CIVIL SERVICE HEALTHCARE SOCIETY LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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1 – Executive Summary

This report covers the Business and Performance of the Society, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. The ultimate Administrative Body that has the responsibility for all of these matters is the Society's Board of Directors (the Board), with the help of various governance and control functions that it has put in place to monitor and manage the business.

The Society's financial year runs to 31 December each year and it reports its results in GBP (Pounds Sterling).

Civil Service Healthcare Society Limited ("CSH" or "the Society") is a Friendly Society, committed to providing its members with excellent value and high-quality PMI cover. Prior to June 2019 the Society offered cover only for those who work, or have worked, in civil or public service and their families, and employees in other not-for-profit organisations such as charities, mutual, privatised organisations and our partners. However, a change in the Society's governing rules (agreed by Members at the June 2019 AGM), opened eligibility up to everyone.

The Society underwrites business in the United Kingdom only.

The Society had total eligible own funds at 31 December 2019 of £12,632k (2018: £12,519k) and the Solvency Capital Requirement (SCR) was £5,788k (2018: £5,853k), which is a ratio of eligible own funds to SCR of 2.18 (2018: 2.14).

The Society now views its governance framework as business as usual. The Society's Own Risk and Solvency Assessment (ORSA) is very much a live process forming an integral part of the overall risk management framework. The governance and risk frameworks are detailed in this report. There have been no significant changes in the reporting period. The Society has a robust capital management process in place which interacts with the risk management function.

The Society continues to comply with all aspects of the Solvency II regulations since its implementation on 1 January 2016. There have been no material changes in the business during the year.

A – Business and Performance (unaudited)

A.1 Business

Civil Service Healthcare Society Limited is incorporated under the Friendly Societies Act 1992, register number 463F. Its registered office is Princess House, Horace Road, Kingston upon Thames, Surrey KT1 2SL.

The Society underwrites private medical insurance in the United Kingdom only.

The Society is authorised by the Prudential Regulation Authority (PRA) and regulated and supervised by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority – Financial Services Register number 205346. Contact details for these supervisory authorities are as follows:

- Financial Conduct Authority, 25 The North Colonnade, London E14 5HS
- Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA

The Society has engaged Deloitte LLP as its external auditors:

- Deloitte LLP, 2 New Street Square, London, EC4A 3BZ.

A.2 Underwriting Performance

The table below shows the Society's premiums, claims and expenses for the Technical Account for the year ended 31 December 2019, taken from the financial statements which are prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Year ended 31 December	**2019**	**2018**
Figures are presented in £'000		
Premium income	26,152	26,543
Claims incurred	(19,921)	(19,342)
Net operating expenses	(6,780)	(7,248)
Balance on the Technical account	**(549)**	**(47)**

The Technical account decreased by £502k compared to the previous year. This was due to an increase in claims incurred of £579k and a reduction in premiums of £391k as lapses outweighed new business. These negative impacts have been offset by a reduction in expenses of £468k.

A.3 Investment Performance

The Society's investments comprise of two money market funds, a short duration bond fund, and a floating rate loan fund, which were valued at £16,663k at 31 December 2019 (2018: £16,140k).

Income on those investments for the year ended December 2019 is as follows:

Year ended 31 December	**2019**	**2018**
Figures are presented in £'000		
Income from investments at fair value through income:		
Dividend income	298	238
Interest income	3	1
Unrealised gains on year end revaluation to market value	279	(150)
Total investment income	**580**	**89**

The total investment income has increased significantly in 2019 compared to the year ended 31 December 2018. Dividend and interest income increased by £60k and there are unrealised gains in all three funds that are yet to be converted to cash.

A.4 Performance of Other Activities

There have been no other significant activities undertaken by the Society other than its insurance and related activities.

The Society does not have any material leasing arrangements in place.

A.5 Any other Information

There is no other material information regarding the business and performance of the Society.

A description of the business is set out in the Executive Summary. The Society writes medical insurance and offers three products, of which Your Choice is the most material. The basis for the materiality level of the Society for the purpose of this regulatory return is its own funds.

At the time of preparation of this SFCR report, the world is currently in the throes of a pandemic, COVID-19. This has had global implications across a multitude of industries. Currently there is still a huge amount of uncertainty surrounding the potential duration and overall economic impact. Many countries, including the UK have moved into a phase of "lock-down" in order to stem the infection rate and ensure the impact does not overwhelm the countries healthcare systems.

CSH is not immune to the impact of this pandemic, and as it is a fluid situation we continue to assess the risks, both current and potentially future. To date The Society has taken the following steps in order to continue operations, and protect members through ensuring the viability of the Society through this shock event.

- During the initial period of the COVID-19 "lock-down" CSH management held daily meetings to ensure effective and seamless implementation of our business continuity planning
- Implementation of full remote working for all CSH staff
- Full suite of communications to staff, members, material suppliers and brokers

- Sensitivity testing on the balance sheet, both asset side, and liability side, specifically in relation to the risks posed to CSH by this pandemic
- Impairment testing and review of assets to capture any potential capital impact
- Updating of the Society's risk register to capture the pandemic as a specific risk, as well as amending other key risks accordingly
- Monitoring of key Solvency indicators, SCR and Solvency ratio, on a monthly basis

Remote working for staff has been successfully implemented with limited impact on operations and member service levels. Remote working reduces the risk of the virus causing widespread sickness across staff. If despite this, a significant proportion of staff were sick, CSH has contingency planning in place to enable key services to remain operational.

The sensitivity testing undertaken shows that there is a risk from the pandemic to the value of investments on the asset side of CSH's balance sheet. Following significant market volatility since 2019 year end, the fair value of The Society's investment assets have fallen from year end 2019 to 31 March 2020, approximately a 3% fall in value. The impact of this on the Society's solvency ratio as reported at 31 December 2019 has been modelled with Solvency coverage remaining strong at above 200%. The scale of the adverse impact on investment values to date has been mitigated by the low risk investment strategy pursued by The Society.

The Society's capital position remains strong, even in light of the current shock to the markets. The Society will continue to review its current investment strategy, and react as appropriate to the prevailing economic environment.

The main risk identified on the liability side of the balance sheet is lapse risk. Scenarios have been tested for 5 and 10 percentage point increases in lapse rates. Under the 10 percent scenario, results show a less than 1% increase in the premium provision because the change in expected future cash inflows from premiums is broadly offset by a reduction in expected cash outflows for claims paid. There would be minimal impact on the Society's solvency ratio as reported at 31 December 2019.

Both investment values and lapse rates will continue to be actively monitored by The Society and the risks proactively managed as more becomes known about the longer-term impact of the pandemic.

B – System of Governance (unaudited)

B.1 General Information on the System of Governance

As a mutual insurance business, CSH is owned by its members. Members are all entitled and encouraged to participate in the stewardship of the business and to influence its culture and direction through voting and participation in its annual general meetings, and by providing feedback to management on any aspect of their current and future insurance protection and service needs.

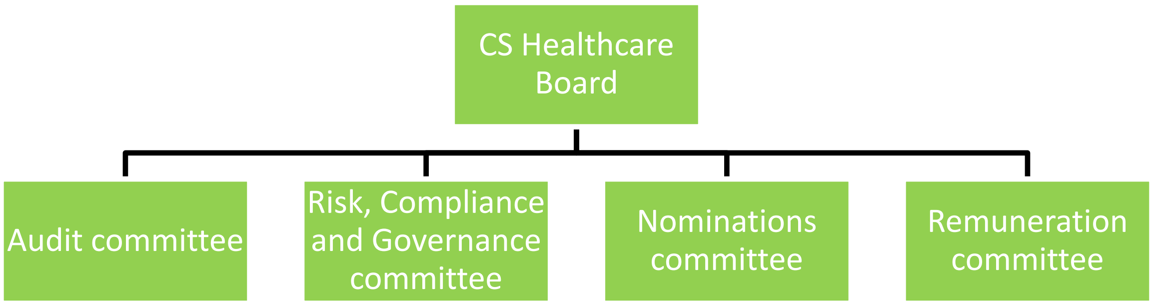
The Board takes responsibility for ensuring that the mutuality ethos of the Society is maintained and that competitively priced private medical insurance is available to all those who are eligible. The Board sets the tone for the organisation and takes individual and collective responsibility for ensuring that the Society meets its objectives and is managed appropriately.

The Society recognises the importance of good corporate governance and ensuring that the Board and all committee members have the right skills, knowledge and training to be able to carry out their role and responsibilities effectively.

It is the Board's responsibility to:

- oversee that the Society operates within an effective system of internal control, risk management and compliance
- oversee that the Society maintains solvency capital requirements and minimum capital requirements at all times
- validate that the Solvency II standard formula is appropriate for the Society and that output from it is used effectively
- ensure that the values of the Society are established and known throughout the Society
- determine the strategy and approve the business plan
- ensure that the business is conducted in an efficient and effective way
- assist approved persons to discharge their responsibilities in respect of the area of business for which they are responsible
- ensure that the Society's investment portfolio is in line with the agreed investment policy parameters and review investment performance
- review and approve the Society's Annual Report and Accounts and other legal and regulatory returns

The Society's committee structure is outlined below.



The Board is ultimately responsible for the performance and strategy of the Society. By selectively delegating authority and certain functions to various committees, the Board does not absolve itself of its own responsibility for the Society.

Terms of reference describe the purpose, responsibilities, membership and authority delegated from the Board for each committee. Relevant attendees are invited to committee meetings when required.

Risk, Compliance and Governance Committee 'RCGC'

This Committee consists of three non-executive directors (NEDs) appointed by the Board, one of whom is appointed Chairman. The Chief Executive and Chief Risk Officer are invited to attend meetings but are not committee members. The Company Secretary records the minutes, as well as contributing to the meeting. Other members of the Senior Management Team and risk owners/managers may be invited to attend as required. The papers for this Committee are distributed to the Society's internal auditors Mazars LLP. The work of this Committee comprises:

- To advise the Board on overall risk appetite, tolerance and strategy.
- To advise the Board on the appropriateness of the Risk Appetite Statement and whether key risks are identified and managed in a way that is consistent with the Risk Appetite.
- To review, and to advise the Board, on the Society's current and future risk exposures, risk management and compliance strategies.
- To review, and advise the Board, on the development and maintenance of the Society's Risk Register and its risk mitigation and contingency plans.
- To review the implementation and development of comprehensive risk controls.
- To review, and to advise the Board on, the Society's exposure to current and potential reputational risks.
- To review annually and approve the Society's policies in relation to strategic, financial and, operational risks, including the process for identifying and assessing risks, including new risk types, and the management of those risks by the Society.
- To review the development and implementation of a programme of stress testing and reverse stress testing of the Society's risks.
- Before a decision to proceed is taken by the Board, advise the Board on any proposed strategic transaction ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Society.
- To monitor the Society's performance in relation to Treating Customers Fairly (TCF).
- To monitor the Society's performance and procedures in relation to conduct risk (any action of the Society that may lead to customer detriment).
- To monitor and review complaints made against the Society, the process for their handling and to make recommendations to reduce the number of complaints where necessary.
- To review regulatory developments, in particular those of the Financial Conduct Authority and the Prudential Regulatory Authority, and their impact on the Society including the Society's risk exposure and its ability to meet those requirements.

- To review governance standards with the aim of meeting best practice where practical and appropriate.
- To review, challenge and consider, and to advise the Board on, the appropriateness of the Society's ORSA.
- To provide advice, oversight and challenge in order to embed and maintain an appropriate risk culture throughout the Society.
- To monitor the arrangements for securing data held by the Society and in relation to its members and in particular the Society's compliance with General Data Protection Regulation requirements.
- To review the Society's procedures for detecting fraud and money laundering.
- To review the Society's procedures for the prevention of bribery.
- To approve the Chief Risk Officer's action plans and resources for the risk and compliance function.
- To review the adequacy and quality of the risk and compliance function.
- To review and monitor management's responsiveness to the findings and recommendations of the risk and compliance function.
- To review the adequacy and security of the Society's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- To provide a risk report for inclusion in the Annual Report and Accounts.

<u>Audit Committee</u>

This Committee consists of two non-executive directors (NEDs) appointed by the Board, one of whom is appointed Chairman. The Chief Executive and Chief Risk Officer are invited to attend meetings but are not committee members. The Company Secretary or her deputy records the minutes, as well as contributing to the meeting. Other members of the Senior Management Team and risk owners/managers may be invited to attend as required. The Society's internal and external auditors attend as appropriate. The work of this Committee comprises:

Financial Statements

- To monitor the integrity of the financial statements of the Society (including summary financial statements and returns to the Prudential Regulatory Authority) prior to their approval by the Board and to review:
    - o the significant financial reporting issues and judgments contained in the financial statements, taking into account the views of the external auditor;

  - all material information presented within the financial statements such as the directors' report, the operating and financial review and the corporate governance statement;
  - the clarity and completeness of disclosure in the financial statements and the context in which the statements are made;
  - whether the accounting policies of the Society are appropriate and in accordance with the statutory requirements and appropriate relevant accounting and financial reporting standards, and if any changes to them need to be made;
  - whether the viability statement is appropriate in terms of both scope and timescale.
- The Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for members to assess the Society's performance, business model and strategy.
- To review the financial statements contained within the Society's Own Risk and Solvency Assessment (ORSA) and the Society's Financial Condition Report (SFCR).
- To liaise with the Risk, Compliance and Governance Committee on the monitoring and review of the Society's internal controls.

Internal Audit

- To develop and agree programmes of internal audit and to review these programmes, including the management response to, and implementation of actions agreed in respect of, all audit recommendations.
- On the basis of internal audit reports, to monitor and evaluate the effectiveness of the Society's control systems.
- To review annually, the performance of the Society's internal auditors.

External Audit

- To review the external auditors' findings (including those contained in management letters) and management's response to them.
- To review and monitor the external auditors' independence, objectivity, expertise, resources and effectiveness, taking into consideration relevant UK professional and regulatory requirements, including the provision of any non-audit services.
- To ensure that an appropriate audit plan is in place at the start of each annual audit cycle, and to assess the effectiveness of the audit at the end of the annual audit cycle.
- If the external auditors resign, to investigate and to advise the Board on the circumstances of that resignation and the implications for the Society.

Auditors appointment

- To advise the Board on the role and selection of the internal and external auditors; audit arrangements generally; and following competitive tender (at intervals of not more than 5 years) to make recommendations for appointment and the terms of that appointment.

Nominations Committee

The committee currently consists of the Chairman, Vice Chairman, one NED and the Chief Executive. The work of this Committee comprises:

- To review and advise the Board on the skills, experience, independence and knowledge of the Society required to maintain an effective and balanced Board.
- To conduct an annual review of Board effectiveness and to have this externally facilitated at least once every three years.
- To evaluate the composition and structure of the Board, having regard to the provisions of the Association of Financial Mutuals Corporate Governance Code.
- To consider the size of the Board including the balance of non-executive and executive directors and the appropriate allocation of Board members to subordinate committees.
- To make recommendations to the Board on the nature and composition of its subordinate committees.
- To maintain a succession plan for future possible non-executive director appointments with particular reference to predicted forthcoming vacancies.
- To review the succession plan prepared by the Chief Executive for future possible Senior Management Team appointments with particular reference to predicted forthcoming vacancies.
- Before making any recommendation on appointment to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- To ensure that prior to the appointment of a director the proposed appointee shall be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.
- To make recommendations to the Board for non-executive director appointments and reappointments at the conclusion of their specified term of office.
- To make recommendations to the Board for the appointment of the Senior Independent Director.
- To make recommendations to the Board for the recruitment of executive directors.
- To select and engage suitable external recruitment consultants as deemed appropriate by the Committee for non-executive appointments and executive recruitment.
- Ensure that on appointment to the Board non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

- To consider and make recommendations to the Board on the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Society subject to the provisions of law and their service contract.
- To ensure an appropriate induction programme is in place for new directors and that individual and collective training is provided as necessary. Individual directors remain responsible for identifying their training needs.

<u>Remuneration Committee</u>

The committee currently consists of the Vice Chairman and two NEDs, one of which is appointed Chair of the Committee. The Chief Executive may be invited to attend as required as may colleagues from People & Culture. The work of this Committee comprises:

- To annually review and approve the staff remuneration policy.
- To annually review and advise the Board on the Board remuneration policy.
- To review and approve at least annually the remuneration package for the CEO, the executive directors and the Chief Risk Officer, taking account of all elements of each remuneration package including, but not limited to, salary, bonus, car allowance and pension, and with regard to the staff remuneration policy.
- To review and approve the financial parameters for the annual staff pay review and discretionary annual bonus and the principles to be followed in their implementation.
- To review and approve the discretionary annual bonus for the CEO, the executive directors and the Chief Risk Officer.
- To review and make recommendations at least annually to the Board on non-executive remuneration including additional remuneration for the roles of Chair, Vice-Chair, Chair of Committee, Senior Independent Director, Whistleblowing Champion, membership of specific or multiple committees or such other additional remuneration for any other purpose that the Committee sees fit.
- To make recommendations to the Board on the remuneration and contractual terms for new appointments to the Board, such as Chief Risk Officer or to any comparable position within the Society.
- To obtain reliable, up-to-date information about remuneration in other organisations of comparable scale and complexity as required for the execution of the Committee’s responsibilities.
- To ensure contractual terms on termination for CEO, the executive directors and the Chief Risk Officer, and any payments made, are fair to the individual, and the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- To oversee and approve any major changes in the Society’s employee benefit structures.

- To agree the policy for authorising claims for expenses from all staff and Board.
- To select and engage suitable external remuneration consultants as deemed appropriate by the Committee in support of any aspect of its work.

Governance as a Society

As a Friendly Society, CS Healthcare is owned by its policyholders, who are all members of the Society. Members are entitled and encouraged to participate in the stewardship of the Society and to influence its culture and direction by:

- voting and participation in its annual general meetings
- taking part in member forums and surveys
- contacting the Board or the Society

As a Member of the Association of Financial Mutuals (AFM), the Society subscribes to the provisions of their Corporate Governance Code.

Principles of remuneration policy

CS Healthcare is committed to creating a positive, rewarding and engaging environment for our staff, which the Board believes will enable them to provide a high quality service and encourage loyalty and job satisfaction. The remuneration policy details the approach to managing pay and benefits in a way that supports the Society's values and objective and is intended to deliver a competitive level and mix of remuneration compared with companies of a similar scale and complexity.

The remuneration of senior executives is determined by the Remuneration Committee, which periodically seeks independent advice from specialist remuneration consultants on current market rates for equivalent positions in healthcare and similar scale organisations. Non-executive directors' fees are reviewed periodically by the Remuneration Committee with the assistance of independent advisors.

There is a discretionary bonus for employees which is set as a percentage of base salary and is dependent on business performance during the year and their personal performance against agreed targets. This bonus is not payable to Non-Executive Directors. The Society has three strategic objectives, and these have been used as the three main categories in calculating the bonus pool. These are also weighted based on the perceived importance in determining the overall bonus pool. Weightings have been applied as follows:

- Financial Security – 50%
- Capital – 30%
- Mutual Values – 20%

The Society aims to provide bonuses which are a relatively small component of compensation to ensure both affordability for the Society and an appropriate focus on longer term objectives and ethical behaviour rather than offering any incentive to maximise short-term gains for the individual or the organisation. This is a key element of our approach to complying with the remuneration aspects of Solvency II requirements.

There are no differences in policy and the percentage rates of pension contributions made by the Society are the same for all staff.

B.2 Fit and Proper Requirements

To meet regulatory requirements key function holders (SMF and certification level) under the SM&CR are required to meet the fit and proper standards as set out by the regulators. These standards cover a range of measures to ensure that the sound management and good reputation of the Society are maintained.

To ensure that senior managers and directors are “fit”, they are recruited giving due regard to their performance at interviews, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role. General checks include an education background check and professional qualifications/membership check.

To ensure that senior managers and directors are “proper”, they are subjected to a variety of checks before their appointment, including:

- identity checks (including passport)
- FCA register search
- UK directorship search
- five years employment history
- criminal history checks (DBS)
- standard disclosure checks

Each person that falls under the SM&CR is required to complete a yearly self-assessment which includes a series of questions (annotated from the FCA Approved Persons application form), a record of the CPD carried out during the year and a new DBS background check. If any of these matters show matters of concern, a more detailed explanation will be requested and the responses will be reviewed and considered by the Nominations Committee.

The Society ensures that all staff who are involved with Solvency II reporting or who have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The employees responsible for Solvency II collectively possess professional qualifications, experience and knowledge about:

- insurance and financial markets
- information technology and project management
- business strategy and business model
- system of governance
- financial analysis
- regulatory framework and requirements.

B.3 Risk Management System including the ORSA

Risk Management System

The Society operates a risk management framework which co-ordinates all risk management activity undertaken. The entirety of the framework is summarised within the Society's Own Risk and Solvency Assessment (ORSA). The Chief Risk Officer (CRO) holds the Chief Risk function (SMF 4) under the Senior Manager and Certification Regime (SM&CR) and is ultimately responsible for designing, delivering and evaluating the Society's risk management systems and controls, ensuring that a positive risk management culture is embedded within all business operations. The risk management framework follows the principles of Enterprise Risk Management (ERM) whereby the Society identifies areas of risk exposure, relevant to its objectives, assess the probability and impact of the risks materialising and devising control environments, response strategies and performance monitoring to test the adequacy of controls.

The Society's risk governance model is fully aligned to Solvency II prescription, and based on a "3 Lines of Defence" approach as described below:

- First line of defence - Business management

Business management is responsible for the day to day management of risk and sets the controls to effectively mitigate risk, within the Society's risk appetite. Business management are expected to set controls to prevent the materialisation of risk in their area of responsibility and highlight any breakdown in controls or inadequacy of process. Managers are also accountable for specific risks to the business which are recorded on the Risk Register. Risk owners are required to review their assigned risks on a monthly basis, providing up to date analysis of each risk. This analysis includes;

- Scenario analysis identifying the most likely and worst case scenarios of risk crystallisation
- The causes and consequences of risk materialisation
- An impact, probability and "alert level" score, utilising a prescribed formula, based upon the most likely scenario
- A list of the first line of defence control measures in place currently, allocating owners to each control. This includes future controls that will be implemented
- Performance measurement of appropriate management information (MI), to track the performance of the risk

Where an alert level is exceeded, the risk will be placed "on alert" and the risk owner will notify the CRO immediately. The risk owner and CRO, with the input of other relevant parties, will agree upon actions the Society will take to bring the risk back to an acceptable level of materiality once implemented. Risks "on alert" are also reported to the RCGC for challenge, either as a separate agenda item or as part of the CRO's report.

- Second line of defence – Compliance and Risk Functions

The Compliance and Risk functions provide assurance to the Board on the adequacy and effectiveness of the first line control environment and the overall risk management system, including compliance monitoring and quality assurance. The Compliance and Risk functions oversee the maintenance of the Risk Register through quarterly meetings with all material risk owners. From these meetings, Compliance and Risk set the second and third line of defence controls for each material risk, and record these on the Risk Register. Second line control measures contribute towards the annual Compliance Activity (and Monitoring) Plan, and the Internal Audit plan, determined as a function of the performance of first line controls, and the residual risk presented. Second line activity monitors the performance of first line controls and provides recommendations and/or enforcement actions required to improve the control environment. These findings are presented to the RCGC for further consideration and challenge. The Compliance and Risk functions are further responsible for the maintenance of risk performance data overall, reporting immediately to the Board once actual performance breaches risk management tolerances, either side of expected performance.

- Third line of defence – Independent Assurance

The Society uses the professional expertise of independent auditors for both internal and external audit. They are expected to provide an independent view on the effectiveness of the Society's systems and controls, and the adequacy of the first and second line control environments. Both internal and external auditors regularly meet with the Board and relevant committees.

To fully implement the three lines of defence risk management model above, The Society operates a three tiered risk management model that clearly stipulates the roles and responsibilities of those involved.

<u>Tier 1 – Business plan/Strategy risk</u>

The Society's business plan lies at the centre of its risk management model, following the Institute of Risk Management's definition of risk as "the effect of uncertainty on business objectives". The business plan is decided upon by the Board, on an annual basis, based upon expected performance in key areas of operation, over the course of a year. In light of these assumptions, an end of year position is forecast on the Society's profit and loss account. Performance against the business plan is monitored and analysed through the collation of management information, amalgamated into monthly performance reports.

Tier 2 – “Risk Pillars”

Tier 2 of this model outlines the five areas of risk that are likely to cause deviation from the expected performance of the business plan. The Society refers to these areas as “Risk Pillars”. These areas of risk are:

- Financial Risk
- Legal and Regulatory Risk
- Operational Risk
- Product Risk
- Reputational Risk

Risk pillar performance is overseen by the CRO and reported on to the RCGC, within the CRO report. For each pillar, performance metrics are utilised to assess performance, attitude to risk in these areas and performance tolerances set in line with the attitude to risk, are stipulated within the Society’s Risk Appetite Statement (“RAS”), reflective of the Board’s attitude to risk in the medium term. Should performance fall outside of the tolerances set, the Chief Risk Officer will;

- Review material risks on the Risk Register (Pillar 3 risks) to identify what is causing the concern.
- Produce a risk report to the Senior Management and the RCGC, explaining which pillar is performing outside of the Society’s risk appetite, the suspected cause and actions proposed/taken to control the risk.

Tier 3 – Material Risks

Within Tier three, the specific material risks facing the Society are listed on the Risk Register. These risks are owned by business management and overseen by the Compliance and Risk functions.

The above model is reliant upon a clear and quantifiable RAS. The Society’s risk appetite is determined annually by its Board and defines the key risk areas it faces, provides a statement of the Society’s risk appetite in each risk area, and explains how performance is measured to ensure that the Society can identify when the risk appetite has been breached, in each area, and overall.

The RCGC, under delegated authority from the Board, are responsible for providing adequate challenge and assurance that the Board’s risk appetite is not being breached by operational activity. The RCGC will report to the Board if it believes changes to the RAS or performance metrics are required.

There were no material changes to the internal governance model during the year.

ORSA

The objective of the Board’s Own Risk Solvency Assessment (ORSA) is to ensure that the Society is able to continue to provide members with appropriate, good value medical insurance protection. This is important as the Society has no viable method of raising financial capital other than through trading.

The ORSA report is reviewed throughout the year to facilitate integration with decision making. The risk and finance functions coordinate the relevant processes with subject matter experts across the Society, to compile the ORSA report, for review by the RCGC and the Board. The completed annual ORSA report is approved and owned by the Board.

The Society uses the Standard Formula without Undertaking Specific Parameters to assess the solvency capital requirements.

B.4 Internal Control System

The Society's Internal Control System is stated within its Internal Controls Policy, overseen by the CRO. An effective internal control system is achieved through the following component activity:

1. *The Control Environment*: The environment in which the Society operates is critical to enable effective controls. This includes having documented statements, policies and/or Terms of Reference for:

- Ethics, fitness and propriety;
- Competence;
- An authorised Board of Directors and Risk & Compliance committee;
- Delegated authorities / assignment of authority and responsibility;
- Human Resources procedures.

2. *Risk Assessment*: A base-line assessment of risk across the Society is undertaken annually by the CRO, or more frequently should a material change occur to the control environment. Alongside maintenance of the risk register, other matters for consideration with regards to risk assessment include:

- Company and process-wide objectives;
- Risk identification and analysis; and
- Management of change

3. *Control Activities*: Control activities are in place to minimise the propensity to deviate from the control environment in place. Key control activities include:

- Departmental policies and procedures;
- Job-role specific training;
- Management training (including compliance and regulatory specific matters);
- Security (both physical and network);
- Project and change management controls using PRINCE2, Lean Six Sigma and AGILE;
- Business Continuity Plans; and
- Outsourcing of complex or specialist activities.

4. *Information and Communication*: The Society analyses qualitative and quantitative data to evaluate the adequacy of the control environment. A strong emphasis is placed upon communicating changes required as a result

to all relevant parties, to ensure the control system is fluid and responsive to fluctuations in risk.

5. *Monitoring Activities*: Ongoing and specialised monitoring is undertaken by the Society, as a significant component of its internal control system. A risk based monitoring plan, overseen by the compliance function, tests the operation of existing controls, reporting recommendations to the RCGC. The monitoring activity is collaborative, gaining an opinion on risk from first line of defence business management, as well as senior management, and is presented to the RCGC for approval.

Where there has been a material failing in controls, or where new activity requires a level of reassurance against potential risk or threats, the compliance function will conduct specialist monitoring reviews, aimed at providing risk assurance at the earliest opportunity.

The Society also requires business management to complete quarterly control statements, attesting the adherence to controls relevant to their specific area of responsibility. Quarterly control statements are reviewed by the CRO, and discussed during quarterly risk meetings between the risk and compliance function, and business management.

Furthermore, the Society maintains a financial control framework that governs financial and regulatory reporting and aims to ensure that:

- all the risks that relate to the preparation and fair presentation of the financial statements in accordance with the applicable reporting framework have been identified and documented
- there are manual and automated controls in place to address these risks and they are adequately designed to prevent or detect material misstatements in the financial statements and disclosures
- the controls identified operate as they are supposed to and are appropriately evidenced.

The UK GAAP financial statements are subject to rigorous controls in the production and review leading up to publishing. The actuarial liabilities are produced using best practice actuarial practices that are subject to review by the Audit committee. They are presented to the Board for sign-off before publishing.

B.5 Internal Audit Function

In adherence with the Society's requirements under Solvency II and the Financial Services and Markets Act 2000, the Society operates an independent Internal Audit function, required to provide risk assurance to the Board. As a component of the Society's third line of defence, Internal Audit provide assurance on the adequacy of the systems and controls in place to manage risk.

The Society outsources its Internal Audit function to Mazars LLP. Outsourcing this function provides a degree of assurance to the Board that the independence of the function is not compromised, and allows the Society access to a wider array of skills and expertise, enabling audit of all parts of the business.

As the Society outsources its internal audit function, the requirement to allocate Senior Manager Function (SMF) 5 – Head of Internal Audit, to a suitable senior manager does not apply. Instead, the Society has allocated the requisite prescribed responsibility for the oversight of the performance of the Internal Audit function, to the chair of the Audit Committee.

Following a series of interviews with key individuals within risk management at the Society, in Quarter 4 of each year, Mazars LLP are responsible for the development of an annual Internal Audit Plan, based on an understanding of the key risks the Society faces. The plan is presented to the Audit committee for review and approval.

The plan will contain a schedule of individual audit assignments to be conducted throughout the year. For each Assignment, Mazars LLP submit a terms of reference for the audit, providing a scope of audit activity. The Society will nominate an audit sponsor responsible for approving the scope of the audit and activity proposed, before activity begins.

For each assignment, Mazars LLP are responsible for producing an audit report, providing observations on the adequacy of current risk controls and recommendations as to how they can be improved upon, including an overall statement of assurance. Audit activity is facilitated by the Compliance and Risk functions, ensuring that Internal Audit has full access to information and personnel required to complete the report.

The Compliance and Risk functions are responsible for reviewing the draft audit report and agreeing actions and/or providing comment, on behalf of the Society. Once the audit report is final, Compliance and Risk report to Mazars on the delivery of agreed actions arising following audit assignments, and adherence to agreed timeframes.

Each audit assignment report is presented by Mazars LLP to the Audit committee for appropriate challenge and consideration. Mazars LLP are further responsible for reporting on the status of any agreed actions, as a result of audit activity, and providing an update on the progress of the audit plan.

The Audit Committee meet with representatives of Mazars LLP separately, before each Audit Committee meeting, outside of the presence of any operational staff. This practice ensures the integrity and independence of the function, and allows Mazars to raise any conduct related concerns they have identified during the course of delivery of the audit plan.

Throughout the course of audit assignments, should any high risk observations be noted, Mazars LLP are required to report these immediately to the CRO, so action can be taken without delay. Significant high risk findings or poor overall assurance results may result in the Audit Committee approving an interim audit, to ensure all remedial action required has taken place and changes to the control environment are performing effectively.

B.6 Actuarial Function

The Society provides for an actuarial function as specified in the PRA Rulebook. The position of Chief Actuary (SMF20, under the Senior Management Function (SMF) regime) is held by a consultant from Milliman who has a wealth of experience in the UK insurance industry, with a focus on Private Medical Insurance. The partner is a Fellow of the Institute and Faculty of Actuaries and has complied continuously with the specific professional obligations this requires. The consultant holds a Practicing Certificate and is an Approved Person under the SIMF regime. The Chief Actuary is supported by Fellows and members of the Institute and Faculty of Actuaries, international actuaries with equivalent qualifications, as well as other technical professionals within the Society and in Milliman.

The Chief Actuary is not involved in the day-to-day running of the business.

The actuarial function produces a suite of written reports which are submitted to the Board at least annually, these outline the tasks that have been undertaken and results, along with any relevant recommendations.

The key areas of responsibility are:

- External review and validation of technical provisions, the SCR and MCR
- ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions
- assessing the sufficiency and quality of the data used in the calculation of technical provisions
- comparing best estimates against experience
- informing the Board of the reliability and adequacy of the calculation of technical provisions and attending meetings as required
- expressing an opinion on the underwriting policy
- expressing an opinion on the adequacy of reinsurance arrangements
- contributing to the effective implementation of the risk-management system
- ORSA modelling, stress testing scenarios, risk assessments

B.7 Outsourcing

The Society uses certain third party service providers to undertake some critical and important functions on its behalf. To ensure the service providers have the ability, capacity and any authorisation required by law to deliver the required activities there is a rigorous assessment of the provider capabilities prior to selection. Each established outsourcing contract is also subject to on-going monitoring and review against service level agreements.

The Society outsources the following services:

- internal audit
- external audit
- actuarial function
- IT infrastructure
- core IT system and related development

- purchasing services from hospital groups and all other suppliers and the settlement of those invoices
- property services

All service providers are based in the UK.

B.8 Any other Disclosures

There were no material transactions with members of the key Board functions or management.

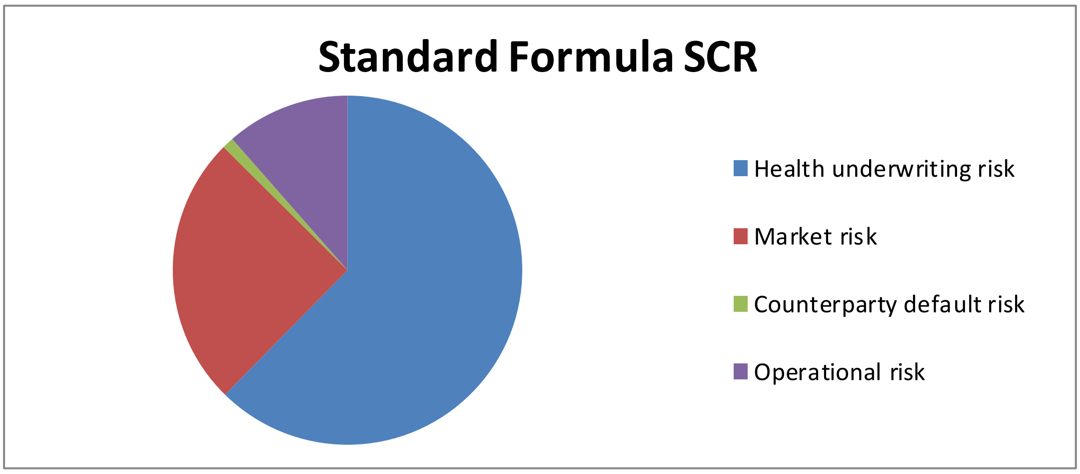
There is no other material information regarding the system of governance for the Society.

The Society seeks continuous improvement of its compliance and governance systems. They are reviewed and evaluated and recommendations made to the Board on enhancement and development. Such work includes reviewing outcomes from compliance monitoring programmes, root cause analysis from complaints, breaches and risk events, and incremental development as the systems mature. It also considers relevant industry advice and guidelines, for example the Association of Financial Mutuals, implementing these as appropriate for the size and complexity of the Society.

C – Risk Profile

The Society writes medical insurance business in the UK only.

The standard formula SCR risk profile for the Society at 31 December 2019 is shown below:



C.1 Health Underwriting Risk

Underwriting risk is the risk of making losses on the activity of insurance either in assessing the risks it insures or in quantifying claims that might occur.

The risk under any one insurance contract is the possibility that the insured event occurs and the size of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The principal risk faced by the Society is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary year to year from the level established using estimation techniques.

Health underwriting risk at 31 December 2019 comprises 62% (2018: 63%) of the total SCR.

The key components of health underwriting risk are:

- premium risk
  - results from fluctuations in the timing, frequency and severity of insured events
- reserve risk
  - results from fluctuations in the timing and amount of claim settlements
- catastrophe risk
  - the risk from extreme or irregular events that are not sufficiently captured by the capital requirements for premium and reserve risk
- lapse risk
  - the risk from the discontinuance of insurance policies (where this would result in an increase in technical provision) or a decrease in the number of insurance contracts to be written in the future
  - if renewal or exit terms are not guaranteed and there are no long term contracts, lapse risk is likely to be limited.

The Society monitors and controls underwriting risks via various methods, including:

- underwriting ensures that only insurable risks are accepted and that premiums reflect the unique circumstances of each risk
- monthly performance reporting highlights performance of key underwriting metrics
- reviewing relevant risks in the Risk Register at least quarterly
- the ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions. The Society’s stress and scenario testing for material risks includes projections assuming unfavourable claims experience and membership reductions over the three-year strategic planning horizon, as outlined in the Viability Statement in the Annual Report. The Board has a reasonable expectation that the Society will be able to continue in operation and meet all its liabilities as they fall due up to December 2022
- lapse monitoring is conducted monthly
- product design and pricing aims to minimise adverse selection and use appropriate rating factors to differentiate between different levels of risk

C.2 Market Risk

The market risk the Society faces is that an adverse movement in the value of assets, such as interest rates or equity prices, is not matched by a corresponding movement in the value of liabilities.

Market risk at 31 December 2019 comprises 25% (2018: 24%) of the total SCR. The key components of market risk are:

- spread risk
  - arises from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk free interest rate term structure
- concentration risk
  - is the risk arising from the accumulation of exposures with the same counterparty
  - it applies to equities, bonds and property and is dependent on rating and type
- interest risk
  - arises as a result of the impact of interest yield curves on future payments to be made for claims and receipts from the Society's investments
  - the Society's exposure to interest rates arises from the investment portfolio and the settlement of future claims
- property risk
  - which relates to the Society's office in Kingston-Upon-Thames and the potential impact of a decrease in its value

There are no investments in derivative instruments.

The short-term, high quality liquid investments holdings are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. Security of the investments is considered and all funds are of a high credit quality with a minimum of 70% total investments holdings being at least investment grade (BBB) or better.

Before entering into these investments, due diligence was performed on the underlying fund holdings and enquiries were made on the availability of data on these holdings on a look through basis so that the Society was satisfied that it was possible to properly identify, measure, monitor, manage, control and report on these assets and be able to perform the required solvency capital calculations.

Market risk is assessed and monitored by the Board as part of its oversight of the investment portfolio. The committee ensures that the exposure is within the risk appetite level and is in accordance with the investment process. The investment process is reviewed at least annually to ensure that the mitigating guidelines in place are still appropriate for the Society and the risk environment in which it operates. Market risk is also identified, assessed and monitored through the Risk Register where key market risks are recorded.

The Society does not have any exposure to equity risk or currency risk.

C.3 Counterparty Default Risk

Counterparty default risk arises from the risk of loss if another party fails to perform its obligations or fails to perform in a timely or appropriate fashion. The Society has exposure from banks, contractors, our investments and our members.

At 31 December 2019, credit risk in the form of counterparty default risk comprises 1% (2018: 1%) of the SCR.

Counterparties, other than members, are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and the Society ensures that only counterparties with a high enough credit rating are used. Counterparty default risk is also identified, assessed and monitored through the Risk Register where key market risks are recorded.

The Board monitors counterparty default through guidelines set in the Society's capital management policy and review of the Society Performance Report. It monitors these amounts and whether they are in line with the risk appetite, implementing additional risk mitigation measures if risk appetite is exceeded.

The risk mitigation measures outlined above are reviewed at least annually by the Board to ensure that they are still effective and appropriate for the Society and the risk environment in which it operates.

C.4 Liquidity Risk

Liquidity risk is the possibility that the business may be unable to meet its obligations as they fall due as a consequence of having insufficient accessible funds.

Liquidity risk is not explicitly included within the standard formula SCR calculation.

The Society's investments comprise of two money market funds, a short duration bond fund, and a floating rate loan fund. The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

CSH have regular receipts from premium income that broadly cover the required cash flows to fund claims payments and expenses. This minimises any short term liquidity risks faced by the Society. As an additional risk mitigation measure, the Society maintains a liquidity buffer made up of its cash balances plus highly liquid investments. The target allocation for investments in these funds is 40% of total investments.

Due to these factors liquidity is not a material risk for the Society.

C.5 Operational Risk

Operational risk reflects possible losses due to inadequate or failed internal processes, personnel or systems, or from external events. All teams across the business carry out a risk and control self-assessment, which would highlight any operational risk issues that need to be taken into account when assessing the risk profile for the business. The standard formula solvency capital requirement also includes an assessment and quantification of the operational risk exposure.

Operational risk at 31 December 2019 comprises 12% (2018: 12%) of the SCR.

All identified, material operational risks which the Society is exposed to are recorded in the Risk Register. The risks are assessed and actions to manage the risks agreed. All such risks are reported to senior management, the RCGC and the Board.

The following list outlines the actions/techniques used for mitigating operational risks in the Society:

- risk reduction – where possible, the Society applies controls to reduce the impact of a risk or the probability of the risk event occurring. The required actions vary by risk. Such controls are regularly monitored
- risk removal – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, the business may remove the risk
- risk transfer – the Society outsources some activities and in some cases the associated risks with carrying out those activities. Whilst the Society can outsource activities, it can’t transfer the responsibility and therefore manages its outsourcing relationships accordingly
- risk acceptance – where the Society has considered all other mitigation techniques and the risk remains out of appetite, it may proceed to accept the risk with the approval of the RCGC.

C.6 Other Material Risks

Another material risk to the Society is cyber and technology risk. This is the risk of financial loss, disruption or damage to our reputation and the ability to perform operational tasks due to a failure of, or unauthorised access to, information technology systems. In recent times, many organisations have been subject to deliberate attempts to cause harm through the exploitation of any system vulnerabilities. The Society conducts annual penetration testing on its network and biannual vulnerability testing on its website. A robust back-up solution is in place to help reduce the impact of cyber-crime and full business continuity plans are in place which are updated and tested periodically.

The final material risks to the Society are conduct and reputation risk, they are:

- Conduct: the risk that the Society’s actions or inactions ultimately result in poor member outcomes and/or damage to the integrity of the Society. Conduct risk is considered at all committee meetings along with outcomes of the internal audit.
- Reputation: the risk that the reputation of the Society is damaged to such an extent that it impacts the ability to achieve key requirements of the strategic plan. There is a Reputation Policy, which is part of the ORSA, and member feedback is regularly reviewed.

Both are included on the Risk Register.

There is no other material information regarding the Society's risk profile.

D - Valuation for Solvency Purposes

D.1 Assets

Below is the analysis for our Solvency II asset valuation for each material class of asset.

Assets as at 31 December 2019	**Assets GAAP £000**	**Assets Solvency II £000**
Deferred acquisition costs	665	-
Intangible assets	395	-
Property, plant & equipment	1,321	1,321
Investments	16,663	16,663
Insurance and intermediaries receivables	8,968	184
Cash and cash equivalents	1,076	1,076
Any other assets, not elsewhere shown	78	-
Total assets	**29,165**	**19,243**

Assets as at 31 December 2018	**Assets GAAP £000**	**Assets Solvency II £000**
Deferred acquisition costs	993	-
Intangible assets	711	-
Property, plant & equipment	1,045	1,045
Investments	16,140	16,140
Insurance and intermediaries receivables	8,767	181
Cash and cash equivalents	1,075	1,075
Any other assets, not elsewhere shown	130	-
Total assets	**28,861**	**18,441**

Assets under Solvency II are measured on a market value basis at the balance sheet date of 31 December 2019.

Deferred acquisition costs, intangible assets and other assets are excluded from the Solvency II balance sheet as there is no future cash flow from them.

<u>Property, plant & equipment held for own use</u>
There was an increase of £276k in the valuation of the property, plant and equipment from 31 December 2018 to £1,321k at 31 December 2019.

The land and buildings within this total are owned and occupied by the Society have a value of £1,200k (2018: £850k). The valuation was completed by

Commercial Surveyors Direct in October 2019 in accordance with the Royal Institution of Chartered Surveyors' guidelines on the basis of open market value.

We do not consider there to be any material difference between the fair value and the depreciated value of the property, plant and equipment.

Investments

There are no differences between the Solvency II valuation and the balance in the financial statements prepared under UK GAAP. There was an increase of £523k in investments at 31 December 2019 compared to the prior year.

The investments are valued at mid-market values as at 31 December 2019 and as these are publicly traded securities, the market prices are readily available and are provided in a statement from the Society's fund managers. No significant estimates or judgements are used in the valuation of these investments.

Insurance & Intermediaries Receivables

Insurance and intermediaries' receivables represent premiums owed from policyholders and are valued at £184k (2018: £181k). This is in line with the prior year.

The policyholder debtors arising out of direct insurance operations in the financial statements include the Society's entitlement to future premiums for business incepted at 31 December 2019 as well as a small amount of arrears of policy holders. The balance relating to future premiums of £8,784k (2018: £8,586k) has not been recognised as an asset in the Solvency II balance sheet. This expected cash flow is as part of the calculation of the technical provisions in the Solvency II balance sheet.

Cash and cash equivalents

Cash and cash equivalents are valued at £1,076k (2018: £1,075k) which is in line with the prior year.

D.2 Technical Provisions

Technical provisions represent the current cost of insurance liabilities at the balance sheet date. They are valued at £5,449k (2018: £4,820k).

Technical provisions 31 December 2019	**Provisions GAAP**	**Provisions Solvency II**
	£000	**£000**
Gross best estimate liability	13,522	5,284
Risk Margin	-	165
Total technical provisions	**13,522**	**5,449**

Technical provisions 31 December 2018	Provisions GAAP	Provisions Solvency II
	£000	**£000**
Gross best estimate liability	13,638	4,654
Risk Margin	-	166
Total technical provisions	**13,638**	**4,820**

The reconciling items between GAAP and Solvency II are included in a table in E1.

The starting point for calculation of the technical provisions was the UK GAAP reserves at 31 December 2019 as per the financial statements. These balances were then adjusted for the following items:

- Prudence margin adjustment
  - Under UK GAAP, a prudence margin is included, however under Solvency II no prudence margins are allowed in technical provisions.

- Conversion of the Unearned Premium Reserve (UPR) to Solvency II Premium Provisions
  - UK GAAP includes the future anticipated profit from the unearned portion of this premium, whereas Solvency II disallows it.

- Credit for future premiums on incepted business
  - Future premiums due for incepted contracts, legally obliged unincepted contracts and adjustment premiums are considered a credit (or asset) for the purposes of technical provisions. Future premiums have been estimated based on incepted policies with premium payments due to be received in 2020. It has been assumed that premiums for policies with an annual premium payment method have already been received and are therefore excluded. Premiums for policies with a monthly premium payment method have been included for payments due after 31 December 2019. These are excluded from Solvency II.

- Solvency II expenses
  - All expenses that would be incurred in running-off the existing business must be allowed for as part of the Solvency II expenses. These expenses should include claims management, acquisition and administration expenses arising from claim events, a share of the relevant overheads and investment management expenses. The expenses should be assessed on the basis that CSH continues writing new business.

- Allowance for Events Not in Data (ENID)
  - Under Solvency II the best estimate must have reference to “all possible outcomes”. This includes very extreme high severity, low probability claims known as ENID and these are subject to considerable uncertainty as the events being reserved have not been observed.

- Allowance for discounting in Solvency II
    - All future cash flows need to be discounted taking into account the time-value of money using the relevant risk-free interest rate term structure.

- Inclusion of Bound but Not Incepted (BBNI) Business in Solvency II
    - When calculating premium provisions, all contracts that are legally obliged must be considered. This includes any quotes that CSH is legally obliged to honour if the policyholder accepts the quote and are referred to as BBNI policies.

      Unincepted business has been allowed for based on policies incepting in January and February 2020. These policies were identified as having renewal letters sent out in late 2019 and therefore CSH is legally obliged to provide cover. Given that this calculation has been carried out after the valuation date, we have excluded policies that have not been renewed based on data available at the date of the calculation (rather than incorporate an assumed non-renewal rate).

      The allowance for unincepted business includes allowances for the projected claims cost, anticipated future premiums, expenses, events not in data (ENIDs) and discounting consistent with the approaches outlined above and below.

- Solvency II risk margin
    - The risk margin is the cost of providing an amount of capital necessary to support the obligations. The capital should cover underwriting risk, counterparty default risk, operational risk and any unavoidable market risk.

The table below shows a build-up from the UK GAAP valuation of insurance contact liabilities to the Solvency II technical provisions.

Year Ended 31 December	**2019**	**2018**
Figures are presented in £'000		
UK GAAP reserves	13,522	13,638
Prudence Margin	(240)	(423)
Profit on UPR	(1,668)	(2,128)
Inclusion of future premiums	(7,624)	(7,597)
Other expenses	1,451	1,359
Other movement	(157)	(196)
Gross best estimate liability	5,284	4,654
Risk margin	165	166
Technical provision	**5,449**	**4,820**

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. A robust assumption-setting process is followed in order to ensure that the uncertainly is well understood. This is completed by calculating and comparing the technical provisions under two different scenarios and by completing stress tests to assess the sensitivity of the technical provision to changes in assumptions.

D.3 Other Liabilities

Set out in the table below are our other liabilities under GAAP and Solvency II. The difference in other liabilities relates to accruals for which there is no further cash flow and therefore they are excluded from our Solvency II balance sheet.

Liabilities 31 December 2019	**Liabilities GAAP**	**Liabilities Solvency II**
	£000	**£000**
Insurance & intermediaries payables	23	23
Payables (trade, not insurance)	2,066	1,138
Total liabilities	**2,089**	**1,161**

Liabilities 31 December 2018	**Liabilities GAAP**	**Liabilities Solvency II**
	£000	**£000**
Insurance & intermediaries payables	23	23
Payables (trade, not insurance)	1,998	1,079
Total liabilities	**2,021**	**1,102**

<u>Insurance & intermediaries payables</u>
This balance of insurance payables relates to member refunds due and is the same as the prior year balance.

<u>Payables (trade, not insurance)</u>
Trade payables were valued at £1,138k (2018: £1,079k) for solvency purposes and relates to balances owed for IPT, PAYE, NI and related accruals and payables. These balances were valued at £2,066k (2018: £1,998k) in the UK GAAP financial statements.

D.4 Any other Disclosures

There is no other material information relating to the recognition and valuation bases used or to any estimation of values of assets or other liabilities during the year.

E – Capital Management

E.1 Own Funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the Solvency Capital Requirement (SCR) with an appropriate buffer. The Society holds regular – at least quarterly - meetings of senior management where the ratio of eligible own funds over SCR and Minimum Capital Requirement (MCR) is reviewed. Responsibility for own funds ultimately rests with the Board. As part of own funds management, the Society prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions regarding managing capital.

An analysis of own funds is shown below:

Year ended 31 December	**Tier 1**	**Tier 1**
Figures are presented in £'000	**2019**	**2018**
Reconciliation Reserve - General Funds	12,887	12,885
Reconciliation Reserve - Revaluation Reserve	667	317
Reconciliation Reserve - Excess Assets > Liabilities	(922)	(683)
Basic Own Funds	**12,632**	**12,519**

The reconciliation reserve represents retained earnings and reconciliation adjustments from the GAAP balance sheet to Solvency II balance sheet. The Society's own funds are all tier 1 unrestricted and available to cover both the MCR and SCR.

The difference between the capital and reserves as shown in the financial statements and the Solvency II value of excess assets over liabilities is shown in the table below:

Year ended 31 December	**2019**	**2018**
Figures are presented in £'000		
Capital and Reserves per Financial Statements:		
General Fund	12,887	12,885
Revaluation Reserves	667	317
Total capital and reserves	13,554	13,202
Adjustments for Solvency II:		
Technical Provisions	216	1,151
Intangible Assets, DAC & Prepayments	(1,138)	(1,834)
SII value of excess of assets over liabilities	**12,632**	**12,519**

No own funds items or instruments were issued or redeemed during the year. There were no material changes to the own funds during the year.

The loss absorbency mechanism requirements are not applicable to our business so they have not been applied.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The Society uses the Standard Formula model as the basis for calculating capital requirements having reviewed the assumptions underlying the formula and assessed them as appropriate for the business.

The table below shows the risk modules that comprise the Society's SCR and also the MCR:

Net SCR As at 31 December *Figures are presented in £'000*	**2019**	**2018**
Health underwriting risk	4,267	4,348
Market risk	1,716	1,682
Counterparty default risk	74	60
Undiversified BSCR	**6,057**	**6,090**
Diversification credit	(1,053)	(1,033)
Basic SCR	**5,004**	**5,057**
Operational risk	784	796
Final SCR	**5,788**	**5,853**
MCR	**2,153**	**2,222**

The final amount of the SCR remains subject to supervisory assessment.

Simplified calculations or undertaking specific parameters are not used in the calculation of any of the risk modules, nor are there any capital add-ons.

The table below shows the inputs into the MCR calculation as at 31 December. The Absolute floor of the MCR (AMCR) is prescribed by European Insurance and Occupational Pensions Authority (EIOPA) and is established in euros then translated to pounds sterling.

As at 31 December	**2019**	**2018**
Figures are presented in £'000		
AMCR (based in euros)	2,153	2,222
Linear MCR	1,478	1,462
SCR	5,788	5,853
Combined MCR	1,478	1,463
MCR	2,153	2,222

The Society has maintained capital sufficient to meet its minimum capital requirement throughout the period covered by this report.

The Society is not using the duration-based equity risk sub-module in the SCR calculation.

There were no material changes in the level of the SCR and MCR over the year.

E.3 Non-compliance with MCR and SCR

The Board has set out to fully comply with the Standard Formula calculation of the MCR and SCR and is not aware of any non-compliance. As with any new process, areas of uncertainty have been identified as to the methodologies and procedures in arriving at these capital numbers. Such uncertainties exist across the industry as a whole and we expect refinements to our procedures to be introduced in future reports. We have not identified any area where these uncertainties are likely to lead to a material misstatement of our capital requirements.

F – Audit Report

For the 2019-year end, CS Healthcare Society Limited falls into the small firm for external audit purposes category, and therefore is not subject to the external audit of relevant elements of the SFCR.

G – Approval by the Board of the Solvency and Financial Condition Report and Reporting Templates

Civil Service Healthcare Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial year ended 31 December 2019

We certify that:

1. The Solvency and Financial Condition Report (SFCR) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. We are satisfied that:

    a. Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and the Solvency II regulations as applicable to the insurer; and
    b. It is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue to comply in future.

Tom Gidaracos
Director and Chief Executive
20 April 2020

H – Quantitative Reporting Templates

Civil Service Healthcare Society Limited

Solvency and Financial Condition Report

Disclosures

31 December

2019

(Monetary amounts in GBP thousands)

General information

Undertaking name	Civil Service Healthcare Society Limited
Undertaking identification code	213800Z1LD3JG7LQW844
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.05.02.01 - Premiums, claims and expenses by country
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	
R0060	Property, plant & equipment held for own use	1,321
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	16,663
R0080	*Property (other than for own use)*	
R0090	*Holdings in related undertakings, including participations*	
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	
R0150	*Corporate Bonds*	
R0160	*Structured notes*	
R0170	*Collateralised securities*	
R0180	*Collective Investments Undertakings*	16,663
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	
R0210	*Other investments*	
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	
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	
R0360	Insurance and intermediaries receivables	184
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	1,076
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	19,243

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,449
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)*	5,449
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	5,284
R0590	*Risk margin*	165
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	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	23
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	1,138
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	6,610
R1000	**Excess of assets over liabilities**	12,632

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	26,116																26,116
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share																	0
R0200	Net	26,116																26,116
	Premiums earned																	
R0210	Gross - Direct Business	26,152																26,152
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share																	0
R0300	Net	26,152																26,152
	Claims incurred																	
R0310	Gross - Direct Business	19,921																19,921
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share																	0
R0400	Net	19,921																19,921
	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**	6,833																6,833
R1200	**Other expenses**																	
R1300	**Total expenses**																	6,833

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	26,116						26,116
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	26,116						26,116
	Premiums earned							
R0210	Gross - Direct Business	26,152						26,152
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	26,152						26,152
	Claims incurred							
R0310	Gross - Direct Business	19,921						19,921
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	19,921						19,921
	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**	6,833						6,833
R1200	**Other expenses**							
R1300	**Total expenses**							6,833

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	2,095																2,095
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**	2,095																2,095
	Claims provisions																	
R0160	Gross	3,189																3,189
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**	3,189																3,189
R0260	**Total best estimate - gross**	5,284																5,284
R0270	**Total best estimate - net**	5,284																5,284
R0280	**Risk margin**	165																165
	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**	5,449																5,449
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**	5,449																5,449

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

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	2010	15,029	2,164	7	3	10	0	1	0	0	0		0	17,213
R0170	2011	19,793	2,617	5	6	-11	-3	-8	4	0			0	22,404
R0180	2012	24,587	2,797	20	1	0	-2	0	0				0	27,405
R0190	2013	24,158	2,752	11	4	-6	0	0					0	26,919
R0200	2014	22,855	3,463	4	-4	0	1						1	26,318
R0210	2015	20,811	2,876	53	2	14							14	23,756
R0220	2016	18,571	3,062	97	7								7	21,737
R0230	2017	17,655	2,981	100									100	20,736
R0240	2018	15,793	2,932										2,932	18,724
R0250	2019	16,475											16,475	16,475
R0260												**Total**	19,529	221,687

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	2010	0	0	0	0	0	0	0	0	0	0		0
R0170	2011	0	0	0	0	8	0	0	0	0			0
R0180	2012	0	0	0	17	10	0	0	0				0
R0190	2013	0	0	30	15	11	0	0					0
R0200	2014	0	80	29	16	0	0						0
R0210	2015	2,930	69	27	0	0							0
R0220	2016	2,680	117	6	0								0
R0230	2017	3,052	337	8									8
R0240	2018	2,755	371										370
R0250	2019	2,823											2,811
R0260												**Total**	3,189

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	12,632	12,632			
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**	12,632	12,632	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	12,632	12,632	0	0	0
R0510	Total available own funds to meet the MCR	12,632	12,632	0	0	
R0540	Total eligible own funds to meet the SCR	12,632	12,632	0	0	0
R0550	Total eligible own funds to meet the MCR	12,632	12,632	0	0	
R0580	**SCR**	5,788				
R0600	**MCR**	2,153				
R0620	**Ratio of Eligible own funds to SCR**	218.24%				
R0640	**Ratio of Eligible own funds to MCR**	586.65%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	12,632
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**	12,632
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	368
R0790	**Total Expected profits included in future premiums (EPIFP)**	368

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,716		
R0020	Counterparty default risk	74		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	4,267		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-1,053		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	5,004		

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	785
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
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**	5,788
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	5,788
	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	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	0
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	1,476

		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	5,284	26,116
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	1,476
R0310	SCR	5,788
R0320	MCR cap	2,605
R0330	MCR floor	1,447
R0340	Combined MCR	1,476
R0350	Absolute floor of the MCR	2,153
R0400	**Minimum Capital Requirement**	2,153