

## **Solvency and Financial Condition Report – Medicash Covid-19 Statement**

The outbreak of Covid-19 during the first few months of 2020 has resulted in a pandemic causing significant disruption across the globe. There is considerable uncertainty regarding the full extent of the financial and operational impacts of Covid-19 on the Company. The Solvency and Financial Condition Report (“SFCR”) primarily provides an overview of the Company’s solvency and financial condition at 31 December 2019, with some parts of it being forward looking. The potential impact from Covid-19 has not been allowed for within the SFCR or within the associated reporting templates.

This paper considers the possible impacts of the pandemic on the Company.

### **Section A – Business Overview & Performance**

Whilst the Covid-19 virus is expected to have an impact on the Company’s revenue growth in 2020 we still expect to win new business as we maintain one of the lowest administration expense ratios in the market. This allows us to operate our schemes at comparatively lower rates than our competitors which will be attractive to customers seeking value during these uncertain times. In addition to our low operating costs we expect our digital proposition to be valued now more than ever as policyholders can make claims, amend their policies and access additional health and wellbeing content & services directly through their smartphones.

Claim volumes are expected to be lower than forecast due the movement restrictions placed on policyholders as well as the ability for treatment providers to offer services. The Company has been working hard to bring in other benefits which will ensure our policyholders still receive value for money and we expect to deliver these in the second half of 2020.

We anticipate a volatile year for our investment portfolio in 2020 as markets react to the ever changing Covid-19 situation. However, the Company enjoys significant levels of excess capital above its Solvency II requirement therefore we do not expect any short term volatility to affect our investment principles, nor do we expect any impact to our business operations.

### **Section B – System of Governance**

The Company continually invests in its IT infrastructure which has enabled a seamless transition to remote working for all but a few members of staff. Those employees who have been working from the office are doing so to ensure postal claims are opened and letters are sent out to policyholders. The Board and wider management team have been able to conduct all of their scheduled meetings via video conferencing and members of staff have been utilising the digital solutions which are available to them to stay in contact with each other. There has been no reduction in customer service levels or operational performance as a result of Covid-19.

### **Section C – Risk Profile**

There are a number of risks arising from Covid-19. The most significant risk in the immediate term is from a reduction in investment values and a reduction in the level of new premium income achieved. The longer the impact of Covid-19 the higher the risk of loss of existing customers due to financial difficulties. The company has been limiting price increases applied to high claiming schemes and there is a risk this could negatively impact margins in future years when policyholders are able to claim in their normal way. There is also the risk of loss of key personnel who could contract the virus.

The Executive team and Risk Committee are constantly monitoring the Covid-19 situation to ensure all risks have been appropriately considered and mitigating actions taken where possible.

#### **Section D – Valuation for Solvency Purposes**

The value of the Company's investments has reduced due to the economic turmoil and huge uncertainty caused by the pandemic. There is considerable uncertainty regarding the development of claims and lapse experience and the impact this may have on the best estimate liabilities. There will undoubtedly be an impact on claims during 2020 but whether that will manifest itself in longer term experience is unknown. The impact of the various Government financial support packages is also unknown. The impact on lapses, renewals and new business is even less certain and it will be many months before any credible assessment of experience can be made.

#### **Section E – Capital Management**

The Board has considered the possible impact of Covid-19 on the Company's finances and operations and concluded that the Company is able to continue to meet its obligations to policyholders and regulators. However, the situation is changing rapidly, and the Board is continuing to monitor the position as events unfold.