Westfield Health

Westfield Contributory Health Scheme Limited

Solvency and Financial Condition Report
for the year ended 31 March 2022

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Summary

About Westfield Health

Westfield Contributory Health Scheme Limited ("Westfield Health", the "Company") is a health insurance company formed over a century ago with the vision of improving people's health and wellbeing. By helping people to access and pay for health treatment and through charitable donations, Westfield Health supports the NHS and medically related charities to help its customers and the community to a healthier life. Westfield Health does not have shareholders, this allows them to focus on giving back to causes that can impact health and wellbeing.

Westfield Health is dedicated to making a healthy difference to the quality of life of customers and the communities in which they live and work. Westfield Health's mission is to inspire and empower people to be the best that they can be, to deliver evidence-based health and wellbeing solutions that support people, communities and workplaces to be healthier.

Westfield Health is the parent company of the Westfield Group (the "Group") which encompasses a number of companies that operate in the health and wellbeing market.

About Westfield Health's products

Westfield Health offers two different types of insurance - health cash plans and private health insurance:

Health Cash Plan

A health cash plan allows a policyholder to claim money back, up to set limits, towards the cost of essential healthcare. It is a great way to help budget for everyday health costs. From dental appointments to optical check-ups, therapy treatment and more, policyholders can rest assured that their cover will help with the bills. Dependent children are covered too, on key benefits, giving extra peace of mind.

A health cash plan also provides access to valuable health and wellbeing services including 24 hour telephone access to a UK GP and an advisory service for care after hospital for elderly relatives.

Private Health Insurance

Private health insurance occupies the "middle market" between health cash plans and fully-featured private medical insurance. It makes private surgery and medical treatment more accessible, to ensure policyholders can be treated as quickly as possible. Westfield Health's prices have been kept affordable by negotiating fixed price treatment packages and excluding heart and cancer treatment (areas for which the NHS has established and proven pathways for) and excluding chronic conditions.

About this report

The purpose of this Solvency and Financial Condition Report is to enable policyholders and other stakeholders to understand Westfield Health's business performance, governance, risk management, valuation policies, and its management of solvency and capital. It is accompanied by a number of reporting templates which set out more quantitative detail around the financial position and solvency of Westfield Health.

Westfield Health does not need to undertake group reporting, this report is therefore based on the solo insurance entity but with Group financial results reported where necessary.

Finances

Gross premiums earned decreased slightly year on year from £63.1m to £62.7m, a decrease of £0.4m (0.6%). There has been a net increase in total policyholder numbers year on year, with a slight shift in the mix of business as corporate customers have increased whilst voluntary customers have decreased. As voluntary policies have a higher premium, the resulting change has been a slight decrease in gross premiums collected year on year.

Westfield Health's solvency ratio (measured as Own Funds divided by Solvency Capital Requirement) was 239% as at 31 March 2022 (2021: 236%). The regulations are designed so that a ratio of 100% should be enough capital to survive a "one-in-two-hundred year" event.

During 2021-22, Westfield Health donated £200k to the Westfield Health Charitable Trust which supports various medical-related charities. A further £235k of donations were made through the Colleague Giving Back Committee. This new committee is formed of colleagues from across the Group to ensure that our colleagues are engaged with the charitable activities of the Group.

In addition to charitable donations, Westfield has provided sponsorship to two key initiatives during the year:

- The British Transplant Games help deliver Transplant Sports' aims to demonstrate the benefits of transplantation, increase public awareness of the need for organ donation, encourage transplant recipients to lead active lifestyles and show appreciation for, and remember, donors and their families.
- The Dame Kelly Holmes Trust aims to transform the mental and physical wellbeing of young people. Our partnership with the trust provides coaching, mentoring and life skills by elite athletes for disadvantaged young people in Sheffield.

The table below summarises Westfield Health's consolidated financial results for the year as reported in the Group financial statements:

Summary Comprehensive Income Statement	2022 £'000	2021 £'000
Surplus on insurance operations	3,557	16,601
Impairments	(2,955)	-
Surplus on technical account	602	16,601
Net non-technical result	(790)	(1,143)
(Deficit)/surplus before charitable donations	(188)	15,458
Gift Aid and other charitable donations	(435)	(513)
(Deficit)/surplus before tax	(623)	14,945
Tax	11	(787)
(Deficit)/surplus for the year on Ordinary Activities	(612)	14,158
Actuarial gain/(loss) on pension scheme	1,124	(1,783)
Surplus transferred to reserves	512	12,375

Customer service

Westfield Health continually strives to achieve customer experience excellence. Net Promoter score ("NPS") is a customer loyalty metric that asks policyholders "How likely is it that you would recommend Westfield to family, friends or colleagues?" The data is collected daily.

From a sample of 91,000 surveys, whilst slightly lower than last year we are still delighted to report a UK market leading 74.5%. For context a similar organisation performing at around 55% would be considered to be doing well.

Overall customer satisfaction was 4.9/5 and customer effort score to interact with us was 78.9%. The feedback received from customers is hugely valuable to Westfield Health and all feedback, both complimentary and improvement related, is reviewed on a weekly basis by the Customer Services team.

Developments at Westfield Health

Where the financial year 2020-21 marked the start of the COVID-19 impact on colleagues, the company and financial performance, the financial year 2021-22 showed both continuing disruption and the first signs of a return to pre-pandemic behaviours.

Colleagues have shown incredible resilience throughout the year, continuing to deliver high quality service for customers whilst coping with the impact of the pandemic. Support has been provided to the team throughout the year to ensure they have the capacity to deal with the ever-changing landscape.

Despite further lockdown measures and restrictions throughout the year, customer claim values in the insurance business remained strong, with average risk rates recovering to near pre-pandemic levels. New business development recovered strongly, with a net increase of 29k policyholders in the year. Importantly, account retention was also strong throughout the year at more than 96%.

Improvements to the 'My Westfield' online portal allowed insurance customers to submit 100% of claims online, with the digital adoption growing to over 80%, enabling the digital submission of 50,000 customer claims per month. Some structural changes within the customer-facing areas have been introduced, focussing on preparing for the delivery of the new IT system and process improvements across the team.

Communication to voluntary policyholders was sent towards the end of the financial year notifying them that the premium of their plans would be increasing with effect from 1 April 2022. The rise has been driven by increased inflation in healthcare costs and ensures that all the benefits and services available to them can continue to be offered.

This has been the first year of the UK health and wellbeing interests being operated under the one commercial and legal entity of Westfield Health & Wellbeing Ltd, with the UK operations of High Five Health Promotion Ltd and The Working Health Company Ltd being transferred over on 31 March 2021. Westfield Health & Wellbeing Ltd is divided into two operating units - Active Spaces (gym management) and Wellbeing Services. Following the commercial and legal integration of the subsidiaries in preparation for trading as one entity in 2021-22, a significant programme of integration activity has taken place during the year covering finance, HR, culture, IT, risk and marketing and this will continue through 2022-23.

An updated Westfield brand identity which better reflects Westfield Health's personality and ambition was successfully rolled out. A drive to increase awareness of Westfield Health has continued along with developing its reputation as a leading corporate wellbeing provider.

European corporate gyms operated by the High Five entities in the Group were mainly open by the middle of the financial year, but COVID-19 has continued to impact the ability to trade, highlighted by a renewed lockdown in the Netherlands for a month from mid-December 2021. Although business almost seems to be back to usual from February 2022, the fact that many members are still working from home, and therefore have not returned back as users of the Group's facilities, means that both the way to motivate members to be their healthiest self and the Group's financial performance is still impacted.

Westfield Health's innovative and forward-thinking campaigns demonstrate their experience and credibility in the market. During the year several pieces of research were commissioned to help inform corporate wellbeing strategy and HR decision-making, including some research to better understand the future of work and the wellbeing trends for 2022. The published report explored the importance of whole-of-life wellbeing and employee expectations regarding the future workplace, and provided useful prompts, recommendations and activities for companies to action.

Another key focus for the year has been the ongoing development of the new IT system. This is explained in more detail below:

Event	Impact
Develop new IT system	• New system includes new digital capability to support business objectives • Agile approach enables future business requirements to be catered for • Requires significant capital investment • Involvement from staff across Westfield Health

The Board of Directors has overall responsibility for the direction and governance of Westfield Health. Over recent years, the Board has put in place measures to further strengthen Westfield Health's corporate governance and risk management in order to meet the requirements of Solvency II. The current governance and risk frameworks are detailed further in this report. There have been no significant changes to the frameworks in the current reporting year.

A. Business and performance

A.1. Business

Name, legal form and key contacts

Westfield Health is a health insurance company formed over a century ago in 1919.

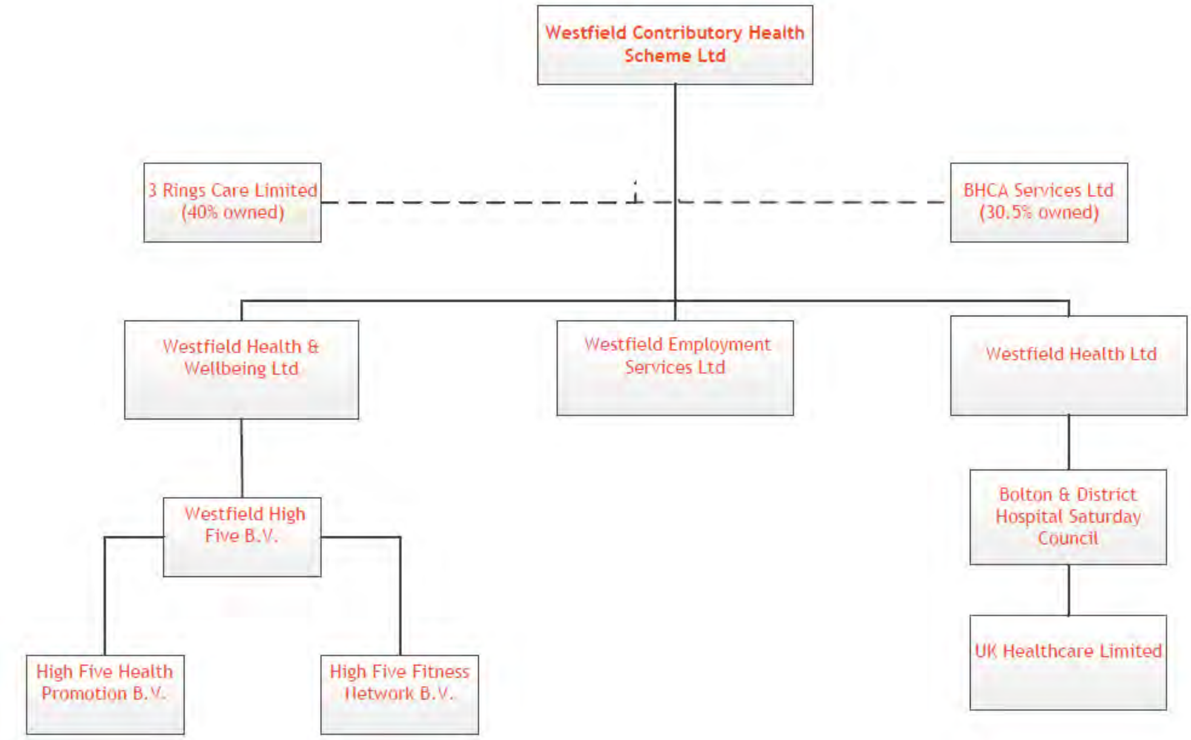
Westfield Health is a company limited by guarantee, so has no shareholders, but rather has Members of the Company. Members take part in supervising the performance of the Company and its directors, to protect the interests of the Company. The Company's Articles of Association prohibit Members from benefiting as a result of their membership; as at 31st March there were 16 Members, each with an equal voting right, so no individual Member is considered to hold undue influence over management.

On 31st March 2021 the trade and operations of The Working Health Company Limited and High Five Health Promotion Limited were both transferred to Westfield Health & Wellbeing Limited. This brought all of the UK wellbeing operations into a single company. The two companies were dormant through the year and are being dissolved.

The Group comprises the following companies:

- 100% of the ordinary share capital of Bolton & District Hospital Saturday Council, a company incorporated in England and Wales;
- 100% of the ordinary share capital of Westfield Health & Wellbeing Limited, a company incorporated in England and Wales;
- 100% of the ordinary share capital of Westfield High Five B.V., a company incorporated in the Netherlands;
- 100% of the ordinary share capital of High Five Health Promotion B.V., a company incorporated in the Netherlands;
- 100% of the ordinary share capital of High Five Fitness Network B.V., a company incorporated in the Netherlands;
- 100% of the ordinary share capital of Westfield Employment Services Limited, a company incorporated in England and Wales;
- 100% of the ordinary share capital of Westfield Health Limited, an investment holding company incorporated in England and Wales;
- 100% of the ordinary share capital of UK Healthcare Limited, a dormant company incorporated in England and Wales;
- 40% of the ordinary share capital of 3Rings Care Limited, a company incorporated in England and Wales; and
- 31% of the ordinary share capital of BHCA Services Limited, a company incorporated in England and Wales.

The diagram below sets out the group structure of Westfield Health:



Westfield Health's prudential regulator is the Prudential Regulatory Authority, Bank of England, 20 Moorgate, London EC2R 6DA ("the PRA"); its external auditors are BDO LLP, 55 Baker Street, London, W1U 7EU.

Lines of business

Westfield Health's only line of insurance business, encompassing both health cash plans and private health insurance, is health insurance within the United Kingdom and Channel Islands.

Material events during the year

During this time of change Westfield Health has undertaken a number of key projects to enable progress towards its medium-term strategic goals. The key projects are outlined below:

People

Westfield Health put their people first. Westfield Health is dedicated to making it a great place to work and three years ago developed a business strategy around their greatest asset - their people. Their commitment to their people drives them to create opportunities for colleagues to feel empowered to make a healthy difference in their own roles. Westfield Health aims to create a healthy workplace where all feel connected, heard, developed, recognised and supported. Through processes, policies, values and ways of working, Westfield Health endeavours to drive behaviours that support the achievement of their strategic vision.

The wellbeing strategy reflects what the people are telling Westfield Health so they can best prepare to put wellbeing at the heart of what they do. Business results tell Westfield Health that this has created a higher performing culture, increased engagement, and most importantly created a great place to work. A number of sources have been used to hear from the team about what is being done well at Westfield Health, and how things can improve further. This will help drive the activities needed to support people's needs and wants. As part of the internal wellbeing strategy, colleagues have access to wellbeing coaches used by the Group, helping Westfield Health take even better care of their workforce. Over the last year, a Diversity, Equity and Inclusion programme was begun to ensure Westfield Health is an inclusive employer that champions diversity and equity across the Group.

Westfield Health is delighted to hold the Investors in People Gold accreditation. This was achieved back in 2019 and again in June 2022. We have made some amazing progress and all indicators have improved during this time span. The framework that underpins this accreditation reflects the latest workplace trends, essential skills and effective structures required to outperform in any industry and demonstrates Westfield Health's commitment to high performance through good people management.

Gold is one of the highest levels of accreditation that can be achieved, with only 7% of companies reaching this level. Since the implementation of the wellbeing strategy, Westfield Health have moved from 626th on the Investors in People league table to 45th overall, and from 24th position to 1st in their sector (financial services and insurance for companies with 250-5,000 employees). 96.8% of people felt that the organisation was a great place to work. This fantastic result is testament to the focus and engagement of all colleagues to drive business performance through wellbeing.

The work on Westfield Health's corporate culture continues with the Westfield Way, a values and competency framework. This was co-created by colleagues and continues to be embedded through leadership, systems, processes and working practices. The Westfield Way complements and reinforces the purpose and mission to ensure the strategic narrative is consistent. This clarity empowers colleagues to be fully engaged with the direction of Westfield Health's purpose and make autonomous decisions that are aligned to Westfield Health's goals.

Charitable Donations and Sponsorship

As part of Westfield Health's dedication to making a healthy difference to the quality of life of their customers and the communities in which they live and work, over £6m has been donated to health and wellbeing related causes over the last 10 years.

The Group's community focus includes the Westfield Charitable Trust, Colleague Giving Back Committee, the Westfield One Movement and a volunteer programme.

'Westfield One' is an inclusive give back strategy for Westfield Health. It demonstrates a commitment to Westfield Health's purpose, creates a sense of belonging and takes action on some of the biggest social and environmental challenges our communities face. The emphasis of giving back is integrated into the working lives of colleagues. Westfield One has four pillars: People, Social Equality, Environment and Community to reflect the breadth of what 'giving back' means to Westfield Health. The pillars are led by internal stakeholders who build and execute the plan that delivers Westfield One's vision, with the emphasis on employee-led decision making and engagement.

During 2021-22, £200k was donated to the Westfield Health Charitable Trust, which supports various medical-related charities. A further £235k of donations were made through the Colleague Giving Back Committee. This new committee is formed of colleagues from across the Group to ensure that colleagues are engaged with the charitable activities of the Group.

In addition to charitable donations, Westfield Health has provided sponsorship to two key initiatives during the year:

- The British Transplant Games help deliver Transplant Sports' aim to demonstrate the benefits of transplantation; increasing public awareness of the need for organ donation, encouraging transplant recipients to lead active lifestyles and showing appreciation for, and remembering, donors and their families.
- The Dame Kelly Holmes Trust aims to transform the mental and physical wellbeing of young people. Westfield Health's partnership with the trust provides coaching, mentoring and life skills by elite athletes for disadvantaged young people in Sheffield.

In total £605k was given to good causes during the financial year 2021/22

Insurance Customers

Westfield Health continually strives to achieve an excellent customer experience with the average insurance claim processing time across all channels taking just over one day from receipt into the business. Although the competitive nature of the job market presented a challenging attrition and recruitment environment for Connect, the customer servicing team, they were able to perform strongly against customer service levels whilst delivering unprecedented levels of recruitment and colleague training.

A new customer contact channel has been introduced so customers claiming by paper claim forms can now be sent an acknowledgment SMS on the same day the form is received by Westfield Health. Over 11,000 text messages were sent (at a rate of 5,000 SMS per month since launch) and performed successfully against the objective of reducing inbound customer contact from customers requiring acknowledgment from Westfield Health of the receipt of their claim forms.

The removal of cheque payments for claims has been communicated successfully to individual and corporate customers, coupled with the introduction of a digital payment solution for a small number of customers who hold non-UK bank accounts. These measures enable customers to receive their claims in a more timely and efficient manner as well as streamlining internal processes.

The sales operating model was re-designed in the year to be more customer centric. The structure was determined using customer and market data to size sales territories, and new ways of working were established to reflect a focus on customer retention and growth.

Non-Insurance Customers

Support has been provided to the Group's non-insurance customers throughout the year, particularly helping Active Space clients navigate the changes in government guidance and advice. There has been a small number of facilities closed during the year, in line with the customers' new working policies and practices post COVID-19, but the majority remain open and ready to provide the excellent service that they have come to expect.

The pandemic restrictions imposed in continental Europe had a negative impact on some commercial contracts. Despite this, most clients were retained by demonstrating great value and nurturing the relationships already established with them.

Despite the hardships faced during the pandemic, many existing clients have continued to show great belief in the Group as their supplier of choice. For example, in the case of the European Patent Office, the scope was increased from delivering physiotherapy services in Munich to also supplying health and wellbeing services to their employees in four different countries. Corporate wellbeing facilities were also opened at new clients like MTU in Munich, where a wide range of wellbeing services including a corporate gym and physiotherapy services are offered. These successes provide confidence that the core business model, coupled with virtual and hybrid interventions, has great future potential.

This year a leading-edge digital corporate wellbeing platform was launched. With multi-media health and wellbeing content, an online community, wearable integration and services for gym member, the Group's wellbeing platform will meet the current and future needs of corporate buyers.

Strategic Partnerships

In October 2019, Westfield Health and Sheffield Hallam University's Advanced Wellbeing Research Centre (AWRC) launched the first client Knowledge Transfer Partnership (KTP) project. While COVID-19 caused some delays in this area, work has continued to assess clients' wellbeing needs and understand how effective the Group's workplace wellbeing interventions are in improving health outcomes for individuals, as well as improving key business metrics in the organisations in which they work. The AWRC plays an important role in validating the research undertaken and ensures the findings are objective.

The Group has a wealth of anonymised data, as well as detailed content from face-to-face interviews, providing insights and intelligence relating to real and perceived health and wellbeing issues at client organisations. This includes underlying factors such as environment, culture, security, relationships and purpose. This initiative has developed the Group's capability, ensuring an ideal situation to provide consultancy services to customers, extending beyond the products and services that the Group's competitors can provide.

A remote working survey was also created which complemented existing KTP projects and provided important insights into the impacts of mandatory home working on health and wellbeing, further contributing to and enhancing the body of knowledge the Group has relating to corporate wellbeing.

During 2021-22 this health and wellbeing consultancy provision was extended to High Five clients and other prospects in Europe and delivered an internal study with High Five colleagues in Europe, mirroring that completed in the UK.

Development of a new IT System

The Group is continuing its investment in designing, developing and delivering a new IT system to replace the legacy policy administration system. During the year a major milestone was reached as the first insurance product went live on the new platform. This deliverable laid the foundation for future products and significant progress has been made towards the next two product implementations. Each product deliverable adds additional functionality and capability to the insurance foundations previously created.

A continued focus on achieving the benefits and efficiencies of a digital customer journey will provide a strong future foundation to enable the overall business to deliver its long-term strategy and goals. Accordingly, additional resource at all levels was introduced in the year to ensure timely completion.

Inefficiencies and delays in the development of the system, exacerbated by the effects of COVID-19, led to the decision that it is prudent for an impairment of £3.0m of development costs to be provided for in the Group accounts.

Operational Resilience

Significant work was undertaken to ensure compliance with the new regulatory requirements for operational resilience in financial services organisations. A project group reviewed all insurance processes, identifying the important business services that could cause harm to customers if interrupted. Potential scenarios have been identified and testing the resilience of the important business services has commenced to ensure that if these scenarios were to occur Westfield Health's policyholders would not incur intolerable harm. Westfield Health's operational resilience forms part of an ongoing process and remains under review and subject to Board oversight.

Overview of financial performance

The following sections provide some detail on Westfield Health's financial performance through the year. For reference, the Group's consolidated income & expenditure account, as disclosed in the Group's audited financial statements, is included below:

	2022 £'000	2021 £'000
Gross Premiums Earned	62,717	63,069
Third party underwriting costs	(869)	(1,343)
Rebated premiums	(23)	(25)
	61,825	61,701
Total claims incurred	(42,855)	(29,847)
	18,970	31,854
Net operating expenses	(15,413)	(15,253)
Revaluation		
IT system impairment	(2,955)	-
Surplus on general business technical account	602	16,601
Investment income	4,006	5,166
Unrealised (losses)/gains on investments	(2,577)	545
Share of profits of associates	-	3
Goodwill impairment reversal/(impairment)	435	(3,137)
Other income	9,225	7,820
Other charges	(11,897)	(11,604)
Net finance income in respect of pensions	18	64
(Deficit)/Surplus before charitable donations	(188)	15,458
Other charges - Gift Aid and other charitable donations	(435)	(513)
(Deficit)/Surplus on Ordinary Activities before Tax	(623)	14,945
Tax on (deficit)/surplus on Ordinary Activities	11	(787)
(Deficit)/Surplus for the year on Ordinary Activities	(612)	14,158
Other Comprehensive Income		
Actuarial gains/(losses) on pension scheme	1,124	(1,783)
Surplus for the year transferred to Revenue Reserve	512	12,375

A.2. Underwriting performance

In Solvency II terms, Westfield Health has only one line of insurance business, health insurance, so all of the underwriting results are reported under a single line of business. The value written in the Channel Islands is immaterial, and therefore no geographical split is presented.

Key performance indicators

	21/22	20/21
Gross Premiums	£62.7m	£63.1m
Gross claims ratio	68.3%	47.3%
Operating Expense Ratio	24.6%	24.2%
Combined Ratio	99.0%	73.7%

Gross premiums

Gross premiums earned decreased slightly year on year from £63.1m to £62.7m, a decrease of £0.4m (0.6%). There has been a net increase in total policyholder numbers year on year, with a slight shift in the mix of business as corporate customers have increased whilst voluntary customers have decreased. As voluntary policies have a higher premium, the resulting change has been a slight decrease in gross premiums collected year on year.

Gross claims ratio

The gross claims ratio for 2021 was suppressed as a result of the COVID-19 pandemic and the impact of the imposed lockdowns across the UK. In particular, the first national lockdown (beginning March 2020) resulted in a dramatic reduction in claims levels due to the closure of non-urgent medical services such as opticians, dentists and physiotherapists. Claiming rates began to recover in July 2020 and were only moderately below standard throughout the current financial year.

The gross claims ratio does not include the benefits provided to policyholders through third parties, a number of which saw increased usage as a result of pandemic conditions. These include counselling helplines and access to telephone consultations with a GP.

Operating expense ratio

The operating expense ratio has increased slightly as operating costs have increased while premiums have decreased slightly. The close management of operating costs for Westfield Health remains a priority to ensure it operates in as efficient a manner as possible whilst providing the quality of service that their customers have learnt to expect.

Combined ratio

As mentioned above, low claims incurred in 2021 as a result of the COVID-19 pandemic and imposed lockdowns meant a low combined ratio for the year. The ratio is back to more normal levels for 2022 and is expected to be around 100% in the following three years as claims have now normalised.

A.3. Investment performance

Investment income and expenses

On a Solvency II basis, Westfield Health's investments were valued at £70.8m at 31 March 2022 (2021 £65.0m). Realised and unrealised gains and losses plus related income and expenses on these, as reported in the FRS 102 financial statements, are set out below:

	2022 £'000	2021 £'000
Rental income from investment property	470	461
Rental expenses	(210)	(181)
Income from other investments:		
Interest - fixed income securities	177	229
Interest - cash and deposits with credit institutions	4	6
Dividends - investment in equity instruments	358	346
Investment management fees	(107)	(121)
	692	740
Profits/(Losses) on realisation of investments		
Fixed income securities	(66)	478
Equity instruments	3,375	3,927
Alternative investments	3	-
Recovery of deposits previously written off	2	21
	4,006	5,166
Unrealised gains or losses		
Unrealised losses on financial investments	(2,577)	545
Share of profit of associates	-	3
Total	1,429	5,714

The total return of investment income plus unrealised gains on opening investments, on a FRS 102 basis was 2.0% (2021: 13.5%). The performance of the investment portfolio has been volatile throughout the year as markets reacted to a number of serious events including the relaxation of COVID-19 restrictions, the fear of the omicron variant, sharp energy price rises and the war in Ukraine.

Approximately £7.3m of the value of the investment portfolio held by the Group is invested in equity instruments that are Stock Market listed and £5.8m is held in government and corporate fixed interest and index linked securities. Deposits held with credit institutions decreased from £7.1m to £5.6m during the year.

The portfolio has £44.4m invested in collective investment undertakings (2021: £31.3m), which includes £1.9m invested in unlisted real estate funds and £0.2m invested in alternative asset classes.

During the year the Investment Committee continued their strategy to change the style of investment, moving towards multi-asset funds that manage a diverse asset allocation themselves rather than the Investment Committee having to manage the appropriate asset allocations. To facilitate this, funds were moved out of equity, government and corporate fixed interest securities and fixed term cash deposits and invested in multi-asset funds that have been monitored for a number of years.

Other investments held by the Group include Investment Property with a total value of £4.9m (2021: £4.1m). The movement in the year is driven by making an additional part of Westfield House available for rental purposes.

No gains or losses on investments were reported directly in equity.

No direct investments are held in securitisations; Westfield Health has some indirect exposure via bond funds which include securitisations in their portfolios. Westfield Health has no appetite to use derivatives directly; asset managers may use derivatives for the purposes of risk management and efficient portfolio management.

A.4. Performance of other activities

Income and costs relating to other activities are set out in the income and expenditure account at the end of section A.1 above. "Other income" of £9.2m (2021: £7.8m) relates to the Group's non-insurance sales. "Other charges" of £11.9m (2021: £11.6m) relate to the cost of delivering the Group's non-insurance business.

Inefficiencies and delays in the development of the system, exacerbated by the effects of COVID-19, led to the decision that it is prudent for an impairment of £3.0m of development costs to be provided for in the Group accounts.

Charitable giving has continued throughout the year in support of Westfield Health's purpose of making a healthy difference to the quality of life of their customers and the communities in which they live and work.

Leases

Operating leases - Lessee

At 31 March 2022 Westfield Health had annual commitments under non-cancellable operating leases, for motor vehicles and office equipment, as follows:

	2022	2021
Expiry Date:	£'000	**£'000**
Less than one year	58	75
Between one and five years	67	11
Total	125	86

Operating leases - Lessor

Westfield Health's investment property is let under operating leases. The future minimum lease payments receivable under non-cancellable leases as at 31 March 2022 are as follows:

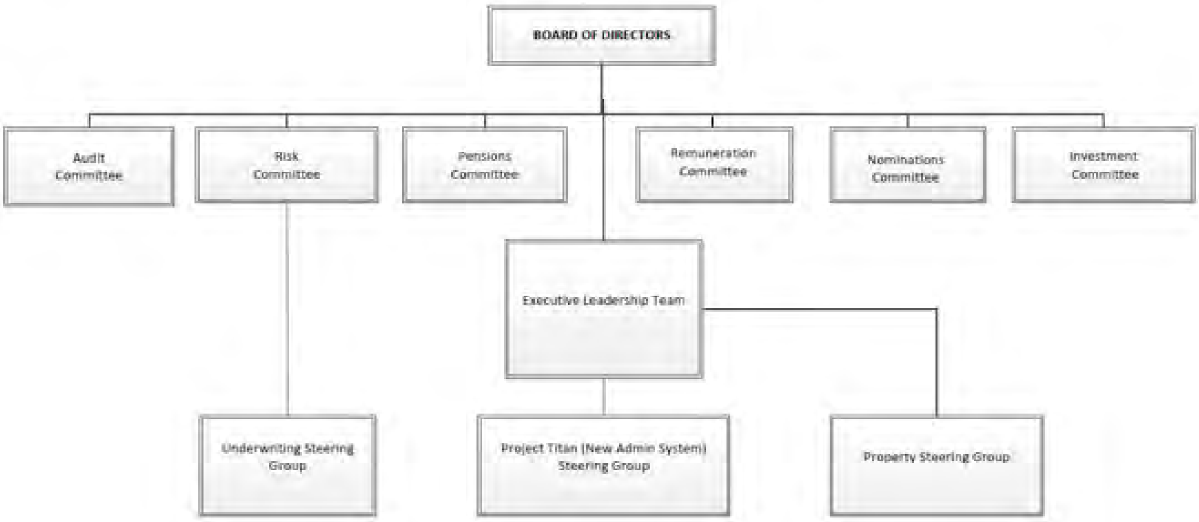
	2022	2021
Expiry Date:	£'000	**£'000**
Less than one year	381	277
Between one and five years	714	485
Total	1,095	762

B. System of governance

B.1. General information on the system of governance

Board and committee structure and roles

Westfield Health's governance structure is laid out below:



Westfield Health is a company limited by guarantee, so has no shareholders, but rather has Members of the Company. Members take part in supervising the performance of the Company and its directors, to protect the interests of the Company. The Company's Articles of Association prohibit Members from benefiting as a result of their membership; as at 31st March there were 16 Members, each with an equal voting right, so no individual Member is considered to hold undue influence over management.

The Board of Directors has overall responsibility for the direction and governance of Westfield Health.

The Audit Committee is entirely non-executive in composition. Its role is to act as part of Westfield Health's "third line of defence", reviewing reports from internal and external audit.

The Risk Committee is comprised of a mixture of executive and non-executive directors and is regularly attended by the Risk Manager, the Compliance Manager and other operational managers from across the business. The committee includes certain members of the Audit Committee to ensure the two groups' work is complementary.

The Pension Committee is comprised of a mixture of executive and non-executive directors and reviews the operation of the Group's defined benefit, defined contribution and life assurance schemes.

The Remuneration Committee is responsible for review and implementation of Westfield Health's remuneration policy, particularly where it applies to executive directors. Its membership is entirely composed of non-executive directors. A representative from HR acts as an advisor to the Committee.

The Nominations Committee is responsible for ensuring that the membership of the Board remains fit and proper. This includes selecting and recommending candidates, and succession planning for key Board roles, including executive and non-executive directors, and members. The Nominations Committee comprises the Chair of Westfield Health, Chief Executive, Vice-Chair and Senior Independent Director. A representative from HR acts as an advisor to the Committee.

The Investment Committee is responsible for reviewing all aspects of Westfield Health's investment activities to ensure they are aligned with the Board's Investment Policy. Its membership comprises two executive directors and other key members of the business.

The Executive Leadership Team consists of the executive directors and other senior roles across the business. Its role includes the development of strategy for Board approval and managing the delivery of this strategy across Westfield Health.

This structure allows for the implementation of a “3 lines” risk management system. The “first line” comprises operational management, who are responsible for ensuring that adequate systems and controls are in place to manage risks in their areas. The “second line” comprises oversight functions (Compliance, Risk Management, and Actuarial functions) who advise and support managers in this role whilst retaining some operational independence; this second line reports to the Risk Committee. The “third line” is internal audit, which reports to the Audit Committee.

Key functions

Solvency II defines four “key functions” - Internal Audit, Compliance, Risk Management and Actuarial - as essential for an effective system of governance in any insurer. Westfield Health has not identified any additional functions which it considers to be “key”. To minimise repetition, information about the implementation of these functions is set out in sections of this report relating to their activities.

Key Function	Section Reference	Section Title
Actuarial	B.6	Actuarial function
Compliance	B.4	Internal Control
Internal Audit	B.5	Internal Audit
Risk Management	B.3	Risk Management

Changes to the system of governance

A review of the governance structure continued during the year to ensure its robustness and appropriateness for current and future business challenges and opportunities. The cross section of appropriately experienced individuals on the Board, in both Executive and Non-Executive roles, ensures the right level of challenge and support to contribute to the delivery of the business’ strategic goals.

Work has continued on refreshing the Board as members come to the end of their tenure to ensure it remains independent. With this in mind, the Board was strengthened during 2021-22 with four new members. Judith Hartley, Trevor Nicholls and Nicki Webber joined as non-executive directors, and Tony Mucci, was welcomed as an executive director as Chief Growth Officer. A further two new non-executive directors joined post year end, Robert Copeland and Richard Stubbs. A new compliance manager was appointed in May 2021.

Remuneration policy

Principles

Westfield Health has a written remuneration policy, the key objectives of which are to ensure that Westfield Health is able to:

- Appropriately compensate employees and executive and non-executive directors for their services and to provide a flexible, competitive remuneration structure which:
    - reflects market practice and benchmarks;
    - is aligned to the performance of the business;
    - is tailored to the specific circumstances of Westfield Health;
    - is a transparent system throughout all levels of the Company;
    - attracts, motivates and retains highly skilled people; and
    - determines remuneration in a way that ensures a level of equity and consistency across the business.

- Focus on ensuring a sound and effective risk management through:
    - a robust governance structure for setting and communicating goals;
    - inclusion of both financial and non-financial goals in performance and result assessments;
    - making fixed salaries the main remuneration component and providing an overall competitive total reward package; and
    - independent advice from external advisers.
- Support the long-term goal of being a great employer.
- Ensure that no-one will be involved in determining their own pay.

Variable remuneration and performance criteria

Westfield Health has five forms of variable remuneration, paid to executive directors, ELT, Heads of Department, sales staff, and other staff. In all cases, these bonus schemes are fully flexible and discretionary.

For executive directors, the ELT and Heads of Department, the annual bonus schemes reward performance aligned to the Group's business goals and individual contribution and performance aligned to role-modelling of the Group's values. The bonus amount is determined by Group performance across agreed key performance measures and individual contribution, determined by the achievement of objectives and behaviours displayed.

The bonuses are designed to ensure they support the leaders of the business in striving towards the same corporate goals and encourage the 'one team' working value.

For sales staff, the bonus scheme is based on the income generated by individual sales consultants and is calculated on a monthly basis. There is also a quarterly bonus based on the individual's portfolio value.

For other staff, the Annual Corporate Bonus rewards performance aligned to the Group's business goals. The bonus amount is determined by Group performance across agreed key performance measures set out on an annual basis, not all of which are financial measures. This provides an opportunity for the Group to share its successes, in an affordable way, with everyone who has contributed towards its corporate goals and promotes and encourages the 'One Team' Group value.

Long term incentive scheme

In addition to the above variable remuneration schemes there is also a long term incentive scheme for the executive directors. This new scheme is based on the performance of the Group in year 2023-24 with payment based on the result in that year compared to the budget as set for that year in 2020-21. The scheme was created to focus executive attention on bringing the Group to a sustainable level of trading profits. The executive directors will receive a share of the Group's outperformance of budgeted trading profits in 2023-24 above a set threshold.

Supplementary pension or early retirement schemes

There are no supplementary pension or early retirement schemes in place for any director or staff member at Westfield Health.

Material transactions with influential parties

During the year there have been no material transactions with members of the Board or Members of the Company, other than their remuneration.

The following transactions occurred in the year with other related parties:

	2022 £'000	2021 £'000
Gift aid payments:		
The Westfield Health Charitable Trust	200	450
Transactions with associates:		
Income from associates	3	3
Payments to associates	(44)	(45)
	(41)	(42)

B.2. Fit & proper requirements

Westfield Health is committed to ensuring that everyone in leadership roles is fit and proper to manage the duties and responsibilities related to the key roles to which they are appointed. The Nominations Committee and appointments process in respect of Board members is crucial to strong corporate performance as well as effective accountability.

Before making an appointment, the Nominations Committee will evaluate the balance of skills, knowledge and experience on the Board and will develop a role profile to take account of the role and required capabilities in areas such as:

- market knowledge;
- leadership;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis;
- regulatory framework and requirement; and
- risk management.

Westfield Health carries out a number of pre-employment checks for all Board and non-Board appointments including the following:

- Criminal Records Bureau - standard disclosure;
- address history;
- financial propriety checks (CCJ Bankruptcy, IVA);
- employment and personal references in line with FCA requirements;
- establishing if there is any evidence of regulatory sanctions or prohibitions;
- passport validation;
- qualifications vetting;
- five year general activity (self- employment, employment and education);
- verification of memberships and licenses; and
- investigative directorship search.

An annual declaration is completed by any approved person to ensure the ongoing monitoring of fitness and propriety of all approved role holders and is reviewed by the Nominations Committee.

All people in key leadership roles, including Non-Executives, participate in the mandatory training programme that is provided to all colleagues across the Group. This includes training on topics such as Anti-Bribery, Whistleblowing, Treating Customers Fairly and GDPR. Learning is completed in both face-to-face and online settings.

B.3. Risk management

Risk management system

Westfield Health uses a standard "three lines" model for risk management. The Chief Operating Officer holds the regulatory responsibility for risk management as the nominated Chief Risk Officer / SIMF4 holder.

The first line is operational management. Managers within the business are responsible for implementing systems and controls so that risks are appropriately identified and managed.

The second line consists of oversight functions who provide support, review and constructive challenge to the first line. A dedicated Risk Manager provides guidance, oversight and review of the risk management framework, and a Compliance Manager supports management and the Board in ensuring that there are adequate procedures in place to meet compliance and legal requirements and to manage compliance risk.

The Risk Committee reports directly to the Board. It comprises a mixture of non-executive directors and members of the Executive Leadership Team. The Risk Manager and Compliance Manager are in attendance and it is regularly attended by other operational managers from across the business. It provides regular scrutiny of risk management across the Group.

The third line is internal audit, whose role is to provide independent assurance and which reports directly to the Audit Committee. Internal audit conducts risk-based audits throughout the Group during the year based on an annual plan which is agreed with the Audit Committee and the Board. Internal audit was outsourced throughout the year to ensure access to the widest possible range of expertise.

Key processes for ensuring that risks remain within appetite include:

- regular Board reporting includes metrics comparing key risks against risk appetite;
- the Risk Committee's regular agenda includes discussion of risks identified both by management and the second line functions. The Committee also has an annual workplan which covers all identified key risk areas;
- maintenance of a risk register covering key strategic risks;
- an annual "Own Risk and Solvency Assessment" (ORSA) process, led by the Risk Committee on behalf of the Board, where key risks & their controls are identified & assessed; and
- the ORSA process contributes to Westfield's capital and financial planning. Models are prepared in detail for five years and at high level to ten years under both the base case and various adverse scenarios.

Own Risk and Solvency Assessment

The ORSA process is co-ordinated by the Risk Management function with input from a wide range of stakeholders across Westfield Health. Material risks are identified and assessed by senior managers across the business. These are correlated to determine likely capital impacts and recommendations made for additional management actions.

A range of scenarios is developed in consultation with the Risk Committee and senior management. These scenarios are then applied to Westfield Health's balance sheet model to identify their impact on capital.

The resulting ORSA report and associated recommendations are reviewed by the Risk Committee and the Board prior to final review and approval by the Board.

Recommended actions from the ORSA are a standing agenda item for the Risk Committee. Any proposed decisions which are expected to have a significant impact on either the capital or risk profile of Westfield Health are assessed by a process which includes identifying their impact on the projected capital position, and determining whether the impact is so material that the ORSA requires re-performing. All Board proposals include a section on capital and solvency implications to ensure consideration is given to them.

The ORSA is generally performed once per year, unless an interim ORSA is considered necessary as described above.

Capital management

The Board recognises the importance of maintaining adequate solvency to ensure the long-term stability of Westfield Health. This is particularly important as all of Westfield Health's capital comes from retained earnings.

The Board intends that Westfield Health should hold a minimum of 150% of its Solvency Capital Requirement ("SCR") on a Solvency II basis under any "base case" financial model, and a minimum of 125% of its Solvency Capital Requirement under any reasonably foreseeable adverse scenario.

B.4. Internal control

The Company's structure is relatively straightforward; its internal control system is proportionate to the complexity of the business. The Board sets the corporate culture and environment including the overall "tone from the top" around controls. It does this by setting and defining Westfield Health's strategy, risk appetite, vision, values and key policies; and by overseeing Westfield Health's operations, reviewing regular reports from management on performance against budget, strategy and risk appetite.

Managers have responsibility for ensuring the appropriate controls are in place to identify and mitigate risks to the operational areas under their responsibility.

The Risk Management and Compliance functions provide oversight around development and implementation of risk assessments and controls. The internal audit function provides a fully independent review of the effectiveness of the control environment for the Board.

Compliance function

Role

The Compliance function supports management and the Board in ensuring that there are adequate procedures in place to meet compliance and legal requirements and to manage compliance risk.

Authority

The Compliance function acts under a mandate from the Board. The annual Compliance Plan is approved by the Risk Committee.

The Compliance function has access to:

- All areas of the business as necessary to execute the Compliance plan.
- The Chief Executive, Risk Committee and Audit Committee to report any matter that they consider puts the business at risk from non-compliance with its regulatory and legal obligations

The Compliance function is led by a suitably qualified and experienced member of staff.

Reporting

The Compliance function has a management reporting line to the Chief Operating Officer via the Financial Controller and a functional reporting line to the Risk Committee. The Compliance function holder attends the meetings of this Committee. Written reports are submitted to each quarterly meeting of the Risk Committee and an annual report is submitted to the Board.

Independence

The Compliance function's independence from the business activities that it monitors is ensured by its formal status, which is stated and communicated through the Compliance Charter. To further ensure independence, the Compliance function as a whole or its individual members are not placed in a position where possible conflicts of interest may occur between compliance responsibilities and any other responsibilities.

Effectiveness

The effectiveness of the Compliance function is periodically reviewed and reported upon by the Internal Audit function.

B.5. Internal audit

Westfield Health's internal audit is outsourced to PricewaterhouseCoopers LLP ("PwC"); the role of Chief Audit Executive is fulfilled by a PwC partner and all internal audit staffing is the responsibility of PwC. The prescribed responsibility for internal audit oversight required under the Senior Managers & Certification Regime is held by Westfield's Chief Operating Officer.

Scope of work

All of Westfield Health's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit recommends which areas should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit programmes include obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, senior management and regulators.

Responsibilities

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Audit Committee and senior management, submitting the internal audit plan, internal audit budget, and resource plan for review and approval by the Audit Committee, implementing the approved internal audit plan, and issuing periodic audit reports on a timely basis to the Audit Committee and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit Committee makes appropriate enquiries of management and the Chief Audit Executive to determine whether there are any inappropriate limitations to scope or resource.

Reporting and independence

The internal audit plan of work is discussed with management but the internal auditors report to the Audit Committee.

Internal Audit staff remain independent of the business and report to the Chief Audit Executive who, in turn, report functionally to the Audit Committee and administratively to the Chief Operating Officer.

Internal Audit staff have no direct operational responsibility or authority over any of the activities they review. Therefore, they do not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Chief Audit Executive, then the Audit Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

Other PwC teams may be involved in the design and implementation of controls that will be/could be subject to internal audit review. Any such work is unrelated and the teams will be kept entirely separate. In those circumstances, the Chief Operating Officer is responsible for considering whether specific additional review procedures are needed to address any perceived or actual impairment of objectivity.

B.6. Actuarial function

Westfield Health's insurance business is relatively straightforward. Claims are typically high-volume, low-value and are reasonably predictable using straightforward pricing models. The period between an insured event and settlement of a claim is short, so technical provisions are modest compared to premiums or claims. As such the level of actuarial review required is limited.

The actuarial function is held by the Chief Operating Officer, who also holds the "Chief Actuary" role required under the Senior Insurance Managers' Regime.

Pricing is performed by the underwriting team under the supervision of the Director of Strategy & Commercial Finance. Significant or bespoke pricing decisions are reviewed by the Underwriting Steering Group (USG) which includes the Chief Operating Officer, the Chief Growth Officer and the Head of Propositions, who are able to provide independent review and challenge to these pricing proposals. USG decisions are periodically reviewed by the Risk Committee.

Technical provisions are calculated by the Finance department and reviewed by the Financial Controller. They are subject to external audit on an annual basis and the process of maintaining the model includes regular comparison of previous estimates to actual out-turns.

The Finance department contributes its modelling expertise to the ORSA process under the supervision of the Chief Operating Officer.

This approach to the implementation of the actuarial function is considered proportionate to the level of risk and complexity inherent in Westfield Health's business.

B.7. Outsourcing

Westfield Health's outsourcing policy calls for an assessment of the importance of the service which is to be outsourced and specifies steps which are proportionate to the importance of the resulting arrangement. The objective of these is to ensure that all activities undertaken as an outsourced arrangement are adequately and proportionately controlled in order to ensure that the strategic objectives of the Group and its responsibilities to policyholders and other stakeholders are not compromised.

Westfield Health is currently using a number of outsourced service providers to provide important or critical operational functions:

Outsourced service	Location of Provider
Internal audit	UK
Provision of data centre services and internet connectivity	UK
Investment management	UK
Database management services	UK
Telephony maintenance and support	UK
E-mail filtering	UK
Storage and collection of backup media	UK
Software development	Romania, UK
Cloud hosting	UK, Ireland

Westfield Health also outsources all staffing to Westfield Employment Services Limited, a wholly-owned subsidiary whose sole object is to provide staff to the Westfield Group.

B.8. Adequacy of governance arrangements

The Board of Directors are satisfied that the system of governance is adequate for the nature, scale and complexity of the risks inherent to Westfield Health.

C. Risk Profile

C.1. Underwriting risk

Underwriting risk is the risk of Westfield Health's insurance products not performing in line with expectations.

Risk assessment measures

The operational 'Underwriting Steering Group' (USG) is responsible for monitoring product group performance and insurance risk. The USG is overseen by the Risk Committee.

Underwriting risk is assessed using the following measures:

Claims modelling and experience monitoring

Based on experience, Westfield Health prepares a budget for each product line. Product performance is monitored against this budget and deviations are investigated.

Market monitoring and tracking of claims trends

Westfield Health's cash plan claims are driven partly by behavioural factors. Claim trends, purchasing behaviour and other signals from the broader healthcare market are all monitored for indications that customer behaviour may not be in line with underwriting assumptions.

Description of material risk exposures

Risks arising from insurance contracts can be sub-divided into three elements as follows:

- premium risk - risk that insurance premiums received do not cover claims paid;
- reserve risk - risk that technical provisions for incidents incurred but not reported are inadequate; and
- catastrophe risk - risk of a mass accident, pandemic or other incident leading to exceptionally high levels of claims.

These are explained in more detail below.

Premium risk

Health Cash Plan

The nature of Westfield Health's core health cash plan (reported as "medical expenses insurance" for Solvency II purposes), where claims are low in value and high in volume, tends to produce only small fluctuations in claims relative to the pricing of premiums.

As noted above, claim patterns are behavioural in nature; unexpected behaviour in customer groups, or changes in customer behaviour, could lead to deviations from the expected performance.

The pandemic led to a large reduction in claims as policyholders' ability to use the health care reimbursement element of their policies was limited. Most benefits have seen claims returning to normal following the end of the first lockdown in 2020. These shifts have been very rapid compared to historical trends, which increases the inherent risk of policyholder behaviour being different to expectations.

Product performance is under constant review with active monitoring of all products for indications of trends in behaviour; when identified, appropriate actions are taken to mitigate risk.

Private Health Insurance

Westfield Health's private health insurance product (reported as "medical expenses insurance" for Solvency II purposes) accounts for a small proportion of premium income. The claims profile is more volatile than health cash plan claims as claim values are higher whilst incident rates are lower.

Prices are kept affordable by negotiating fixed price treatment packages and excluding heart and cancer treatment - areas where the NHS has established and proven pathways - and excluding chronic conditions. This also reduces premium risk because Westfield Health is not exposed to high-cost novel treatments, chronic conditions and pharmaceuticals.

The pandemic led to a reduction in surgery claims which has now largely returned to normal. We are expecting the average cost of claims to increase due to inflation, and waiting times within the NHS are expected to lead to increased demand for private surgery.

Reserve risk

Health Cash Plan

Westfield Health's technical provisions for the health cash plan business are small relative to premiums. This reflects the terms of business - policyholders have 26 weeks to submit a claim from the incident date and claims are processed promptly on receipt. In response to the COVID-19 outbreak, the original 13 week claims window was extended to 26 weeks; this has not led to a material increase in the variability of claim practices and has been permanently extended across all cash plan products.

Private Health Insurance

The nature of the product is such that claims must be reported to Westfield Health before treatment has commenced, and claims are usually resolved within a short timescale. This means that technical provisions and the associated reserve risk for private health insurance are small.

Catastrophe risk

The personal accident element of the health cash plans is exposed to catastrophe risk. In addition, a catastrophic event may directly lead to increased incidents requiring hospitalisation or therapy treatments, which are also covered by Westfield Health's insurance plans. Whilst the total exposure is relatively large, after considering the expected probability of certain catastrophic events occurring the financial impact of a such an event is assessed to not be significant for Westfield Health.

Investment assets and the prudent person principle

This is not relevant to underwriting risk.

Risk concentration

Corporate paid business exposes Westfield Health to the risk of concentration with a single customer whose behaviour may not reflect that expected. In the case of cash plans, corporate cultures and the behaviour of the employer can lead to much higher incident rates than those anticipated. For private health insurance this is mitigated by the non-discretionary nature of the procedures covered.

Similarly, if a corporate customer or intermediary accounts for a significant proportion of Westfield Health's income, Westfield Health's financial results become dependent on retaining this business.

The value of premiums from large accounts and via key brokers is monitored to identify potential concentrations of underwriting risk.

Risk mitigation

The following techniques are used to mitigate the risk associated with insurance risk:

Product design

Combining several benefits in one product reduces the impact of a sudden movement in behaviour on one benefit.

Product pricing

Westfield Health has a defined target claim and combined ratio. Product pricing is based on this underwriting objective.

Sales channels

Westfield Health has a combination of individual and group business, and sells to each of these customer groups both directly and through brokers. This variety of customers leads to a wider range of behaviours which mitigates behavioural risks.

Claims rules

The 26-week claim period for policyholders to submit cash plan claims mitigates the risk that there is a significant volume of incidents outstanding which have not been claimed, thus reducing the reserve risk. The claims reserve model monitors deviations between estimated and actual claims.

Claim monitoring

Westfield Health uses a range of manual and automated processes to detect fraudulent or invalid claims. Rates of potentially invalid claims are tracked to assess the effectiveness of these processes.

Monitoring, pricing and product design

As noted above, results are regularly monitored against expectations. Insights from this monitoring are used to inform Westfield Health's regular reviews of pricing, contract terms, and benefit limits, to ensure that real, sustainable value is being provided to all customers.

Risk sensitivity, stress and scenario testing

Westfield Health's ORSA looks at the total monthly and quarterly fluctuations in claim experience, separately for private health insurance and health cash plan business. These will include seasonal, random and behavioural/anti-selective fluctuations related to both types of business.

These "regular" fluctuations give an indication of the likely impact of more exceptional deviations for any of the above reasons.

The Health Insurance risk module of the Solvency Capital Requirement at the year-end was £10.1m. Westfield Health's internal estimate of a severe fluctuation in the claim ratio is significantly lower than this and therefore £10.1m is considered a highly prudent assessment of Westfield Health's sensitivity to severe adverse claims patterns.

C.2. Market risk

Market risk is the risk of loss arising from movements in investment markets.

Risk assessment measures

Market risks are measured through the following metrics and reported regularly to the Investment Committee, both at a detailed and an aggregate level:

- asset allocation and performance compared to benchmarks; and
- losses for the current portfolio under specific stresses.

The measures are key metrics that provide clear and insightful information to the Investment Committee.

Description of material risk exposures

Movement in equity markets, interest rates, credit spreads or other financial market movements can lead to losses in Westfield Health's investment portfolio. Any gains or losses arising on market movements remain unrealised until the investment is sold, when they become realised. These risks have remained the same throughout the year.

With operations in continental Europe, the Group's operating results are now exposed to fluctuations in foreign exchange markets, particularly between Sterling and the Euro.

Investment assets and the prudent person principle

The "prudent person principle" of Solvency II is that insurers should select investments so that the portfolio as a whole has appropriate levels of security, liquidity and profitability, and that they should properly understand and manage the risks of all their investments. Westfield Health implements this requirement through its Investment Policy.

The Investment Policy specifies:

- a risk/return objective. Westfield Health's investments are "tiered" by target risk and return. These are aggregated to give an overall risk/return objective, whilst ensuring that a significant proportion of assets are invested in low-risk investments;
- strategic asset allocations for each tier to prevent excess concentration in any one asset class;
- concentration limits for any one investment counterparty;
- risk and return reporting requirements; and
- the selection of managers for each asset class.

Westfield Health's portfolio is diversified between asset classes with a particular focus on reducing "correlation" – the extent to which all of Westfield Health's assets respond in the same way to a market shock. The impact of a range of shocks is regularly modelled and monitored by the Investment Committee. Benchmarks have been approved within the Investment Policy which formalise the cautious balance between acceptable risk and return for Westfield Health's investment portfolio.

Specialist managers are used for each fund/portfolio. Throughout the year an investment consultant was also engaged to provide investment risk management advice.

Risk concentration

Westfield Health does not have any identified material risk concentrations in its investment portfolio.

Risk mitigation

The key risk management approaches are set out under "prudent person principle" above; their effectiveness is assessed by tracking the measures set out above under "risk measurement".

Westfield Health has no appetite to use derivatives directly; asset managers may use derivatives for the purposes of risk management and efficient portfolio management. Several of Westfield Health's funds are hedged back to sterling by the relevant fund managers; all fund managers' performance is measured against sterling benchmarks.

The UK and European businesses operate largely independently. To an extent cash flows can be timed to optimise exchange rates.

Risk sensitivity, stress and scenario testing

Westfield Health's ORSA report includes an extensive section on stress and scenario analyses related to market risks.

These include the impact of equity market movements, interest rate and spread changes, currency market movements and changes in property markets.

In its balance sheet modelling, Westfield Health has also modelled the impact of a severe recession, in which:

- the investment portfolio falls by 10% and produces no yield for 3 years;
- new sales are 40-45% lower than expected; and
- price increases are frozen for a year before adjustments are made to react to any increase in claims.

Westfield Health's reserves are sufficient to allow several years to adjust to such a scenario without breaching capital requirements.

The market risk module of the Solvency Capital Requirement, reflecting a "one-in-two-hundred year" shock, was £27.1m, accounting for the majority of Westfield Health's Solvency Capital Requirement.

C.3. Credit risk

Credit risk is the risk that failure of a supplier or counterparty could lead to financial or other loss for the Group or its customers.

Risk assessment measures

Credit checks are undertaken on suppliers and credit ratings are periodically reviewed for major financial partners (such as banks).

Policyholder debtors are reviewed and overdue balances investigated.

Description of material risk exposures

Westfield Health does not have material exposure to credit risk other than its banking relationships, which are mitigated by holding cash with reputable banks, whose credit ratings are regularly monitored.

Some premiums are collected on Westfield Health's behalf by an intermediary. These are paid over on a monthly basis and there is never a material balance owing. Individual policyholder debtors are low in value.

Investment assets and the prudent person principle

As disclosed above, Westfield Health's Investment Policy limits its exposure to any one financial institution.

Risk concentration

As above, Westfield Health's only material credit risk arises from its banking relationships. These are not considered so material as to give rise to a material concentration of credit risk.

Risk mitigation

Westfield Health's key mitigation for credit risk is to maintain a low exposure. If the risk assessment measures described above suggest significant credit risk, actions are taken to reduce the risk in a manner proportionate to the risk identified.

As part of its liquidity management, Westfield Health has an upper limit for the value of cash holdings. This is partly in order to ensure that surplus cash is invested to generate returns; it also serves to limit losses in the unlikely event of the failure of a current account provider. Deposit investments are also subject to concentration limits and regular credit checks.

Risk sensitivity, stress and scenario testing

As described above, credit risk is not considered sufficiently material to include in Westfield Health's stress testing programme.

The counterparty default risk element of the Solvency Capital Requirement was £1.0m, primarily driven by the deposits held with banks at year end.

C.4. Liquidity risk

Liquidity risk is the risk of not having sufficient liquid resources to meet liabilities as they fall due.

Risk assessment measures

The Finance department prepares a regular cash flow forecast to allow cash to be managed efficiently, comparing anticipated cash requirements to available cash to manage liquidity.

Forecasting and monitoring of historic cash flows allows an estimate of the maximum realistic cash which may be required over a given period and hence exposure to liquidity risk.

Description of material risk exposures

Westfield Health usually requires all health cash plan claims to be submitted within 26 weeks of being incurred; the aim is to process claims promptly upon receipt. The nature of the insurance written by Westfield Health therefore means that liquidity risks are mainly short-term.

Liquidity risk could arise from failures in cash flow forecasting and planning. It could also arise from actual cash flows being materially different to expectations due to either higher-than-expected claims or the failure of an expected cash inflow (e.g. premium collection).

Investment assets and the prudent person principle

As discussed under "risk mitigation" below, the Investment Policy requires a high proportion of investments to be liquid in nature with restrictions on investments which are less liquid.

Risk concentration

The only identified concentration of liquidity risk is that Westfield Health uses a single bank for current account provision. Westfield Health has access to a separate bank in the event of any issues experienced by the main banking provider.

Risk mitigation

Westfield Health aims to hold at least half of one month's average gross premium income, over and above its working capital requirements, in cash. This is estimated to be enough to allow for unexpected fluctuations and large cash outflows.

At present Westfield Health's insurance liabilities are predominantly very short-term; therefore the risks associated with asset-liability mismatches arise from asset liquidity.

The liquidity profile of Westfield Health's investments is regularly reported as part of the investments management information. Any investment into assets with liquidity periods beyond twelve months is specifically authorised by the Investment Committee and advised to the Risk Committee.

A minimum of two month's gross premiums is held in assets with a liquidity term of a maximum of one month in order to allow for severe unexpected cash flows. Where breaches of this are anticipated, the Risk Committee must be notified immediately (via the Financial Controller) by the Chair of the Investment Committee, and a written plan on how the matter is to be resolved provided as soon as reasonably practical.

Expected profits in future premiums

Expected profits in future premiums are not a material factor for Westfield Health's liquidity management; as at 31 March 2022 their value was nil.

Risk sensitivity, stress and scenario testing

Given the nature of Westfield Health's insurance business, its high cash holdings and the liquid nature of its investments, long-term liquidity risk is not considered material. The liquidity requirements above were set on the basis of modelling the situation if a major cash inflow - such as a premium collection - fails. The minimum acceptable cash balance is based on Westfield Health's maximum "typical" cash outflow over a two-week period, as it may take up to two weeks to liquidate assets or get additional funding arranged in the case of a major cash inflow failing. These requirements are reviewed as part of the ORSA process.

C.5. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, or from external events.

Risk assessment measures

Operational risks are recorded on Westfield Health's Risk Register. Key risk areas and themes from the risk register are assessed in more detail as part of the ORSA process.

Westfield Health's risk appetite measures operational risk exposure and appetite against metrics including:

- direct financial cost;
- business interruption and lost time;
- staff turnover and absenteeism;
- reputation; and
- regulatory breach.

Description of material risk exposures

Key risk areas include:

Business strategy

There is a risk that senior management may set an inappropriate strategy; there is also the risk that an appropriate strategy is undermined by misaligned management actions.

This risk has increased as the Group continues to widen its offering in the growing health and wellbeing market, both organically and through acquisitions and as the Group continues its expansions into Europe and beyond.

The pandemic forced the business to amend existing plans and create new strategies, with new potential growth areas and some areas adversely affected.

To help mitigate strategic risk, key management information is shared with the Board monthly. The Board also regularly meets to review the Group's business planning and strategy development. This includes the review of detailed budgets for the next five years and higher-level planning for the next six to ten years including the impact of the strategy on capital and solvency requirements. Departmental functional plans aligning reward with strategy deliverables are reviewed and prioritised as part of the development of the strategic plans, to ensure that the business is focussed on delivering the right projects and prioritising appropriately. There is governance from various committees as part of the decision-making process such as the Investment Committee and Underwriting Steering Group. There is a long-term HR strategy in place to support the delivery of strategic objectives. The Group's acquisition history has also developed the relevant skills and experience to support the operational delivery of the future strategy which acts as further mitigation. There are ELT sponsors for main strategic objectives to enhance accountability and there are functional plans in place for delivery.

New IT system

Significant resource and business energy are being invested into the creation of a new system. IT department resource has been scaled up and outsourced development partners have been utilised to ensure enhanced velocity. There is also involvement across the business which can result in conflict with other priorities. Due to the overall scale of the project to deliver, there are three elements to this risk:

- implementation takes longer, costs more or fails to provide the correct functionality needed by the business;
- the risk that the promised improvements do not manifest themselves in terms of financial benefit and increasing operational automation;
- historical data migration does not occur or is corrupted. This negatively affects the efficacy of actuarial review.

There are a number of controls that are currently in place to mitigate any failure of the new IT system:

- there is a specific IT System Project Management team with multiple delivery managers and a steering group utilising project management methodology to support the successful delivery of the project;

- progress and decision making are authorised at the steering group meeting;
- audits by internal audit of controls, governance, process and methodology are undertaken post the delivery of each major milestone; and
- business department owners are required to sign off on all individual modules from initial scoping to final module delivery.

There is a Board agreed road map in place which is regularly updated and the project itself uses a modular agile approach which gives consistent weekly progress updates in real-time with constant delivery. The Board actively monitor the costs being capitalised to ensure the carrying value is appropriate.

Cyber security and data incidents

IT failures could lead to significant issues, for example system downtime, lost productivity and data corruption, theft or loss. Cyber security is a key focus and is high on the Board and Risk Committee's agendas. A process of continuous improvement of systems and processes is operated to maintain the confidentiality, integrity and availability of business information systems and data through the Information Security Management System (ISMS) which is certified to the ISO27001 standard. The Group also has comprehensive cyber-insurance.

The IT infrastructure is located at specialised co-located data centres for additional resilience (Sheffield and Leeds), and cloud services are utilised where appropriate. The replacement administration system being developed is entirely cloud hosted to satisfy resilience and scalability requirements. A business continuity/disaster recovery plan is in place and tested bi-annually. The IT infrastructure and application security and resilience are under constant review and is tested annually by independent specialists. All employees who work from home are using Group issued equipment, secure logins and a corporate provided Virtual Private Network (VPN) which ensures a secure connection to Group systems.

Key personnel

There is inevitably a degree of reliance on key personnel, whose departure could increase the risk that core processes may not operate as designed. There can be key person dependency in some areas where experience/knowledge is very difficult to replace in the short to medium term. This means loss of key people is a magnified risk especially in subsidiaries. There is also the risk of people retiring who have key skills, knowledge and experience.

This risk is mitigated by strong leadership, people development and coaching and training strategies. Succession planning is ongoing at all levels of the business and there is a programme in place that ensures colleagues remain engaged and perform at their best. Documentation of core processes is performed so that they can be undertaken by other colleagues if necessary. Skill sets across the business are reviewed to ensure gaps are found and filled, there is a Remuneration Committee that ensures benefits are competitive and ELT members are on three to six months' notice periods.

Suppliers and counterparties

Failure of a supplier could lead to financial or other loss for the Group or customers.

All significant suppliers and counterparties are credit checked. For key suppliers, regular performance monitoring takes place and contingency plans are developed to mitigate the consequences of supplier failure.

The contracts register is centrally held and is reviewed and updated regularly. In light of COVID-19, procedures have been undertaken more frequently than usual to review the impact of the market disruption on key suppliers.

Regulation

Regulation is constantly evolving and regulatory breaches could have serious consequences for the Group including fines, reputational damage and potentially even loss of permission to operate. Changes to the regulatory environment are carefully monitored and external experts are used to review specific areas of our regulatory compliance. There have been directives from the regulator regarding how policyholders should be treated as a result of the pandemic and these have been carefully reviewed and appropriately adopted by the business.

During the year, new colleagues are given Insurance Distribution Directive (IDD) training and yearly refreshers for existing staff are carried out. The training ensures that consumer protection is enhanced when buying insurance and supports competition between insurance distributors by creating a level playing field.

Data protection

As a health insurance provider Westfield Health holds a significant amount of personal data, some of which is classified as special category data. Compliance with our data protection obligations continues to be a priority for Westfield Health. All new starters are required to undergo data protection training as part of their induction process and this is further supplemented by refresher training and competency testing on a regular basis. There is a Data Protection Officer as required by the regulation to ensure legal obligations are continually being met. There are ongoing audits to assess data protection from an accredited third party as well as work done by internal audit. As per the cyber security risk above, all colleagues working from home have secure connections to Westfield Health servers and data protection is built into ways of working.

Customer experience

The Company's customers have come to expect an excellent customer experience with Westfield Health. If this is not delivered the Group's relationship with customers would be compromised, leading to loss of business.

The Group has adopted a number of time-based quality standards in respect of its primary operations. The performance against these standards as well as the Net Promoter Score is reported internally on a monthly basis and every year the Group prepares a formal performance statement on its achievement of these standards.

Investment assets and the prudent person principle

This is not relevant for operational risk.

Risk concentration

Westfield Health does not believe that it has any significant concentrations of operational risk.

Risk mitigation

The key mitigation for operational risk is operational controls, including the culture and control environment of Westfield Health. The Risk Committee receives regular reports on key operational risk exposures; the internal audit function also reviews operational risk areas as it considers appropriate. There is also a framework for identifying, reporting and escalating operational risk incidents.

The only "risk mitigation" (other than operational controls) used by Westfield Health for operational risk is the purchase of certain insurances such as employers' liability, property, and motor insurance.

Risk sensitivity, stress and scenario testing

Westfield Health has quantified the financial impacts of the key operational risks noted above in its ORSA. Westfield Health has also considered hypothetical scenarios including a major operational incident leading to significant loss of customers, regulatory sanction and reputational damage. An event of this nature would cause significant financial loss - and would reflect a breach of trust with key stakeholders - but does not pose a threat to Westfield Health's solvency.

C.6. Other material risks

Pension Funding Requirements

Westfield Health has a defined benefit pension scheme which closed to future accrual as at 31 March 2016. The last full actuarial valuation was performed as at 31 March 2021 and showed a surplus of £0.6m. The scheme shows a surplus of £2.0m as at 31 March 2022 under the FRS 102 valuation. The closure of the scheme to future accrual significantly reduces the expected cost of providing benefits in the future. Changes in financial markets, actuarial assumptions, regulatory requirements and other factors can all result in changes to the funding requirements for this scheme.

The pension scheme has a professional trustee, who is actively involved with the Group to ensure that the scheme is adequately funded and appropriately managed.

Economic environment

Recent years have seen an extended period of economic uncertainty and upheaval with Brexit, the global pandemic, significant inflation and now a major land war in Europe. Uncertainty, inflation, and recession have an impact on economic growth and particularly on discretionary spending, including Westfield Health products. Westfield Health's insurance products fared relatively well during the 2008 recession and the focus on wellbeing following the pandemic also creates a strong bounce back opportunity.

The risks from economic uncertainty cannot be fully mitigated. Westfield Health models a range of economic scenarios including recession, so has various contingency plans in place. During the pandemic the Board approved a pricing strategy which paused planned price increases to minimise policyholder attrition; the current pricing strategy takes account of projected inflation and pressure on business and household finances.

Insurance Premium Tax (IPT) increases

The likelihood of an increase in IPT has increased following the pandemic as the Government will need to increase its revenue. Even a small rise in IPT would result in a large reduction in Westfield Health's technical result. The harmonisation of IPT with VAT in a single step increase is improbable, but not impossible; if the current 12% rate of IPT were increased to 20% to align with VAT this would represent a huge cost for Westfield Health. Increases in the cost of mandatory insurances due to IPT increases may also reduce client appetite for discretionary insurance products including health insurance.

Westfield Health has considered the impact on policyholders of an increase of IPT and how or when this would be passed on to policyholders through scheme changes. Given the disparity between IPT rates on health insurance across Europe and the positive benefits that health cash plans provide to the UK healthcare system, it would appear unfair to raise the cost to the end consumer following further rate increases. Therefore, we are working with trade bodies who lobby the Government on the issue of charging IPT on health insurance.

D. Valuation for solvency purposes

General

Solvency II requires assets and liabilities to be valued on a market-consistent basis whilst Westfield Health's financial statements are prepared on the basis of UK GAAP (FRS102 and FRS103). This is largely, but not entirely consistent with Solvency II and therefore certain adjustments are required in order to comply with the requirements of Solvency II.

The following table sets out the key differences between Westfield Health's Solvency II balance sheet and that provided in the statutory financial statements. The full Solvency II balance sheet is presented in template S.02.01.02 in Appendix 1.

Summary balance sheet as at 31 March 2022 on Solvency II and statutory accounts bases

	Statutory accounts value £'000	Solvency II value £'000	Difference £'000
Assets			
Intangible assets	2,677	-	(2,677)
Pension benefit surplus	2,029	2,029	-
Property, plant & equipment held for own use	8,088	7,352	(736)
Investment Property	4,893	4,893	-
Investments in related undertakings	755	2,868	2,113
Equities	7,277	7,277	-
Bonds	5,773	5,817	44
Collective Investments Undertakings	44,391	44,393	2
Deposits other than cash equivalents	5,590	5,590	-
Receivables	2,302	1,790	(512)
Cash and cash equivalents	5,561	5,561	-
Total assets	89,336	87,570	(1,766)
Liabilities			
Technical provisions	3,160	3,711	551
Deferred tax liabilities	999	999	-
Payables	4,848	4,848	-
Total liabilities	9,007	9,558	551
Excess of assets over liabilities	80,329	78,012	(2,317)

D.1. Assets

Value

The value of each material class of asset is set out in the Solvency II balance sheet, presented in template S.02.01.02, and summarised above.

Recognition and valuation bases, assumptions, judgements and differences

Intangible assets

Westfield Health holds software licences which are not transferable. Under UK GAAP, these are recognised at cost, less amortisation, less impairment. Under Solvency II, these are valued at £nil on the Solvency II balance sheet as they are not considered readily convertible to cash.

This has the effect of decreasing intangible assets by £2,677k to £nil.

Pension Benefit Surplus

Westfield Health maintains a defined benefit pension plan that is closed to future accrual as well as a defined contribution pension plan for eligible employees. The valuation of the pension plan is consistent between the financial statements and Solvency II.

Defined benefit pension plan

The liabilities and, where applicable, the assets of the defined benefit plan are recognised at fair value in the balance sheet. An updated valuation for accounting purposes is performed annually by a qualified actuary using the projected unit credit method with a full valuation for funding purposes conducted every three years by the defined benefit plan's appointed actuary.

Property plant and equipment held for own use

The Solvency II balance sheet requires these assets to be valued at an estimated market value.

Plant and equipment have been valued at nil on the Solvency II balance sheet, as their market value is not practical or cost-effective to estimate and the Solvency II regulations do not permit the use of depreciated cost.

In the financial statements, property held for own use is valued on the basis of estimated market value, less accumulated depreciation since the most recent valuation (Westfield House was last valued at February 2020). The lockdowns experienced as a result of COVID-19 provide an unprecedented set of circumstances on which to base a judgement for valuation. The valuers therefore issued their report on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global and note that a higher degree of caution should be attached to the valuation than would normally be the case. The directors have reviewed this and consider it appropriate to use the valuation from February 2020 in the financial statements as it is deemed to be reflective of the value as at March 2022 notwithstanding the inherent uncertainty arising from the economic situation caused by COVID-19.

As the Solvency II balance sheet requires these assets to be valued at an estimated market value the accumulated depreciation has been added back.

These changes have the net effect of decreasing the value of property, plant and equipment held for own use by £736k to £7,352k.

Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost at initial recognition. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. Subsequently investment properties are held at fair value. A full valuation is obtained from a qualified valuer for each property every three years, with an internal review of carrying value undertaken in the intervening years. This basis is consistent between the financial statements and the Solvency II balance sheet. As per property held for own use, although there is material valuation uncertainty following the COVID-19 outbreak, the directors consider the valuation from February 2020 to be appropriate for March 2022.

Investments in related undertakings

For its financial statements, Westfield Health measures its investments in associates and subsidiaries at cost less any accumulated impairment losses. For the Solvency II Balance Sheet, Westfield Health measures its investments in associates at Westfield Health's share of the net assets of the associate, measured on a Solvency II basis.

This has the effect of increasing investments held in related undertakings by £2,113k to £2,868k.

Investments - Equities, bonds and other financial investments

Differences between financial statements and Solvency II balance sheet

Westfield Health's accounting approach for its investments is consistent between the audited financial statements and Solvency II, with the following exceptions:

- for the financial statements accrued interest on bonds is included within receivables; under Solvency II this accrued interest is included in the valuation of the bond. This has the effect of increasing investments in bonds by £43k and decreasing receivables by the same amount.
- for the financial statements listed assets are recognised at bid market price; for Solvency II they are recognised at mid market price. This has the effect of increasing investments in bonds and collective investment undertakings by £3k.

Apart from the differences mentioned above, the SII valuation and recognition of investments follows the FRS 102 treatment as per the financial statements:

Recognition

The asset values of investments are recognised when Westfield Health becomes a party to the contractual provisions of the instrument. They are derecognised only where the contractual rights to the cash flows from the instrument expire or the instrument is sold or transferred and the sale or transfer qualifies for de-recognition.

Fixed income securities

Fixed income securities are measured initially at fair value, which is the transaction price less attributable transaction costs. Subsequent to initial recognition investments are measured at fair value.

Investments in equity instruments

Investments in equity instruments are measured initially at fair value, which is the transaction price less attributable transaction costs. Subsequent to initial recognition investments are measured at fair value.

Deposits with credit institutions

Cash deposits are measured at fair value which is the cash deposit value plus accrued interest.

Cash

Cash comprises cash balances which are repayable on demand. They are measured at fair value.

Unlisted Investments

Unlisted Investments in real estate funds are valued in line with the net asset valuation of the fund as communicated by the fund manager. Unlisted Investments in bonds and shares which are not tradable on quoted listed markets are measured at cost which is deemed to represent fair value.

Fair value measurement and valuation hierarchy

FRS 102 fair value measurement establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

- Level 1: quoted prices in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset e.g. Price of a recent transaction for an identical asset;
- Level 3: valuation technique to be used to determine arm's length price for the asset.

Listed investments totalling £55,370k are stated at mid-market price on the Solvency II balance sheet and are all based on Level 1 inputs.

Deposits with credit institutions, £5,590k, are all due within six months. The carrying value is a reasonable approximation of fair value under Level 1 inputs.

Unlisted investments consist of an investment in unlisted real estate funds of £1,924k, investments in alternative asset classes totalling £171k and other small bond and shareholdings totalling £20k. These are based on appropriate valuation techniques which are categorised as Level 3 inputs.

Receivables

Receivables comprise policyholder debtors, prepayments and other trade receivables, and intra-group loans. All of these are short-term receivables so the carrying value is considered a reasonable approximation to the fair value; the valuation of these is therefore consistent between the financial statements and the Solvency II balance sheet with the exception of the following:

- for the financial statements accrued interest on bonds is included within receivables; under Solvency II this accrued interest is included in the valuation of the bond. This has the effect of increasing investments in bonds and equities by £43k and decreasing receivables by the same amount.
- Westfield Health holds software licences which are not transferable, some of which are included under prepayments. Under Solvency II, software licences not recognised on the Solvency II balance sheet. This has the effect of decreasing receivables by £469k.

Level of uncertainty

Westfield Health considers that its asset valuations are mostly subject to a low level of uncertainty. As mentioned above, COVID-19 however provides an unprecedented set of circumstances on which to base a judgement for valuation of properties. The valuers of Westfield House therefore issued their report on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global and note that a higher degree of caution should be attached to the valuation than would normally be the case. The directors have reviewed this and consider it appropriate to use the valuation from February 2020 in the financial statements for property, plant and equipment held for own use and investment property. The valuation is deemed to be reflective of the value as at March 2022 notwithstanding the inherent uncertainty arising from the economic situation caused by COVID-19.

The only other significant uncertainty is around the valuation of the pension scheme surplus. Key assumptions underlying the liability component are selected with the assistance of an appropriate qualified actuary and the liability is valued in line with accounting standards; as noted above changes in assumptions can have a significant impact on the valuation of the scheme.

D.2. Technical provisions

Value and valuation method

Westfield Health only underwrites one line of business (health insurance); the value of technical provisions, split out into best estimate and risk margin, is set out in the Solvency II balance sheet, presented in template S.02.01.02 and are set out below:

Gross Technical Provisions	Statutory accounts value £'000	Solvency II value £'000	Difference £'000
Claim provision	2,771	3,507	736
Premium Provision	389	(498)	(887)
Risk Margin	N/A	702	702
	3,160	3,711	551

Valuation method

Best estimate claims provision

Claims reported but not paid at the balance sheet date are included based on claims settled after the reporting date. This method is the same for Solvency II and the financial statements.

Claims incurred but not reported at the balance sheet date are estimated based on statistical projections from Westfield Health's experience over the most recent 12 months, with appropriate adjustments made for identified anomalies in the data. This method is the same for Solvency II and the financial statements.

Administrative costs for the claims provision are calculated on a different basis for Solvency II and the financial statements. The financial statements include a provision for the cost of handling claims only. The Solvency II claims provision is required to include a provision for related administrative expenses, acquisition costs and overheads. For the Solvency II balance sheet this is calculated on the basis of administrative costs as a percentage of annual claims cost. This results in an increase in the best estimate claims provision of £736k from £2,771k to £3,507k.

Best estimate premium provision

In the financial statements, technical provisions comprise the best estimate claims provision (as above), premiums received not yet earned, and premium rebates due to customers under surplus share agreements.

On the Solvency II balance sheet, the premium provision consists of an estimate of the following items for contracts bound at the reporting date, up to their contract boundary:

- premiums to be earned;
- claims to be paid; and
- other expenses to be paid in relation to these contracts, as described for the claims provision.

The contract boundary for monthly renewable contracts is treated as one month after the reporting date. For annual contracts it is treated as the date of renewal of the contract; it is assumed that all contracts entering into force in the first month following the reporting date were bound before the reporting date.

Each element of the premium provision is calculated on the basis of budgeted income and expenditure; experience indicates that Westfield Health's business is highly predictable and material variances from budget are rare.

For the financial statements, the premium provision has a value of £389k; for the Solvency II balance sheet this value is an asset of £498k, a difference of £887k.

Risk margin

The Risk Margin is not a concept used under UK GAAP and so does not appear in the financial statements. Its aim is to quantify the amount, in excess of the best estimate, which Westfield Health would have to pay a third party to take on its insurance obligations to compensate for the uncertainty in the best estimate.

The very short duration of Westfield Health's technical provisions means that the calculation is relatively straightforward as the technical provisions are extinguished within 12 months of the reporting date.

It is calculated using the Standard Formula Solvency Capital Requirement for a hypothetical insurance company which has:

- no market risk;
- immaterial counterparty default risk;
- net premium income last year matching that of Westfield Health, with estimated premium income next year being the estimated cash inflows associated with the technical provisions;
- net best estimate claims provision matching Westfield Health; and
- health catastrophe risk matching that of Westfield Health

This Solvency Capital Requirement is multiplied by the Cost of Capital, defined by the European Commission as 6%, to give a risk margin of £702k.

The combined impact of all of these adjustments is an increase of £551k in technical provisions from £3,160k in the financial statements to £3,711k for the Solvency II balance sheet.

Level of uncertainty

Westfield Health considers that its technical provisions are subject to a low level of uncertainty. Technical provisions are low in value compared to annual premiums; claims are high-volume, low-value and are considered highly predictable. By the time of audit of the financial statements most technical provisions are extinguished allowing a high level of confidence in their value.

Adjustments

Westfield Health does not apply either a matching adjustment or a volatility adjustment to its technical provisions; neither does it apply any transitional measures in their calculation.

Other disclosures

Changes in assumptions

Adjustments were made to the claims provision for March 2021 as claims experiences during the COVID-19 lockdowns were known to not be representative of future expectations. As claiming patterns returned to relatively normal levels during 2021-22, no such adjustment was deemed necessary at March 2022. No other material changes have been made in the assumptions used to calculate technical provisions compared to the previous reporting period.

D.3. Other liabilities

Value

The value of each material class of liability is set out in the Solvency II balance sheet, presented in template S.02.01.02.

Valuation bases

Deferred tax

There is no difference between the valuation of deferred tax in the Solvency II balance sheet or the financial statements balance sheet.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Other liabilities

The nature of all of Westfield Health's other liabilities are trade payables. All of these are short-term payables so the carrying value is considered a reasonable approximation to the fair value; the valuation of these is therefore consistent between the financial statements and the Solvency II balance sheet.

Westfield Health does not have any contingent liabilities.

D.4. Alternative valuation methods

As noted in D.1., Westfield Health has £20k of unlisted investments in bonds and equities held at cost. This valuation is the directors' best estimate and is considered proportionate to the small value of these investments.

D.5. Other information

Westfield Health does not have any other information to disclose regarding its valuation methods.

E. Capital management

E.1. Capital management and availability of capital

Objectives, policies and processes

All of Westfield Health's capital originates from retained earnings. The Board recognises the importance of maintaining adequate solvency to ensure the long-term stability of Westfield Health.

While the Board recognises that having significant capital reserves is particularly beneficial in times of market and economic uncertainty, such as the COVID-19 pandemic, it also acknowledges that holding excessive reserves can be an inefficient use of policyholders' funds. The Board intends that Westfield Health should hold a minimum of 150% of its Solvency Capital Requirement (on a Solvency II basis) under any "base case" financial model, and a minimum of 125% of its Solvency Capital Requirement under any reasonably foreseeable adverse scenario.

The balance sheet model is run over a ten-year period. The level of detail in the forecast decreases from a fully detailed budget for the first three years; management prepares estimates for the next two years; trends are then extrapolated for the final five years to provide an indication of the possible position in ten years' time.

There have been no changes to the capital management policies and objectives during the reporting year.

Structure, amount and quality of own funds

Westfield Health has no shareholders and no debt so the capital in the financial statements comes from retained earnings. The excess of assets over liabilities on the Solvency II balance sheet forms the "reconciliation reserve"; this reconciliation reserve constitutes all of Westfield Health's "own funds" for Solvency II reporting purposes.

Under Solvency II, own funds are classified into three tiers according to their ability to absorb losses, and only a limited proportion of own funds from lower tiers can be used to cover the Solvency Capital Requirement or Minimum Capital Requirement.

All of Westfield Health's capital, shown in the Solvency II balance sheet, is "tier one" - the highest quality capital - and is eligible to cover both the Solvency Capital Requirement and the Minimum Capital Requirement. As at 31 March 2022, Westfield Health recognised no deferred tax assets, which would be classed as "tier three" capital - the lowest quality capital.

Transitional arrangements

Westfield Health has no spread or concentration risk arising from exposures to EU member states' or central banks' debt which is denominated in a currency other than the state's own currency. Therefore the transitional arrangement in Article 308b(9) of the Solvency II directive is not relevant.

From March 2020 Westfield Health chose to no longer apply the transitional rate to the equity shock as allowed in Article 308b(10) of the Solvency II directive. The transitional rate no longer had a material impact on the Solvency Capital Requirement as the asset base that the transitional rate was applicable to was smaller as assets within funds had been turned over and the transitional rate was nearing the full rate.

Other factors affecting own funds

Westfield Health has no ancillary own funds and no items have been deducted from own funds.

E.2. Capital requirements

Capital requirements

Solvency II defines two capital requirements. The Solvency Capital Requirement is an estimate of enough capital to survive a "one-in-two-hundred year" shock; the Minimum Capital Requirement is an estimate of enough capital to survive a "one-in-eight year" shock.

Westfield Health's capital requirements, and own funds available to cover those requirements, as set out in template S.23.01.01 in Appendix 1, are as follows:

	2022 £'000	2021 £'000
Solvency Capital Requirement	32,703	31,421
Minimum Capital Requirement	8,176	7,855
Own Funds	78,012	73,966
Own Funds / SCR	239%	235%
Own Funds / MCR	954%	942%

The annual movement in own funds represents the surplus generated by Westfield Health for the year, excluding the impairment of the intangible asset as the asset had not previously been recognised in own funds.

Solvency Capital Requirement

Under Solvency II, insurers can either use a "standard formula" or develop their own "internal model" to calculate their Solvency Capital Requirement. Internal models are mainly used by the largest insurance companies with complex risk profiles; Westfield Health uses the standard formula. The standard formula produces a capital requirement for a number of defined categories of risk (modules); the total capital requirement is reduced to allow for diversification between these categories as set out in template S.25.01.21 in Appendix 1.

	2022 £'000	2021 £'000
Health underwriting risk	10,089	9,782
Market risk	27,142	26,260
Counterparty default risk	1,028	1,014
Operational risk	1,856	1,852
Loss-absorbing capacity of deferred taxes	(706)	(976)
Diversification benefit	(6,706)	(6,511)
Solvency Capital Requirement	32,703	31,421

Where appropriate, the standard formula can be varied by the use of simplifications, or by the use of undertaking-specific parameters. No simplifications and no undertaking-specific parameters have been used. Where the PRA believes that there are specific issues which mean that the standard formula does not adequately reflect the risks relating to a firm, it is also able to impose add-ons to increase the Solvency Capital Requirement; the PRA has not imposed a capital add-on for Westfield Health.

The year-on-year increase in market risk is driven by the increase in the closing value of the investment portfolio compared to 2021.

Minimum Capital Requirement

The Minimum Capital Requirement is calculated by a linear calculation based on premiums and technical provisions, with a "floor" and "cap" of 25% and 40% respectively of the Solvency Capital Requirement. In both 2022 and 2021 the linear calculation relating to premiums and technical provisions produced a value lower than this 25% floor so Westfield Health's Minimum Capital Requirement was based on this floor. The year-on-year increase in Minimum Capital Requirement is therefore driven by the increase in Solvency Capital Requirement explained above.

E.3. Other disclosures

Westfield Health does not use a duration-based equity risk calculation.

Westfield Health has at no point been non-compliant with any capital requirements.

Westfield Health has no other information to disclose regarding its capital requirements.

Directors' Responsibility Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- throughout the financial year in question, Westfield Health has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to the Company; and
- it is reasonable to believe that Westfield Health has continued to comply subsequently, and will continue to comply in future.

David Capper
Chief Executive
5 July 2022

Appendix 1 - Quantitative Reporting Templates

S.02.01.02 - Balance Sheet

	Assets	Solvency II value £'000
		C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	-
R0050	Pension benefit surplus	2,029
R0060	Property, plant & equipment held for own use	7,352
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	70,838
R0080	Property (other than for own use)	4,893
R0090	Holdings in related undertakings, including participations	2,868
R0100	Equities	7,277
R0110	Equities - listed	7,257
R0120	Equities - unlisted	20
R0130	Bonds	5,817
R0140	Government Bonds	3,895
R0150	Corporate Bonds	1,799
R0160	Structured notes	-
R0170	Collateralised securities	123
R0180	Collective Investments Undertakings	44,393
R0190	Derivatives	-
R0200	Deposits other than cash equivalents	5,590
R0210	Other investments	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	Loans on policies	-
R0250	Loans and mortgages to individuals	-
R0260	Other loans and mortgages	-
R0270	Reinsurance recoverables from:	-
R0280	Non-life and health similar to non-life	-
R0290	Non-life excluding health	-
R0300	Health similar to non-life	-
R0310	Life and health similar to life, excluding index-linked and unit-linked	-
R0320	Health similar to life	-
R0330	Life excluding health and index-linked and unit-linked	-
R0340	Life index-linked and unit-linked	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	1,060
R0370	Reinsurance receivables	-
R0380	Receivables (trade, not insurance)	730
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	5,561
R0420	Any other assets, not elsewhere shown	-
R0500	Total assets	87,570

S.02.01.02 Balance Sheet (continued)

	Liabilities	Solvency II value £'000
		C0010
R0510	Technical provisions - non-life	3,711
R0520	Technical provisions - non-life (excluding health)	-
R0530	TP calculated as a whole	-
R0540	Best Estimate	-
R0550	Risk margin	-
R0560	Technical provisions - health (similar to non-life)	3,711
R0570	TP calculated as a whole	-
R0580	Best Estimate	3,009
R0590	Risk margin	702
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	Technical provisions - health (similar to life)	-
R0620	TP calculated as a whole	-
R0630	Best Estimate	-
R0640	Risk margin	-
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	-
R0660	TP calculated as a whole	-
R0670	Best Estimate	-
R0680	Risk margin	-
R0690	Technical provisions - index-linked and unit-linked	-
R0700	TP calculated as a whole	-
R0710	Best Estimate	-
R0720	Risk margin	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	999
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	381
R0830	Reinsurance payables	-
R0840	Payables (trade, not insurance)	4,467
R0850	Subordinated liabilities	-
R0860	Subordinated liabilities not in BOF	-
R0870	Subordinated liabilities in BOF	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	Total liabilities	9,558

R1000	Excess of assets over liabilities	78,012

S.05.01.01 Premiums, claims and expenses by line of business

	Non-life	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) Medical expense insurance £'000	Total £'000
		C0010	C0200
	Premiums written		
R0110	Gross - Direct Business	61,772	61,772
R0120	Gross - Proportional reinsurance accepted	-	-
R0130	Gross - Non-proportional reinsurance accepted		-
R0140	Reinsurers' share	-	-
R0200	Net	61,772	61,772
	Premiums earned		
R0210	Gross - Direct Business	61,850	61,850
R0220	Gross - Proportional reinsurance accepted	-	-
R0230	Gross - Non-proportional reinsurance accepted		-
R0240	Reinsurers' share	-	-
R0300	Net	61,850	61,850
	Claims incurred		
R0310	Gross - Direct Business	42,459	42,459
R0320	Gross - Proportional reinsurance accepted	-	-
R0330	Gross - Non-proportional reinsurance accepted		-
R0340	Reinsurers' share	-	-
R0400	Net	42,459	42,459
	Changes in other technical provisions		
R0410	Gross - Direct Business	-	-
R0420	Gross - Proportional reinsurance accepted	-	-
R0430	Gross - Non-proportional reinsurance accepted		-
R0440	Reinsurers' share	-	-
R0500	Net	-	-
R0550	Expenses incurred	18,960	18,960
R1200	Other expenses		-
R1300	Total expenses		18,960

S.17.01.02 Non-life technical provisions

		Direct business and accepted proportional reinsurance Medical expense insurance £'000	Total Non-Life obligation £'000
		C0020	C0180
R0010	Technical provisions calculated as a whole	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	(498)	(498)
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-
R0150	Net Best Estimate of Premium Provisions	(498)	(498)
	Claims provisions		
R0160	Gross	3,507	3,507
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-
R0250	Net Best Estimate of Claims Provisions	3,507	3,507
R0260	Total best estimate - gross	3,009	3,009
R0270	Total best estimate - net	3,009	3,009
R0280	Risk margin	702	702
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole	-	-
R0300	Best estimate	-	-
R0310	Risk margin	-	-
R0320	Technical provisions - total	3,711	3,711
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	3,711	3,711

S.19.01.21 Non-life insurance claims - Total non-life business

Z0010	Accident year / underwriting year	Accident Year

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

	Year	Development year 0 £'000	1 £'000	2 £'000	3 £'000	4 £'000	5 £'000	6 £'000	7 £'000	8 £'000	9 £'000	10 & + £'000	In Current year £'000	Sum of years (cumulative) £'000
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	Prior												-	3
R0160	N-9	-	-	-	-	-	-	2	-	-	-		-	2
R0170	N-8	-	-	-	-	-	-	-	-	-			-	-
R0180	N-7	-	-	-	-	15	20	2	-				-	37
R0190	N-6	-	2,168	-	52	1	-	-					-	2,221
R0200	N-5	38,195	2,462	71	7	1	12						12	40,748
R0210	N-4	38,581	2,757	82	13	4							4	41,437
R0220	N-3	41,819	1,746	45	54								54	43,664
R0230	N-2	43,570	1,221	86									86	44,877
R0240	N-1	27,920	1,853										1,853	29,773
R0250	N	40,216											40,216	40,216
R0260													42,225	242,978

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0 £'000	1 £'000	2 £'000	3 £'000	4 £'000	5 £'000	6 £'000	7 £'000	8 £'000	9 £'000	10 & + £'000	Year end (discounted data) £'000
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior											-	-
R0160	N-9	-	-	-	-	-	-	-	-	-	-		-
R0170	N-8	-	-	-	-	-	-	-	-	-			-
R0180	N-7	-	-	-	-	-	-	-	-				-
R0190	N-6	-	-	-	-	-	-	-					-
R0200	N-5	2,594	-	-	-	-	-						-
R0210	N-4	2,732	-	-	-	-							-
R0220	N-3	2,826	-	-	-								-
R0230	N-2	2,805	-	-									-
R0240	N-1	3,208	-										-
R0250	N	3,508											3,508
R0260													3,508

S.23.01.01 Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total £'000	Tier 1 unrestricted £'000	Tier 1 restricted £'000	Tier 2 £'000	Tier 3 £'000
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	-	-		-	
R0030	Share premium account related to ordinary share capital	-	-		-	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	78,012	78,012			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-				
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	-
R0290	Total basic own funds after deductions	78,012	78,012	-	-	-
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-			-	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-			-	-
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	-
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
R0390	Other ancillary own funds	-			-	-
R0400	Total ancillary own funds	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	78,012	78,012	-	-	-
R0510	Total available own funds to meet the MCR	78,012	78,012	-	-	
R0540	Total eligible own funds to meet the SCR	78,012	78,012	-	-	-
R0550	Total eligible own funds to meet the MCR	78,012	78,012	-	-	
R0580	SCR	32,703				
R0600	MCR	8,176				
R0620	Ratio of Eligible own funds to SCR	239%				
R0640	Ratio of Eligible own funds to MCR	954%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	78,012
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	-
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
R0760	Reconciliation reserve	78,012
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-
R0790	Total Expected profits included in future premiums (EPIFP)	-

S.25.01.01 Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement £'000	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	27,142		-
R0020	Counterparty default risk	1,028		
R0030	Life underwriting risk	-	None	-
R0040	Health underwriting risk	10,089	None	-
R0050	Non-life underwriting risk	-	None	-
R0060	Diversification	(6,706)		
R0070	Intangible asset risk	-		
R0100	Basic Solvency Capital Requirement	31,553		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,856
R0140	Loss-absorbing capacity of technical provisions	-
R0150	Loss-absorbing capacity of deferred taxes	(706)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	Solvency Capital Requirement excluding capital add-on	32,703
R0210	Capital add-ons already set	-
R0220	Solvency capital requirement	32,703
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	-
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	-
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	-
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-

	Calculation of loss absorbing capacity of deferred taxes	Before the shock	After the shock	LAC DT
		C0110	C0120	C0130
R0630	DTL	999	294	
R0640	LAC DT			(706)
R0650	LAC DT justified by reversion of deferred tax liabilities			(706)
R0660	LAC DT justified by reference to probable future taxable economic profit			-
R0670	LAC DT justified by carry back, current year			-
R0680	LAC DT justified by carry back, future years			-
R0690	Maximum LAC DT			(706)

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010	Net (of reinsurance/SPV) best estimate and TP calculated as a whole £'000	Net (of reinsurance) written premiums in the last 12 months £'000
R0010	MCR_{NL} Result	3,045	C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		3,009	61,772
R0030	Income protection insurance and proportional reinsurance		-	-
R0040	Workers' compensation insurance and proportional reinsurance		-	-
R0050	Motor vehicle liability insurance and proportional reinsurance		-	-
R0060	Other motor insurance and proportional reinsurance		-	-
R0070	Marine, aviation and transport insurance and proportional reinsurance		-	-
R0080	Fire and other damage to property insurance and proportional reinsurance		-	-
R0090	General liability insurance and proportional reinsurance		-	-
R0100	Credit and suretyship insurance and proportional reinsurance		-	-
R0110	Legal expenses insurance and proportional reinsurance		-	-
R0120	Assistance and proportional reinsurance		-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance		-	-
R0140	Non-proportional health reinsurance		-	-
R0150	Non-proportional casualty reinsurance		-	-
R0160	Non-proportional marine, aviation and transport reinsurance		-	-
R0170	Non-proportional property reinsurance		-	-

	Linear formula component for life insurance and reinsurance obligations	C0040	Net (of reinsurance/SPV) best estimate and TP calculated as a whole £'000	Net (of reinsurance/SPV) total capital at risk £'000
R0200	MCR_{L} Result	-	C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		-	
R0220	Obligations with profit participation - future discretionary benefits		-	
R0230	Index-linked and unit-linked insurance obligations		-	
R0240	Other life (re)insurance and health (re)insurance obligations		-	
R0250	Total capital at risk for all life (re)insurance obligations			-

	Overall MCR calculation	C0070
R0300	Linear MCR	3,045
R0310	SCR	32,703
R0320	MCR cap	14,716
R0330	MCR floor	8,176
R0340	Combined MCR	8,176
R0350	Absolute floor of the MCR	2,112
R0400	Minimum Capital Requirement	8,176

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

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