  
Chief Financial Officer

# Corporate Governance

## Incorporation and constitution

Simplyhealth Group Limited is a company limited by guarantee.

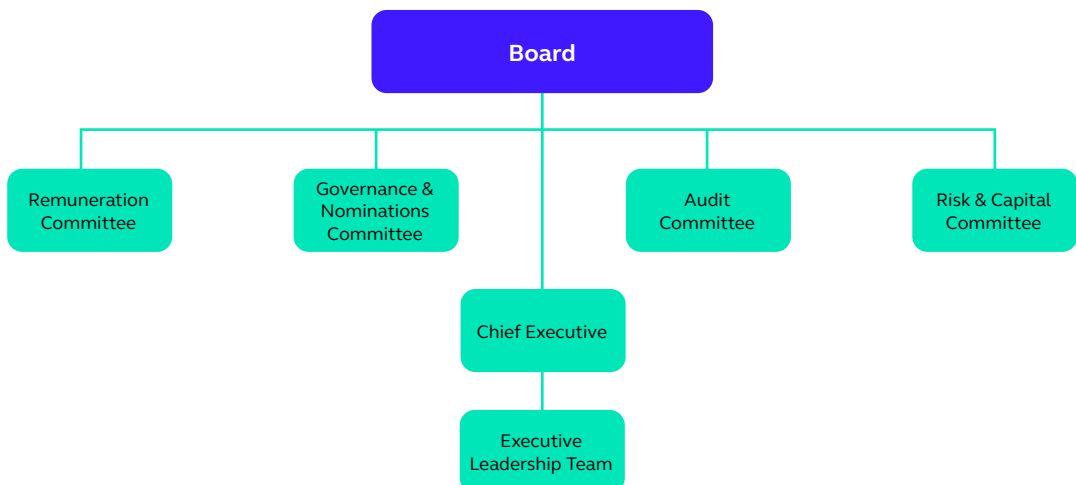
Our system of governance is designed to ensure that we are well positioned to continue to deliver our Purpose while effectively managing risk. This system is reviewed annually by the Board. As Simplyhealth has neither shareholders nor a requirement to distribute profits to members, the roles of voting 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 T Dunley-Owen)	<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 **67-68** 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.

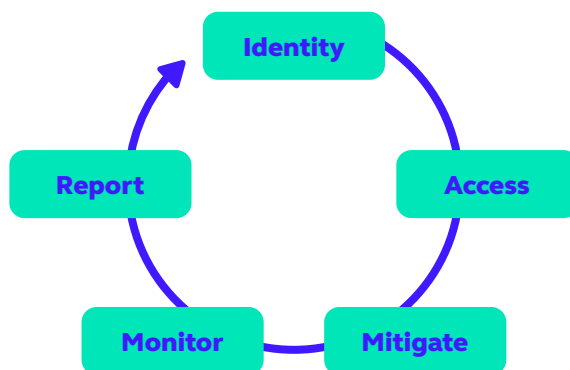
Our approach to risk management consists of the following components:

- 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.
- 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

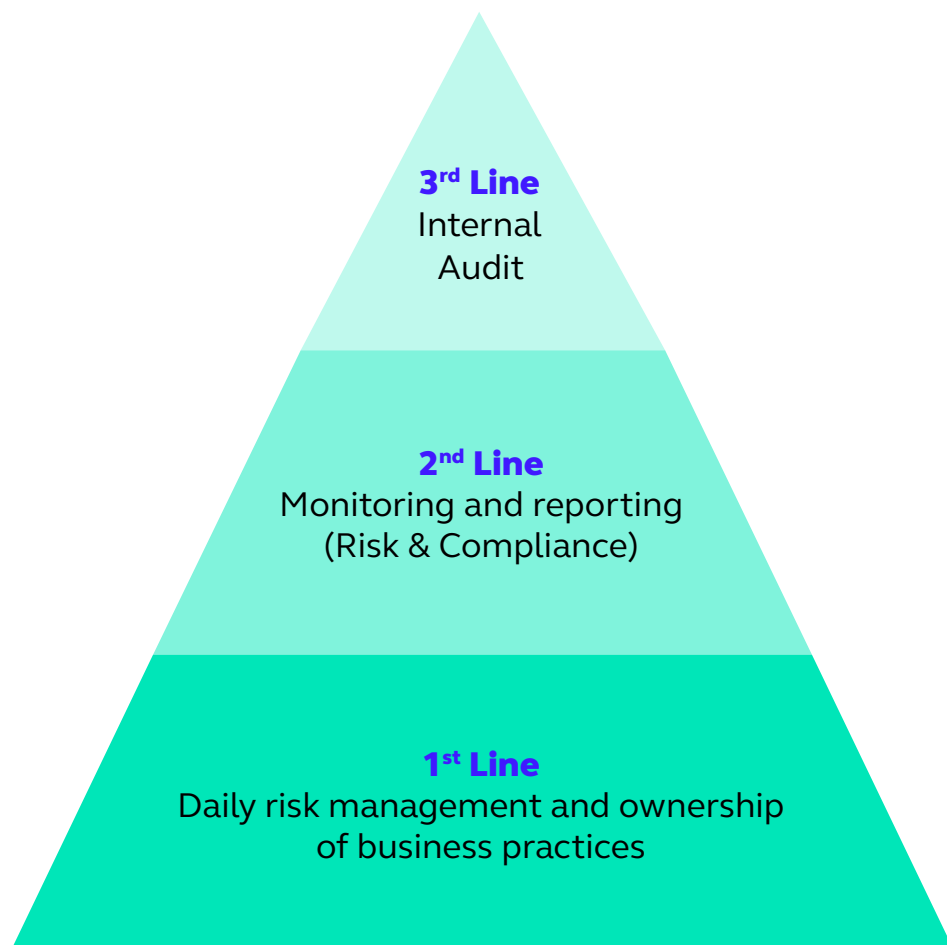
We maintain a risk management framework which links our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites.

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.





### Daily risk management and ownership of business practices

# 1<sup>st</sup>

## line of defence

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

### Monitoring and reporting (Risk and Compliance)

# 2<sup>nd</sup>

## line of defence

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

### Internal Audit

# 3<sup>rd</sup>

## line of defence

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

## 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

## 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, including exceptional circumstances throughout the pandemic, regulatory changes and an uncertain economic environment; and
- The business strategy, which focuses on developing existing businesses, creating new opportunities and delivering sustainable returns, with a focus on developing outstanding customer relationships with products and services that meet our customers' needs 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 Own Risk and Solvency Assessment (ORSA) process and reporting to the Risk and Capital Committee.

In addition to monitoring the principal risks Simplyhealth monitors a number of material 'enterprise risks' which if crystallised could adversely impact on the delivery of the strategy.

Risk Description	Mitigation	Change in year
<b>Systems &amp; Infrastructure</b> There is a risk that our core infrastructure becomes outdated limiting our ability to deliver our strategic objectives and serve our customers.	We have incepted a simplification programme which will replace or upgrade our IT infrastructure over the coming 3 years. Key to this is an upgrade of our insurance policy administration platform. In addition to improving resilience, the programme will reduce cost and complexity which will help enable future growth.	↔
<b>Growth Initiatives</b> There is a risk that Simplyhealth is unable to capitalise on growth opportunities and/or respond to competitor threats.	During 2020, there were periods where access to healthcare services was restricted creating downside risk to our growth initiatives. However, the current environment is an opportunity for growth. We continue to invest in our brand, new products and new services to meet the changing needs of our customers, including through the identification and development of new strategic partners/distributors.	↔
<b>Capability</b> There is a risk that existing capability is insufficient to deliver the transformation and growth strategy.	We continue to assess our capability requirements whilst balancing staff welfare. It is vital for the successful delivery of our strategy that we ensure we have the appropriate skilled resources; in particular, our strategy will require a significant increase in digital skills and experience. During the year we have amended our approach to recruitment given the challenges presented by the pandemic delivering virtual recruitment and on-boarding processes.	↔
<b>Claims Risk</b> There is a risk that customer claims will be higher than expected due to higher claims costs and uncertainty of demand during the pandemic.	We continue to monitor claims volumes closely and conduct stress tests to ensure that we are able to meet our liabilities even in severe scenarios. A degree of claims inflation due to the cost of PPE was expected. However, the risk has deteriorated due to the pandemic increasing the uncertainty in the volume and size of claims during the period.	↑
<b>Clinical Risk</b> There is a risk that Simplyhealth is subject to increased clinical risk as a result of the introduction of new products or services and/or it is perceived by our customers or stakeholders that we are providing clinical advice.	We continue to minimise our exposure to Clinical Risk. Simplyhealth do not directly provide customers with a clinical opinion, all clinical opinions are provided by 3rd parties and partners.	↔

Climate Change Risk continues to be monitored by the business, both the impact on our day to day activities and how threats may emerge in the medium and long term horizon. The current impact on Simplyhealth is deemed to be low.

## 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 a comprehensive understanding of Simplyhealth’s financial resilience, following consideration of a range of plausible, yet severe scenarios relating to the achievement of the company’s strategic ambitions.

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 as a minimum on an annual basis and where there are any material changes to the business model.

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” and transitional impact

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 complete on the Transition Arrangements, with the exit from the EU being effective 31 December 2020. The new EU/UK Trade and Corporation Agreement which includes the Free Trade Agreement was agreed on 24 December 2020 and has been included in the assessment below.

When completing the assessment of the potential impacts of Brexit, we have completed both direct and indirect impact assessments. The Group completed a revised assessment throughout 2020 and continues to do so in 2021 and have 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;
- We do not expect the impact to affect the ability to serve our customers;
- Adverse transitional arrangements from 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 remains within a fixed income portfolio, reflecting the economic uncertainty that exists.

In addition the assessment concluded that like any business, future performance will be impacted by the general macroeconomic conditions.

## COVID-19

The continued spread of COVID-19 across the world has created an unprecedented impact upon businesses and communities.

Our priority in responding to events has been to ensure we are 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, which is reflected in our employee engagement scores, which are the highest they have ever been.

The financial impact has been closely monitored as events unfolded, whilst we saw a significant reduction in claims during the first lock down, we saw a steady increase in claims costs back to pre-COVID-19 levels from June onwards, and although incidence levels have not yet fully returned as a result of continued COVID-19-secure practices, treatment costs have increased. Whilst we expect that incremental lockdowns will reduce claims in the short term, we anticipate that there will continue to be a continued increase in capacity in the healthcare provision providing for improved access for all our customers, albeit at a higher treatment cost. 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.

Our Risk Management System has been tested by the COVID-19 crisis and has proven to be robust and is operating effectively. COVID-19 tested a number of risks for the business, including business continuity planning, as we moved to remote working throughout the year we have used this risk process to identify and manage these risks. We will continue to do so as we remain primarily home working in 2021, and then look to return to more office working in 2022 as lockdown restrictions ease.

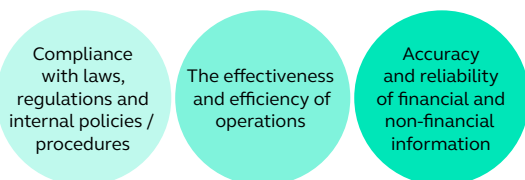
The long term impact of COVID-19 remains uncertain, though we do know that people have become more aware of their underlying physical and mental health, becoming increasingly open to the use of more digital services such as 24/7 GP. We will seek to enhance our products to support the ever-changing demands of our customers and provide them with the more digital 24/7 healthcare solutions.

Operationally we anticipate that our teams will seek to continue to deliver levels of customer service that people expect, working in both office and remote locations, and we will support our people in this flexibility just as we support our customers in these times. Financially markets have been volatile through the pandemic we expect that at least in the short term interest rates will stay low and this will lead to depressed investment returns in coming years. Simplyhealth will seek to deliver above inflation reserves however capital preservation remains a core objective rather than focus on return seeking assets such as equities.



## Internal control system

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



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

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

## Group Risk Function

The Group Risk Function is responsible for developing and overseeing the framework for identifying and managing risk across the Group. The Enterprise Risk Management Framework is approved annually by the Board and supports the identification of all strategic, financial, operational, regulatory and non-insurance risks across the Group, including the primary risk exposures which are considered as part of our ORSA process and reporting.

The Group Risk Function is responsible for ensuring the Board has visibility of the key risks which the Group is subject to which is facilitated on a quarterly basis with a formal risk report presented to the Risk and Capital Committee. The Group Risk Function owns and manages the delivery of the ORSA.

## Group Compliance Function

The Group Compliance function is responsible for the identification, interpretation and assessment of emerging and current regulatory, conduct and data protection risks which may impact the Group. The possible impact of changes to the regulatory and legal environment is considered on an ongoing basis and reported to the Risk and Capital Committee and Board.

Group Compliance owns the Compliance Monitoring Plan which details the schedule of activities which the team undertake to provide assurance to the Board and Senior Managers that the risks are being appropriately managed. The plan enables the Group Compliance Function to provide oversight of key Compliance changes driven through regulatory change, along with sampling to ensure fair customer outcomes and regulatory adherence by the business.

The Group Compliance Function owns the Compliance Policy for the Group. This policy is approved annually by the Board and outlines how the Group complies with key regulations, including the Senior Manager and Certification Regime requirements.

The Chief Risk Officer (CRO) leads the Group Risk and Group Compliance Functions. The CRO has a formal reporting line to the CEO, but there are open communication lines with the Non-Executive Directors. The CRO has private meetings with the Chair of the Risk & Capital Committee in advance of Risk & Capital Committee meetings without the presence of Executive Directors.

## 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, with the next review due in early 2021.

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, enhance governance and by providing constructive and commercially astute advice to help management improve processes and controls.

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

- The development of an audit plan of activity based on an understanding of significant risks facing the Group;
- Periodic reports summarising the progress against the audit plan, the adequacy of Internal Audit resource and the results of audit activities against defined measures. The audit plan considers an immediate timeframe of activities for the coming six months, but is reviewed quarterly to reflect changes within the organisation, any unplanned events which may occur and emerging risks;
- Reporting of significant control issues / trends; and
- An annual assessment of the adequacy and effectiveness of the organisation's systems of internal control, based on the audit work performed.

Internal Audit's working practices and outputs generally 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 at least annually 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 outcome of the most recent external quality assessment review was presented to the Audit Committee by the Chartered Institute of Internal Auditors (IIA) 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. Auditors recruited internally do not review activities or functions in which they have been involved in the preceding 12 months. The work performed by the audit team is also monitored for potential threats to its independence and objectivity, and is subject to regular internal quality assurance reviews and periodic external assessment. Where the audit involves areas of specialist activities the use of outsourced experts is included to ensure a high integrity of audit.

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

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

## Group Non-Financial Information Statement

This separate statement has been compiled in accordance with the Companies Act 2006, Section 414C.

Environmental Social and Corporate Governance (ESG) is managed through the board committees covering all aspects of sustainability including the impact on society and climate change. The committees ensure that ESG is integrated within all operations, processes and investment decisions.

The preceding report already contains non-financial information and reflects our material sustainability issues including the key performance indicators we use to manage these in our business. This statement supplements and cross references to the report.

### Company overview and business model

The Group provides healthcare insurance to individuals either directly or through their employer and also provides dentists and their patients with the administration of dental capitation plans.

Operations are carried out using two main trading companies, Simplyhealth Access and Denplan Limited, and a centralised organisation, Simplyhealth People Limited, which employees staff and carries out contracting and procurement activities.

The majority of operations are conducted in the United Kingdom.

### Environmental matters

We continuously monitor the impact the environment has on our business and the impact we have on the environment. We are committed to the management of our environmental performance by reducing pollution and other impacts on the climate. Further details of our environmental management and the KPI's we use is explained on pages **14 and 15**.

## The company's employees

Our employees are our most valuable asset and key to the success of the Group. We focus on our ability to motivate and engage our employees providing them with an equal opportunity to develop within a diverse environment that encourages collaboration and respect for each other.

Our employee wellbeing was a primary concern throughout the COVID-19 pandemic. Further information on how we dealt with the pandemic and how we support our employees can be found on pages **16 to 21**.

## Social matters

We look to provide a positive impact on society by bringing affordable healthcare to the wider population and our insurance model allows us to provide an increasing number of benefits to our members. Each year we continue to donate a significant amount to charities that in turn is used to improve wider social wellbeing. We have provided details on pages **22 to 30** on how we have supported our members through the COVID-19 pandemic.

## Respect for human rights

We apply key human rights principles throughout the organisation and through our vendor selection screening processes we ensure that all key partners and suppliers also uphold those principles.

## Compliance, Anti-corruption and anti-bribery matters

Our risk management framework is designed to ensure compliance with all international laws, rules and regulations and to develop a culture of integrity that protects the Group's reputation.

Our risk management function is described on pages **54 to 60** and includes a summary of the principal risks. We also include our anti-corruption and anti-bribery processes on pages **63**.

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



**Romana Abdin, Chief Executive**  
**31 March 2021**

# Directors' report

The directors present this report together with the Strategic Report, Financial Statements and Auditor's Report for the year ended 31 December 2020.

## Directors

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

**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  
(resigned 30 June 2020)

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

**J N Maltby** | Non-executive

**R Abdin** | Chief Executive

**K Piggott** | Non-executive  
(resigned 3 June 2020)

## Secretary

The company secretary who served during the year and up to 28 February 2021 was:

**J Jansen-Alder**  
(resigned 28 February 2021)



**G Baldwin**



**D J Beaven**



**T Dunley-Owen**



**R Gillies**



**M A Hall**



**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 with Section 172

The directors review the principal stakeholders on an annual basis through the board committees meetings. 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.

We believe that we will only be successful in achieving our purpose by having people with passion and commitment from every ethnicity, social background, religion, gender, sexual orientation, age, or disability, as well as diversity of thought. People matter at Simplyhealth and we want to create an inclusive culture where diversity is a given and that allows each and every individual to grow and be the best they can be.

Equality, Diversity and inclusion is an important part of Simplyhealth's agenda and values. We are committed to supporting, developing and promoting diversity and equality in all of our employment practices and activities and aim to establish an inclusive culture free from discrimination and based on fairness, dignity and respect. We will do this by providing everyone with access to facilities, personal and career development opportunities and employment on an equal basis regardless of race, nationality or ethnic origin, disability, age, gender, sexual orientation, pregnancy or maternity, transgender identity, religion or belief. This relates to prospective employees too.

We continue to seek feedback from our employees through regular surveys and consultation groups as detailed on **page 20** of the strategic 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 22 to 30 of our annual report.

## Suppliers and Partners

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.

## 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 **34 to 39** and **12 to 15** 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 consider that they have both individually and collectively through exploration and debate 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 2020. It has been a challenging year, with short term and urgent decisions in response to the pandemic as well as significant medium term and longer term decisions as we move forward with our strategy.

## The impact of COVID-19

Simplyhealth makes it easy for millions of people to access healthcare services and support. And this year more than ever, the health of our customers, and their families has been at the forefront of our minds.

From the start of the pandemic through to the end of the year (and beyond) we have made important decisions and taken urgent action when needed to ensure we provide support and value to our customers:

- We've made new health services available, including a new entry level product that customers can access our virtual GP, counselling and advice lines anytime they need
- Our website has hosted articles, tips and videos to support your wellbeing every day
- We've launched SimplyMe, our new app, to help customers take their health into their hands and give advice and encouragement to manage their emotional and physical health
- Initially during the first lock down we were not able to offer in-bound telephony and replaced it with a message service and outbound calling for a short period. We also, due to increased volumes and call complexity experienced some delays in our speed of response during the summer. Claims were paid throughout the period, however some delays were again experienced with corporate dental claims following the lockdown of our India service provider and the repatriation of that work. Whilst we did experience some delays in service, all services remained available throughout the year. Normal service was resumed across all our businesses during the autumn and winter
- We have maintained service levels, and ensured our most vulnerable customers get support quickly by mobilising our workforce of over 900 people (including all contact centre colleagues) to work remotely throughout the period of lockdown.

Throughout the pandemic we were acutely aware that customers experienced challenges in accessing healthcare services, so we have provided flexible options for our customers.

After a period of suppressed claims, resulting from the restricted access to healthcare we are now seeing a trend of claims costs returning back to normal levels. With the impacts of the pandemic continuing to be felt we intend to:

- Freeze consumer price increases at least until 30 June 2021
- Offer support to vulnerable customers both by prioritising them within our contact centre as well as offering flexible payment terms to ensure they are able to continue access to healthcare
- Carry higher claims costs in 2020 and 2021 as we absorb the costs of higher healthcare including PPE surcharges and increased healthcare practitioner costs
- Provide free access to our health and wellbeing app SimplyMe.

The support we have given our Denplan member dentists was financial, emotional and practical as we introduced a number of new measures to help them manage the impacts of the pandemic on their practices and to support patients:

- Provided financial support through extended loans to support practice sustainability
- Invested £1.8 million to provide essential, fully-certified, personal protective equipment (PPE) to help our Denplan member dentists get safely back to work and protect and care for their patients
- Supported the health and wellbeing of dentists via free access to Simplyhealth's 24-7 virtual GP and Employee Assistance Programme for practices

- Delivered ongoing CPD and professional development. This has included hosting a wide range of online lectures and webinars with expert guest speakers, as well as creating online versions of Denplan's Tailor Made Training bespoke in-practice training programmes.

2020 has highlighted how important healthcare is to us and with the rollout of vaccines in 2021 and the potential easing of lockdown restriction we will see new risks face the organisation and our members. We will continue to support and adapt our policies and procedures as we have done in 2020, to ensure that we deliver benefit to all our stakeholders in 2021 and beyond.

## Regulators and Government

We have monitored the advice of regulators and engaged with them on the actions we have taken to support customers during the pandemic.

While the government offered a range of support measures for businesses, we made the decision early in the pandemic that we would not use any form of government support on the basis that we have strong reserves and we were likely to see surplus profits in the short term as a result of restricted access to healthcare.

## Our Investment Strategy

An Investment Working Party was set up through delegation from the Risk and Capital Committee to consider our investments and any changes to our portfolio throughout the pandemic. Throughout the year the decision to remain in the Core Fixed income Portfolio was re-confirmed, thereby removing us from the extreme volatility of the equity markets.

For our customers this means we have safeguarded our assets through periods of significant market volatility, while delivering a positive return, and from a regulatory point of view our decision means we are maintaining the strong capital position of the group, through a cautious investment approach in these uncertain times.

## Tax Strategy

The following strategy relates to the financial year ended 31 December 2020 as required by paragraph 16(2) schedule 19 of the UK Finance Act 2016.

Simplyhealth 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 tax risk appetite for the Group. 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. We currently adopt a low risk approach and ensure that we are compliant with all applicable laws and practices.

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.

## Sale of Animal Healthcare

The Board made a strategic decision in late 2019 to focus solely on human health and the direction was set to find a good home for the Vets business. We started our explorations in early 2020, which culminated in an announcement, in August 2020, of the sale of the Animal Healthcare entity and operations to Premier Veterinary Group plc (PVG), a Bristol based player in the market, operating in the UK, Europe and the US.

We had been exploring the best home for the business to ensure our Corporate Clients and Independent Vet Practices as well as colleagues would be moving somewhere that would continue to support them with new technology and services.

The sale has now completed and we are committed to ensuring a smooth, seamless handover for our veterinary practices, in line with our principles and regulatory guidelines.



## Our Property Strategy

One of the strategic choices we made in late 2020 was the decision to close Simplyhealth House office in Winchester on 28 September 2021 when our current lease is due to expire. With the sale of the Vets business, the feedback from colleagues that they like working from home and our ability to support customers remotely or from our Andover offices (whenever we return) this is the right decision.

84% of our colleagues say they'd like to be either partly or fully based from home and we are taking this opportunity that to look at our future ways of working within Simplyhealth and determine how much office space we need. This work has not yet been concluded.

A reduction in our office space will not detrimentally impact the level of service we provide to our customers, and we will continue to support local based charities. It will support us in reducing our carbon footprint and environmental impact.

## Research and Development

During the year we commenced work on a replacement policy system to update the aging architecture, together with the work in creating the Simplyhealth Hub which is reported on page 23, this will increase operational efficiency, improve the customer experience and support future growth.

## Use of financial instruments

The financial risks management objectives and policies are included in note 4 of the financial statements. The derivatives are allowed for the purpose of risk mitigation or seeking active risks as part of efficient portfolio management.

## Dividends

The company does not have any shareholder and therefore no dividends are proposed.

## 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**

During the year an audit tender process took place. Deloitte LLP were appointed as the Company's auditors and has expressed its willingness to continue in office.

By order of the Board

Hambleden House  
Waterloo Court  
Andover  
Hampshire  
SP10 1LQ



**Romana Abdin, Chief Executive**  
**31 March 2021**

# Directors' Responsibilities Statement

## Year ended 31 December 2020

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

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Simplyhealth Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

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).

#### 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 Financial Reporting Council's (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.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

## Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, risk and compliance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and the regulations of the Prudential Regulation Authority and the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as tax, actuarial, IT, and financial instruments specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority and the Financial Conduct Authority.

## Report on other legal and regulatory requirements

### 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.

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.
- We have nothing to report in respect of these matters.

## 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.

### Andrew Holland, FCA

(Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, UK

31 March 2021



# Financial Statements

## Year ended 31 December 2020

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# Consolidated statement of comprehensive income

Year ended 31 December 2020

TECHNICAL ACCOUNT – General business		Continuing operations	Discontinued operations	Total 2020	Continuing operations	Discontinued operations	Total 2019
	Note	£m	£m	£m	£m	£m	£m
<b>Earned premiums</b>							
Gross premiums written		207.1	0.0	207.1	214.7	0.0	214.7
Change in the gross provision for unearned premiums	23	3.8	0.0	3.8	(2.4)	0.0	(2.4)
<b>Total technical income</b>		<b>210.9</b>	<b>0.0</b>	<b>210.9</b>	<b>212.3</b>	<b>0.0</b>	<b>212.3</b>
<b>Claims paid</b>							
Gross claims paid		(113.0)	0.0	(113.0)	(154.6)	0.0	(154.6)
<b>Change in the provision for outstanding claims</b>							
Change in the gross provision	23	(2.9)	0.0	(2.9)	0.3	0.0	0.3
<b>Total claims incurred</b>		<b>(115.9)</b>	<b>0.0</b>	<b>(115.9)</b>	<b>(154.3)</b>	<b>0.0</b>	<b>(154.3)</b>
Net operating expenses and other charges	5	(53.1)	0.0	(53.1)	(58.4)	0.0	(58.4)
<b>Total technical charge</b>		<b>(169.0)</b>	<b>0.0</b>	<b>(169.0)</b>	<b>(212.7)</b>	<b>0.0</b>	<b>(212.7)</b>
<b>Balance on the general business technical account</b>		<b>41.9</b>	<b>0.0</b>	<b>41.9</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.4</b>



# Consolidated statement of comprehensive income

Year ended 31 December 2020

	Note	Continuing operations £m	Discontinued operations £m	Total 2020 £m	Continuing operations £m	Discontinued operations £m	Total 2019 £m
<b>Balance on the general business technical account</b>		<b>41.9</b>	<b>0.0</b>	<b>41.9</b>	<b>(0.4)</b>	<b>0.0</b>	<b>(0.4)</b>
<b>NON TECHNICAL ACCOUNT</b>							
<b>Investment returns</b>							
Income from investments	7	3.0	0.0	3.0	2.9	0.0	2.9
(Losses)/Gains on realisation of investments		(1.2)	0.0	(1.2)	5.9	0.0	5.9
Unrealised gains on investments		2.9	0.0	2.9	0.3	0.0	0.3
Other investment charges and expenses		(0.5)	0.0	(0.5)	(0.8)	0.0	(0.8)
<b>Other income and charges</b>							
Other income		23.9	4.6	28.5	23.7	6.5	30.2
Other charges	5	(28.1)	(4.7)	(32.8)	(30.2)	(4.3)	(34.5)
Share of (loss)/profit in joint ventures	15	(1.4)	0.0	(1.4)	0.7	0.0	0.7
Impairment of investments		(4.3)	0.0	(4.3)	0.0	0.0	0.0
Impairment of goodwill		(1.0)	0.0	(1.0)	0.0	0.0	0.0
Profit on disposal of operations	13	0.0	2.7	2.7	0.0	0.0	0.0
Reversal of impairment of land and buildings	11	0.1	0.0	0.1	0.1	0.0	0.1
Revaluation loss on buildings		(0.2)	0.0	(0.2)	(0.5)	0.0	(0.5)
Donations		(1.0)	0.0	(1.0)	(0.8)	0.0	(0.8)
Amortisation of goodwill and other intangibles	9, 10	(13.1)	0.0	(13.1)	(13.0)	0.0	(13.0)
<b>Profit/(Loss) on ordinary activities before tax</b>		<b>21.1</b>	<b>2.6</b>	<b>23.7</b>	<b>(12.1)</b>	<b>2.2</b>	<b>(9.9)</b>
Tax on profit/(loss) on ordinary activities	8	(8.1)	(0.1)	(8.2)	(0.1)	(0.4)	(0.5)
<b>Profit/(Loss) for the financial year</b>		<b>13.0</b>	<b>2.5</b>	<b>15.5</b>	<b>(12.2)</b>	<b>1.8</b>	<b>(10.4)</b>
<b>Other comprehensive income</b>							
Valuation gain taken to revaluation reserve	11	0.0	0.0	0.0	0.6	0.0	0.6
<b>Total comprehensive profit/(loss) for the financial year</b>		<b>13.0</b>	<b>2.5</b>	<b>15.5</b>	<b>(11.6)</b>	<b>1.8</b>	<b>(9.8)</b>

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

The notes on pages 88 to 137 form an integral part of these financial statements.

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 loss on ordinary activities after taxation for the financial year dealt within the accounts of the parent company is £13.1m (2019: profit of £9k).

# Consolidated statement of financial position

As at 31 December 2020

ASSETS		2020	2019
	Note	£m	£m
Intangible assets			
Goodwill	9	11.5	26.3
Other intangible assets	10	1.3	1.9
		12.8	28.2
Investments			
Land and buildings	11	6.2	6.4
Other financial investments	14	200.6	172.3
Derivative assets	14	1.2	0.9
Investment in joint ventures	15	4.3	7.0
Debtors			
Debtors arising out of direct insurance operations		89.1	93.0
Other debtors	17	3.9	3.4
Deferred taxation	19	2.0	2.4
Other assets			
Tangible assets	18	4.0	4.8
Cash and cash equivalents	16	48.4	44.4
Prepayments and accrued income			
Accrued interest		0.8	0.8
Deferred acquisition costs	20	0.9	0.8
Other prepayments and accrued income		2.3	2.7
Total assets		376.5	367.1

# Consolidated statement of financial position (continued)

As at 31 December 2020

	Note	2020 £m	2019 £m
<b>EQUITY</b>			
Profit and loss account	21	250.7	235.2
Revaluation reserve		0.6	0.6
<b>LIABILITIES</b>			
<b>Technical provisions</b>			
Provision for unearned premiums	23	77.7	81.5
Provision for claims outstanding	23	19.1	16.2
<b>Creditors</b>			
Derivative liabilities	14	0.9	-
Other creditors	22	14.0	22.6
Accruals and deferred income		13.5	11.0
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>376.5</b>	<b>367.1</b>

The notes on pages 88 to 137 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021.

**Signed on behalf of the Board of Directors**



**Romana Abdin,**  
Chief Executive

Simplyhealth Group Limited  
Company number: 05445654

# Company statement of financial position


As at 31 December 2020

	Note	2020 £m	2019 £m
<b>Fixed assets</b>			
Investments in group undertakings	12	124.3	137.2
<b>Other assets</b>			
Cash at bank and in hand	16	15.4	8.8
<b>TOTAL ASSETS</b>		<b>139.7</b>	<b>146.0</b>
<b>Equity</b>			
Profit and loss account at start of the year		141.4	141.4
Total comprehensive income for the year		(13.1)	0.0
<b>Profit and loss account</b>	21	<b>128.3</b>	<b>141.4</b>
<b>Liabilities</b>			
<b>Creditors: Amounts falling due within one year</b>			
Amounts due to other group undertakings	22	11.4	4.6
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>139.7</b>	<b>146.0</b>

The notes on pages 88 to 137 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021.

**Signed on behalf of the Board of Directors**



**Romana Abdin,**  
Chief Executive

Simplyhealth Group Limited  
Company number: 05445654

## Consolidated statement of changes in equity

As at 31 December 2020

	Revaluation reserve £m	Profit and loss account £m	Total shareholder funds £m
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 December 2019	0.6	235.2	235.8
	Revaluation reserve £m	Profit and loss account £m	Total shareholder funds £m
At 1 January 2020	0.6	235.2	235.8
Profit for the year	-	15.5	15.5
At 31 December 2020	0.6	250.7	251.3

## Company statement of changes in equity

As at 31 December 2020

	Profit and loss account £m
At 1 January 2019	141.4
Total comprehensive loss for the year	-
At 31 December 2019	141.4
	Profit and loss account £m
At 1 January 2020	141.4
Total comprehensive loss for the year	(13.1)
At 31 December 2020	128.3

The notes on pages 88 to 137 form an integral part of these financial statements.

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

# Consolidated cash flow statement

Year ended 31 December 2020

	Note	2020 £m	2019 £m
<b>Net cash flows from operating activities</b>	24	28.2	3.2
<b>Cash flows from investing activities</b>			
Investment in joint ventures		2.5	(5.0)
Purchase of tangible fixed assets		(1.5)	(2.7)
Purchase of intangible assets		(0.6)	(0.2)
Goodwill arising on conversion of joint ventures to subsidiaries		(1.0)	-
Purchase of debt securities and other fixed income securities		(128.5)	(173.7)
Proceeds on disposal of debt and other fixed income securities		106.6	183.0
Settlement of derivative contracts		(0.3)	(0.9)
Expenses incurred on disposal of operation		(1.4)	-
<b>Net cash flows (to)/from investing activities</b>		(24.2)	0.5
<b>Net increase in cash and cash equivalents</b>		4.0	3.7
<b>Cash and cash equivalents at beginning of year</b>		44.4	40.7
<b>Cash and cash equivalents at end of year</b>		48.4	44.4
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank and in hand		46.4	44.4
Cash equivalents		2.0	-
<b>Cash and cash equivalents</b>		48.4	44.4

The notes on pages 88 to 137 form an integral part of these financial statements.



# Notes to the financial statements

Year ended 31 December 2020

## 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, in a number of scenarios, as well as its capital and liquidity resources, in each case. These forecasts have been stressed tested through our COVID-19 scenario modelling, evaluating the impact on our financial performance and solvency of shorter and long term lock downs in a number of economic best and worst case scenarios, over a number of years.

The group remains able to trade as a going concern through the strength of its capital base and liquidity even in the most extreme of scenarios, including those scenarios relating to COVID-19.

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.

## 2. Accounting policies (continued)

### Going concern (continued)

Our operational stress testing has included both internal assessments of risk through our ORSA process and the external regulatory capital requirements contained within Solvency II, under both of these tests, and respective scenario's the business is able to continue to support our customers and trade as a going concern.

Through maintaining a strong capital position and through our operational resilience, 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 investment portfolio shifting to corporate bonds and gilts, which, while not immune to risk and falls in value, are delivering a positive return, while avoiding the volatility and underlying risks of equity markets in the first part of 2020, and in the current uncertain economic times. Even in stressed scenarios, we are able to liquidate our investments at short notice. Our portfolio value at the end of 2020 was £201.8m and at 19 March 2021 was £202.3m.

Our Solvency ratio at the end of 2020 was 508.0%. 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.

## 2. Accounting policies (continued)

### Other intangible assets (continued)

#### **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.

## 2. Accounting policies (continued)

### 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.

## 2. Accounting policies (continued)

### Financial instruments (continued)

#### (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.

## 2. Accounting policies (continued)

### Impairment of assets (continued)

#### **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, deposits and other financial instruments with maturity less than 90 days. 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 22.

### 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.



## 2. Accounting policies (continued)

### 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.

## 2. Accounting policies (continued)

### Claims

Claims are recognised on the occurrence of the loss event which is the date the individual incurs the treatment.

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.

In 2020 a change in the accounting policy has been applied to provide a more accurate measurement of the acquisition costs. The restructuring in 2019 and the implementation of a new cost centre model allows the group to identify the direct and indirect costs of operations and allocate these costs to each business area. The model can only be applied on a prospective basis and it is non-practicable to restate 2019 comparatives.

### 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.

## 2. Accounting policies (continued)

### 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.

### 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.

#### Critical judgements in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### *Fair value of financial instruments*

The value of the financial instruments received from Premier Veterinary Group PLC (PVG) on the sale of Animal Healthcare Ltd are included at their face value of £3.1m (2019: £nil). In the absence of an actively traded market the directors have considered the latest available information and consider this to be a prudent carrying value.

#### *Investments in joint ventures*

During 2020, we have seen our investments in Dental practice Joint ventures, impacted by the effects of COVID-19, where we have seen, two practices being owned for 100% during the year, and an element of the remaining practices served notice on their intention to sell their element of the respective Joint venture. This impact together with management projections of future performance within the COVID-19 environment has led to management both impairing the carrying value of these investments and recognising the potential liability should they be required to buy the second half of those practices that have served notice on the Simplyhealth Group.

#### Key accounting estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

#### Key accounting estimates and assumptions (continued)

##### *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 £1.1m.

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 23.

##### *Fair value of financial instruments*

The value of the financial instrument received from Premier Veterinary Group PLC (PVG), on the sale of Animal Healthcare Ltd, was initially valued at £7.2m using the Black Scholes model when active market data was available. Subsequently, the shares have been de-listed and in the absence of an actively traded market the directors considered it prudent to carry these assets at face value of £3.1m following an impairment of £4.1m.

##### *Investments in joint ventures*

When assessing the carrying value of these investments management have considered the terminal value of future cash flows at a cost of capital of 17.2% (2019: 15.0%) and growth rate of 2% (2019: 2.0%) per annum. The terminal value was then tested using a market valuation multiple of EBITDA with an expected outcome of between 5.2 and 7.2 (average 6.2). The impairment in the year was £0.9m, and a recognition of the potential liability when buying the remaining element of practices of £0.8m.

##### *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.

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

#### Key accounting estimates and assumptions (continued)

##### *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.

##### *Investment in subsidiaries (Group Company)*

During 2020, there was increased uncertainty in the potential future growth of Denplan caused by the following factors:

- The sale of the veterinary side of the business, which had been growing;
- A decline in Dental capitation numbers of 3%, compared to 2% in prior years, and 10% since the original investment
- Increased costs to manage the legacy IT platforms; and
- COVID-19 and the general economic downturn leading to increased pressure and uncertainty on returns and the dental market (as evidenced by our own Dental JVs).

The carrying value of the investment was assessed for impairment using the historical normalised EBITDA discounted at the weighted average cost of capital of 10% and the investment was impaired by £13.1m down to a value of £107.7m at the end of the year.

### 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, cash equivalents 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.



## 4. Financial risk and capital management (continued)

### a) Categories of financial assets and liabilities

Group At 31 December 2020	Held at fair value £m	Held at amortised cost £m	Total £m
Cash at bank and in hand	-	46.4	46.4
Cash equivalents	2.0	-	2.0
Other financial investments	200.6	-	200.6
Derivative assets	1.2	-	1.2
Other financial assets	-	93.7	93.7
Other financial liabilities	-	(40.6)	(40.6)
	203.8	99.5	303.3

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

## 4. Financial risk and capital management (continued)

### 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 2020</b>				
Debt securities	-	197.0	-	197.0
Unlisted investments	-	-	3.6	3.6
Cash equivalents	-	2.0	-	2.0
<b>Financial Assets held at fair value</b>	-	199.0	3.6	202.6
Derivative Assets	-	1.2	-	1.2
<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>	-	171.1	1.2	172.3
Derivative Assets	0.1	0.8	-	0.9

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 £3.6m unlisted investments held at historical cost.

## 4. Financial risk and capital management (continued)

### 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	0-30 days overdue	30-60 days overdue	60-90 days overdue	Over 90 days overdue	Total
	£m	£m	£m	£m	£m	£m
<b>Amount outstanding</b>						
<b>As at 31 December 2020</b>	<b>86.5</b>	<b>1.6</b>	<b>0.7</b>	<b>0.3</b>	<b>0.0</b>	<b>89.1</b>
As at 31 December 2019	90.6	1.7	0.3	0.3	0.1	93.0

Premium debtors are stated net of a provision for doubtful debts of £0.7m (2019: £0.5m).

At 31 December 2020 there are impaired amounts due from insurance policyholders of £0.7m (2019: £0.3m). Where contractual payments are in arrears for more than three months the relevant assets are classified as past due and impaired.

## 4. Financial risk and capital management (continued)

### c) Credit risk (continued)

#### *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. As at 31 December 2020, a collateral of £0.8m is included in other creditors.

#### *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.

## 4. Financial risk and capital management (continued)

### c) Credit risk (continued)

#### *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.

	2020 £m	2019 £m
<b>Category of asset</b>		
Debt securities	197.0	171.6
Unlisted investments	3.6	0.7
Cash equivalents	2.0	-
Derivative financial instruments	1.2	0.9
Debtors arising out of direct insurance operations	89.1	93.0
Other debtors	3.9	3.0
Cash at bank	46.4	44.4
Accrued interest	0.8	0.8
	<b>344.0</b>	<b>314.0</b>
<b>Analysis by credit rating</b>		
AAA	60.4	47.9
AA	74.6	63.8
A	41.6	63.7
BBB	70.7	41.8
Below BBB or not rated	96.7	97.2
	<b>344.0</b>	<b>314.4</b>

## 4. Financial risk and capital management (continued)

### 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.

Throughout the COVID-19 pandemic Simplyhealth has maintained a large amount of liquidity through its operational cash balances. At 31 December 2020 the Group held cash and cash equivalent balances totalling £48.4m (2019: £44.4m) to meet both current and potential liquidity requirements under stressed conditions. In addition to these balances the Investment funds contained within the portfolio managed by Schroders Investment management could be liquidated into cash within a one month period.

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

	2020 £m	2019 £m
<b>Provision for unearned premiums</b>		
Within one year	77.7	81.5
	<b>77.7</b>	<b>81.5</b>
<b>Provision for outstanding claims</b>		
Within one year	17.3	14.4
Between one and five years	1.5	1.5
After more than five years	0.3	0.3
	<b>19.1</b>	<b>16.2</b>

All of the Group's other financial liabilities total £27.5m (2019: £33.6m) 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 23.



## 4. Financial risk and capital management (continued)

### 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.

## 4. Financial risk and capital management (continued)

### e) Market risk (continued)

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 2020 is £201.8m (2019: £173.2m). 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	
		2020 £m	2019 £m
Interest rate risk	-50 basis points	1.5	1.1
	+200 basis points	(4.9)	(4.1)
Equity price risk	+10% global equity market	0.1	-
	-10% global equity market	(0.1)	-
Currency risk	+15% spot rate against USD and EUR	0.5	0.2
	-15% spot rate against USD and EUR	(0.2)	(0.1)
Credit risk	+50 basis points	(0.5)	(0.4)
	-50 basis points	0.5	0.3

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 profit 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 19 March 2021 was £202.3m.

We additionally consider ESG and climate change as part of our decision making process working with our investment managers to ensure that our investment philosophes are aligned to this purpose. We have also stress tested our Core Fixed Income fund to changes in values from global action to climate change and the impact would be immaterial as our initial investments are screened prior to the investment being made.

## 4. Financial risk and capital management (continued)

### f) Capital risk management - unaudited

#### *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.

## 4. Financial risk and capital management (continued)

### Capital risk management - unaudited (continued)

#### 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:

	2020 £m	2019 £m
<b>Available capital resources</b>		
<b>UK GAAP net assets</b>	<b>251.3</b>	<b>235.8</b>
<b>Adjustments onto regulatory basis:</b>		
Goodwill	(11.5)	(26.3)
Intangible assets	(1.3)	(1.9)
Deferred acquisition costs	(0.9)	(0.8)
Investment in joint ventures	(3.7)	(6.9)
Other asset valuation differences	(1.2)	-
Adjust technical provisions to Solvency II basis	15.6	13.3
Deferred tax valuation adjustments	(2.8)	(2.1)
<b>Solvency II eligible own funds</b>	<b>245.5</b>	<b>211.1</b>
<b>Solvency II Capital Requirement ('SCR')</b>	<b>48.3</b>	<b>47.9</b>
<b>Capital Surplus</b>	<b>197.2</b>	<b>163.2</b>
<b>Solvency 'Buffer' @ 40% of SCR</b>	<b>(19.3)</b>	<b>(19.2)</b>
<b>Available Capital ('Headroom')</b>	<b>177.9</b>	<b>144.0</b>
<b>Solvency II Capital Multiple</b>	<b>508.0%</b>	<b>441%</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	2020	2020	2019	2019
	Continuing operations £m	Discontinued operations £m	Continuing operations £m	Discontinued operations £m
Acquisition costs	24.9	-	7.4	-
Change in deferred acquisition costs	(0.1)	-	(0.4)	-
Administrative expenses	28.3	-	51.4	-
	53.1	-	58.4	-

A change in accounting policy, as disclosed in note 2, has been applied leading to an additional allocation of £16.5m of acquisition costs and an equivalent reduction in administration expenses.

The commission for direct insurance business for 2020 is £2.8m (2019: £2.1m)

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	2020	2020	2019	2019
	Continuing operations £m	Discontinued operations £m	Continuing operations £m	Discontinued operations £m
Administrative expenses	28.1	4.7	30.2	4.3

Amounts charged as administrative expenses in both the above tables include costs of £6.7m (2019: £10.4m) relating to our Transformation Programme.

## 5. Net operating expenses and other charges (continued)

Profit/ (Loss) on ordinary activities before tax is stated after charging/ (crediting)

		2020 Continuing operations	2020 Discontinued operations	2019 Continuing operations	2019 Discontinued operations
Note	£m	£m	£m	£m	£m
Depreciation of buildings and tangible assets	11, 18	1.3	-	1.0	-
Reversal of impairment of land and buildings	11	(0.1)	-	(0.1)	-
Revaluation on loss of buildings		0.2	-	0.5	-
Loss on disposal of intangible assets		0.1	-	0.2	-
Amortisation of intangible assets			-		-
- computer software	10	0.5	-	0.4	-
- brands and other intangibles	10	0.1	-	-	-
Operating lease rentals			-		-
- motor vehicles		0.7	-	1.0	-
- buildings		1.1	-	0.6	-
- office		0.0	-	0.1	-
Amortisation of goodwill	9	12.5	-	13.0	-
Impairment of goodwill	9, 12	1.0	-	-	-
Impairment of investments		4.3	-	-	-
Profit on disposal of operations	13	-	(2.7)	-	-

Auditor's remuneration	2020 £m	2019 £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	0.1
the audit of the Company's subsidiaries	0.4	0.3
additional costs relating to 2019 audit	0.2	-
<b>Total auditor's remuneration</b>	<b>0.8</b>	<b>0.5</b>

The Group had audit-related assurance service fees payable of £52,000 (2019: £60,000).

Fees for the audit of the Company's financial statements of £77,000 (2019: £68,200) were borne by another group company.

Additional costs relating to prior year was as a result of COVID-19 impact upon the business.



## 6. Staff costs

Staff costs comprise the following:	2020	2019
	£m	£m
Wages and salaries	35.0	42.4
Redundancy costs	1.0	7.4
Social security costs	3.8	4.5
Other pension costs	4.4	5.1
<b>Total staff costs</b>	<b>44.2</b>	<b>59.4</b>

2019 wages and salaries has been restated from £37.1m to £42.4m to include staff costs transferred to projects which were incorrectly allocated within operating expenses.

The average number of employees during the year was as follows:	2020	2019
	No.	No.
Operations	687	571
Finance and other administrative services	300	572
	<b>987</b>	<b>1,143</b>

The total remuneration for key management personnel for the period, excluding directors' remuneration which is disclosed separately, totalled £1.0m (2019: £1.2m and is included within the total staff costs given above.

## 6. Staff costs (continued)

### 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 one LTIP scheme. The scheme 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 was based on a three year performance period, vested at the end of 2019 and the liabilities arising under this scheme were 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.

## 6. Staff costs (continued)

### Directors' Remuneration (continued)

#### 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 £	Loss of Office £	Total 2020 £	Total 2019 £
<b>Executive Directors</b>						
R Abdin	400,000	162,240	121,236	769,025	1,452,501	767,124
R Gillies (appointed 3 February 2020)	260,414	54,778	9,180	-	324,372	-
D J Beaven (appointed 17 April 2020)	136,313	27,819	3,922	-	168,054	-
<b>Total</b>	<b>796,727</b>	<b>244,837</b>	<b>134,338</b>	<b>769,025</b>	<b>1,944,927</b>	<b>767,124</b>
<b>Non-Executive Directors</b>						
K S Piggott (resigned 3 June 2020)	64,633	-	-	-	64,633	148,363
G Baldwin	141,857	-	-	-	141,857	75,800
M A Hall	63,961	-	-	-	63,961	62,248
R J Harris (resigned 30 June 2020)	29,142	-	-	-	29,142	60,173
J N Maltby	58,978	-	-	-	58,978	58,369
J Knott (appointed 6 January 2020)	47,786	-	-	-	47,786	-
T Dunley-Owen (appointed 6 January 2020)	54,263	-	-	-	54,263	-
A L Pike (resigned 15 February 2019)	-	-	-	-	-	6,776
<b>Total</b>	<b>460,620</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460,620</b>	<b>411,729</b>
<b>Total remuneration</b>	<b>1,257,347</b>	<b>244,837</b>	<b>134,338</b>	<b>769,025</b>	<b>2,405,547</b>	<b>1,178,853</b>

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

The amount included above to compensate R Abdin for loss of office is payable in 2021.

## 6. Staff costs (continued)

### Directors' Remuneration (continued)

#### LTIP

##### *Entitlement*

The Executive Directors participate in an LTIP, which provides an incentive payment based on the business performance over an agreed performance period.

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.

All liabilities relating to schemes prior to 2018 were vested on or before 31 December 2019, and all liabilities were settled by April 2020.

	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

## 6. Staff costs (continued)

### Directors' Remuneration (continued)

#### LTIP (continued)

##### *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 exceeded the objectives and targets set in respect of the 2016 and 2017 Schemes, the Directors would have been entitled to an additional payment of up to 1.5 times the notional value. No such additional payments became 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 could be made before 1 January 2020.

#### *2020 performance adjustments*

During 2020 the Remuneration Committee reviewed progress towards the 2018 scheme objectives and reduced the Director's entitlements by 50%. This reduction has been applied to all amounts accrued at the start of the year and to the current year grants. This reduction was on the basis that 2 of the measures would not be achieved. Such an adjustments is permissible within the scheme rules.

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 2019	Amounts paid in 2020	Amounts granted in 2020	Performance adjustments	Notional value at 31 December 2020
	£	£	£	£	£
R Abdin	435,214	(102,608)	93,446	(145,714)	280,338
R Gillies	-	-	20,891	-	20,891
D J Beaven	-	-	12,295	-	12,295
<b>Total</b>	<b>435,214</b>	<b>(102,608)</b>	<b>126,632</b>	<b>(145,714)</b>	<b>313,524</b>

In addition to the amounts above, R Gillies and D J Beaven had accrued benefits of £47,479 and £26,759 prior to their appointments as directors. Their total notional values as at 31 December 2020 are £68,370 and £39,054 respectively.

## 6. Staff costs (continued)

### Directors' Remuneration (continued)

#### LTIP (continued)

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

	Amounts payable at 31 December 2020	Amounts payable at 31 December 2019
	£	£
R Abdin	-	102,608
<b>Total</b>	<b>-</b>	<b>102,608</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 2020	Year ended 31 December 2019
	£	£
Accrued at 1 January	435,214	800,212
Granted during the period	126,632	77,309
Paid in respect of the 2016 scheme	-	(322,812)
Paid in respect of the 2017 scheme	(102,608)	-
Performance adjustments 2016 scheme	-	(119,495)
Performance adjustments 2018 scheme	(145,714)	-
<b>Accrued at 31 December</b>	<b>313,524</b>	<b>435,214</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 Defined Contribution 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

	2020	2019
	£m	£m
Bank and other interest	3.0	2.9
	<b>3.0</b>	<b>2.9</b>

All income from investments relates to continuing operations.

## 8. Tax on profit/ (loss) on ordinary activities

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

	2020	2019
	£m	£m
United Kingdom corporation tax at 19% (2019: 19%)	7.8	-
Adjustment in respect of prior years	-	(1.1)
<b>Total current taxation</b>	<b>7.8</b>	<b>(1.1)</b>
Current year deferred taxation	0.7	0.5
Adjustment in respect of prior years	0.0	1.1
Effect of tax rate change on opening balance	(0.3)	-
<b>Total deferred taxation</b>	<b>0.4</b>	<b>1.6</b>
<b>Tax on profit/ (loss) on ordinary activities</b>	<b>8.2</b>	<b>0.5</b>



## 8. Tax on profit/ (loss) on ordinary activities (continued)

The corporation tax charge for the year is higher than (2019: *higher*) the standard rate of corporation tax in the UK at 19% (2019: 19%) on the accounting loss as shown below:

	2020	2019
	£m	£m
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>23.7</b>	<b>(9.9)</b>
Tax credit on loss at UK rate of 19% (2019: 19%)	4.5	(1.9)
Fixed asset differences	0.1	-
Expenses not deductible for tax purposes	4.2	2.6
Income not taxable for tax purposes	(0.5)	-
Remeasurement of deferred tax for changes in tax rates	(0.3)	-
Deferred tax asset not recognised	0.2	(0.2)
<b>Tax charge on profit/loss on ordinary activities</b>	<b>8.2</b>	<b>0.5</b>

## 9. Goodwill

Group	Goodwill £m
<b>Cost:</b>	
At 1 January 2020	126.6
Additions	1.0
Disposals	(5.3)
Dissolution of subsidiaries	(0.6)
<b>At 31 December 2020</b>	<b>121.7</b>
<b>Accumulated amortisation and impairment:</b>	
At 1 January 2020	100.3
Amortisation for year	12.5
Impairment charge for the year	1.0
Eliminated on disposals	(3.0)
Eliminated on dissolution of subsidiaries	(0.6)
<b>At 31 December 2020</b>	<b>110.2</b>
<b>Net book value</b>	
<b>At 31 December 2020</b>	<b>11.5</b>
At 31 December 2019	26.3

Care and Mobility (Midlands) Limited and Care and Mobility UK limited were dissolved on 8 December 2020.

## 10. Other intangible assets

Group	Computer software £m	Brands and other intangibles £m	Total £m
<b>Cost:</b>			
At 1 January 2020	33.8	1.6	35.4
Additions	0.6	-	0.6
Disposals	-	(1.5)	(1.5)
<b>At 31 December 2020</b>	<b>34.4</b>	<b>0.1</b>	<b>34.5</b>
<b>Accumulated amortisation and impairment:</b>			
At 1 January 2020	32.6	0.9	33.5
Amortisation for the year	0.5	0.1	0.6
Eliminated on disposal	-	(0.9)	(0.9)
<b>At 31 December 2020</b>	<b>33.1</b>	<b>0.1</b>	<b>33.2</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>1.3</b>	<b>0.0</b>	<b>1.3</b>
At 31 December 2019	1.0	0.9	1.9

Research and Development costs of £2.0m (2019:£0.7m) have been expensed during the year and are included in administration expenses in note 5.

## 11. Land and buildings

Group	Freehold land	Freehold buildings	Total
	£m	£m	£m
<b>Valuation</b>			
At 1 January 2020	1.8	4.6	6.4
Revaluation loss	-	(0.2)	(0.2)
<b>At 31 December 2020</b>	<b>1.8</b>	<b>4.4</b>	<b>6.2</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	-	-	-
Charge for year	-	0.1	0.1
Reversal of prior year impairment	-	(0.1)	(0.1)
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>1.8</b>	<b>4.4</b>	<b>6.2</b>
At 31 December 2019	1.8	4.6	6.4

The freehold and investment properties of the Group were professionally valued in accordance with the RICS Appraisal and Valuation Manual at 31 December 2020 by Colliers International UK plc, an independent external valuer.

The valuations have been arrived at by considering market evidence of similar office buildings after deducting normal purchasers' acquisition costs.

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

	2020		2019	
	Freehold land	Freehold buildings	Freehold land	Freehold buildings
	£m	£m	£m	£m
Cost	1.2	11.8	1.2	11.8
Accumulated depreciation	-	(5.4)	-	(5.2)
<b>Historical cost value</b>	<b>1.2</b>	<b>6.4</b>	<b>1.2</b>	<b>6.6</b>

## 12. Fixed asset investments

Company	£m Investment in subsidiary undertakings	£m Other investments	£m Total
<b>Cost</b>			
At 1 January 2020	151.3	0.4	151.7
Additions	0.0	0.2	0.2
<b>At 31 December 2020</b>	<b>151.3</b>	<b>0.6</b>	<b>151.9</b>
<b>Impairment</b>			
At 1 January 2020	14.5	-	14.5
Provided during the year	13.1	-	13.1
<b>At 31 December 2020</b>	<b>27.6</b>	<b>-</b>	<b>27.6</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>123.7</b>	<b>0.6</b>	<b>124.3</b>
At 31 December 2019	136.8	0.4	137.2

## 12. Fixed asset investments (continued)

The details of investments in the subsidiary undertakings held by the Company as at 31 December 2020 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 *	Service company 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-insurance services	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%
Simplyhealth Partnerships Limited	Provision of investment in joint ventures in dental practices	Ordinary shares 100%
Mapplewell Dental Centre LLP	Provision of dental treatment and services	100% ownership
Holmbush One LLP	Provision of dental treatment and services	100% ownership

\* Directly held by Simplyhealth Group Limited.

\*\* Totally Active Limited was dissolved on 12 January 2021

All companies listed above are incorporated in the United Kingdom and have a registered office of Hambleden House, Waterloo Court, Andover, Hampshire, SP10 1LQ.

All companies are consolidated in these financial statements

All other investments are held through 100% controlled subsidiaries.

The Group acquired the remaining capital of the following two entities:

	Mapplewell Dental Centre LLP	Holmbush One LLP
Date of acquisition	22 November 2019	11 May 2020
Cost of acquisition (£m)	0.6	0.7
Cost component	Cash	Cash
Net assets acquired (£m)	0.1	0.0
*Goodwill (£m)	0.4	0.6
Revenue since acquisition (£m)	0.3	0.2
Profit/(Loss) since acquisition (£m)	(0.1)	0.0

\*The subsidiaries were acquired in stages and the goodwill was immediately impaired (notes 5 and 9).

### 13. Sale of subsidiary undertaking

On 12 October 2020 the Group sold its 100% interest in the ordinary share capital of The Animal Healthcare Company Ltd (AHCL) to the Premier Veterinary Group Plc realising a profit before tax on disposal of £2.7m.

The sale which is subject to transfer of the Vet pet plan business operated by Denplan Limited to AHCL prior to completion was for a consideration of £7.2m. This comprises a short term loan of £1.5m and a convertible loan valued at £5.7m at the completion date.

Subsequently, the convertible loan was impaired by £4.1m and is included at a carrying value of £1.6m at 31 December 2020.

The Statement of Comprehensive Income has been presented with the contribution of this part of the business shown separately as under discontinued operations.

**The net assets disposed of and the related sale proceeds were as follows:**

	£m
<b>Goodwill/Investment cost</b>	<b>2.2</b>
Assets	5.5
Creditors	(4.6)
<b>Net assets</b>	<b>0.9</b>
Expenses incurred on disposal of operation	1.4
Profit on disposal	2.7
<b>Sale proceeds</b>	<b>7.2</b>
Net cash outflows in respect of the sale comprised	
Expense costs on disposal of operation	(1.4)
	<b>(1.4)</b>

There were no disposals of subsidiaries in 2019.



## 14. Other financial investments and derivatives

Financial assets	2020		2019	
	Fair value	Cost	Fair value	Cost
	£m	£m	£m	£m
Debt and other fixed income securities	197.0	194.7	171.6	172.8
Derivative assets	1.2	-	0.9	-
Unlisted investments	3.6	7.7	0.7	0.7
	201.8	202.4	173.2	173.5
<b>Financial liabilities</b>				
Derivative liabilities	(0.9)	-	-	-

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	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Foreign exchange forwards	1.2	(0.1)	0.8	-
Fixed interest futures	-	-	0.1	-
Joint ventures futures	-	(0.8)	-	-
	1.2	(0.9)	0.9	-

## 14. Other financial investments and derivatives (continued)

### 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 2020 (2019: £nil).

## 15. 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 purchased additional investments in two of the joint ventures to hold a controlling interest. The investments have been removed from the equity accounted joint ventures and have been consolidated in the group results.

The investment has been assessed for impairment due to the impact of COVID-19 and a reduction of £0.9m to the fair value has been applied to the equity balance as at 31 December 2020 (2019: £nil).

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	5	Dental	UK	UK
Private Limited Companies	4	Dental	UK	UK

## 15. Investment in joint ventures (continued)

The details of investments in the joint ventures held by the Company as at 31 December 2020 are as follows:

Name of company	Registered Office	Class and percentage of shares held
Beverley Highgate Dental Practice LLP	17 Wednesday Parade Beverley East Yorkshire, HU17 0DJ	50% of Partnership capital
Buckingham House Dental LLP	Buckingham House 35 Graham Road Malvern Worcestershire WR14 2HU	50% of Partnership capital
Andrew Jones Dental Practice Limited	Wetherby Road Boroughbridge York YO51 9HS	50% ordinary shares
Crescent Dental Care Limited	2 Crescent Road Hale Altrincham Cheshire WA15 9NA	50% ordinary shares
Walford Mill Dental Care Limited	Knobcrook Road Wimborne Dorset BH21 1NL	50% ordinary shares
Outwood Dental Practice LLP	569 Leeds Road Wakefield West Yorkshire WF1 2JL	50% of Partnership capital
The Dental Practice at Dronfield Woodhouse LLP	Hambleden House Waterloo Court Andover Hampshire SP10 1LQ.	50% of Partnership capital
Clover House Dental Practice Limited	152 Skipton Road Harrogate HG1 4LL	50% ordinary shares
Cottage Dental Ormskirk LLP	Hambleden House Waterloo Court Andover Hampshire SP10 1LQ.	50% of Partnership capital

## 15. Investment in joint ventures (continued)

### Summarised financial information for joint ventures

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 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.

	Totals	
	2020 £m	2019 £m
Revenue	8.0	7.7
Cash and cash equivalents	1.4	1.3
Other current assets	0.2	0.4
<b>Current assets</b>	<b>1.6</b>	<b>1.7</b>
Non-current assets	4.3	6.8
Current liabilities	(0.5)	(0.7)
<b>Net assets</b>	<b>5.4</b>	<b>7.8</b>
% Ownership	50%	50%
Reporting entity's share	2.7	3.9
Fair value adjustment and local accounting differences	1.6	3.1
<b>Carrying amount</b>	<b>4.3</b>	<b>7.0</b>
(Losses)/Profits from associates	(0.2)	0.4
Implicit goodwill	(0.3)	(0.2)
Impairment of investment	(0.9)	0.0
<b>Share of (loss)/profit</b>	<b>(1.4)</b>	<b>0.2</b>

## 16. Cash and cash equivalents

Group	2020	2019
	£m	£m
Cash at bank	43.5	35.3
Cash equivalents	2.0	-
Third party funds held under trust	2.9	9.1
	48.4	44.4

The Company's cash balance at 31 December 2020 was £15.4m (2019: £8.8m).

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 2020 amounting to £2.9m (2019: £9.1m) 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 22).

## 17. Other debtors

Group	2020	2019
Amounts falling due within one year:	£m	£m
Non insurance trade debtors	3.9	3.0
Corporation tax	-	0.4
	3.9	3.4

## 18. Tangible assets

Group	Computers & office equipment	Leasehold improvements, fixtures and fittings	Total
	£m	£m	£m
<b>Cost:</b>			
At 1 January 2020	6.9	4.4	11.3
Additions	1.0	0.5	1.5
Disposals	(0.3)	(1.2)	(1.5)
<b>At 31 December 2020</b>	<b>7.6</b>	<b>3.7</b>	<b>11.3</b>
<b>Accumulated depreciation and impairment:</b>			
At 1 January 2020	4.5	2.0	6.5
Charge for the year	0.7	0.5	1.2
Disposals	(0.1)	(0.3)	(0.4)
<b>At 31 December 2020</b>	<b>5.1</b>	<b>2.2</b>	<b>7.3</b>
<b>Net book value</b>			
<b>At 31 December 2020</b>	<b>2.5</b>	<b>1.5</b>	<b>4.0</b>
At 31 December 2019	2.4	2.4	4.8

## 19. Deferred taxation

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

	2020	2019
	£m	£m
Asset relating to timing differences on fixed assets	1.7	2.1
Asset relating to short term timing difference	0.3	0.3
	<b>2.0</b>	<b>2.4</b>

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

	2020	2019
	£m	£m
<b>At 1 January</b>	<b>2.4</b>	<b>4.0</b>
Adjustment in respect of prior years	-	(1.1)
Current year deferred tax	(0.4)	(0.5)
<b>At 31 December</b>	<b>2.0</b>	<b>2.4</b>

There are no unused tax losses or unused tax credits.

The net deferred tax liability expected to reverse in 2021 is £0.1m. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.

The deferred tax balance has been calculated using the current corporation tax rate of 19% and has not been adjusted for the impact of the planned increase of the rate to 25% on 1 April 2023. The impact of this planned change on the deferred tax asset is an increase of £0.6m.

## 20. Deferred Acquisition Costs

	2020	2019
	Gross provision	Gross provision
	£m	£m
At 1 January	0.8	0.4
Additional costs incurred	2.7	7.4
Amortisation through statement of comprehensive income	(2.6)	(7.0)
<b>At 31 December</b>	<b>0.9</b>	<b>0.8</b>

Costs are only deferred and amortised if they are considered repayable in the event of cancellation.



## 21. 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 2020 were £250.7m (2019: £235.2m).

### Company

The Company's capital consists only of accumulated profits as it has no issued share capital. Total reserves at 31 December 2020 were £128.3m (2019: £141.4m).

## 22. Other creditors

Amounts falling due within one year:	2020	2019
	£m	£m
Creditors arising out of direct insurance operations	0.9	0.7
Trade creditors	0.6	0.5
Third party funds	2.9	9.1
Insurance premium tax	5.8	6.3
Corporation tax	1.1	-
Other taxation and social security	1.0	1.0
Other creditors	1.7	5.0
	<b>14.0</b>	<b>22.6</b>

### Company

The Company has an other creditors balance of £11.4m (2019: £4.6m) at 31 December 2020 relating to amounts owed to group undertakings. The amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## 23. Technical provisions

	Provision for Unearned Premiums	Provision for Outstanding Claims
	Gross provision	Gross provision
	£m	£m
At 1 January 2020	81.5	16.2
Movement in provision	(3.8)	2.9
<b>At 31 December 2020</b>	<b>77.7</b>	<b>19.1</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 15% (2019: 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 a reduction in profit before tax of £31.6m (2019: £10.6m increase in loss before tax) and a reduction in equity of £25.6m (2019: £8.6m). The latter represents 10.2% (2019: 3.7%) 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.

## 23. Technical provisions (continued)

### 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 90.9% (2019: 89.1%) 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, a management sign-off process and ultimately the Board committees.

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

During the year, we have seen a fall in claims treatment. As we move into the second part of the year we have seen incidence and average values increased and our claims provisions assumptions reflect these changes.

## 24. Notes to the cash flow statement

Reconciliation of profit/ (loss) on ordinary activities before tax to net cash flows from operating activities	2020	2019
	£m	£m
Profit/ (loss) on ordinary activities before tax and exceptional items	23.7	(9.3)
Adjustments for:		
Reversal of impairment of land and buildings	0.1	-
Realised and unrealised gain on investments	(2.6)	(5.6)
(Decrease)/Increase in insurance technical provisions	(0.9)	2.1
Loss on disposal of tangible assets	1.1	-
Profit on disposal of operations	(2.7)	-
Depreciation	1.3	1.0
Amortisation of intangible assets and goodwill	13.1	13.0
Impairment of goodwill	1.0	-
Impairment of investments	4.3	-
Operating cash flow before movement in working capital	38.4	1.2
Decrease/(Increase) in debtors	3.2	(3.6)
Increase/(Decrease) in creditors	(5.0)	4.4
Cash generated by operations	36.6	2.0
Taxation (paid)/received	(8.4)	1.2
Net cash flows from operating activities	28.2	3.2

## 25. Financial commitments

### (a) Capital commitments

Group	2020	2019
	£m	£m
Capital expenditure	-	0.1

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

### (b) Other financial commitments

Group	2020	2019
	£m	£m
Sponsorship authorised and contracted for by the Board of Directors	2.3	2.6

### (c) Leasing

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

	2020	2019
	£m	£m
<b>Operating leases which expire:</b>		
- within one year	0.8	1.0
- between one and five years	0.3	2.3
- in more than five years	-	1.0
	1.1	4.3

## 26. Related party transactions

There were no related party transactions during the year.

