MEDICASH HEALTH BENEFITS LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

YEAR ENDED 31 DECEMBER 2022

Executive Summary

Medicash Health Benefits Limited is the sole insurance entity within the Medicash Health and Wellbeing Group for which the Solvency II Directive is applicable. A high level summary of each section within this report has been provided below:

Section A – Business and Performance

The Board is delighted to report another record year for the business with £8.9m of new premiums written and policyholder numbers growing by more than 125,000. Our investment in digital health services and continued enhancements to our internal IT systems has ensured the business is able to offer the most comprehensive health cash plans at the most competitive price on the market.

The results for the Company show a profit on the technical account, which represents the insurance operations of the Group, of £2.0m (2021: £3.1m) and premiums written of £41.1m (2020: £34.5m). The continued focus on productivity and investing in our digital proposition has meant that Medicash operates one of the lowest operating expense ratios in the market while maintaining excellent levels of customer service. This allows us to return a high proportion of premiums back to our customers through their claims while still ensuring the business is being run in a sustainable way.

The Non Technical Account recorded losses of £3.5m (2021: £4.2m profit) due to losses incurred on the investment portfolio in the period. The combination of high inflation and the invasion of Ukraine by Russia were the primary factors which caused the adverse returns on our investments. The Board is proud that the premium growth recognised on technical account has been achieved in a sustainable way, meaning the business is not reliant on any profits from the non technical account. This ensures that short term shocks that arise from events such as those encountered in 2022 do not impact the trading activities of the business.

Section B – System of Governance

The business maintains robust and effective systems of control to ensure strong governance is achieved. The Board ensures that decisions are made by considering the interests of policyholders first and foremost. There are clear lines of communication between the Directors and various stakeholders in the business to ensure that policyholders needs are appropriately considered when setting short- and long-term strategic objectives.

Section C – Risk Profile

The Board effectively manages the various risks the company faces to ensure opportunities that will enhance value for policyholders can be explored and taken forward.

Section D - Valuation for Solvency Purposes

Assets have been valued in accordance with Article 75 of the Solvency II Directive with admissible assets totalling £51.2m in 2022 (2021: £55.0m). The calculation of the best estimate liabilities uses realistic assumptions based on actual claims and expense experience.

Section E - Capital Management

The company remains in a strong financial position with funds in excess of the Solvency Capital Requirement totalling £23.1m in 2022 (2021: £20.3m).

Section A – Business and Performance

A.1 Business

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 2022 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.

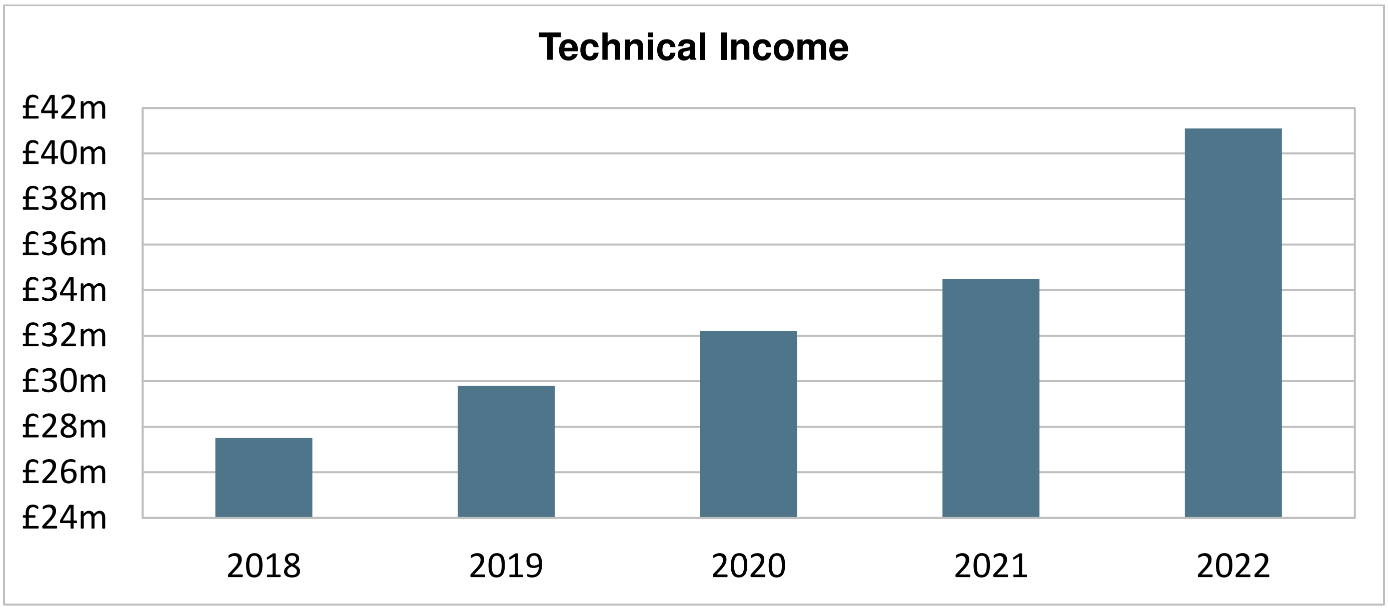
The Company is classified as a category four firm by the PRA given its very little capacity to individually cause disruption to the UK financial system. The Company is also regulated by the Financial Conduct Authority as a category four firm.

A.2 Underwriting Performance

Technical Income

Demand for employer funded cash plans continues to increase 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 of their ancillary benefits through the "My Medicash" App. In the previous three years the Company has added the digital physiotherapy service "Phio", an AI skin cancer detection service "SkinVision" and developed its own health and wellbeing app "mProve YOURSELF" which have all been provided to corporate policyholders at no extra charge.

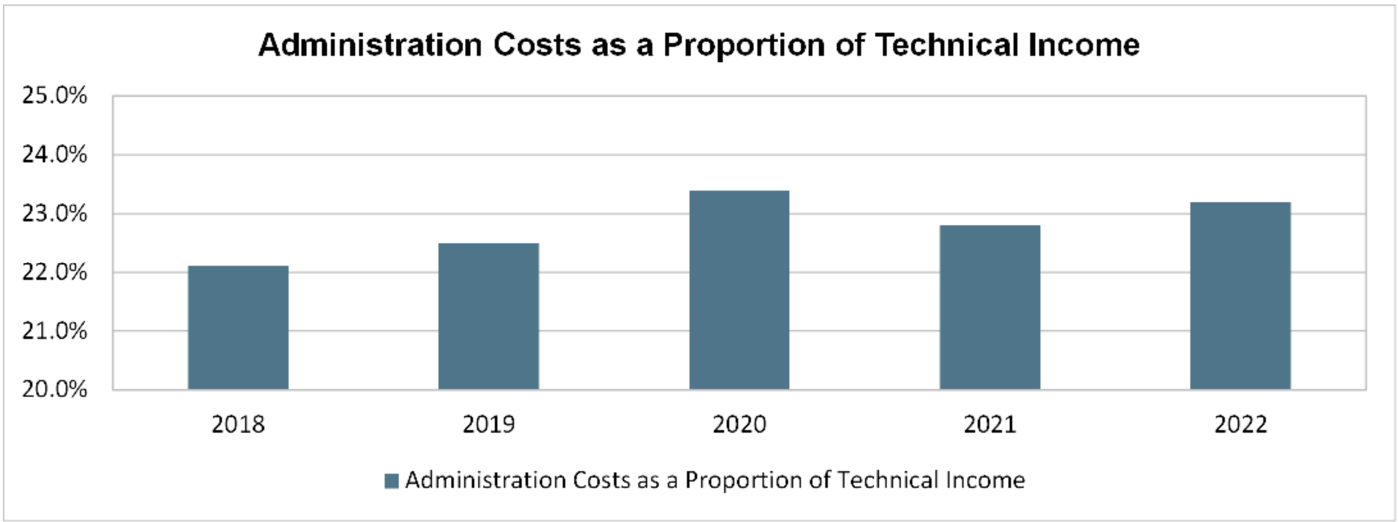
The continued enhancement of digital services has been well received by the market with the company achieving net policyholder growth of more than 125,000 and Technical Income increasing by £6.1m. Technical Income for the previous five years has been shown below.



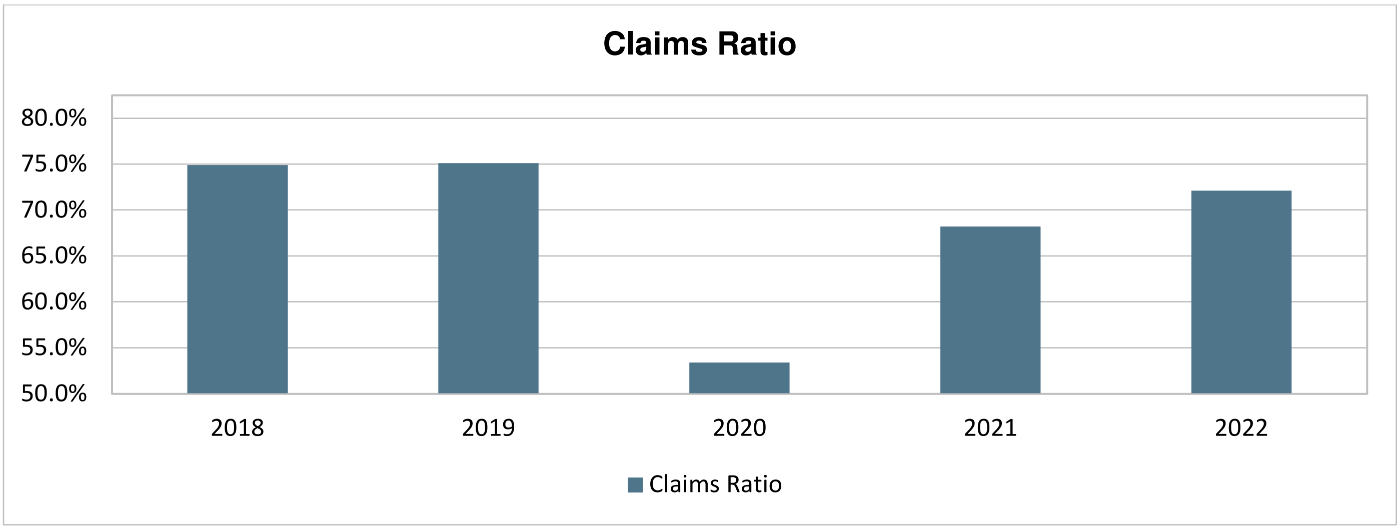
Claims and Expenses

As a not for profit organisation the business applies an underwriting policy which aims to redistribute the maximum amount of premium income back to policyholders through their claims and other benefits while sufficiently covering operating expenses. The business continually invests in its IT infrastructure to increase productivity which keeps 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:



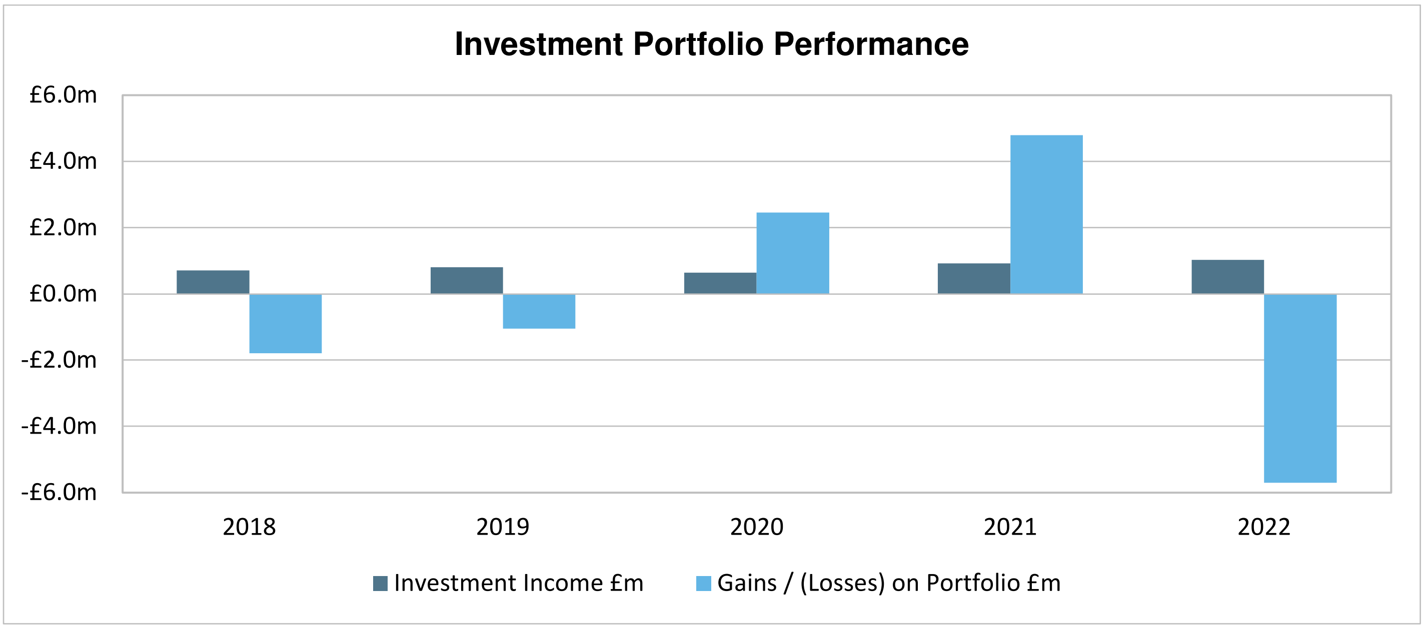
Claims as a proportion of premiums income remained slightly below pre pandemic levels in 2022 however volumes did increase consistently throughout the year. The claims ratio for the previous five years is shown below:



The Board is committed to growing the business in a sustainable way and aims to maintain a claims ratio between 75% and 76% each year and an operating expense ratio between 22% and 24%, leaving a small technical surplus.

A.3 Investment Performance

The Company holds a large investment portfolio with a carrying value of £36.3m as at the 31 December 2022. The gains / losses (realised and unrealised) and investment income earned for the previous five years is shown below:



A.4 Performance of other activities

In the year to 31 December 2022, the following income was included in the Consolidated Income Statement for the Group:

Entity	2022 (£k)	2021 (£k)
Health @ Work Consultancy Services Limited	228	206
Medicash Health Benefits Services Limited	-	4
The Medicash Foundation	35	32
365 Technical Consultancy Ltd	48	-

A.5 Any other information

There is no other material information to report in respect of business and performance over the reporting period.

Section B – System of Governance

B.1 General information on the system of governance

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

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

J Brown	Chairman & Non-Executive Director
S Weir	Chief Executive
J Ellis	Non-Executive Director
W Tubey	Non-Executive Director (Resigned 31 March 2023)
C Oddy	Non-Executive Director (Appointed 1 April 2023)
P Gambon	Sales & Marketing Director
A 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 set out in the rest of this section.

B.2 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.

B.3 Risk management system including the own risk and solvency assessment

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

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.

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

Risk Committee

- Named members of the Risk Committee are listed below:
- J Ellis Chair & Non-Executive Director
- Paul Gambon Sales Director
- Andrew Roberts Finance & IT Director

The Risk Committee also includes the following business unit leaders:

- Head of Operations
- Chief Technology Officer
- Finance Manager

Risk Registers

A Company Risk Register is maintained for all areas of the business including 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 are also used to determine areas of focus for the Internal Audit function.

B.4 Internal control system

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

Audit and Compliance Committee

Members of the Audit and Compliance Committee are listed below:

J Ellis	Chair & Non-Executive Director
J Brown	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.

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.

Remuneration Committee

Members of the Remuneration Committee are listed below:

J Ellis	Chair & Non-Executive Director
Sue Weir	Chief Executive
J Brown	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 Executive Directors receive bonuses based on the achievement of objectives set during the annual performance reviews. The Sales & Marketing director also receives a bonus 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.

Nomination Committee

Members of the Nomination Committee are listed below:

J Brown	Chair & Non-Executive Director
Sue Weir	Chief Executive
J Ellis	Non-Executive Director

The Nomination Committee is responsible for ensuring the Board has the necessary knowledge and skills to achieve the company's objectives. The Nomination Committee makes recommendations to the Board on Executive and Non Executive appointments and is responsible for maintaining an effective succession plan. The Committee ensures recruitment decisions are aligned to the long term strategy of the company.

B.5 Internal Audit Function

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.

B.6 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
- Preparation of sections D and E of the Regular Supervisory Report

B.7 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. Rathbones 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.

B.8 Any other information

There is no other material information to report in respect of the system of governance over the reporting period.

Section C – Risk Profile

The Company is exposed to the following risks:

C.1 Underwriting 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 2021	1,839	1,718	121	6.7%
Year ending 31 December 2020	1,891	1,510	381	20.1%
Year ending 31 December 2019	1,778	1,616	162	9.1%
Year ending 31 December 2018	1,727	1,636	91	5.2%
Year ending 31 December 2017	1,743	1,597	146	8.4%

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 20.1%. An under or over provision of the same value in the current year would equate to an impact of £407,000 on the profit before tax figure.

C.2 Market Risk

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 £19,000.

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 £6.7m based on equities held at 31 December 2022.

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 £1.6m 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 £100,000 higher/lower.

C.3 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.

C.4 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 6 months limit however the value of such claims would not be material. The entire year end creditor balance is payable within 6 months.

C.5 Operational risk

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 a comprehensive Cyber Security insurance policy.

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. All staff except for the printing and dispatch team are able to work remotely. The company has access to printing facilities at a third-party site with the appropriate number of desks for the printing and dispatch team in the event the office could not be accessed.

C.6 Other material risks

All material risks have been reported above.

C.7 Any other information

There is no other material information to report in respect of the Company's risk profile over the reporting period.

Section D - Valuation for Solvency Purposes

D.1 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 2022	31 December 2021
Gilts	2,142	1,863
Other fixed interest	3,759	2,658
Equity & Collectives	30,359	35,975
Property	127	93
Cash and deposits	11,160	8,510
Commercial mortgages	-	-
Loans	-	-
Other assets	1,798	2,640
Pension scheme surplus	2,267	3,280
Total admissible assets	51,611	55,019

The listed investments are included at market value.

The total value of investments includes a £35,000 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 four entities:

I. 365 Technical Consultancy Ltd, an IT support and consultancy provider.

II. Medicash Health Benefits Services Limited - a company providing defibrillators

III. The Medicash Foundation - a registered charity.

IV. 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 £457,000.

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 £457,000 as per Solvency II requirements

II. Exclusion of certain prepayments not eligible for solvency purposes totalling £656,000

III. Reduction in investments values of £5,000 due to a slight difference in portfolio valuations used for Solvency II reporting. The variance is less than 0.1% of the value of investments.

D.2 Technical Provisions

The following table summarises the technical provisions:

Technical provisions (£000)	**31 December 2022**	**31 December 2021**
Premiums provision	765	673
Claims provision	2,026	1,839
Total best estimate liabilities	2,791	2,512
Risk margin	688	558
Total technical provisions	3,479	3,070

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 usually 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.

D.3 Other liabilities

The Company has current liabilities of £3,288,000. These consist of creditors, including taxation and social security, plus accruals and deferred tax. The largest creditor relates to taxation and social security of £1,407,000. The value used for valuation purposes is the same as that shown in the financial statements.

D.4 Alternative methods for valuation

No alternative valuation methods have been employed.

D.5 Any 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 £688,000 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.

Section E - Capital Management

E.1 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 2022	31 December 2021
Total admissible assets	51,611	55,019
Technical provisions	3,479	3,070
Other liabilities	3,288	4,613
Total liabilities	6,767	7,683
Own funds	44,844	47,336

There are no restrictions on the use of own funds.

The main reason for the decrease in Own Funds over 2022 is the reduction in the value of the Society's investments.

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 £1,118,000 shown in the financial statements for intangible assets and certain prepayments (and minor valuation differences),

II. the risk margin of £688,000.

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.

E.2 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 2022 was £21,725,000 (2021: £27,082,000). This figure is subject to supervisory assessment.

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

£000	31 December 2022	31 December 2021
Market risk	14,605	22,227
Counterparty default risk	929	1,345
Health underwriting risk	10,748	8,335
Diversification benefit	(5,789)	(5,859)
Basic SCR	20,493	26,048
Operational risk	1,233	1,033
Solvency Capital Requirement	21,725	27,082

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

	31 December 2022	31 December 2021
Own funds	44,844	47,336
Solvency Capital Requirement	21,725	27,082
Surplus funds	23,119	20,255

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 €2.7m. The Company's MCR is calculated as 25% of the SCR which equates to £5,431,000 at the reporting date.

E.3 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.

E.4 Differences between the standard formula and any internal model used

The Company does not use an internal model.

E.5 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.

E.6 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

Medicash Health Benefits Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

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 2022
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
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	2,267
R0060	Property, plant & equipment held for own use	127
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	36,260
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	20,406
R0110	*Equities - listed*	20,371
R0120	*Equities - unlisted*	35
R0130	*Bonds*	5,901
R0140	*Government Bonds*	2,142
R0150	*Corporate Bonds*	3,759
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	9,953
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
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	0
R0360	Insurance and intermediaries receivables	1,132
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	11,160
R0420	Any other assets, not elsewhere shown	665
R0500	**Total assets**	51,611

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	3,479
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	3,479
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	2,791
R0590	*Risk margin*	688
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	264
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	122
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	222
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	2,680
R0900	**Total liabilities**	6,767
R1000	**Excess of assets over liabilities**	44,844

S.05.01.02

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	Gross - Direct Business	42,632																42,632
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net	42,632																42,632
	Premiums earned																	
R0210	Gross - Direct Business	41,087																41,087
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net	41,087																41,087
	Claims incurred																	
R0310	Gross - Direct Business	29,600																29,600
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net	29,600																29,600
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0																0
R0550	**Expenses incurred**	9,380																9,380
R1200	**Other expenses**																	154
R1300	**Total expenses**																	9,535

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		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	Total Non-Life obligation
		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	765																765
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**	765																765
	Claims provisions																	
R0160	Gross	2,026																2,026
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**	2,026																2,026
R0260	**Total best estimate - gross**	2,791																2,791
R0270	**Total best estimate - net**	2,791																2,791
R0280	**Risk margin**	688																688
	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**	3,479																3,479
R0330	**Recoverable from reinsurance contract/SPV and 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**	3,479																3,479

S.19.01.21

Non-Life insurance claims

Total Non-life business

	Accident year / underwriting year	Accident Year
Z0020		

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

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	2013	14,457	1,404	3	2	0	0	0	0	0	0		0	15,866
R0170	2014	15,128	1,520	5	1	0	0	0	0	0			0	16,653
R0180	2015	16,427	1,633	7	1	0	0	0	0				0	18,068
R0190	2016	17,114	1,523	2	2	1	0	0					0	18,642
R0200	2017	17,382	1,493	3	1	0	0						0	18,879
R0210	2018	18,528	1,542	3	0	0							0	20,074
R0220	2019	20,206	1,518	5	1								1	21,730
R0230	2020	14,824	1,369	7									7	16,199
R0240	2021	20,979	1,616										1,616	22,595
R0250	2022	26,003											26,003	26,003
R0260												Total	27,627	194,709

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0	0		0
R0170	2014	0	0	0	0	0	0	0	0	0			0
R0180	2015	0	0	0	0	0	0	0	0				0
R0190	2016	0	0	0	0	0	0	0					0
R0200	2017	0	0	0	0	0	0						0
R0210	2018	0	0	0	0	0							0
R0220	2019	0	0	0	0								0
R0230	2020	0	0	0									0
R0240	2021	0	0										0
R0250	2022	0											0
R0260												Total	0

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	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	44,844	44,844			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	44,844	44,844	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	44,844	44,844	0	0	0
R0510	Total available own funds to meet the MCR	44,844	44,844	0	0	
R0540	Total eligible own funds to meet the SCR	44,844	44,844	0	0	0
R0550	Total eligible own funds to meet the MCR	44,844	44,844	0	0	
R0580	**SCR**	21,725				
R0600	**MCR**	5,431				
R0620	**Ratio of Eligible own funds to SCR**	206.41%				
R0640	**Ratio of Eligible own funds to MCR**	825.65%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	44,844
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	44,844
	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)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	14,605		
R0020	Counterparty default risk	929		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	10,748		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-5,789		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	20,493		

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	1,233
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	21,725
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	21,725
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	Not applicable

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

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
R0010	MCR_{NL} Result	2,135

		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	2,791	42,632
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	2,135
R0310	SCR	21,725
R0320	MCR cap	9,776
R0330	MCR floor	5,431
R0340	Combined MCR	5,431
R0350	Absolute floor of the MCR	2,325
R0400	**Minimum Capital Requirement**	5,431