

MEDICASH HEALTH BENEFITS LIMITED
SOLVENCY AND FINANCIAL CONDITION REPORT
YEAR ENDED 31 DECEMBER 2019

Section A – Business Overview and Performance

Business Overview

Medicash Health Benefits Limited is a Company limited by guarantee (Company Number: 258025) and is incorporated in England. The address of the registered office is One Derby Square, Liverpool L2 1AB.

The external auditor for the annual report for the year ended 31 December 2019 was:

Crowe U.K. LLP

Chartered Accountant and Statutory Auditors

The Lexicon

Mount Street

Manchester

M2 5NT

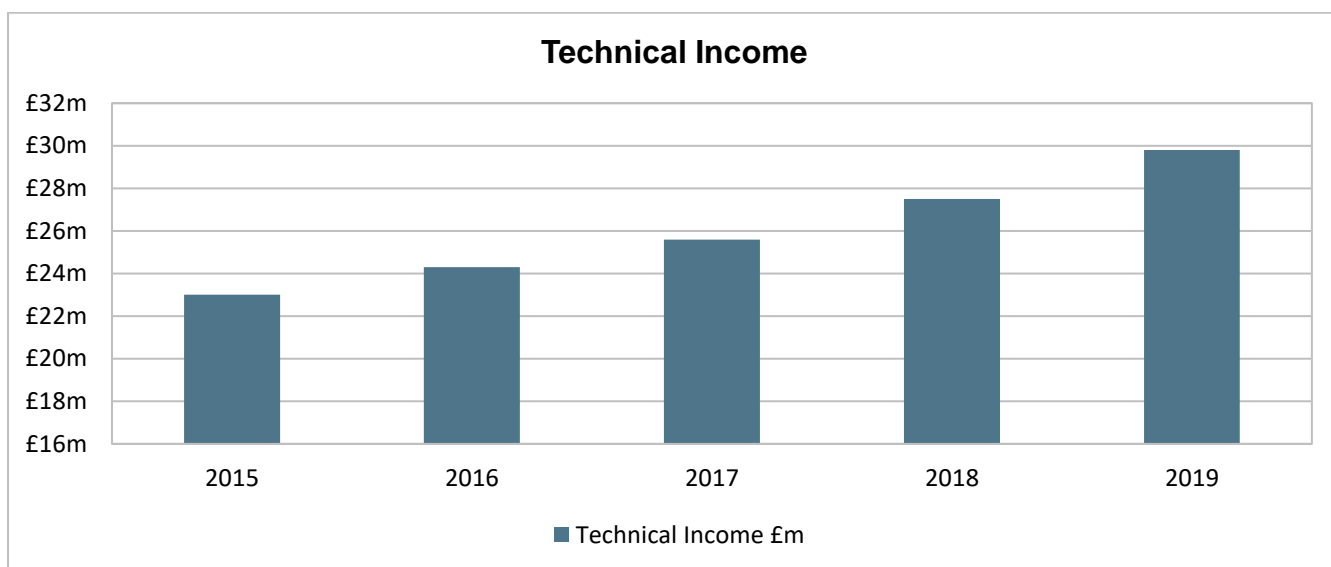
The principal activity of the business is the provision and underwriting of health cash plan insurance to policyholders, either direct to Individuals or provided as an Employer paid benefit across the UK. The Company's overriding objective is to provide sustainable health cash plans that are good value for money to both individuals and employers alike, assisting individuals with their everyday health costs and employers wanting to provide a low cost, highly appreciated benefit to their staff, thus resulting in reduced absence, improved morale and enhanced productivity of their employees.

The Company is classified as a category four firm by the PRA given its very little capacity to individually cause disruption to the UK financial system. The Company is also regulated by the Financial Conduct Authority as a category four firm.

Business Performance

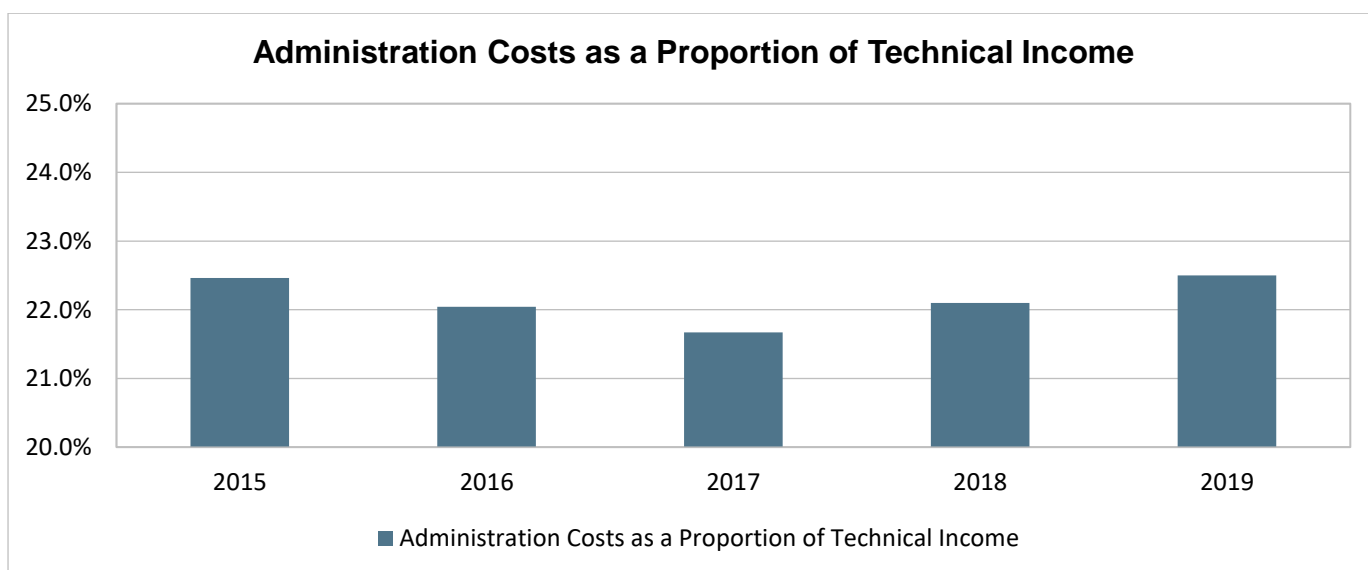
Technical Income

There is healthy demand for employer funded cash plans and the Company has aligned its growth strategy to this trend by focusing its efforts on increasing its corporate policyholder base. The business prides itself on its digital proposition which allows policyholders to make claims, administer their policy and access ancillary benefits and wellbeing content through the “My Medicash” App. The company maintains excellent service levels for policyholders, corporate customers and intermediaries and this has enabled the business to achieve year on year growth in Technical Income as the chart below demonstrates:

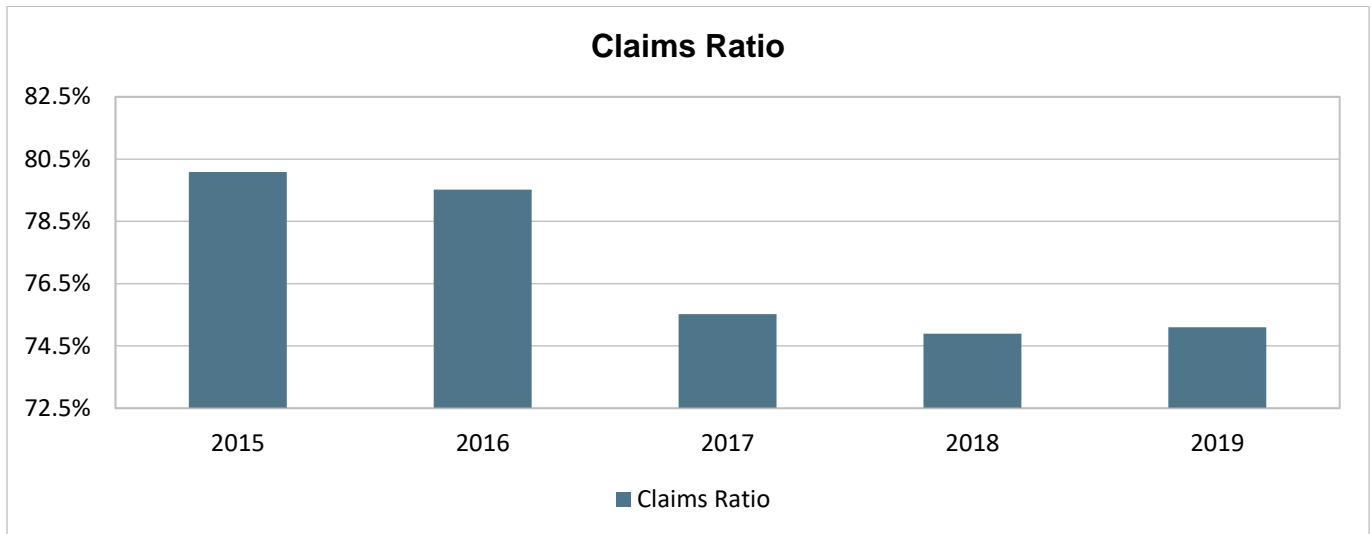


Claims and Expenses

As a not for profit organisation the business applies an underwriting policy which aims to redistribute premium income through claims to policyholders while sufficiently covering operating expenses. The business continually invests in its IT infrastructure to increase productivity which allows it to keep operating costs as a proportion of premiums low, while maintaining high levels of customer service. The chart below shows the administration costs as a proportion of premium income for the previous five years:



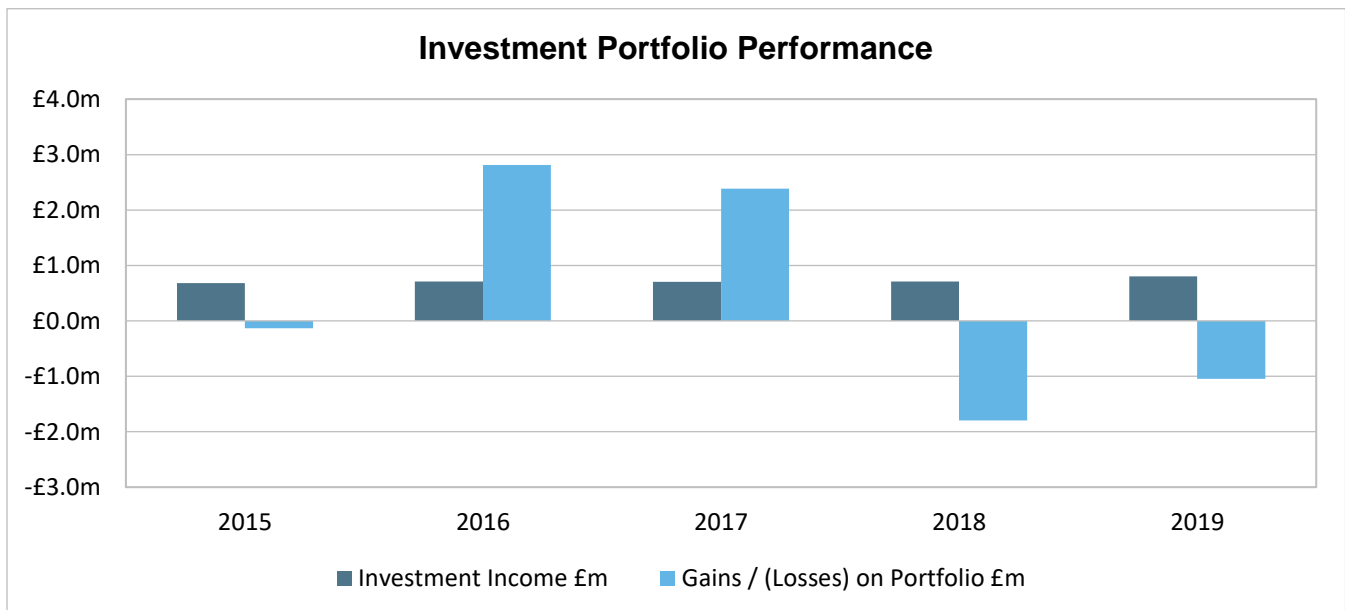
By maintaining a low operating expense ratio, the company is able to pay a large portion of the premiums it receives back to policyholders through their claims. The claims ratio for the previous five years has been shown below:



The board is committed to growing the business in a sustainable way and aims to maintain a claims ratio between 75% and 77% and an operating expense ratio between 22% and 23%, leaving a small technical surplus. For the past three years the board has elected to donate its entire technical surplus to its charitable foundation to assist health and wellbeing charities. This has resulted in more than £2.2m being donated since 2017 alone and the company is extremely proud it is able to help the wider community in this way.

Investment Performance

The Company holds a large investment portfolio with a carrying value of £30.7m as at the 31 December 2019. The gains / losses (realised and unrealised) and investment income earned for the previous five years is shown below:

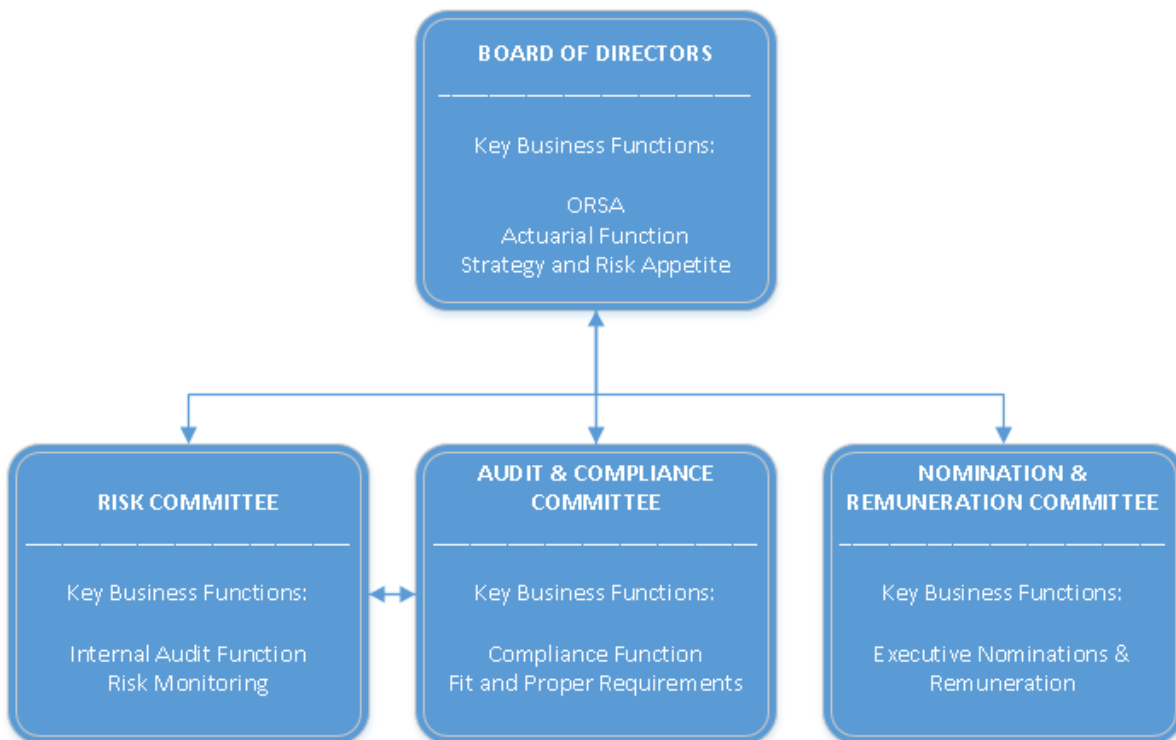


Section B – System of Governance

The Company operates its system of governance within the following four groups:

- Board of Directors
- Risk Committee
- Audit & Compliance Committee
- Nomination & Remuneration Committee

The key business functions performed within each group are detailed in the diagram below:



Board of Directors

Members of the Board of Directors are listed below:

Frank Field	Chairman & Non-Executive Director
Sue Weir	Chief Executive
Robert Hodson	Non-Executive Director
William Tubey	Non-Executive Director
Paul Gambon	Sales & Marketing Director
Andrew Roberts	Finance & IT Director

The Risk Committee and Audit & Compliance Committee report directly to the Board of Directors. The key business functions performed by the Board of Directors are as follows:

Strategy and Risk Appetite

The Board of Directors are responsible for setting the strategy and risk appetite of the business. In determining these factors the board will draw on the following information:

- Results of ORSA
- Findings of the Risk Committee
- Findings of the Audit and Compliance Committee
- Findings of the Chief Actuary

Strategy and risk appetite are updated by the board annually and communicated to the Audit & Compliance and Risk Committees so that the activities and areas of focus for each subcommittee can be appropriately tailored for the following 12 months. The Board of Directors reviews the work performed by the subcommittees throughout the year and considers all issues escalated for consideration, providing guidance where necessary.

Actuarial Function

Responsibility for the Actuarial function is held by the Chief Executive with assistance provided by a third party actuary where deemed appropriate. Third party actuarial services are sought for assistance in the following areas:

- Appropriateness of Technical Provisions under Solvency II
- Appropriateness of assumptions used in calculating the Solvency Capital Requirement (SCR) and Minimal Capital Requirement (MCR)
- Assistance in populating the Quantitative Reporting Templates (QRT's) for Solvency II reporting.
- Preparation of sections D and E of the Solvency and Financial Condition Report

Own Risk and Solvency Assessment (ORSA)

The Board of Directors periodically reviews and updates its Own Risk Solvency Assessment (ORSA) to determine whether sufficient levels of capital are held in light of the risks to which the business is exposed. A number of stress tests are performed to ensure adequacy of capital levels under certain scenarios.

The key inputs used to formulate the ORSA are as follows:

- Three year financial forecasts
- Annual operating plan / budget
- Strategic vision
- Standard Formulae – Solvency Capital Requirement (“SCR”)
- Risk Management Framework – including Risk Appetite Policy and Risk Registers
- Data Quality Policy

Outsourcing

The Board of Directors is responsible for entering into outsourcing arrangements which would be classified as a material business activity. Due diligence is carried out prior to any outsourcing agreement being signed and all risks are considered in detail.

The only material business activity which is outsourced is the management of the Company’s investment portfolio which is managed on a discretionary basis by an external investment manager, Rathbone Investment Management Limited. Rathbone has the authority to make the day to day investment decisions whilst operating within approved investment guidelines set by the Board.

Performance of outsourced activities are reviewed by the Board of Directors annually.

Audit and Compliance Committee

Members of the Audit and Compliance Committee are listed below:

Robert Hodson	Chairman & Non-Executive Director
Frank Field	Non-Executive Director
William Tubey	Non-Executive Director

The key business functions performed by the Audit and Compliance Committee are described below:

Compliance Function

The Audit and Compliance committee is responsible for ensuring the business appropriately manages its regulatory risk and complies with all regulations which fall within the scope of the Company’s activities.

Internal Control System

The Audit and Compliance Committee has the ultimate responsibility for ensuring the Internal Control System operated by the Company is adequate and effective. To do this the Audit and Compliance Committee uses the following key inputs in assessing appropriates of the control system:

- Results of the ORSA
- Findings of the Internal Audit function
- Findings of the Risk Committee
- Legal and Regulatory requirements

Fit and Proper Requirements

The Audit and Compliance Committee ensures adherence to “Fit and Proper” standards required by the PRA and FCA when appointing controlled function holders and all requirements falling within the Senior Manager & Certification Regime (SM&CR).

If the role being recruited falls within the scope of the SM&CR then the Chief Executive will ensure the individual meets Fit and Proper requirements. This includes an assessment of the individual’s personal characteristics as well as ensuring they have sufficient technical competencies, experience, training and qualifications to fulfil the role.

All individuals falling within the scope of the SM&CR are reminded annually of their duty to adhere to Fit and Proper requirements and independent checks are performed annually.

Statutory Reporting & Internal Audit

The Audit and Compliance Committee assists the Board of Directors in ensuring the integrity of the Company’s financial statements. The Audit and Compliance Committee also assists the Risk Committee in directing focus of Internal Audit activities and reviewing results of work performed to ensure business risks are sufficiently mitigated.

Risk Committee

Named members of the Risk Committee are listed below:

Robert Hodson	Chairman & Non-Executive Director
Paul Gambon	Sales Director
Andrew Roberts	Finance Director

The Risk Committee also includes the following business unit leaders:

Head of Operations
Head of I.T.
Finance Manager

The key business functions performed by the Risk Committee are as follows

Risk Registers

A high-level Company Risk Register is maintained in addition to individual business unit Risk Registers for Operations, Finance, IT and Sales & Marketing. The Risk Committee considers all risks identified and determines effectiveness of mitigating actions proposed. Significant risks are communicated to the Audit and Compliance Committee and the Board of Directors where appropriate. The Risk Registers also used to determine areas of focus for the Internal Audit function

Internal Audit

The Risk Group Committee agrees an audit testing plan at the beginning of each year and this is implemented by the Internal Audit Team. A separate audit schedule is prepared for IT controls and data processing in line with ISO 27001 guidance. The results of both the Internal Audit and IT Internal Audit activities are presented to the Risk Group Committee at each meeting with any remedial actions agreed by the Group. Significant risks and the relevant tests carried out during the year are communicated to the Audit Committee who also assist in determining areas of focus and agreeing mitigating actions.

Remuneration Committee

Members of the Remuneration Committee are listed below:

Robert Hodson	Chairman & Non-Executive Director
Sue Weir	Chief Executive
Frank Field	Non-Executive Director
William Tubey	Non-Executive Director

The Remuneration Committee is responsible for determining salaries and other benefits provided to the Executive team and agreeing annual pay increase rates for all employees of the firm.

The only member of the Executive team who receives a bonus is the Sales Director. This bonus is based on the sales performance of the Company throughout the financial year and is agreed by the Remuneration Committee annually. Performance related bonuses are offered to employees of the firm and agreed by the Executive Directors annually.

Section C – Risk Profile

The Company is exposed to the following risks:

a) Insurance Risk

The risk associated with the insurance contracts is that the claims allowable under the terms of the contract exceed the premiums received.

When creating bespoke plans for corporate customers an assessment is made as to future expected claims. Where historical claims data is made available to the Company the level of risk is reduced significantly. The key consideration when writing such business is to assess the potential for a change in the number of lives covered for that particular customer and how that might affect future claims behaviour.

Where no historical claims data is available the Company is exposed to a higher degree of risk. While large corporate contracts with no previous claims data present the potential for material losses to be realised, experience shows that the larger the number of lives covered the lesser the degree of variation from standard claim statistics. Customers with a smaller membership base therefore carry a higher degree of risk of claims being outside standard statistics however any such instances would not be of a material nature. The industry the customer operates in is a key factor when writing bespoke business for customers with no claims data.

Corporate contracts of a material nature are always assessed individually and are not written onto the standard corporate cash plans. All corporate contracts are reviewed on an annual basis with adjustments made to premiums where necessary at renewal.

Business for individual customers is underwritten on a community pricing basis whereby premiums are consistent for all policyholders and the performance of the book of business is assessed as a whole. The risk of claims exceeding premiums on an individual basis is therefore offset by continuous monitoring of performance of the entire book. Where claims across the book of business begin to exceed the required threshold, premiums or plan benefits are adjusted for all lives covered on that particular cash plan. No loss on an individual contract could be of a material nature.

i. Frequency and severity of claims

Claims from cash plans are typically high frequency and low severity. Claims from an individual policyholder tend to be higher frequency in the first few months of their benefit year. As the policyholders remaining allowance reduces the frequency of claims reduces. A small increase in claims frequency in the last month of the policyholders benefit year before their allowances are reset is also common.

ii. Sources of uncertainty in the estimation of future claim payments

The adjustment made to the provision for outstanding claims in respect of new business written during the year assumes that the claims behaviour of new customers will be consistent with existing customers. In order to ensure the suitability of this assumption a historical trend analysis is performed to identify claim patterns over a number of years. Any significant variations are investigated thoroughly by management with further amendments made to provisions where necessary.

iii. Process used to decide on assumptions

The assumptions used in calculating the provision for outstanding claims are reviewed by a third-party actuary. The actual value of claims received after the year end is also analysed against the provision held at the year end date to ensure the assumptions continue to be appropriate.

iv. Sensitivity analysis

The following variances have been calculated when comparing the prior year provision with claims received post year end for the previous five years:

	Claims Provision	Claims received post year end	Over / (Under) Provision	Over / (Under) Provision
	£'000	£'000	£'000	%
Year ending 31 December 2018	1,727	1,636	91	5.2%
Year ending 31 December 2017	1,743	1,597	146	8.4%
Year ending 31 December 2016	1,805	1,607	198	11.0%
Year ending 31 December 2015	1,772	1,697	75	4.2%
Year ending 31 December 2014	1,812	1,692	120	6.6%

The maximum variance between the year end claims provision and the actual value of claims received post year end in the previous 5 years has been 11%. An under or over provision of the same value in the current year would equate to an impact of £196,000 on the profit before tax figure. If the value of claim processing costs included within the year end provision were 5% higher/lower this would equate to an under/over provision of £3,000.

b) Financial & Market Risks

The Company holds a significant investment portfolio and is therefore subject to a level of market risk (including interest rate risk, equity price risk and currency risk) associated with its portfolio and investment income. The Company also holds time deposits, cash and trade receivables which are exposed to both credit and liquidity risk.

i. Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities and amounts held on deposit. If the interest rates had increased/decreased by 100 basis points, then the profit for the year would increase/decrease by £24,000.

ii. Equity price risk

The Company is exposed to equity securities price risk as a result of its holding in equity investments, classified as financial assets at fair value through profit or loss. The portfolio of equity investments is managed on a discretionary basis by an external investment manager, Rathbone Investment Management Limited, which has the authority to make the day to day investment decisions whilst operating within approved investment guidelines as set by the Board of Directors. The Company mitigates the equity price risk by monitoring the performance of each asset class within the portfolio, against the most suitable index comparators as shown below, and ensures the board approved investment guidelines are adhered to.

Asset class	Benchmark Index
UK equity shares	UK FTSE All Share
Overseas equity shares	FT/SP World (Exc UK)

If equity market indices were to increase/decrease by 20%, with all other variables held constant, and all the Company's equity investments moved according to the historical correlation with the index, the profit for the year would increase/decrease by £5.2m based on equities held at 31 December 2019.

iii. Currency risk

The Company is exposed to foreign exchange risk as a result of its holdings in equity and debt securities which are not in the entity's functional currency. If the pound had weakened/strengthened by 20% against the US Dollar with all other variables held constant then the profit before tax would have been £616,000 higher/lower. If the pound had weakened/strengthened by 20% against the Euro and Swiss Franc with all other variables held constant then the profit before tax would have been £312,000 higher/lower.

iv. Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key areas where the Company is exposed to credit risk are:

- amounts held in time deposits and cash
- amounts due from insurance contract holders

The Company manages such risk associated with time deposits and cash through its treasury policy, and considers the risks associated with trade receivables to be minimal, given the exposure is spread thinly over a large number of customers and the quality of its credit control procedures.

v. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk to the Company is the obligation to pay claims to policy holders as they fall due. The Company considers this risk to be minimal given the low volatility in the frequency and value of the claims it receives. The Company holds considerable cash to meet its obligation to pay claims and has significant investments in equity shares which could be sold immediately if required.

The majority of the provision for claims outstanding is released with 6 months of the year end date as this is the time limit for claims to be submitted. In exceptional circumstances the Company will pay claims outside of the six months limit however the value of such claims would not be material. The entire year end creditor balance is payable within six months.

c) Operational Risks

The business is exposed to the following Operational risks:

i. Maintaining viable and competitively priced products

The Company operates in a highly competitive market, particularly around price, service and product. This can create a downward pressure on margins and coupled with the risk that we will not meet policyholders', employers' and intermediaries' expectations. In order to mitigate this risk, we monitor market prices and maintain minimum margin requirements across our product range. Furthermore, we undertake routine market research to understand our customers' expectations and whether their needs are being met.

ii. Reliance on key employees

The Company's performance depends largely on its staff. The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community, could adversely impact the Company's results. To mitigate these issues, the Company periodically benchmarks its remuneration packages to ensure it remains competitive in the market for talent.

iii. Reliance on Key Partners

The Company's performance depends largely on its outsourced service providers and intermediaries. The Company is exposed to potential service disruption of elements of its product offering, in the event of business failure of an outsourced service provider. The Company mitigates this risk through effective supplier selection and procurement practices supplemented by appropriate insurance coverage.

The Company is also exposed to an increased risk of churn where the policyholders have been introduced by intermediaries. To mitigate the risk of increased churn the Company pays competitive commissions on renewal business and provides a dedicated support team to the employers and intermediaries.

iv. Data Protection & Cyber Security

The protection of personal data is fundamental to the Company's performance. The Company is, like any business, at risk of potential data protection breaches that could lead to loss of customers and regulatory fines. The Company mitigates this risk through training of its staff, best practice recruitment referencing and robust physical and IT security controls over personal data, supplier selection and procurement practices. This is evident through the ISO 27001 accreditation which the Company holds. The Company also holds specific Cyber Security insurance that includes access to technical experts in the event of a cyber-attack.

v. Business Continuity

In the event of a scenario resulting in the Company's inability to provide its services from its head office, the ability to respond within 24 hours to ensure the Company can continue to provide its services is critical to maintaining excellent customer service. In order to mitigate this risk, the Company has a documented disaster recovery procedure including access to sufficient desks and equipment at a third party disaster recovery specialist site, within reasonable travelling distance. Furthermore, on an annual basis, for test purposes, the Company invokes the disaster recovery procedure to ensure the business can become fully operational within the required time frame.

Section D - Valuation for Solvency Purposes**Assets**

Assets have been valued in accordance with Article 75 of the Solvency II Directive which requires that the assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arms' length transaction.

The value of the assets is shown in the following table:

Value of the assets (£000)	31 December 2019	31 December 2018
Gilts	1,186	1,154
Other fixed interest	2,627	2,463
Equity & Collectives	26,847	26,491
Property	139	195
Cash and deposits	5,988	5,385
Commercial mortgages	-	-
Loans	-	348
Other assets	788	1,295
Pension scheme surplus	3,040	2,705
Total admissible assets	40,613	40,035

The listed investments are included at market value.

The total value of investments shown includes a £1,986,000 investment in Medicash Health Benefits (Services) Limited.

The total value of investments includes a £32,000 investment in the British Health Care Association, which is not listed. The value calculated in the financial statements has been used.

Cash and deposits are valued at face value.

The pension scheme surplus is shown at the value calculated in the financial statements.

Other assets are shown at the value calculated in the financial statements.

There are no listed investments which are not held on an active regulated market.

There are no leasing arrangements or material deferred tax assets.

There are no related undertakings falling within the scope of Solvency II however the financial statements of the Company include the results of the following three entities:

- I. Medicash Health Benefits (Services) Limited – a company that supports the CardiACT scheme which aims to increase the number of defibrillators in city centres across the North West.
- II. The Medicash Foundation - a registered charity.
- III. Health @ Work Consultancy Services Limited - a provider of health, wellbeing and safety training and the proprietor of the Workplace Wellbeing Charter accreditation scheme.

There has been no significant exercise of judgement in arriving at the values shown.

The only intangible assets relate to software and licenses and amount to £1,020,000.

The total assets are the same as the total value shown in the financial statements apart from the following differences:

- I. Exclusion of intangible assets totalling £1,020,000 as per Solvency II requirements
- II. Exclusion of certain prepayments not eligible for solvency purposes totalling £316,000
- III. Reduction in investments values of £1,378 due to a slight difference in portfolio valuations used for Solvency II reporting. The variance is less than 0.01% of the value of investments.

Technical Provisions

The following table summarises the technical provisions:

Technical provisions (£000)	31 December 2019	31 December 2018
Premiums provision	860	706
Claims provision	1,778	1,727
Total best estimate liabilities	2,639	2,433
Risk margin	442	393
Total technical provisions	3,081	2,826

Methodology

The components of the best estimate liabilities have been calculated as follows:

- I. A 'premiums provision' representing the total amount of claims and expenses expected to be incurred in future periods by the amount of unearned premiums at the valuation date.
- II. A 'claims provision' representing the best estimate of claims and expenses that have already been incurred at the valuation date. This includes claims which have been reported at the valuation date but not yet settled, and also claims that have been incurred at the valuation date but not yet reported.

Premiums provision

The premiums provision is calculated by applying the average claims ratio experienced by Medicash to the amount of unearned premiums at the valuation date. This assumes that all of the contracts represented by the unearned premium will remain in force for the periods covered by premiums paid in advance which, on average, is half a month since the majority of contracts are renewable monthly.

An additional amount is added to the premiums provision to allow for the expenses associated with the premiums provision. This is calculated by applying the average expenses ratio to the amount of unearned premiums.

The calculation of the premiums provision is equal to the unearned premium reserve shown in the financial statements multiplied by the sum of the average claims ratio and the average expense ratio. As these are generally close to 100% the calculated premiums provision for SII purposes is taken to be the unearned premium reserve shown in the financial statements, unadjusted.

The calculation of the premiums provision is reviewed on an annual basis and will be changed as considered necessary.

Claims provision

The claims provision is based on historical claims rate information adjusted for changes in volumes of business written during the year. Given the short tail nature of liabilities, discounting is not considered necessary as all claims are expected to be settled within 26 weeks of the treatment date.

A provision for claims expenses is made which is an estimate of the costs of handling the incurred claims represented by the claims provision. This is based on recent actual costs of the claims handling department.

The calculation of the claims provision is reviewed on an annual basis and will be changed as considered necessary.

Risk margin

The risk margin is calculated for the business as a whole. It represents the cost of providing the Solvency Capital Requirement ("SCR") excluding diversifiable market risk for the run-off of the business using the required cost of capital rate of 6%. There is no requirement to split the risk margin by line of business as there is only one type of business written.

The value of the risk margin is calculated using the simplified assumption that the amount of the SCR excluding diversifiable market risk will reduce in line with the run-off of the best estimate liabilities. As the business written by the Company has an extremely short duration this calculation simplifies to a projection of one year. The projected value is then discounted using the appropriate rate from the risk-free yield curve.

Assumptions

The calculation of the best estimate liabilities uses realistic assumptions based on actual claims and expense experience.

Other information

With any modelling exercise there will be an underlying level of uncertainty present. Uncertainty arises primarily from the data being used, the choice of assumptions, and from the choice of model.

The data used has been checked to mitigate the risk that errors may materially affect the valuation result. Data is also reviewed over time to check for consistency between different time periods.

Assumptions may be demographic or economic and are set using historical experience and the current market environment and expectations. Actual and emerging experience is reviewed against expectations at least annually and more frequently if necessary. The results of these analyses are fed into the assumption setting process for the valuation.

The model used is tested to mitigate the risk that errors may materially affect the valuation. The choice of model is made so as to comply with the regulations whilst ensuring an efficient process and some simplifications may be necessary to achieve this.

There are no differences between the valuation for solvency purposes and the values that are shown in the financial statements other than the inclusion of the risk margin of £442,000 in the valuation for solvency purposes.

No use has been made of either a matching adjustment or volatility adjustment.

No use has been made of the transitional provisions for risk-free interest rates.

No use has been made of transitional deductions from technical provisions.

There are no reinsurance arrangements in force.

Other liabilities

The Company has current liabilities of £4,406,000. These consist of creditors, including taxation and social security, plus accruals and deferred tax. The largest creditor relates to amounts owed to Medicash Health Benefits (Services) Limited of £1,862,000. The value used for valuation purposes is the same as that shown in the financial statements.

Alternative methods for valuation

No alternative valuation methods have been employed.

Any other information

No other material information is supplied.

Section E - Capital Management**Own Funds**

The Company's business strategy is fully reviewed and re-defined on a three-yearly basis. One of the key inputs of the business strategy review is the ORSA which is discussed in section B of this report.

The Company is a non-life health cash plan provider whose own funds are made up entirely of retained profits from policyholders which have arisen from historical underwriting and investment surpluses. All capital is Tier 1 and there are no restrictions on the Company's own funds to support the MCR or SCR. There have been no significant changes in own funds over the reporting period. Medicash's own funds are shown in the following table:

Own funds (£000)	31 December 2019	31 December 2018
Total admissible assets	40,613	40,035
Technical provisions	3,081	2,826
Other liabilities	4,406	3,712
Total liabilities	7,486	6,538
Own funds	33,127	33,497

There are no restrictions on the use of own funds.

There are no material differences between the equity in the Company's financial statements and the free capital for solvency purposes other than:

- I. the £1,336,000 shown in the financial statements for intangible assets and certain prepayments,
- II. the risk margin of £442,000.

There are no items of own funds subject to a transitional arrangement.

There are no items of ancillary own funds.

There are no deductions from own funds and no restrictions on availability and transferability.

Solvency Capital Requirement and Minimum Capital Requirement

The Company uses the Standard Formula to calculate its Solvency Capital Requirement ("SCR").

The SCR at 31 December 2019 was £20,582,000 (2018: £17,223,000). This figure is subject to supervisory assessment.

The SCR split by risk module is shown in the following table:

£000	31 December 2019	31 December 2018
Market risk	16,785	13,663
Counterparty default risk	697	865
Health underwriting risk	6,524	5,789
Diversification benefit	(4,317)	(3,919)
Basic SCR	19,689	16,399
Operational risk	893	824
Solvency Capital Requirement	20,582	17,223

The Company's surplus funds after capital requirements are shown in the following table:

	31 December 2019	31 December 2018
Own funds	33,127	33,497
Solvency Capital Requirement	20,582	17,223
Surplus funds	12,545	16,274

The Company has not adopted any of the Standard Formula simplifications set out in the Delegated Act for the SCR calculation and does not use any undertaking-specific parameters.

The Minimum Capital Requirement ("MCR") is the minimum amount of capital that an insurer must hold. The MCR is calculated using a linear formula and must lie between 25% and 45% of the SCR after management actions have been allowed for. It has an 'absolute floor' of €2.5m. The Company's MCR is calculated as 25% of the SCR which equates to £5,145,000 at the reporting date.

Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

Differences between the standard formula and any internal model used

The Company does not use an internal model.

Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has complied with the SCR and the MCR throughout the reporting period.

Any other information

The pension scheme surplus has been calculated in accordance with FRS 102 accounting standards. There are no restrictions on the pension surplus.

There are no restrictions on the transferability of investments in subsidiaries to the Company.

Regulatory Supervisory Report – Templates

S.01.02

General information

Undertaking name	Medicash Health Benefits Limited
Undertaking identification code	213800EB97ZPYHNQZD59
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	3,040
R0060	Property, plant & equipment held for own use	139
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	30,659
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	1,986
R0100	<i>Equities</i>	12,878
R0110	<i>Equities - listed</i>	12,846
R0120	<i>Equities - unlisted</i>	32
R0130	<i>Bonds</i>	3,812
R0140	<i>Government Bonds</i>	1,186
R0150	<i>Corporate Bonds</i>	2,627
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	11,982
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	0
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	746
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	5,988
R0420	Any other assets, not elsewhere shown	42
R0500	Total assets	40,613

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	3,081
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	3,081
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	2,639
R0590	<i>Risk margin</i>	442
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	107
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	475
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	1,862
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	38
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	1,924
R0900	Total liabilities	7,486
R1000	Excess of assets over liabilities	33,127

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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)												Line of business for: accepted non-proportional reinsurance				Total	
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property		
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200	
Premiums written																	
R0110	29,909																29,909
R0120																	0
R0130																	0
R0140																	0
R0200	29,909																29,909
Premiums earned																	
R0210	29,755																29,755
R0220																	0
R0230																	0
R0240																	0
R0300	29,755																29,755
Claims incurred																	
R0310	22,303																22,303
R0320																	0
R0330																	0
R0340																	0
R0400	22,303																22,303
Changes in other technical provisions																	
R0410	206																206
R0420																	0
R0430																	0
R0440																	0
R0500	206																206
R0550	6,420																6,420
R1200																	405
R1300																	6,825

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Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole	0																0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM Best estimate																	
	Premium provisions																	
R0060	Gross	860																860
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	Net Best Estimate of Premium Provisions	860																860
	Claims provisions																	
R0160	Gross	1,778																1,778
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	Net Best Estimate of Claims Provisions	1,778																1,778
R0260	Total best estimate - gross	2,639																2,639
R0270	Total best estimate - net	2,639																2,639
R0280	Risk margin	442																442
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	Technical provisions - total	3,081																3,081
	Recoverable from reinsurance contract/SPV and																	
R0330	Finite Re after the adjustment for expected losses due to counterparty default - total	0																0
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	3,081																3,081

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Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9			10 & +	
R0100	Prior											0	0	
R0160	2010	13,584	1,393	1	2	0	0	0	0	0	0	0	14,980	
R0170	2011	14,278	1,314	5	0	0	0	0	0	0	0	0	15,597	
R0180	2012	14,398	1,474	3	0	0	0	0	0	0	0	0	15,875	
R0190	2013	14,457	1,404	3	2	0	0	0	0	0	0	0	15,866	
R0200	2014	15,128	1,520	5	1	0	0	0	0	0	0	0	16,653	
R0210	2015	16,427	1,633	7	1	0	0	0	0	0	0	0	18,068	
R0220	2016	17,114	1,523	2	2	0	0	0	0	0	0	2	18,641	
R0230	2017	17,382	1,493	3	0	0	0	0	0	0	0	3	18,878	
R0240	2018	18,528	1,542	0	0	0	0	0	0	0	0	1,542	20,070	
R0250	2019	20,206	0	0	0	0	0	0	0	0	0	20,206	20,206	
R0260												Total	21,754	174,835

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior												0
R0160	2010	0	0	0	0	0	0	0	0	0	0	0	
R0170	2011	0	0	0	0	0	0	0	0	0	0	0	
R0180	2012	0	0	0	0	0	0	0	0	0	0	0	
R0190	2013	0	0	0	0	0	0	0	0	0	0	0	
R0200	2014	0	0	0	0	0	0	0	0	0	0	0	
R0210	2015	0	0	0	0	0	0	0	0	0	0	0	
R0220	2016	0	0	0	0	0	0	0	0	0	0	0	
R0230	2017	0	0	0	0	0	0	0	0	0	0	0	
R0240	2018	0	5	0	0	0	0	0	0	0	0	0	
R0250	2019	1,773	0	0	0	0	0	0	0	0	0	0	
R0260												Total	0

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Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

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
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

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
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

SCR

R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
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

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)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
33,127	33,127			
0		0	0	0
0		0		0
0	0	0	0	0
0				
0				
0				
0				
0			0	0
33,127	33,127	0	0	0
33,127	33,127	0	0	
33,127	33,127	0	0	0
33,127	33,127	0	0	
20,582				
5,145				
160.95%				
643.81%				
C0060				
33,127				
0				
0				
0				
33,127				
0				

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Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk
 R0020 Counterparty default risk
 R0030 Life underwriting risk
 R0040 Health underwriting risk
 R0050 Non-life underwriting risk
 R0060 Diversification

R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

Calculation of Solvency Capital Requirement

R0130 Operational risk
 R0140 Loss-absorbing capacity of technical provisions
 R0150 Loss-absorbing capacity of deferred taxes
 R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
 R0200 **Solvency Capital Requirement excluding capital add-on**
 R0210 Capital add-ons already set
 R0220 **Solvency capital requirement**

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

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

R0640 LAC DT
 R0650 LAC DT justified by reversion of deferred tax liabilities
 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

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
16,785		
697		
0		
6,524		
0		
-4,317		

USP Key

For life underwriting risk:

- 1- Increase in the amount of annuity benefits
- 9- None

For health underwriting risk:

- 1- Increase in the amount of annuity benefits
- 2- Standard deviation for NSLT health premium risk
- 3- Standard deviation for NSLT health gross premium risk
- 4- Adjustment factor for non-proportional reinsurance
- 5- Standard deviation for NSLT health reserve risk
- 9- None

For non-life underwriting risk:

- 4- Adjustment factor for non-proportional reinsurance
- 6- Standard deviation for non-life premium risk
- 7- Standard deviation for non-life gross premium risk
- 8- Standard deviation for non-life reserve risk
- 9- None

C0100

893
0
0
0
20,582
0
20,582

C0109

Not applicable

LAC DT

C0130

0
0
0
0
0
0

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

Linear formula component for non-life insurance and reinsurance obligations		C0010		
R0010	MCR _{NL} Result	1,530		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		2,639	29,909
R0030	Income protection insurance and proportional reinsurance		0	
R0040	Workers' compensation insurance and proportional reinsurance		0	
R0050	Motor vehicle liability insurance and proportional reinsurance		0	
R0060	Other motor insurance and proportional reinsurance		0	
R0070	Marine, aviation and transport insurance and proportional reinsurance		0	
R0080	Fire and other damage to property insurance and proportional reinsurance		0	
R0090	General liability insurance and proportional reinsurance		0	
R0100	Credit and suretyship insurance and proportional reinsurance		0	
R0110	Legal expenses insurance and proportional reinsurance		0	
R0120	Assistance and proportional reinsurance		0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance		0	
R0140	Non-proportional health reinsurance		0	
R0150	Non-proportional casualty reinsurance		0	
R0160	Non-proportional marine, aviation and transport reinsurance		0	
R0170	Non-proportional property reinsurance		0	
Linear formula component for life insurance and reinsurance obligations		C0040		
R0200	MCR _L Result	0		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits			
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	1,530		
R0310	SCR	20,582		
R0320	MCR cap	9,262		
R0330	MCR floor	5,145		
R0340	Combined MCR	5,145		
R0350	Absolute floor of the MCR	2,153		
R0400	Minimum Capital Requirement	5,145		