Company Registration No. 00183035

Simplyhealth Access

Annual Report and Financial Statements

31 December 2022

Simplyhealth Access

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

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Company Information

Simplyhealth Access (00183035) is a private unlimited company with share capital, registered in England and Wales.

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N J Potter
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STRATEGIC REPORT
Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022 for Simplyhealth Access (the 'Company').

Who we are

We are a UK insurer that exists to improve access to healthcare for our millions of customers, and for society at large. This year we celebrated 150 years of our health plans supporting individuals, their families and their businesses with their everyday health concerns, as we believe that no one should go without the healthcare support they need.

Our Purpose

In line with Simplyhealth Group, our purpose ('Our Purpose') is to improve access to healthcare for all in the UK.

The health of our business underpins our ability to help improve the health of individuals, in turn supporting strong communities and ultimately benefits society as a whole - an 'All Together Healthier' approach.

Our business

We provide Healthcare Insurance to individuals, either directly ('Consumers'), through their employer ('Corporate Clients') or via dental practices. Our solutions provide cover both for everyday healthcare costs, including primary care and outpatient services, in addition to accident and emergency dental cover. We had 980,000 customers and processed 2.4m claims in 2022.

Our insurance plans are regulated by the Prudential Regulation Authority. Products sold via our Denplan operation provide administration of payment plans, support, guidance and advice to member dentists. We also sell Corporate Dental insurance solutions, underwritten by Simplyhealth Access.

Simplyhealth Access is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Highlights

	2022	2021
Membership	980,000	977,000
Income	£213.3m	£198.2m
Claims Loss Ratio	67.4%	72.0%
Loss before tax	-£29.1m	-£13.9m
Adjusted operating profit	+£3.9m	-£3.5m

Simplyhealth Access

STRATEGIC REPORT
Year Ended 31 December 2022

CHAIR'S WELCOME

Thank you for taking the time to read our Annual Report and I hope it helps inform you about the progress we have made over the last year and probably more importantly, our plans for the next 12 months.

Over the past year Simplyhealth has accelerated its transformation with a clear focus on updating our systems, processes and products so that we can enable and empower our customers with a better service and new offerings. The Board and wider leadership team remain committed and focused on the delivery of our strategy, which does not change after our CEO, Sneh Khemka, left us in February 2023.

We will, of course, be undertaking a thorough process to appoint a successor, but in the meantime, Nicholas Potter, our Chief Financial Officer, has assumed the role of Acting Chief Executive Officer.

As I noted last year, we live in strange times where the previously unthinkable seems to occur more often than not. Across the globe, we have continued to see the effects of the Covid pandemic and the war in Ukraine play out, resulting in a cost-of-living crisis which has acted as a drag on the UK economy.

But despite the global challenges we are increasingly certain of our place in the national health ecosystem as well as our ability to support and provide peace of mind to individuals and families with their healthcare needs.

The increasing demand our society places on the NHS combined with a finite pool of resources means that Simplyhealth needs to be able to step into the gap between what the NHS can offer and what we might need. The development of affordable, easy to access healthcare services to help our customers live their best lives, and to enable the management of ill health to the very best health outcomes should be available to all.

We remain committed to our three core values which were launched in 2021, of being courageous and curious, building trust and being kind, and being all together healthier. Over the past year we have focused on increasing everyone's awareness and understanding of each value and supported our leadership in championing these values and create the culture we aspire to. And it is this culture which is the engine of our transformation.

We in Simplyhealth are determined to play our part and are well down the road in being able to do so. 2023 will be no less busy or challenging than 2022. But it will see the culmination of our investment in our core systems, organisational structure, culture and people; all of which gives me confidence that we will cope with whatever comes next and provide you the support you need, in the way you want it and at the time you think is best for you.

Finally, I would like to thank all who have been, and continue to be, involved with our business, our customers for their loyalty and engagement and our staff and colleagues for their hard work and dedication.

Gil Baldwin MBE
Chair

STRATEGIC REPORT
Year Ended 31 December 2022

CEO'S STATEMENT

2022 - Simplyhealth's year in review

As acting CEO of Simplyhealth, I'm pleased to report that excellent progress has been made in 2022, which also saw us celebrate our 150th anniversary. We are serving our purpose with greater vigour than ever, improving access to healthcare for tens of thousands of more people year-on-year.

A bigger role to play

The challenges that the National Health Service is currently facing means that our purpose and existence has never been more relevant. Unfortunately, many citizens of the UK do not have the access to healthcare they once enjoyed, and Simplyhealth has not only an opportunity but a mandate to fill the gap.

It has become clear that policymakers will face tough decisions about how to fund the NHS, and in turn, what the NHS can afford to offer to UK citizens. My speculation is that it will have to concentrate on providing excellent emergency, inpatient, and specialist care.

That is where Simplyhealth comes in, and that is what we are preparing the Company for.

Performance in 2022

Everyone reading this report will be acutely aware of the macroeconomic challenges facing not only this country but the world. Even in this environment, we have managed to make positive progress although, largely as a result of unrealised losses in the investment portfolio, we ended up recording a total loss on the year of £29.1m.

Our Corporate business has shown strong growth over the year, increasing the number of customers served by 28k to almost 600k. This was partly due to market sentiment and demand from companies who, in a post-Covid era, are looking to offer their employees enhanced health benefits in particular. But it was also partly due to our colleagues who have a new set of tools, methodologies and incentives resulting in excellent outcomes.

Unfortunately, our Consumer business has been particularly challenged by the economic environment. Many of our long-standing customers have had to make the difficult choice between essential household services, including food and heating, and their Simplyhealth policy. This has meant we have seen the portfolio decline by 25k customers over the year to 382k customers; but we are not alone – this trend has been similar amongst many of our competitors, and indeed others have withdrawn from new sales in the Consumer market entirely.

Getting our technology infrastructure right is key to our long-term success and we have invested heavily in this space. I am delighted to report that the Policy 2.0 programme, which replaces our legacy Healthplan IT operating platforms, had a successful launch in the middle of the year.

2023 will be a particularly challenging year for this programme, as we migrate our customers off the old platforms and onto the new. However, in doing so we will enable ourselves to be more automated, quick, and accurate in our servicing – meaning a much smoother process for our customers. The new platform also allows us to build a better understanding of our customers, supporting future product innovation and allowing us to rapidly bring new products that they want to market.

We also used the year to clean up quite a complex product landscape through a joint rationalisation and simplification programme, meaning that our T&Cs became much simpler for customers to understand and complexity for colleagues was removed, resulting in an enhanced experience for all.

We transformed the organisation from a waterfall, project-led mindset into an agile, product-led way of being through some significant infrastructural and people change. This is vital if we are to move rapidly for our customers as the healthcare landscape changes. We have welcomed several new Executive Committee members, who come to us steeped in consumer-centric, retail and product experience from their previous roles, and are already adding great insight and pace to our innovations.

In the summer, we hosted a festival for all our colleagues. Luckily the weather was ideal, and we had a fantastic day of strategy, collaboration, challenges, dancing and fun, which was all the more meaningful for people who hadn't seen each other in person for over three years due to Covid.

People

We are taking a three-pronged approach to our workforce, which was initiated some years ago, and will continue as we undergo core transformation.

The first is to ensure that our employee value proposition is outstanding, and that people actively choose to come and work for us and then stay with us. An example of this is our strong commitment to help employees deal with the current cost-of-living crisis, which included a £1,000 cash payment we gave to all employees on a lower salary.

The second prong is to increase operational efficiency to the business so that we can put our customers' funds to the very best use. This comes from a programme of digitisation and automation, allowing our people to spend more time interacting with customers and each other.

The third prong is to develop a new culture that is increasingly commercially focused, thinks of the customer at every step and is empowering to ensure ownership and accountability are taken at all levels of the organisation. Cultural transformation is a long game, but 2022 saw huge internal advances in this space.

In the summer we were awarded B Corp certification, being the very first health insurance Company in the UK to do so. The certification is testament to our deep rooted and very evident commitment to the environment, society and good governance. It is a rigorous process to gain B Corp certification, and it allowed us the opportunity to reengineer how we conduct ourselves and how we do business.

Despite what can sometimes look like a gloomy picture on many fronts for 2023, I remain extremely optimistic about the opportunity Simplyhealth has to help individuals and families in this country with their everyday health needs.

Nicholas Potter

Nicholas Potter
Acting Chief Executive and Chief Financial Officer, Simplyhealth Access

STRATEGY

Purpose-driven strategy

Simplyhealth's strategic focus is aligned to Our Purpose - improving access to healthcare for all in the UK. We will help people to access services for outpatient healthcare and, in doing so, help to take pressure off the NHS. Our strategy continues to be driven by our heritage and deep-rooted purpose, while also reflecting the changing healthcare environment in which we are operating.

Summary of our strategy

Our strategy is focused on driving further growth in our core businesses through enhanced products, features and digital solutions. We continue to strengthen our foundations, to enable us to deliver ongoing innovation to the UK health market. Simplyhealth is on a strategic journey to ensure we can broaden access to healthcare in the UK to many more people in a digital and personalised manner.

Growth strategy for a new UK landscape

Simplyhealth continues to be the clear market leader in our core strategic areas of health cash plans and dental payment plans. We remain confident that there is significant demand and potential for growth in the provision of cover for the outpatient services provided for by these solutions. However, while our core products remain very relevant to a broad customer base, the NHS landscape in the UK is shifting. We are committed to building a new set of products which provide even better coverage in the outpatient and dental spaces, to ensure we evolve to offer health solutions that support the areas that people are finding increasingly difficult to access.

Cash plan:
As mentioned in the CEO report, we are focusing on the evolution of cash plans next year to include new health delivery solutions, moving us beyond just health financing solutions. We are revising our product portfolio to provide access to a broader range of in-demand health services which meet the needs of a new generation of consumers, as well as continuing to help spread the cost of outpatient cover. We are focused on innovations to support NHS gaps, giving our customers access to services ranging from diagnostics to personalised health journeys. To enable this, Simplyhealth has made significant investments into becoming an increasingly digital, data-led business, empowering us to bring new products to market more quickly and focused on delivering the best possible customer experience.

Progress on investments in IT infrastructure, data and digitisation, enabling better customer experience

In order to deliver on our strategy of helping more people access healthcare, we made significant investments last year in a new technology platform and our data management capability. The aim was to enable us to develop more relevant, digital and personalised healthcare solutions along with better customer experiences. Our new platform is now in place and already driving better customer experiences, faster product development, more personalisation, and creating good operating efficiencies for the business. We have also focused on simplifying our legacy product estate and aligning all our terms and conditions to provide a consistent customer experience.

In 2023, our focus will be threefold:

1. The migration of all customer policies onto our new platform, ensuring our customers can benefit from the improved capabilities and experience
2. Data and digitisation – we are continually improving the way we use data throughout the business, to ensure we are customer-led in everything we do, and digitising where possible to speed up processes and remove any barriers to customers being able to access whatever they need at their convenience
3. Bringing new products and services to market, either internally or through working with an ecosystem of digital healthcare providers, offering them to customers when and where they need them most

Culture

Simplyhealth's cultural transformation is underway, moving us towards being agile, ambitious, innovative and commercially disciplined, while always keeping the customer firmly at the centre. We have added several new strategic hires into the business, to bolster capability to deliver on our ambitions, and have restructured our target operating model to reflect a product and customer-led business. We are continuing to recruit, as well as upskill our current colleagues, to ensure we have the internal capability and culture focused more on delivering an excellent customer experience. It is the culture of an organisation that really defines its sustained success, and our leadership is committed to delivering this important transformation to set us up for a bright and sustainable future.

Looking ahead

As 2022 draws to a close, we are confident that we are well positioned for a successful 2023, with a strong leadership team in place, a solidified strategy already driving modernisation and growth, and a newly energised culture focused on innovation and being customer led in everything we do. We are pleased by all the progress made to date, and excited for all the new health delivery solutions we are poised to deliver next year, as we continue to make a difference to customers' health outcomes and deliver on our purpose.

STRATEGIC REPORT
Year Ended 31 December 2022

BUSINESS REVIEW

Business performance

As the world entered 2022, there was a renewed sense of optimism with Covid seemingly under control and life settling into a 'new normal' as the world re-opened. Unfortunately the year saw the start of a cost-of-living crisis, with an increase in energy prices not seen since the 1970s. The impact on households in the UK has been felt through the following inflationary impact across the economy and the subsequent action taken by the Bank of England to address this through interest rate rises. This has led to pressure across the business – customers, colleagues and suppliers – that have been appropriately addressed while keeping our purpose at heart.

In the first quarter of the year, we successfully returned almost £9m to customers (including the processing cost), delivering on the promise made at the end of 2021. This was well received by customers as much from the acknowledgement of their restricted ability to use the product as the financial amount returned to them.

What we delivered

During the year, we also recognised that enabling customers to better understand their products will lead to improved usage, satisfaction and retention. To this end, we embarked on a process of reducing, simplifying and ensuring the language used was accessible by all throughout our policy terms and conditions.

Utilising this clarity, a new consumer proposition was launched that distilled the essence of Simplyhealth, 1-2-3:
1 – Get Seen; use the policy to speak to a GP 24/7 within 3 hours
2 – Get Healthy; claim back treatment costs quickly and easily
3 – Get Rewarded; as a Simplyhealth member access discounts and special offers curated for our customers

Since launch in July the new proposition has sold 3,937, new policies with the majority of new sales being through a fully digital journey. This was enabled by the launch of our new technology platform, Ski, which went live in July for the consumer segment of the business. Work continues on developing the platform for the corporate segment, for launch in 2023.

Membership and claims

During the year, the business grew membership by 3k and revenue increased by £15.1m. Growth was primarily delivered through the Corporate markets, illustrating the growing importance employees are placing on the health packages employers put in place to attract and retain them.

Claims remained relatively flat in terms of both volumes and average cost. Claiming patterns by customers showed some signs of returning to pre-pandemic levels, but at a much slower pace than initially anticipated. Average costs were down by 2% on 2021 with lower average value offset by increased access to lower cost treatments. This was a compensatory action for the high increases seen in 2020/21 when, for example, dental average claim costs were 23% higher than before the pandemic.

Our people

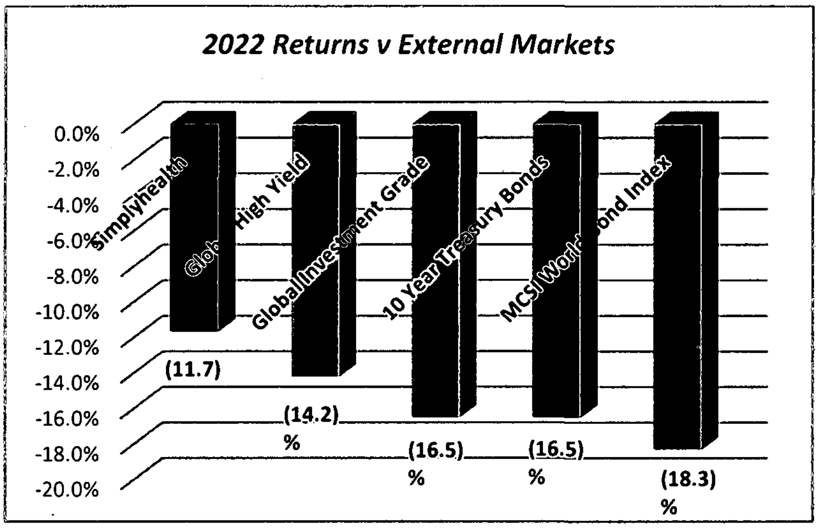
Operational costs increased during the year, reflecting the increased business activity in sales and marketing post-Covid. The Company recognised the impact the inflationary environment was having on colleagues and put in place a series of support schemes, financial and non-financial, across the year.

This was a targeted series of measures focused on those most in need. For example, the business announced that it would follow the London living wage as its 'minimum wage band', and in the last quarter a cost-of-living payment of £1,000 was made to all those earning less than £45k.

Investments

The financial markets remained volatile in 2022, with bond markets significantly hit given the inflationary environment and the interest rate action taken by central banks. This has led to an unrealised loss on the portfolio of £22.6m. The portfolio remains high quality, with investments expected to return to par value at maturity.

STRATEGIC REPORT
Year Ended 31 December 2022



Outcome

As a result of the investment performance the year ended with a comprehensive loss before tax of £29.1m. This also impacted the Company's assets which decreased by £25.8m. However, the solvency ratio of the Group remained strong at 293.7% (2021 – 309.5%).

KPIs

Key performance indicators ('KPIs')

Simplyhealth Access manages its business based on the following key financial and other performance indicators.

		2022	2021	**Change**
Total customers	'000	**980**	977	**+3 (*+0.3%*)**
Total technical income	£m	**213.3**	198.2	**+15.1(*+7.6%*)**
Claims loss ratio (CLR) [1]	%	**67.4**	72.0	**-4.6**
Loss before tax	£m	**(29.1)**	(13.9)	**-15.2 (*-109.4%*)**
Solvency ratio [2]	%	**293.7**	309.5	**-15.8**
Customer experience index[3]	%	**67.5**	74.0	**-6.5**
Adjusted operating profit[4]	£m	**3.9**	(£3.5)	**+7.4 (*+211.4%*)**

Notes

1 The claims loss ratio is calculated by dividing claims incurred in the statement of comprehensive income by the total technical income.

2 The solvency ratio is defined as eligible own funds divided by the Solvency Capital Requirement. The Company's capital reserves primarily comprise retained profits (page 76 and note 4 f)).

3 The Company uses a customer experience index to track its performance in meeting the needs of our customers and the quality of service they receive (page 29).

4 Adjusted operating profit is designed to illustrate the Company's trading performance on its core activities by excluding the results of one-off projects, and transactions and items such as goodwill, amortisation and returns on the investment portfolio that are incidental to these activities.

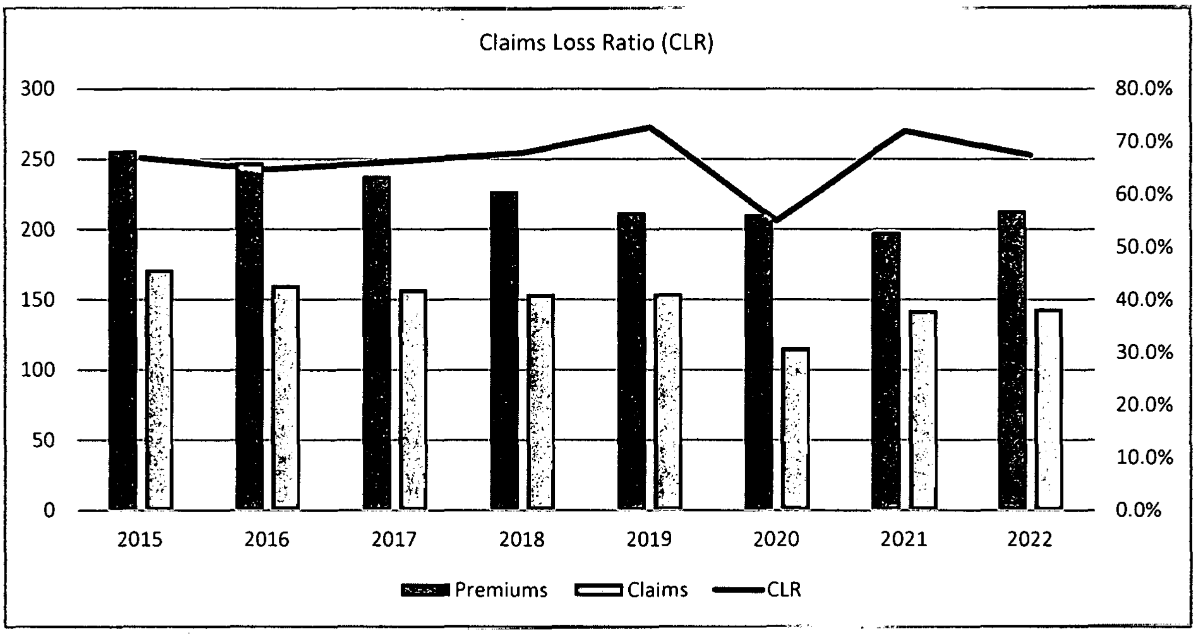
Financial highlights

Technical account

Total technical income increased by 7.6% to £213.3m.

After the bounce back in 2021, total claims incurred finished the year £1.2m higher at £143.8m, with a CLR of 67.4% which is very close to the pre-pandemic average.

With growth in income and only a small increase in claims, net technical income increased to £69.5m (2021 -55.6m).



CLR is defined as claims incurred net of handling charges as a ratio of premium income

The balance on the general business technical account was a loss of £2.7m (2021 loss - £10.4m), an improvement of £7.7m, with some of the growth in net technical income offset by cost increases. The two major areas of cost growth for the Group are an additional £3.5m of marketing spend and £1.2m of staff costs mainly due to supporting our colleagues through the cost-of-living crisis. The Company received its respective proportion of these increases.

Non-technical Account

Our investment portfolio remained primarily in fixed income markets, as we sought to avoid potential higher volatility in equity markets. Investment returns have been significantly impacted by the financial market's reaction to the UK and wider global economy and the continued recessionary fears, though have outperformed other markets and remain unrealised, as we anticipate recovery in future years.

The loss on investments, realised and unrealised losses, investment income and investment expenses, of £24.6m (2021 loss £3.5m) gives a final reported UK GAAP loss on ordinary activities before tax of £29.1m (2021 – loss £13.9m), a significant movement of £15.2m.

Adjusted operating profit

Adjusted operating profit is defined as the surplus on the general business technical account and income and expenses of running the non-technical business, including central management expenses. It is designed to illustrate Simplyhealth Access' trading performance on its core activities, one-off projects and transactions and items such as goodwill, amortisation and returns on the investment portfolio that are incidental to these activities.

The adjusted operating profit is reconciled to the loss before tax in the statement of comprehensive income as follows:

	2022	2021
	£m	£m
Statement of comprehensive income:		
(loss)/profit on ordinary activities before tax	**(29.1)**	(13.9)
Adjustments		
Exclude investment loss/(return)	**24.6**	3.5
Add back other corporate transformation expenses	**6.6**	6.4
Add back Revaluation loss	**1.8**	0.1
Add back reorganisation costs	**0.0**	0.4
Adjusted operating profit	**3.9**	(3.5)

The majority of adjustments seen in the table below have already been explained. In addition our transformation expenses are now focused on our new technology platform, improving the experience for customers and the ability for us to streamline our operations.

Cash

On 31 December 2022, the Company held cash and cash equivalent balances totalling £9.1m (2021 – £14.2m). The Company's other financial liabilities, which comprise accruals, trade and other creditors total £25.3m (2021 – £31.1m), reflect the fact that we completed the return of surplus profits, committed to in 2021.

Solvency

Our Own Risk and Solvency Assessment (ORSA) demonstrates a robust capital strength, which would allow us to absorb substantial shocks and still retain significant headroom above our capital holding requirement. We have tested our solvency against a number of scenarios, including large membership lapses, financial market shocks and various levels of economic downturn including lapse risk from the general economic downturn. In all these scenarios our solvency position remains secure.

Solvency position – capital surplus

Simplyhealth Access remains in a strong solvency position at the end of the year with Eligible Own Funds of £177.2m (2021 - £200.8m) compared to its Solvency Capital Requirement (SCR) of £60.3m (2021 - £64.9m), giving a solvency ratio of 293.7% (2021 – 309.5%). The primary driver for the fall in solvency ratio is the reduction in valuations of our investments and changes in market risk. While decreasing, the ratio is significantly in excess of regulatory requirements, and these KPIs are clear indicators of a strong, sustainable business that our customers can trust to be around to support them with their healthcare needs for the long term.

Capital headroom of £92.8m (2021 – £110.0m), a decrease of £17.2m (2021 – £41.2m decrease), as set out in note 4f, continues to give us the capacity to invest for growth and to deliver our strategy, as well as being able to absorb any potential market shocks and other stresses, which are tested through our ORSA. The capital surplus is above our regulatory capital requirements, adjusted for Simplyhealth Access' risk appetite. The risk appetite has been agreed with the Board and includes a capital buffer in excess of the SCR.

Taxation

The Company recorded a tax credit of £6.6m in the year (2021 – £2.6m). The tax charge is higher than the effective rate of corporation tax of 19% as certain costs are not allowable as expenses for tax purposes.

A deferred tax asset of £5m (2021 £Nil) is carried forward and will be fully utilised against future profits over the next three years. In addition, a tax debtor of £1.3m (2021: £Nil m) is expected to be recovered in 2023.

Outlook

Looking ahead, the pressures on the UK economy and household finances are expected to continue into 2023, with inflation running significantly ahead of the Bank of England's 2% target.

Pressure on the NHS is expected to increase, with long waiting times no longer the exception and a reduction in the range and quality of services offered.

It is against this backdrop that Simplyhealth Access will continue to invest in new customer propositions that better meet the needs of the UK population, with healthcare still very much a key concern of consumers and employers.

We expect growth across all business channels in the coming years, with improved underwriting margins as inflationary pressures on the cost of healthcare provision reduce. The optimisation of our cost base will continue at pace as we deliver the benefits associated with our new technology platform, including the decoupling of legacy processes and systems.

Innovation will continue across the business with a focus on making the best use of the technologies we have invested in, with more advanced use of artificial intelligence in servicing our customers, automated claims processes and the digitisation of customer workflows at all levels and in all segments. This will move us towards the delivery of sustainable, profitable growth.

We are proud of our loyal membership base, which we will continue to value and serve in the best possible way with flexible propositions supporting their evolving healthcare needs. Our delivery of new digital propositions, such as the 1-2-3 consumer offering, will enable us to appeal to a wider customer base and will remain a key focus in 2023.

In the Corporate market, we will deliver a modular proposition and new digital interface for our clients and intermediaries, based on extensive and successful market testing, to help employers support the healthcare needs of their people.

PURPOSE-LED SUSTAINABILITY

The health of our business underpins our ability to help improve the health of individuals. In turn, this supports strong communities and ultimately benefits society as a whole. This is our 'Healthier Sustainability' model, supported by our framework for action.

This section on Healthier Sustainability sets out what Simplyhealth Access is undertaking as part of the Simplyhealth Group. All results and data set out in this section are for Simplyhealth Group as a whole.

Engaging our stakeholders and understanding our impacts

Our stakeholders are important to us, and we regularly reflect on the issues that are important to them. Engagement with our stakeholders helps us to understand our impact across the value chain and gain insight into the topics that matter most to them. We have identified who we consider to be our key stakeholders under our s172(1) statement (see page 32), which outlines how we engage with each of them to ensure their views are considered when making decisions.

Our evolving ESG strategy

Since 2019, Simplyhealth has had a formal ESG strategy in place underpinned by a series of aspirations, goals and KPIs.

In 2021's report, we shared these goals publicly for the first time around four areas of focus:

1. Healthy Changes Start Here
2. We are Healthier Inside and Out
3. Happier and Healthier Customers
4. From Neighbours to the Whole Nation

We are continuing to report on our progress against these goals which we have been working hard to deliver, because we believe in building engagement and accountability through transparency.

Investing in ESG

During 2022, we took the decision to invest in two brand new roles to create a dedicated ESG team at Simplyhealth, focused on evolving our ESG strategy, aligning our efforts and accelerating our plans.

Aligning ESG to every part of our business strategy and functional areas through our Leadership team is one important way we ensure sustainability is embedded into everything we do, and every decision we make. We are committed to sustainability across all levels of our business and our Objectives and Key Results Framework ('OKR') keeps our ESG agenda front and centre.

Our Healthier Sustainability Committee is chaired by our Head of Strategy and Chief of Staff, and continues to be accountable for the shaping and delivery of our sustainability plan.

The Committee comprises representatives from across the business and meets at regular intervals throughout the year.

Looking ahead to 2023-25

In 2023, we will be introducing a new ESG Framework to strengthen the progress we have already made and direct our efforts and investments for future years. Following a review of our 2022 progress against our goals (contained in this report), we will be restating our 2023-25 ambitions. In many cases, this will include sharpening goals already in place. With new systems and data available, we will also be challenging ourselves to go further and extend our impact in more and different ways.

Finally, as the business continues to evolve, some goals have changed or the original KPI is no longer available, for example, where a customer proposition no longer exists and has been superseded by new ones.

STRATEGIC REPORT
Year Ended 31 December 2022

As our aspirations, goals and KPIs are revisited, we remain committed to ensuring our programme of change works towards the global 2030 agenda for sustainable development, with a focus on SDG 3 Good Health and Wellbeing and the UK Government's 2050 Net Zero ambition. Our progress towards our commitments, within the context of these goals, will continue to be monitored internally by our new ESG team, by our Healthier Sustainability Committee and externally by independent sustainability experts.

Simplyhealth Access

STRATEGIC REPORT
Year Ended 31 December 2022

Non-financial statement

This separate statement has been compiled in accordance with the Companies Act 2006, Section 414CA and 414CB.

ESG is managed through the Board committees covering all aspects of sustainability, including the impact on society and climate change. The committees ensure that ESG is integrated within all operations, processes and investment decisions.

This report contains non-financial information and reflects our material sustainability issues, including the key performance indicators we use to manage these in our business. This statement supplements and cross references to the report as follows:

Reporting requirement	Section of report
Stakeholders	S.172 Statement: Engagement and Principal Decisions, pages 32 - 35 Happier and Healthier Customers, page 29
Environmental Matters	Our approach to environmental matters, pages 16 - 21
Employees	Our people – We are Healthier Inside and Out, pages 22 - 25
Respect for human rights	Human Rights, page 23
Anti-bribery and corruption	Anti-bribery and corruption, page 23
Social Matters	From Neighbours to the Whole Nation, pages 30 - 31
Description of Principal Risks and impact of business activity	Principal Risks and Uncertainties, pages 39 - 44
Description of the Business Model	Strategy, pages 6 - 7
Non-financial Key Performance Indicators	KPIs, pages 16 - 31

HEALTHY CHANGES START HERE

We're constantly looking inside our organisation to ensure that every working day, every decision we make and every action we take – big or small – not only helps improve the health of our Company, customers and communities, but also the health of everyone and everything we hold dear. We think globally and act locally to protect our environment.

Our approach and progress to date

Our business-wide actions over the last 12 months have continued to build on our five areas of focus from 2021 into 2022. They include:

- Minimising the impact of print and marketing activities
- Digitising our customer relationships
- Cutting the impact of our operational waste
- Reducing and balancing our carbon emissions
- Supporting more colleagues in making more sustainable choices

Minimising the impact of our print and marketing activities

We are minimising the impact of our print and marketing activities in two ways: sourcing responsibly and digitising our customer communications.

We committed to being FSC (Forest Stewardship Council) accredited and using 100% sustainably sourced paper by 2020. FSC is the world's most trusted mark for sustainable forestry. We're proud to report that we have sustained this target throughout 2022. We have also reduced the carbon emissions associated with our overall paper volumes by 58% during 2022, from a 2019 baseline and by 53% compared with last year. This is as a direct result of digitising our customer communications.

Table A. Reducing the impact of print and marketing activities

Aspiration: 100% sustainably sourced paper for customer communications that meets with FSC Mix standards. All forest-based materials in products or packaging bearing the FSC Mix label must either be from FSC-certified forests, verified as recycled or classed as controlled wood. Controlled wood is not from FSC-certified forests but it mitigates the risk of the material originating from unacceptable sources. By When: 2020/2022 Method: Paper reduction, sustainable sourcing and FSC accreditation						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 results	2022 results
Reducing the impact of our print and marketing activities	% sustainable paper products purchased	94% (2018)	100%	2020	100%	100%
	FSC Accreditation	No accreditation (2018)	FSC Accreditation	2020	Accreditation retained for 2022	Accreditation retained for 2023

Digitising our customer relationships

We are continuing with our work to digitise customer communications, and have significantly accelerated our progress against our target of 95% digital customer communications for policy and claims administration by 2025.

By the end of 2022, 56% of consumer and 92% of corporate claims had been made online. While our consumer and corporate online claim numbers have reduced slightly from 2021, we have seen an increase towards the end of 2022 and are now tracking in the right direction.

Since the formal launch of our Digital Adoption project, our newly mobilised Digital Support team have had 17,564 customer conversations about a move to digital communications and claims. After speaking to the team, 1,996 customers went immediately to register on our App, with the majority actioning this the next time they claimed.

Through these conversations we've identified a further 3,339 customers who are classed as digitally vulnerable – those customers who have limited access to our online platforms. We've made a commitment to help these customers and so far we have processed 841 telephone claims for digitally vulnerable customers. Taking a sensitive and supportive approach towards digitally vulnerable customers is important to us.

In September 2022, all Simplyhealth colleagues were enrolled on a 'Digital Vulnerability' Learning module, on SimplyLearn (Learning Management System). At the end of 2022, 90.7% of colleagues had completed their online training.

By the end of 2022, a small proportion of our contact had resulted in 288 customer complaints linked to the business's move to a more digital approach.

Due to changes in our approach, we are no longer tracking the level of pulse letter templates being digitally enabled, which had been reported in previous years.

Table B: Digitising our customer relationshipsAspiration: 95% digital customer communications By when: 2025 Method: Digital only for policy and claims admin						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 results	2022 results
Digitising our customer relationships	% of customers making claims online	39% consumer cash plan (2019)	95%	2025	59%	56%
		73% corporate (2019)	95%	2025	97%	92%

Cutting the impact of our operational waste

We have an active approach to reducing the impact of our operational waste, including sending zero operational waste to landfill, recycling as much of our waste as technically possible and recycling our computers and electrical waste.

We have continued to make progress on cutting our operational waste, and during 2022 we are pleased to report a 45% reduction in overall impact, compared to 2019 (baseline). This was the -25% target we fell slightly short of achieving in 2021 and have worked hard to address. We are in the process of reviewing our targets and timelines in this area as part of our evolving ESG strategy. One of our priorities is to now also improve our waste profile which has improved in the last 12 months, but shows we are tracking behind our two original targets to reduce the percentage of waste we send for energy recovery and increase the percentage of waste we recycle. This is largely because of the waste our colleagues generate while in our offices.

Our waste profile will also continue to change as a result of key business decisions. For example, in November 2022, we took the decision to pause the use of our Hambleden House office building.

Table C: Reducing the impact of our operational waste

Aspiration: 90% recycled waste By When: 2021 Method: Reduce total waste by 5% p.a., Increase proportion waste to recycling						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Reducing the impact of our operational waste	Total waste tonnage	95.7t (2019)	-25%	2021	- 22.8% (73.855t)	-45% (53.349t)
	Reduce % waste to energy recovery	54% (2019)	10%	2021	69% (53.57t)	46% (24.979t)
	Increase % waste to recycling	46% (2019)	90%	2021	31% (23.74t)	51% (27.582t)

Reducing and balancing our carbon emissions

We have been working on mapping our path to net zero based on two parallel pathways: reducing our total emissions and balancing our emissions through offsets. When calculating our carbon emissions, we include all our direct and indirect emissions including the carbon emissions created by our colleagues working from home. This currently excludes some indirect Scope 3 emissions, for example purchased and sold goods and services as part of our supply chain.

We secured Carbon Neutral Plus status in March 2022, based on our 2021 emissions. Our data was appraised and our certification provided by Carbon Footprint Ltd and is valid for 12 months.

Based on our 2022 market-based emissions, we are proud to report we have reduced our overall carbon footprint by 45% from 2019 (baseline) and 4% from 2021.

We are continuing with our commitment to lower our Scope 1 emissions by switching our fleet to 100% hybrid and electric vehicles by 2024. In 2022, 88% of our Company cars were hybrid or electric vehicles ('EV') and we are pleased to have reached this target ahead of time. Our attention now moves to accelerating our full EV roll out plans and we are optimistic in meeting this target ahead of our 2030 goal, providing the car manufacturers can meet demand and the UK government continue to invest in EV infrastructure. To support our EV fleet and promote EV adoption, we have continued to invest in our own EV infrastructure, installing a further two EV charging points at our Anton House office, bringing the total to eight. They are also freely available to colleagues who have their own personal EVs.

As expected, all emissions relating to colleague travel (Scope 1 & 3) except for ferry travel and flights, have increased from 2021 to 2022. This is our first full year of travel emissions reporting post pandemic which is why we have seen an increase. We are pleased to report that except for rail and taxi travel, our 2022 travel-related emissions are still significantly below our original baseline measure from 2019 (283.24t of CO_2e in 2022 compared with 987.24t of CO_2e in 2019).

We have continued to lower our Scope 2 carbon emissions from 213.55t of CO_2e (2021) to 142.61t of CO_2e (2022), and we continue to purchase electricity which is independently certified as 100% 'green' under the Renewable Energy Guarantee of Origin (REGO) scheme. In February, we delivered a significant milestone as we successfully decommissioned our old data centre in Alan Child House, the culmination of a three-year project to simplify our IT, reduce our systems complexity and improve our security.

Our 2022 Greenhouse Gas ('GHG') emissions have been independently assessed following the GHG Protocol and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the GHG Protocol dual reporting methodology for reporting both location-based and market-based Scope 2 from electricity usage. The financial control approach has been used.

The GHG assessment was prepared in accordance with GHG Protocol. This standard requires an estimation of likely error based on error analysis, to identify any uncertainty in the calculations. This analysis demonstrates an overall percentage uncertainty of +/- 16%, of which 50% is associated with Home Working because certain assumptions have been made around hybrid working activity for colleagues.

Our detailed 2022 GHG Emissions are:

Scope	Activity	Location-Based Tonnes CO2e	Marked-Based Tonnes CO2e
Scope 1	Site Gas	123.46	123.46
	Refrigerants	8.35	8.35
	Company Car Travel	160.65	160.65
Scope 1 Sub Total		**292.47**	**292.47**
Scope 2	Electricity generation	142.61	0.00
Scope 2 Sub Total		**142.61**	**0.00**
Scope 3	Home Workers	307.12	307.12
	Paper	69.73	69.73
	Well to Tank	114.15	76.93
	Electricity Transmission & Distribution	13.05	0.00
	Employee-owned Car Travel	12.98	12.98
	Flights	5.25	5.25
	Hotel stays	4.72	4.72
	Hire cars	2.98	2.98
	Cash opt out Cars	10.72	10.72
	Waste	1.12	1.12
	Water (and waste water)	0.33	0.33
	Rail travel	7.24	7.24
	Taxi travel	1.37	1.37
	Company Electric Vehicles (charged off site)	5.12	5.12
Scope 3 Sub Total		**555.89**	**505.62**
Total Tonnes CO2e		**990.96**	**798.08**

The table below sets out our specific KPIs and how we have performed against these targets in 2022. We continue to review our targets to ensure they remain relevant and challenging. During 2023, we will refresh our 2023-25 targets as part of our path to reaching net zero.

Table D: Reducing and balancing our carbon emissions

Aspiration: Net Zero operational GHG emissions By When: 2030 Method: Carbon footprint reduction – Scope 1 and 2 (energy and some business travel)						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Decrease direct Scope 1 and 2 operational GHG emissions (Market -based)	Direct GHG emissions (tCO2e)	981 tCO2e (2018)	447 tCO2e (-50%)	2025	503.92 tCO2e (-48%)	435.08 tCO2e (-56%)
			0 tCO2e (-100%)	2030		
Transition of fleet to zero GHG emissions	% Company cars hybrid	0% (2019)	100%	2024	80%	81%
	% Company cars zero emissions	0% (2019)	100%	2030	5%	8%
Carbon neutrality	Certified Carbon neutral		Certified Carbon Neutral Plus (with offsetting)	2020	Feb 2021 – Carbon Neutral Plus	Feb 2022 – Carbon Neutral Plus

Aspiration: Indirect GHG emissions have significantly decreased By When: 2025 Method: Carbon footprint reduction – Scope 3						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Decrease indirect GHG emissions to 50% of 2019 base year (Market-based)	Indirect emissions – Scope 3	820.44 tCO2e (2019)	410.22 tCO2e – (-50%)	2025	620.82 tCO2e (-25.26%)	555.89 (-32.25%)

In 2022, we continued our year-on-year reduction in total energy consumption. Simplyhealth's total energy consumption for 2019, 2020, 2021 and 2022 in kWh is:

kWh	2019	2020	2021	2022
Totals	4,370,833	3,032,167	2,656,712	2,244,028

We also saw a continued downward trend in total GHG emissions. Simplyhealth's GHG emissions since the 2019 base year in total tonnes of CO2 equivalent reported in dual format is:

tCO2e	2019*	2020*	2021	2022
Market based	1,461.02	970.07	831.76	798.08
Location based	2,060.08	1,392.46	1,124.73	990.96

Our Intensity Ratio's since the 2019 Base Year are:

Tonnes of CO2e (Market-based)	2019*	2020*	2021	2022
Per employee	1.32	1.21	0.86	0.83
Per £1m turnover	5.69	4.05	3.74	3.39

*Reporting for periods 2019 and 2020 have been restated to include 'Well to Tank' emissions, and will differ from previously reported annual totals

Following an appraisal of our 2022 GHG emissions data, for 2023 Simplyhealth has been certified as a CO2e Assessed Organisation, CO2e Reducing Company, Carbon Neutral and a Carbon Neutral Plus Organisation.

Supporting more colleagues in making more sustainable choices

Colleagues tell us as part of joining and working for a responsible business, they want to do their part when it comes to making more sustainable lifestyle choices, recognising we all have a part to play.

During 2022, we've supported our colleagues through a number of sustainability focused webinars, as part of our All Together Healthier wellbeing series.

OUR PEOPLE – WE ARE HEALTHIER INSIDE AND OUT

The health and happiness of all our people, physically and mentally, is our key priority. We want to create opportunities and experiences for everyone, delivering a more diverse, equal and inclusive workforce. We aspire to be widely recognised as a healthy workplace by both colleagues and partners, through the achievement of industry awards.

As of 31st December 2022, Simplyhealth Group has 936 employees (Full Time Equivalent ('FTE') of 889).

Our approach and progress to date

During 2022, we have continued to progress with the same areas of focus as in 2021, putting our efforts into embedding many of the initiatives and programmes we established over the previous period. Our people approach is built on the following action areas:

- Our culture and values
- Upholding universal principles, rights and standards
- Becoming a more diverse, equal and inclusive workplace
- Supporting health and wellbeing
- Enhancing training and education

Our culture and values

As we shared in our last report, during 2021 we defined and then launched three new values and associated behaviours to guide 'how' we do business at Simplyhealth and the culture we aspire to:

- **Courage and curiosity** – we are ambitious, and we push boundaries to deliver great results for our customers and for our business. We speak up for what we believe in to make a difference.
- **Trust and kindness** – trust is at the heart of everything we do. We work hard to build trust with colleagues, customers and partners to get the best results. We treat everyone as individuals, embracing diversity and inclusion.
- **All Together Healthier** – we are here to help others live their best lives. We help to define the latest healthcare trends. We work together to innovate, driving change so we can provide the best healthcare for our customers.

Our efforts over the last 12 months have been focused on increasing everyone's awareness and understanding of each value, including what they mean for every team and colleague and their roles.

Value-led leadership

We started this with our Executive Committee and wider Leadership team, investing in Leadership Development sessions to help our leaders explore their role in championing our new values. An important part of this process was helping every senior leader to develop their own personal story, incorporating one of our values with examples of how they bring it to life in their day-to-day activities.

Value-led recognition

In early 2022 we created the Living Our Values Everyday ('LOVE') Awards, so together we can celebrate, recognise and say thank you to those who are leading the way in living our values and acting as custodians of our culture.

We have three different types of LOVE Awards that colleagues can nominate each other to receive.

Since launching our new LOVE awards in April, we have received 709 nominations in total and awarded 372 Love Awards, 73 150 Awards and 9 Game Changer Awards.

Colleague engagement and embedding our values

We believe that engaging our people should be an active, dynamic and reflexive process. Every other month we share our employee engagement survey called Chatterbox. The anonymised results of the surveys are shared with all colleagues who are invited to continue discussions openly and anonymously if they prefer.

Over the last 12 months we have included specific questions about our three values, asking colleagues to share their experiences on how well we are living our values. Our survey results are regularly monitored and reviewed at a Board level, to ensure that colleague voices actively influence decision-making at the very highest levels of the business.

During 2022, we hosted a series of quarterly virtual colleague briefings where Simplyhealth's Company-wide progress and results were shared. This included overall employee engagement, customer feedback, and the financial and economic performance of each business area and of the Company as a whole, with the opportunity for senior leadership to engage directly. Two-way communication with all colleagues remains a high priority for us, especially as part of our approach to Smart Working.

Smart Working

Over the last 12 months our approach to Smart Working has continued to evolve. We recognise that Smart Working is not a one size fits all, so we've worked hard to consider all our colleagues different needs.

In February, we opened our first bookable hot desks, so colleagues could visit the office at a time that was convenient for them, while managing office headcount capacity. This was quickly followed by the official launch of our first newly modernised, collaboration space in Anton House, called 'The Lab'. Designed for teams to come together to learn, collaborate, create and improve the way we do things, it proved to be an immediate hit.

In November, we also enrolled all colleagues into a new SimplyLearn module, covering mandatory Health and Safety training, which provided useful tips and advice to help to keep safe and healthy whilst working from home.

Upholding universal principles, rights and standards

We comply with all global and UK regulation and legislation, and work hard to ensure that these rights are protected through all levels of our supply chain. We have long-standing relationships with many of our suppliers who are subject to ongoing evaluation and feedback.

Human rights, anti-bribery and corruption

Simplyhealth is committed to upholding the highest level of ethical standards and sound governance arrangements; we set high standards of impartiality, integrity and objectivity in the management of our activities.

Our risk management framework is designed to ensure compliance with all international laws, rules and regulations, and to develop a culture that protects the Simplyhealth's reputation. Simplyhealth condemns corruption in all its forms, and we will not tolerate it in our business or in those we do business with. It is our policy to conduct all of our business in an honest and ethical manner.

We adopt a zero-tolerance to modern slavery and human trafficking and all forms of corruption and bribery directly and indirectly associated with these criminal acts. We fully support the Government's objectives to eradicate Modern Slavery and Human Trafficking, and we call upon all organisations we engage with to influence their global supply chains by improving transparency and accountability.

We apply core human rights principles throughout the organisation, and through our vendor selection screening processes we ensure that all key partners and suppliers also uphold those principles.

We continue to educate and inform our colleagues, making clear commitments, progressing against those commitments and owning the challenges faced. Over the last 24 months, all Simplyhealth colleagues have been enrolled into a 'helping you keep Simplyhealth compliant' learning pathway comprising of a series of SimplyLearn modules to build awareness and understanding of key topics, including Modern Slavery, Conduct Risk, Fraud, and Anti-bribery and Corruption.

All our policies and procedures remain under review and adaptable to any changes in risks faced by Simplyhealth. For more information, please see our Modern Slavery and Transparency in Supply Chains statement on our website.

Becoming a more diverse, equal and inclusive workplace

Justice, equity, diversity and inclusion is an important part of Simplyhealth's agenda and values. We are committed to supporting, developing and promoting an inclusive culture free from discrimination and based on fairness, dignity and respect.

During 2022, we prioritised two key areas of focus:

- to learn more about and celebrate who we are today as colleagues
- to develop new people policies to educate ourselves and support our employment practices and activities for the future

In May, we launched our first pulse themed survey (68% response rate) focused on diversity and inclusion. To support us in becoming a more diverse, equal and inclusive workplace we provide everyone with access to facilities, personal and career development opportunities and employment on an equal basis regardless of race, nationality or ethnic origin, disability, age, gender, sexual orientation, pregnancy or maternity, transgender identity, religion or belief.

We want every individual to grow and be the best they can be so as part of our recruitment processes, we provide an application, assessment and onboarding journey that is fair, consistent, diverse and inclusive for all, allowing us to hire top talent based on skills and behaviours.

We will make reasonable adjustments for all applicants and colleagues who are, or become disabled to accommodate their needs, ensuring we give full and fair consideration to all applicants. We also invest in our hiring managers as part of our Interview Skills Accreditation. At the end of 2022, 69% of hiring managers had completed this training.

Over the last 12 months, we've recognised that we're not quite there with being fully diverse. We've got more to do, and in 2022 we started to lay some more of these foundations.

In 2022, we introduced a new Diversity and Inclusion policy. It outlines Simplyhealth's commitment to Diversity and Inclusion, some key definitions, plus the expectations of the role we all play in fostering an inclusive workplace.

This was quickly followed by the launch of our new Trans and Non-Binary Inclusion Guidance.

We are pleased to report that we are on track to meet our 2025 goals focused on attracting, developing, encouraging and promoting women, and recruiting and retaining young adults (see tables E & F). Whilst we are in line with the 33% UK labour market benchmark (2019), we have seen the percentage of women we employ in leadership roles take a slight dip compared to 2021 and we have plans in place to address this during 2023. We have also increased our focus on the recruitment and retention of young adults in order to achieve our goal of 15% by 2025, but are no longer specifically tracking promotions or secondments as we have previously reported against.

Table E

Aspiration: Create the same opportunities and experience for everyone, delivering a more diverse workforce By when: 2025 Method: Delivery and implementation of Diversity & Inclusion (D&I) strategy						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Attract, develop, encourage and promote women	% women in leadership roles (L1-3)	41% at Simplyhealth compared to 33% occupations within the highest paid category of managers, directors and senior officials in UK labour market (2019)	The percentage of women in leadership roles (benchmark in line with UK labour market average – 33%)	2025	37%	33%
	% women in all roles	67% at Simplyhealth compared to 46% in UK labour market (2019)	The percentage of women in employment (benchmark in line with UK labour market average – 46%)	2025	66%	67%

Table F

Aspiration: A recognised leading employer of young adults (18-24) By When: 2025 Method: Encourage and nurture the employment of young adults (18-24) through various means, including employer branding and social advertising						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Young adults are recruited	% 18–24-year-olds employed against total population	133 (14%) of 976 colleagues (2020)	15%	2025	7%	7%

Supporting colleagues' health and wellbeing

We are passionate about safeguarding and supporting the mental and physical health of our people, and we aim to always be a healthy workplace.

Nearly three years on from the launch of our new Health and Wellbeing Strategy, we have continued to make strong progress.

Our ENERGISE YOU wellbeing programme has evolved into our All Together Healthier annual wellbeing programme, to reflect one of our new core values and demonstrates our commitment to a healthy, happy workplace.

Our bespoke programme has been designed by award-winning and fellow B Corp accredited wellbeing Company, Kamwell. Through our carefully selected suite of industry specialists and speakers, we aim to empower all colleagues to take control of their own health and wellbeing, enabling them to live their best lives and thrive at work and home.

During 2022, the programme consisted of key modules that reflected the personal priorities of our people, gathered via our 2021 annual wellbeing survey. These focused on:

- Mental health
- Women's health
- Men's health
- Physical health
- Family health
- Financial wellbeing

The panel discussions have been a particular highlight, covering topics such as burnout, menopause, mental health and masculinity, and body image and mental health. All featured colleagues from across Simplyhealth, who shared their own personal and powerful stories and learnings.

We had over 4,000 tune-ins and 580 playbacks across the programme in 2022.

In the summer, we ran our third annual health and wellbeing survey (60% response rate). The response rate was lower than in 2021, largely due to the timing of the survey. As over half of our colleagues completed the survey this is still representative of their opinions and aligned to the insight themes we receive through our more regular bi-monthly Chatterbox survey.

Using the insights from both surveys has enabled us to shape our 2023 All Together Healthier programme and tailor our support available. In future annual colleague surveys, we will consider the timing, promotion and incentivisation to increase overall colleague response rates in line with our target.

We finished 2022 with a total of 30 mental health first aiders across the business, with a further 13 due to qualify in January 2023. Health Assured, our independent Health Advisors, have advised that one mental health first aider for every 50 colleagues is good business practice.

We are extremely pleased to continue to perform in line with the Health and Wellbeing Financial Services benchmark (Peakon Chatterbox survey), with an average score of 8.0 out of 10, including in all areas of mental wellbeing, physical wellbeing and social wellbeing.

Table G

Aspiration: To be acknowledged by both colleagues and partners, through the achievement of industry awards, as a healthy workplace By when: 2023 Method: Annually survey the health and wellbeing of our colleagues. Design the appropriate initiatives to support both personal wellbeing goals and organisational wide wellbeing areas identified. Educate on wellbeing issues via monthly webinars and wellbeing publications.						
Goal	KPI	Baseline *measure*	Target Measure	Target Date	2021 Results	2022 Results
Engagement of employees in wellbeing initiatives and programme	Annual ENERGISE YOU wellbeing survey	0% (2019)	79% response	2021	75% response	60% response
Deliver a mental health awareness programme for people managers and colleagues and measure *impact.*	Deliver a mental health awareness programme for people managers and colleagues and *measure impact.*	0% (2019)	100% Managers 42% of Colleagues attend Programme.	2025	94% Managers 45% Colleagues	Following a successful 2021 programme roll out, in 2022 we improved our offering by piloting two new programmes – 'Setting the Tone' with 35 leaders and 'Mixed Mental Arts' with 20 colleagues.

Enhancing our training and education

We have a learning culture at Simplyhealth, and we actively provide and promote learning opportunities for our colleagues.

It's been 18 months since the launch of SimplyLearn, our new learning experience platform, and 97% of registered users have accessed the platform during 2022. SimplyLearn now hosts 50 internal programmes, as well as over 8,594 LinkedIn Learning courses and online wellbeing resources.

Collectively, colleagues have now completed over 7,694 hours of training.

Unfortunately, the percentage of colleagues completing CPD annually and our apprenticeship investments both decreased in 2022, compared to the previous year. In 2023, we have plans to address this including a promotional campaign as part of National Careers Week (March) and a series of Apprenticeships webinars throughout the year.

We are confident of bringing these results back on track to deliver our 2025 target.

During 2023, we will be undertaking a number of regular quality assurance checks to ensure individual and team objectives are aligned across the business and Personal Development Plans ('PDP's) are helping colleagues and the business to grow.

Table H

Aspiration: Promote learning opportunities creating the conditions to embed a learning culture By When: 2025 Method: Personal development plans ('PDP), Personal development - Learning Experience Platform, On the job training - CPD, policies, Levy spend						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Embed a learning culture	% of colleagues completing CPD achieved yearly	2020 - No baseline data available	100%	2025	96%	81%
Invest in apprenticeships	% spend of levy pot (Rolling 2 year cumulative)	33% (2020)	75%	2025	42%.	28%

HAPPIER AND HEALTHIER CUSTOMERS

We exist to improve access to healthcare for our millions of customers. Our health plans support them, their families and their business with their everyday health concerns, as we believe that no one should go without the healthcare support they need.

Our approach and progress to date

We are proud that we continue to play a part in supporting our customers' health. We understand and respond to the challenges they're facing in these uncertain times and continue to help them take responsibility for their personal health and the health of their family, employees, or patients.

Customer satisfaction measurement ('CSAT') remains high with 67% of surveyed customers 'very satisfied'. Simplyhealth's Trustpilot scores have taken a slight dip compared with 2021, reflecting the challenging sales market and essential operational improvements we have been making in the last year.

At weekly Trading Committee and monthly Customer Committee meetings, Simplyhealth senior leaders continue to carefully track our customer KPIs and outcomes, including the speed we pay claims, process administration changes and answer the telephone, as well as first contact resolution ('FCR') for any complaints received.

Since the early part of 2022, we have continued to see volumes of customer contact increase. We've taken proactive steps to increase the resource available to meet this demand.

We're confident as we head into 2023, with our drive for digital adoption, we can ensure all customers have their needs met. We hold ourselves to the highest customer standards and we are proud that our Simplyhealth Trustpilot scores continues to perform above average for the UK.

- Our Purpose helps more than 2.3 million customers to access healthcare when they need it the most
- We support over 8,000 businesses through our network of corporate clients
- Trustpilot scores in 2022 are 4.3 for Simplyhealth (2021 score: 4.6)
- Group-wide Customer Satisfaction scores in 2022 stands at 67% (74.6% in 2021)

Enabling more people to take proactive actions to improve their health

Throughout 2022, as part of putting our new Survive, Drive and Thrive Strategy into action, we have been progressing with our plan to develop new products and propositions.

As a result, in 2022 we took the decision to decommission SimplyMe, one of our customer health apps.

We recognise that our customer impact area requires further defining, to ensure we are focused on new customer health outcome targets, to enable more people to take proactive actions to improve their health.

In line with our refreshed customer aspirations, goals and KPIs, SimplyMe will be replaced with more relevant customer measures, as we launch new propositions in the marketplace.

2022 has been a year of laying these foundations to deliver sustainable health solutions for future years. This activity has included:

- Migrating to our Consumer and Corporate Customer self-service portal
- Launching a single Client Administration portal
- Launching a new 1-2-3 Consumer Product
- Mobilising business-wide Product Squads
- Creating a Financially Vulnerable Customers Taskforce

FROM NEIGHBOURS TO THE WHOLE NATION

Communities matter. That's why we're proud to work closely with people and charities at a local, regional and national level. Looking out for each other can be a big gesture, or a small offer of help. We're here for it all, with an aim to always do better.

Our approach and progress to date

Communities are such a large driving force for Simplyhealth and, in 2022, we've continued to reflect and explore our role in society.

Our societal impact stretches deeply, into our local communities, communities of health interest across the UK, through a national lens and on the global stage, including financial investments and humanitarian support.

During 2022, we have continued focus on two key areas:

- Maximising value through our community investments
- Supporting our communities through volunteering and giving

Maximising value through our investment portfolio

We aim for an investment portfolio that not only delivers a return, but also makes a positive impact into wider social and environmental areas.

As a responsible business we plan to do this in a manner appropriate with the economic and market risks and wider context. Given the volatile nature of the financial markets throughout 2022, this remains a challenging target.

Our investments portfolio is split with 50% in a low-risk credit portfolio and 50% in a pooled diversified credit fund. Both investment managers have ESG considerations as part of their investment decision process

We are currently developing a plan to accelerate our progress towards our ESG investment ambition.

Supporting our communities through volunteering and giving

Through a combination of funds, we are delighted to report in total we have donated over £506k to health and community related charities (2021 - £626k). In 2022, some of our larger partnerships and donation activity included:

Nationally:

- Lady Garden Foundation & Ovarian Cancer Action – to support and promote women's health and raise awareness of gynaecological cancers
- Trekstock – to help ensure no young adult faces cancer alone
- CMV Action – to support families affected by congenital cytomegalovirus (CMV)
- SameYou – to support brain injury survivors and their loved ones through emotional, mental health and cognitive recovery
- Macular Society – to help raise awareness and beat macular disease, because no-one should have their sight stolen from them

Locally (within a 20-mile radius of our Andover Head Office):

- Winchester GoLD – offering a variety of support to adults with learning disabilities
- Trinity (Winchester) – to help address the effects of homelessness and vulnerability
- MHA Test Valley – to enable older people to stay living independently for as long as possible, with the best quality of life
- The Boaz Project (near Winchester) – to support an inclusive farm-based setting for people with learning disabilities and autism

STRATEGIC REPORT
Year Ended 31 December 2022

We are committed to pledging a minimum of £1m per annum to charities and charitable giving, to continue to deliver on our purpose more meaningfully. This reflects our current business position where we are prioritising operational and strategic investments.

We also continue to invest our time and skills in support of charity partners and community partners. The number of work hours used by colleagues to volunteer has trebled during 2022, when compared to the previous year due to more colleagues volunteering post pandemic Additionally, our percentage of colleagues undertaking volunteering activities has doubled over the same time period, both of which we're delighted to see.

We have plans in place to continue to grow our support through an increase in volunteering hours and fundraising initiatives. Over the last 12 months, colleagues have shared a desire to undertake more team-based volunteering projects. This is largely as a consequence of Smart Working and teams wanting to do something community focused with their time when they do come together face to face.

Table I

<table>
<tr><td colspan="7">Aspiration: Inspiring personal development and fulfilment by supporting our colleagues to volunteer time and skills with local charities and matching any fundraising they undertake. Providing five years' worth of human resources to local charities every year.
By When: 2025
Method: Enabling colleagues to volunteer at local charities and fundraising through sponsorships by match funding both types of activity</td></tr>
<tr><td>Goal</td><td>KPI</td><td>Baseline Measure</td><td>Target Measure</td><td>Date</td><td>2021 Results</td><td>2022 Results</td></tr>
<tr><td rowspan="2">Double the number of colleagues who volunteer in local communities</td><td>Total employee hours dedicated to volunteering</td><td>1,800 hours (2018)</td><td>3,700 hours</td><td rowspan="4">2025</td><td>360 hours (*COVID impacted)</td><td>1,001 hours</td></tr>
<tr><td>% of employees volunteering</td><td>20% (2018)</td><td>50%</td><td>6.8% (*COVID impacted)</td><td>14.7%</td></tr>
<tr><td rowspan="2">Increase colleague charity donations</td><td>Total employee donations and fundraising for charities</td><td>£50,000 (2018)</td><td>£100,000</td><td>£36,475.52</td><td>£43,638.29</td></tr>
<tr><td>Total match funding per annum from Simplyhealth</td><td>£25,000 (2018)</td><td>£50,000</td><td>£15,577.85</td><td>£15,905 (through our Give As You Earn monthly payroll scheme)
£16,193.67 (through fundraising efforts)</td></tr>
</table>

SECTION 172(1) STATEMENT

We align all our decision making to the vision, values and purpose of the Company, regularly reviewing the progress of our strategic priorities, providing due consideration of all stakeholders.

On an annual basis, and throughout the year we:

- consider our principal stakeholders when reaching decisions
- assess whether we have any additional stakeholder groups, whose interests may be related to the Company's operations
- strive to achieve consistency and transparency in our decisions

Our principal stakeholders are set out in this section, including the additional stakeholders we have identified in the last 12 months. Here we explain who they are, why we consider them to be an important stakeholder, and how we engage with each of them.

Customers

Direct Customers	
Why direct customers are a key stakeholder Health and wellbeing is Our Purpose – our direct customers are the very reason we're here, helping them to navigate a fast-changing health landscape, maintain their personal everyday health and making it easier for them to access the healthcare they need, when they need it. Their needs are at the forefront of our decisions.	How we engage with our direct customers We work with our direct customers, to ensure we continue to deliver on Our Purpose through extensive research with our customer panel - providing us with a clear insight into their healthcare priorities and needs. Through our Customer Satisfaction Surveys and monitoring of reviews on Trustpilot, we are able to measure our customers' experience of Simplyhealth, quickly steering us to the areas where we need to improve and how we can address their evolving needs.

Corporate Customers & Brokers	
Why corporate customers and brokers are key stakeholders We value all our business relationships. We recognise that our corporate customers have a unique set of healthcare challenges and opportunities as employers. Our long-term relationships with our key brokers serve to meet the needs of our corporate customers.	How we engage with our corporate customers and brokers Our network of Key Account Managers have regular reviews with our corporate customers and through key events, meetings and surveys in the year, listen to their feedback and involve them in new proposition development and service enhancements.

Healthcare Practitioners	
Why healthcare practitioners are key stakeholders The delivery of everyday healthcare relies on a strong network and supply of highly competent healthcare practitioners. We develop quality delivery partnerships with dentists, ophthalmologists and other private medical facilities and services.	How we engage with our healthcare practitioners Through regular forums we canvass their opinions on industry-wide challenges and opportunities, helping to shape our business priorities and to meet their needs.

Communities and other stakeholders

Charities and community groups	
Why charities and community groups are key stakeholders	How we engage with charities and community groups
It's always been in our DNA to support health-related charities and community work. Our 2022 business plan considered how we continue to support this work through the delivery of our Healthier Sustainability Plan.	For full details on how we interact with charities and community groups please see pages 30 - 31 of our 'From neighbours to the whole nation' report.

Regulators	
Why regulators are key stakeholders	How we engage with our regulators
Doing the right thing and acting with integrity is core to our culture. We operate within a robust governance and risk management framework which links to the regulatory environment in which we operate, including the requirements of the UK financial services regulators and the Solvency II Directive. Business strategy, decision-making and capital management decisions are all made with reference against this framework to ensure ongoing compliance.	We have proactively engaged with regulators on key strategic decisions and encourage and welcome an open dialogue. Furthermore, we aim to ensure we meet the expectations of a modern corporate citizen, through the responsible and proactive application of legal, regulatory, environmental and ethical practices.

Suppliers	
Why suppliers are key stakeholders	How we engage with our suppliers
We value all our business relationships and have long-term contracts with our key suppliers, to deliver for our customers and support Our Purpose. We recognise that we have a joint responsibility with our suppliers to improve the impact we have on the environment throughout our supply chain.	We maintain regular and ongoing dialogue with our key suppliers, to ensure our operational activities are working efficiently and effectively. Our Vendor Manager Framework sets out how we work together with our suppliers. Where we need to partner with a supplier to assist us with specialist skills, knowledge, or resources to support in the effective delivery of our purpose - we expect the same high standards from them. We regularly review their performance each year and over the life of the contract in line with regulatory and internal requirements.

Wider environment	
Why the wider environment is a key stakeholder	How we engage on wider environmental issues
From climate change to plastic pollution, and species extinction. The environmental challenges we face are enormous and urgent. The responsibility for tackling them lies with all of us. Our business is health. And we know that without a healthy planet, humans won't be healthy either. So, we take our environmental responsibilities seriously for many reasons.	Our sustainability programme is extensive and covers everything. We've worked with experts to set targets for positive change. These will ensure we continuously improve our environmental footprint. For full details on how we interact with stakeholders on environmental issues, please see pages 16 - 21 of our Sustainability report.

Colleagues

Colleagues (current and future)	
Why colleagues are a key stakeholder Our people are fundamental to the successful delivery of our vision, as is attracting and retaining top talent. The health, safety and wellbeing of our colleagues is considered as part of all key decisions, and we strive to manage our people's performance and personal development, whilst continuing to act as a responsible employer in our approach to the pay and benefits our employees receive.	How we engage with our colleagues We engage with our colleagues throughout the year through our internal engagement surveys and initiatives such as the Simplyhealth Business Forum. Colleagues also have the opportunity to anonymously open two-way dialogue with senior management to explore any issue, or area of interest. Survey results are monitored and reviewed at Board level on a regular basis. This year we also created the Living Our Values Everyday ('LOVE') Awards, to allow colleagues to recognise those individuals who have gone the extra mile. Full details of how we engage with our colleagues is included on pages 22 - 25 of the "Our People – We are healthier inside and out".

Principal decisions

The Board considers 'Principal Decisions' to be those decisions which have significant long-term implications and consequences for the Company and/or its stakeholders to distinguish these from the normal, ordinary course decision-making processes the Board engages in.

Below are some examples of principal decisions that have been taken during 2022, and how stakeholders were considered as part of the decision-making process.

Key Decision:	A recommitment to deliver a minimum of £1m per annum to health-related charities or charitable causes	
Stakeholder considerations and outcomes:	Customers	We are committed to Our Purpose, and customers expect us to return a purpose-dividend to the communities who we serve and exist to support.
	Colleagues	We want our colleagues to be proud to work for Simplyhealth, and we recognise that everyone will have particular charities close to their heart that they are supporting through fundraising. Our commitment on charitable causes allows us to provide a matched funding scheme to boost their fundraising efforts.
	Communities	Charities and community groups are under huge strain, and we recognise Simplyhealth can continue to play an important role in removing some of the burden and providing practical and financial support.

Decision:	Changes to senior leadership team, with the appointment to a new Chief Customer Officer and Chief Product & Commercial Officer	
Stakeholder considerations and outcomes:	Customers	The appointments bring new skills, insight and further improved the diversity to our senior leadership team. This has provided both a fresh and diverse aspect on the core business, combined with the necessary experience to support our investment into new ventures for members and customers
	Colleagues	Boosting our senior leadership team provides a greater clarity on the organisational structure and demonstrates our investment in people. These appointments will boost capacity and ensure our colleagues remain highly motivated.
	Regulators	Ensuring new appointments meet the requirements set out by the regulator to take on these leadership positions.

Decision:	Moving to a product-led organisation	
Stakeholder considerations and outcomes:	Customers	Moving to a product-led business will place the customer's needs right at the heart of our decision-making. By dedicating separate segments of the business to each customer group, it will enable us to bring new healthcare solutions faster, helping us to meet the ever-increasing demands of our customers
	Colleagues	By making the change, we will allow our colleagues to work in smaller, more focused groups, empowering them to make decisions, and delivering on our business strategy.
	Regulators	Ensuring that we bring products to market in a clear compliant manner, aligned to both consumer duty and our values.

By understanding the stakeholders and their interests, the Board consider that they have both individually and collectively through exploration and debate been able to factor their interests into decision-making throughout the year and ensure that any decision taken is one which is most likely to promote the success of the Company in line with the Directors' duty under S172 of the Companies Act 2006.

RISK MANAGEMENT

Oversight

The Board and the Executive Committee ('Exco') consider risk management to be a fundamental part of Our Purpose and a significant aspect of corporate governance. The effective management of risk is central to our culture and decision-making, and provides an essential contribution towards achieving our goals.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. It is responsible for determining the nature and extent of the principal risks Simplyhealth Access is willing to take in achieving its strategic objectives, including the setting of its overall risk appetite. The Board delegates oversight and scrutiny of risk management to the Risk and Capital Committee, who regularly report and provide recommendations to the Board.

The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various senior management functions, as defined under the Financial Conduct Authorities ('FCA') and Prudential Regulation Authorities ('PRA') Senior Managers and Certification Regime ('SMCR'). Second line oversight and challenge of Simplyhealth's risk management and reporting processes rest with the Risk function. The consolidated Risk report produced by this function is firmly embedded in the management and Board reporting. This report enables the monitoring of risk-taking measured against agreed risk limits, using a suite of Key Risk Indicators linked to risk appetite.

We have a comprehensive Enterprise Risk Management framework ('Risk framework') and Internal Control Framework ('Control framework') that stipulates the minimum standard for risk management and internal control for Simplyhealth Access, and for all material categories of risk.

In turn, this enables reasonable assurance to be provided to the Exco, Board and external stakeholders that Simplyhealth is achieving its risk management and internal control objectives.

The effectiveness of the Risk and Control frameworks are independently assessed as part of the programme of activity carried out by the Internal Audit function in the Third line of defence, the results of which are reported to the Audit Committee.

Risk management approach

We adopt a responsible and balanced approach to risk-taking, so that significant risks are identified and managed. This supports long-term sustainability and growth and enables Simplyhealth Access to respond dynamically to strategic opportunities, whilst maintaining an appropriate and proportionate approach to running the business.

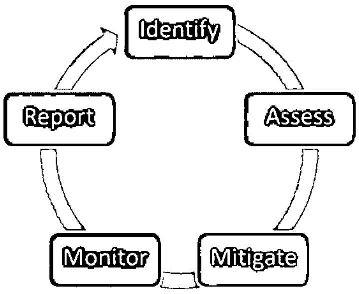
Our approach to risk management consists of the following components:

- Agreement of Board risk appetite statements in relation to defined risks, which sets the principles, preferences and high-level measures for the level of risk Simplyhealth Access is willing to accept.
- A risk management system, which ensures that all principal and enterprise risks are identified, assessed and managed in accordance with the Enterprise Risk Management framework.
- Regular risk monitoring and reporting, ensuring any concentration of risk, entity or function is assessed and management action agreed on a timely basis.
- An effective risk and control culture, which is focused on the sustainability of Simplyhealth, risk awareness, ethical behaviour and the outcomes received by our customers and employees.

Enterprise Risk Management framework

Our Risk framework links our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites.

The framework sets out the processes involved in the identification, assessment, mitigation, monitoring and reporting of risk required to meet Simplyhealth Access' commercial, strategic and regulatory objectives, including the requirements of the UK financial services regulators, such as Solvency II.



The responsibilities for overseeing each of our principal and enterprise risks is aligned to our Performance & Governance framework, as detailed in our Corporate Governance section, with each committee having a responsibility for ensuring the effective oversight of nominated risks.

Internal Control Framework

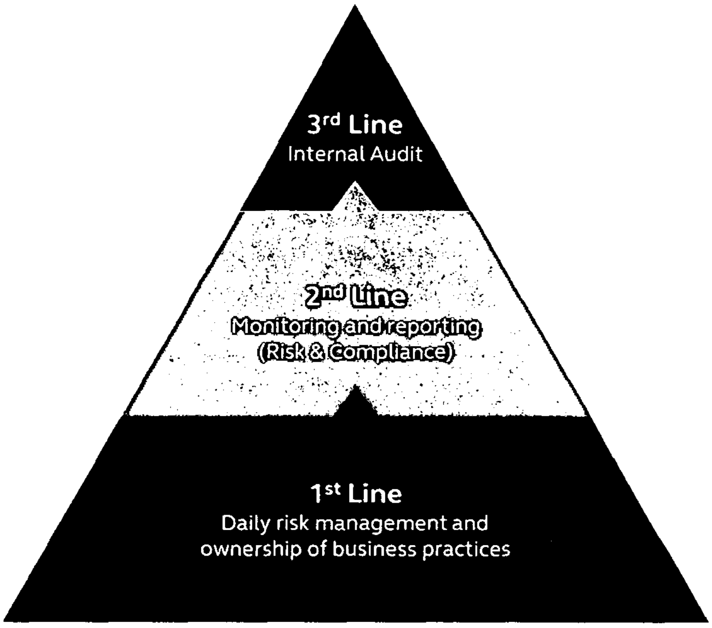
During the year, we designed and delivered a revised Internal Control Framework to enhance our visibility of the performance of the critical controls.

The framework, which is embedded within the ERM risk management system and processes, allows an overview and insight into whether the organisation's key risks are being effectively managed in accordance with risk appetite, through the implementation and effective operation of internal controls.

The framework sets minimum standards for the testing of the design and effectiveness of critical controls by the First Line. The framework also sets out the minimum requirements for independent testing from the Second or Third Line.

Three Lines of Defence

Simplyhealth Access has adopted the 'Three Lines of Defence' operating model, to define risk management accountability within roles and responsibilities.



First Line of Defence

- Performs risk management activities in line with risk standards, including ensuring adequate assessment of both the risk and control strategy.
- Includes the day-to-day management of risk, as well as risk-based decision-making within risk appetite.
- Establishes and reports against a range of key risk and control indicators.
- Proactively monitors the risk and tests critical controls relevant to their part of the business in line with control standards.

Second Line of Defence

- Responsible for developing and overseeing the Simplyhealth Access risk management strategy, the framework for identifying and managing risk, and the risk standards which support Simplyhealth Access operating within its risk appetite.
- Responsible for developing and overseeing the Internal Control Framework, setting minimum standards for the identification, monitoring and testing of critical controls.
- Supports the setting of Board Risk Appetite and monitors business adherence to the associated statements and measures.
- Acts as a business partner, helping the business analyse risk-taking against risk appetite, to better support the strategic direction of the business.
- Regulatory and legislative horizon scanning, the interpretation of new and changed requirements and advice and challenge to the organisation regarding compliance risk.
- Monitors the key processes, risks and controls being managed and delivered by the First line.
- Performs evaluations of risk management effectiveness against a range of external benchmarks.

Third Line of Defence

- Provides independent, objective assurance over the effective and efficient operations of the roles, responsibilities and activities of the First and Second lines.

Developments in the risk and control environment

To enable Simplyhealth Access to respond to opportunities and threats in an efficient and informed manner, we continuously review and evolve our risk and control environment, ensuring it remains aligned to our strategic direction and external risk environment.

During 2022, we have continued to make further improvements to our risk and control framework. As outlined above we have implemented a new Internal Control Framework that clearly articulates the critical controls for the organisation, with clear ownership and accountability for ensuring that they are designed appropriately and are operating effectively. Whilst the framework sets minimum requirements for testing, over the course of 2023 each of the controls will be subject to independent testing, to support the activity to embed the framework.

We have successfully implemented our Governance, Risk and Compliance (GRC) application, to enable us to centrally manage our risk and controls to support First line ownership and Second line oversight and monitoring. The GRC application is now fully integrated and is the platform for our risk and reporting activities.

We have continued to enhance and embed our quarterly Risk & Control Self-Assessment process, we have improved the quality and granularity of risk reporting, delivered a refreshed Policy Governance Framework and further enhanced our suite of regulatory compliance training for all staff. We are also taking steps to ensure our risk and control framework meets the new Consumer Duty requirements that come into force in 2023.

In addition, during the year we have rebuilt our quantitative Own Risk and Solvency Assessment (ORSA) capital model. The new simplified model will allow a more dynamic risk assessment of key strategic decision-making ensuring we fully understand the capital impact of material changes to our risk profile.

Principal risks and uncertainties

The overall risk profile is determined by:

- the environment in which Simplyhealth Access does business; in particular competitor activity in the healthcare market, the changing health needs and claiming behaviour of customers, climate-related changes, regulatory changes and an uncertain economic environment; and
- the business strategy, which focuses on developing existing businesses, creating new opportunities including those linked to a transition to a net zero economy, and delivering sustainable returns, with a focus on developing outstanding customer relationships with products and services that meet our customers' needs in a changing healthcare market.

The primary risk exposures under Solvency II are underwriting risk, market risk, credit risk, insurance operational risk, liquidity risk, non-insurance profit risk and non-insurance operational risk. Further details on how Simplyhealth Access manages these risks are given in note 4 to the financial statements.

To ensure that the key risks faced by Simplyhealth are identified and managed within risk appetite, we have assessed and categorised our exposures into four principal risks, underpinned by a number of more granular enterprise risks.

The definitions of our four principal risks are outlined below:

- Strategic Risk: The risk of significant loss or damage arising from business decisions impacting the long-term interests of the business, or from an inability to innovate and adapt.
- Financial Risk: The risk of Simplyhealth having inadequate earnings, cash flow or capital to meet current or future requirements and the delivery of the strategy.
- Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

- Regulatory and Conduct Risk: The risk that the execution of Simplyhealth's business activities leads to non-compliance with regulation or legislation, and/or unfair customer outcomes.

Our principal risks and the most material associated 'enterprise risks', which if crystallised, could adversely impact on the delivery of the strategy, are outlined below.

Key: ↗ Improving
↘ Worsening
➡ Stable

Principal risks	Key enterprise risks	Mitigation	Change in year
Strategic	Long-Term Sustainability & Viability: There is a risk that we fail to generate business volumes or reduce costs, to ensure we maintain capital and deliver on our purpose.	Whilst we do not have material concerns relating to the long-term sustainability of the organisation, we recognise the need to refresh our product suite in order to ensure continued relevance into the future and take advantage of the transition to a net zero economy. We are also actively developing our infrastructure to ensure that our technology platforms adequately support our aspirations, and we are identifying and acting upon opportunities to drive operational and cost-efficiency. We have delivered the first stage of our Policy 2.0 programme, in which we have implemented the new policy administration platform. We are now planning the migration of our existing customer portfolio onto this new platform. The platform also enables more flexibility in our product design approach. Work is underway to refresh our suite of products for launch in 2023.	➡
	Product Demand: There is a risk that we fail to deliver innovative or desirable products and services as a result of failing to capitalise on opportunities or responding to threats.	We continue to invest in our core propositions, including the development of the cash plan business. Our consumer sales have improved with the launch of the 1-2-3 Healthplan in 2022, and work is underway to drive the next generation of these products, working with partners where possible to ensure improved access to healthcare.	➡

		We continue to develop our new corporate product which will allow greater flexibility for our corporate and SME clients. The new enhanced product will be available in 2023.	
Financial	Economic Uncertainty: There is a risk that the market uncertainty around inflation, elevated interest rates and other government measures will impact on income, increasing costs and creating barriers to deliver on our strategy.	The UK economy remains volatile with rising borrowing costs and inflation exceeding 10%, and there remains a high degree of uncertainty, which will continue to impact the performance of our business and our investment portfolio. To ensure we are able to respond to these threats, we run a series of stress scenarios to assess the impact of a deterioration in the economy on our financial performance. These outcomes are overseen through our governance structure, enabling management to act where appropriate. We continue to assess the risks to the economy and are mindful of the emerging inflation risks and the impact that this will have on the business.	↘
	Cost Base: There is a risk that we are unable to manage our cost base in line with income and increasing claims to deliver profitability.	Inflationary costs continue to be the main driver of our cost base risk, with economic pressures continuing to increase the cost of contractual renewals. Prudent planning is in progress to deliver cost savings, where viable, including headcount reductions and the re-evaluation of our property strategy, however there are material cost benefits attached to the migration of our customers to our new policy platform, and supporting our customers in utilising our new digital products.	↘
	Claims Uncertainty & Volatility: There is a risk that we are unable to predict our future claims experience, due to cost and utilisation deviating from historical performance.	We monitor claims volumes closely and conduct stress tests, to ensure that we can meet our claims liabilities even in severe scenarios. During the year, and post the COVID-19 pandemic, claims volumes and values stabilised below initial expectations; however, the higher inflationary environment projected for 2023 poses a risk of future volatility.	→

		Where appropriate, and whilst maintaining our focus on ensuring fair customer outcomes, we will reprice our products to reflect this increased cost.	
Operational	People Capability & Capacity: There is a risk that we fail to recruit, develop, reward and retain the required talent to deliver on our strategy.	We continue to see competition for key skills and capabilities as we deliver on our strategic aims; however, our Purpose, strategy and hybrid working approach is helping us to secure key talent. The organisation is transitioning towards a product-led structure which is expected to improve our agility and pace of delivery. That change, coupled with the delivery of our strategy, will require new capabilities which will need to be hired and embedded during 2023.	➡
	Change does not deliver the expected benefits: There is a risk that we do not deliver the expected benefits from our transformational change due to delays in delivery or alteration of scope	As we deliver our technical, structural and product changes it is critical that we realise the benefits expected. The delivering of the new technology platform and our drive to pivot our customers towards digital products remain the two initiatives with the most material associated strategic and operational efficiency benefits. There are a number of factors that, if poorly managed, could place these benefits at risk, including dependence on key resource and customer sentiment following the changes. These benefits and their risk drivers are being closely monitored with intervening actions taken where necessary.	↘
	Failure of a Technology Service: There is a risk that our technology services are unavailable and/or we fail to recover the service within risk appetite	We continue to deliver our simplification programme, which will replace or upgrade our IT infrastructure over the coming years. Whilst demonstrating our capability to deliver change, we are in the middle of this programme, and as a result are operating both new platforms and solutions and those that we plan to decommission during 2023 and 2024. Therefore, whilst the new solutions provide increased IT and security resilience, we recognise during 2023	↗

		that there will be a greater surface area for disruptions. We continue to undertake disaster recovery tests, to ensure we can effectively respond to significant events. As part of this programme, we are moving more of our infrastructure into the cloud. Whilst this reduces the risk of legacy technology, we are mindful that the services result in a differing risk profile that will need to be managed appropriately.	
	Data Breach: There is a risk of compromise of customer or employee data as a result of a successful cyber-attack or external threat	We continue to actively monitor our internal and external security threats, to ensure we safeguard our customer and Company data. We have made improvements to our security operations and response capabilities during the year, which continuously monitor our IT estate for any indicators of compromise. We continue to patch our systems as updates are released and deliver our planned penetration testing. Regular security awareness training, including phishing testing, is in place for all staff to support awareness of the risk with performance reported to senior management.	➡
Regulatory & Conduct	Non-compliance with material regulation and/or laws: There is a risk that we do not maintain compliance with regulatory requirements	We have processes in place to help ensure we remain compliant with key regulatory and legislative requirements. We continue to respond to the volume of regulatory changes. We have a robust regulatory horizon scanning process, to ensure we are able to respond appropriately to current and emerging regulations and have regulatory compliance training in place for all staff. Our key areas of focus are to continue identifying and supporting vulnerable customers, in particular the financially and digitally vulnerable, noting the current economic environment and the trend towards digital customer journeys, and delivering the Financial Conduct Authority Consumer Duty requirements in 2023.	➡

Climate change risk

Climate change risk continues to be monitored by the business and the Board through the Risk & Capital Committee. During the year, we have completed our annual Climate Change Risk Assessment on our business model, products and services, with the results feeding into our business planning process.

In addition, we consider the impact of climate change and the financial risks of climate change as part of our Own Risk Solvency Assessment (ORSA) via scenario analysis. This included an evaluation of the Early Action scenario proposed by the PRA in their 2021 Climate Biennial Exploratory Scenario and the potential stressed results on our investment portfolio from an earlier transition to a net zero economy.

In summary, as a result of our analysis we do not consider that climate change will have a material impact on the delivery of Simplyhealth's strategy in the short to mid-term, noting the flexibility of our products and the nature of our business model.

Digital Security Risk

As outlined in the Strategy section earlier in this report, a key tenant of our strategy is to digitise our business though the update or replacement of our IT infrastructure. As part of the strategy, we are moving more of our infrastructure into the cloud. We have fully considered the security risks when deciding which technology partner and platforms to utilise, and are mindful that the services resulting in a differing security risk profile will require appropriate management.

The First line Cyber Security and Business Resilience team are responsible for the day-to-day management of security risk and all control activity, such as vulnerability and patch management, penetration testing, and working alongside our third party Security Operations Centre ('SOC') provider. There is a clear link to our broader technology resilience, so this team is also responsible for business continuity planning and co-ordinating our operational resilience activity. All work in this area is overseen by a dedicated member of the Risk function.

The management of security risk is fully embedded within our Enterprise Risk Management Framework. We have a clear risk appetite and measures which track our security risk exposure and any remedial actions required. Our performance against these measures is overseen on a monthly basis by our Operations Committee with quarterly reporting to Executive Committee and Risk & Capital Committee.

During the year, there have been no material security incidents.

Own Risk and Solvency Assessment ('ORSA')

We calculate our solvency requirement under the Standard Formula Solvency Capital Requirement, which we believe is an appropriate reflection of our risk profile and therefore forms the basis of our risk appetite.

The ORSA is used to assess the capital requirements of Simplyhealth Access and validate the appropriateness of the Standard Formula Solvency Capital Requirement through the production of a bespoke economic capital assessment. The ORSA considers the future development of the organisation's solvency position and risk profile over its business planning period under a central set of assumptions that reflect the Board's best estimate of the performance of the organisation, and relevant changes to its external business environment.

The ORSA is designed to provide the Board and key stakeholders of the business with a comprehensive understanding of Simplyhealth's financial resilience, following consideration of a range of plausible, yet severe scenarios relating to the achievement of the Company's strategic ambitions and demonstrates that Simplyhealth remains well capitalised throughout the planning period.

During the year, we have built a new ORSA model. The ORSA is an important part of the strategic and decision-making process, as well as our Risk framework and our new model fully reflects the current business model and risk profile. The new model has been designed to be dynamic to support ongoing business decision-making throughout the Company and to effectively incorporate future business model changes into our capital modelling.

The Board plays an active part in the development of the ORSA, which includes the approval of the decision to update the model itself, and challenge and approval of the severe, yet plausible and reverse stress testing scenarios. We determine our own solvency needs over the business planning period, using this Board input by reference to the projected own funds, future capital requirements as determined by the SCR and ORSA, and a capital buffer aligned to the Board approved risk appetite. A full report detailing the outcomes of those processes is produced for review and approval by the Board at least annually and where there are any material changes to the business model.

CORPORATE GOVERNANCE

Simplyhealth Access is a private unlimited company.

Our system of governance is designed to ensure that we are well positioned to continue to deliver Our Purpose while effectively managing risk. This system and associated frameworks are reviewed annually by the Board.

Our decision-making and organisational structure supports the effective governance of the business in meeting our strategic goals, our delivery of excellent customer service, and our adherence to regulations. The governance model is designed to be proportionate to the nature, scale and complexity of the risks we face.

The role of the Board

The Board is collectively responsible for ensuring Simplyhealth is successful for the benefit of our stakeholders, setting Simplyhealth's strategic direction, providing entrepreneurial leadership and overseeing the effective management of key risks faced by the business.

As set out in a Matters Reserved for the Board policy, the Board is accountable for ensuring effective governance, overseeing financial control of the business, ensuring that investments are managed properly, that all material business risks are managed and that funding is allocated efficiently and according to capital adequacy requirements. It is also accountable for ensuring that we stay true to Our Purpose.

The Board assesses and regularly reviews the ethical and economic position of the business and considers significant changes affecting factors such as the organisation, operations, customers, external environment, the financial position and risk profile.

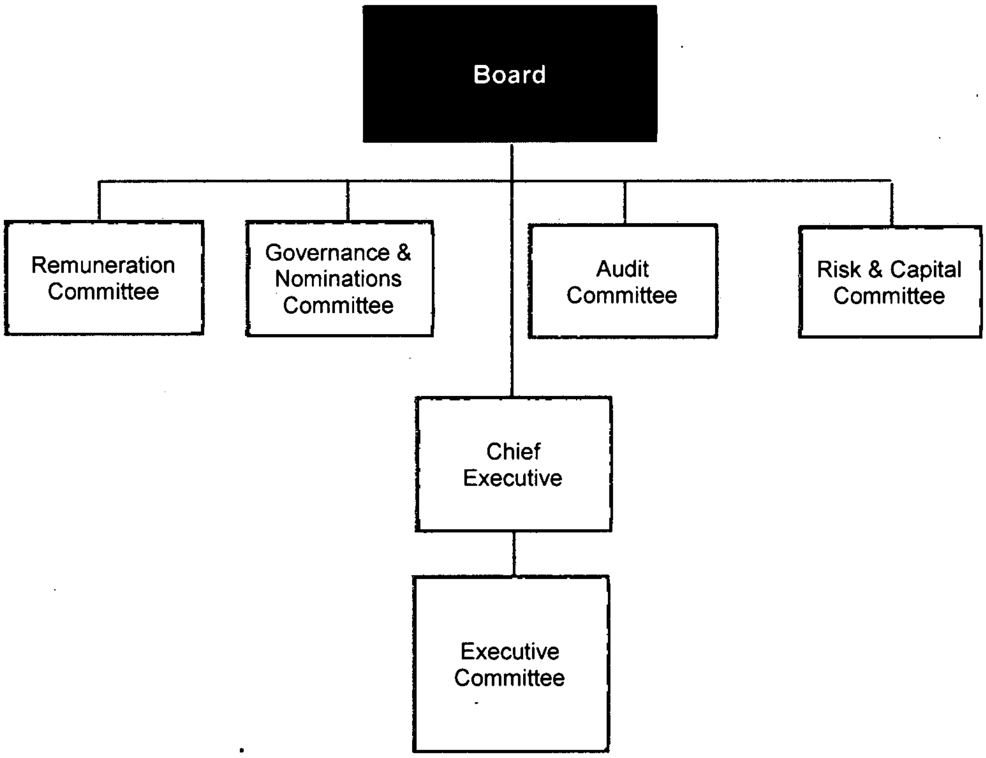
Board composition

On 31 December 2022, the Board comprised of two Executive Directors and six Non-Executive Directors, including a Non-Executive Chair. The Board periodically reviews its composition and succession planning framework, to ensure that appointments create an appropriate mix of skills and experience, and a level of diversity and independence that supports Simplyhealth Access' objectives.

Our committee structure

To assist the Board in carrying out its duties, it delegates some of its responsibilities, although not accountability, to a number of committees as outlined below (the 'Board Committees') and to the Chief Executive Officer. The Board Committees operate under delegated authority from the Board, with specific terms of reference in force for each committee that allow specific matters to be considered in depth and reported back to the Board and, where appropriate, make recommendations for final decision by the Board.

During the year, we have refreshed the terms of reference for each Board Committee and the Delegations of Authority Framework that underpins decision-making across the organisation. This has been designed to support effective and swift decision-making whilst ensuring appropriate oversight and challenge of material decisions by the Board.



Board Committees and Responsibilities

Remuneration Committee	Governance & Nominations Committee	Audit Committee	Risk & Capital Committee
Chaired by M A Hall	Chaired by G Baldwin	Chaired by T Dunley-Owen	Chaired by J Knott
• Developing and recommending to the Board the remuneration principles (including performance- related pay principles) for the Chief Executive, Executive Directors, Company Secretary and the Exco ('the Executive'), and the Chair; Approving the total individual remuneration packages, including performance related pay for the Executive. • Setting and reviewing the principles and parameters of the remuneration policy for the Company.	• Evaluating and monitoring the governance framework, including the governance structure and governance principles, to ensure they meet the Company's current and future strategic needs and support best practice. • This includes recommending candidates for appointment to the Board, to ensure that collectively, we have the balance of skills, experience, independence, knowledge and diversity appropriate for Simplyhealth's operations and the regulated environment in which it operates.	• Reviewing the effectiveness of the system of control for managing financial and non-financial risks. • Monitoring the integrity of the financial statements, including significant reporting judgements contained within them. • Reviewing and monitoring the effectiveness and objectivity of both the internal and external audit function, and reviewing their reports and recommendations. • Reviewing the effective implementation and operation of regulatory requirements and obligations. • Review and recommend for Board approval the actuarial function holder report (other than in respect of matters relating to pricing and risk). • Monitor and regularly review the activities, structure, resourcing and effectiveness of the Compliance function.	• Overseeing, understanding and reviewing the Company's risk profile and advising the Board on principal risk exposures and future risk strategy, including recommending the levels of key risk appetite for the business. • Ensuring that future capital requirements of the business are appropriately and adequately considered and planned for over the business horizon. • Overseeing and advising the Board on the embedding and maintenance of a suitable risk management culture in Simplyhealth, in accordance with the risk management framework. • Reviewing the reporting, recommendations and effectiveness of the Chief Actuary in relation to Underwriting Risk, Pricing and role of the Second line and management responses to issues raised. • Review and recommend for Board approval the actuarial function holder report (other than in respect of matters relating to reserving).

Chief Executive Officer delegated authority

The Board delegates the responsibility to lead Simplyhealth to the CEO, and the CEO in turn delegates defined levels of responsibility for strategic and operational decision-making and oversight to members of the Exco via a robust operational governance structure. These delegations are clearly outlined within our Delegations of Authority Framework, which is approved annually by the Board.

The CEO's authority includes directing and promoting the successful operation and development of Simplyhealth, and implementing the strategy set by the Board to deliver Our Purpose in a way that is consistent with our values and risk appetite.

Overall responsibility for defined areas of business activity sits with a number of senior managers within Simplyhealth, who have been formally approved by the PRA and/or FCA in relation to their specific roles.

Executive committee

The Exco now comprises the CEO, Chief Financial Officer, Chief Product & Commercial Officer, Chief Customer Officer, Chief Risk Officer, Chief People Officer, Chief Digital and Technology Officer, Chief of Staff & Head of Strategy and the General Counsel & Company Secretary.

During the year, we appointed a new Chief Product & Commercial Officer and a new Chief Customer Officer.

Exco responsibilities include:

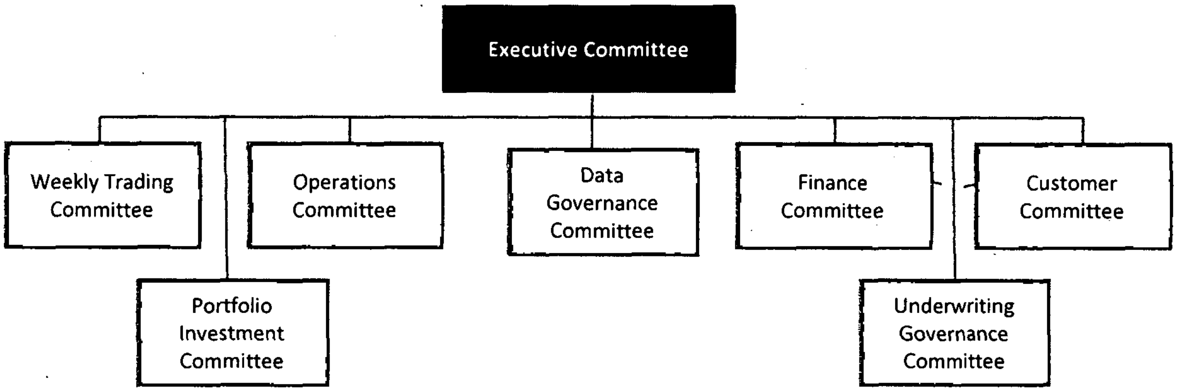
- Formulating (for Board approval), reviewing, communicating and managing the delivery of the Simplyhealth Access' strategy, taking into account Our Purpose, risk profile, capital requirements and solvency position.
- Leading performance across the Simplyhealth Access, including operational, financial and people matters, and reporting results to the Board and its committees as required.
- Maintaining an effective organisational structure which supports the delivery of strategic and operational plans and manages succession planning for key roles.
- Ensuring Simplyhealth Access maintains an effective internal control framework which supports compliance with relevant legislation and regulations.
- Monitoring and reviewing the risk profile of the Company, such that this enables it to mitigate significant strategic, financial, operational and regulatory and conduct risks, in line with Simplyhealth Access' risk appetite and reporting these to the Board as required.
- Being role models for the business, promoting and displaying the values and behaviours needed to create the right culture in Simplyhealth.

Performance & Governance framework

In 2021, we incorporated a new Executive Performance and Governance Framework project to design and deliver a new governance framework that:

- supports the successful and timely execution of the strategy and business plan.
- enables effective and demonstrable decision-making and risk oversight.
- supports engagement and disciplined empowerment across the leadership population.
- is appropriate for an organisation of our size and complexity.

During 2022, we continued to embed the new Framework to ensure it is operating as effectively as possible. To support this Framework, we have a clear Executive Committee structure to ensure effective and efficient decision making. The structure is outlined below



Chief Risk Officer delegated authority

The Chief Risk Officer (CRO) leads the Group Risk and Group Compliance functions, and therefore includes Simplyhealth Access. The CRO has a formal reporting line to the CEO but there are open communication lines with the Non-Executive Directors. The CRO has private meetings with the Chair of the Risk & Capital Committee and Chair of Audit Committee without the presence of Executive Directors.

Group Risk function

The Group Risk function is responsible for developing and overseeing the framework for identifying and managing risk across the Simplyhealth Group, which is equally applied to Simplyhealth Access.

The Group Risk function is responsible for ensuring the Board has visibility of the key risks that the Simplyhealth Group is subject to, which is facilitated on a quarterly basis with a formal risk report presented to the Risk and Capital Committee. The Group Risk function owns and manages the delivery of the ORSA.

The Group Risk function is also responsible for managing the Simplyhealth Group's exposure to Fraud and Financial Crime.

Group Compliance function

The Group Compliance function is responsible for the identification, interpretation and assessment of emerging and current regulatory, conduct and data protection risks that may impact the Simplyhealth Group, and includes Simplyhealth Access. The possible impact of changes to the regulatory and legal environment is considered on an ongoing basis and reported to the Executive Committee, Audit Committee and Board.

Group Compliance owns the Compliance Monitoring Plan, which details the schedule of activities the team undertake to provide assurance to the Board and relevant senior managers that the risks are being appropriately managed. The plan, which is approved and overseen by the Audit Committee, enables the Group Compliance function to provide oversight of key compliance changes driven through regulatory change, to ensure fair customer outcomes and regulatory adherence by the business.

Internal Audit function

The Internal Audit function provides independent, objective assurance to the Board, the Audit Committee and all levels of management on the internal control environment at Simplyhealth. The Internal Audit Charter provides the framework for achieving this by setting out the objectives, scope, responsibilities, authority, independence and accountability for the Internal Audit function.

The Internal Audit function owns the Internal Audit Plan, which is approved and overseen by the Audit Committee. The plan articulates how the Internal Audit function will provide assurance over the effectiveness of key processes, systems and controls.

To ensure we maintain sufficient skills and experience within the Internal Audit function, during 2022 we outsourced the role of Head of Internal Audit ('HoIA') to an external party. The HoIA is supported by an internal team which includes a Deputy Head of Internal Audit ('DHoIA')

However, from January 2023, the HoIA role will be undertaken in-house, with the current DHoIA being promoted into the role supported by external co-source arrangements.

The HoIA formally reports to the Chair of the Audit Committee and there are open communication lines between the HoIA and Non-Executive Directors. The HoIA has private meetings with the Chair of the Audit Committee and Non-Executive Directors without the presence of Executive Directors. There is an administrative link to the CRO but to avoid any conflicts of interest the CRO has no day-to-day involvement in the activities of the team.

The Strategic Report was approved by the Board of Directors and signed on their behalf by,

Nicholas Potter

Nicholas Potter, Acting Chief Executive and Chief Financial Officer

30 March 2023

DIRECTORS' REPORT

The Directors present this report together with the Strategic Report, Financial Statements and Auditor's Report for the year ended 31 December 2022.

Directors

The Directors who served during the year and up to the date of approval of these financial statements were:

Gil Baldwin	Non-Executive Chair
Tracy Dunley-Owen	Non-Executive
Michael Hall	Non-Executive
Jenny Knott	Non-Executive
Duane Lawrence	Non-Executive
Nicholas Potter	Acting Chief Executive and Chief Financial Officer
Martin Stead	Non-Executive
Sneh Khemka	(resigned 10 February 2023)
Richard Gillies	(resigned 30 September 2022)

Secretary

The Company Secretary who served during the year was:

David Pugh

Directors' Report disclosures

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' Report due to its inclusion in the Strategic Report. This information is:

- Principal activities of the Company
- Business review and outlook
- Principal risks and uncertainties
- Employment policies, including those relating to disabled persons and future developments
- Statement on engagement with suppliers, customers, regulators and others in a business relationship with the Company
- Energy and carbon disclosures
- Research and development, with reference to investments made on technology.

Simplyhealth Access' financial instruments comprise its financial investments, cash and various items arising directly from operations such as insurance and other debtors, technical provisions and creditors. The main risks to which Simplyhealth Access is exposed are insurance risk, operational risk, liquidity risk, credit risk and market risk. Simplyhealth Access' approach to management of these risks is disclosed in the Strategic Report, with further information contained in note 4 to the accounts.

Going concern

The Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that Simplyhealth Access has adequate resources to continue in operational existence for a period of at least 12 months from the date of these financial statements. We retain a strong capital position in business as usual and under stressed scenarios. We are closely monitoring the economic headwinds on all aspects of our business, including how it will impact our customers, employees and our other key stakeholders. Full details of our assessment of the business impact during 2022 is detailed in the Business Review section of the Strategic Report on pages 8 - 12.

In addition, the assessment concluded that like any business, future performance will be impacted by the general macroeconomic conditions.

DIRECTORS REPORT
Year Ended 31 December 2022

Post-Balance Sheet events

There are no Post-Balance Sheet events to report

Use of financial instruments

The financial risks management objectives and policies are included in note 4 of the financial statements. The derivatives are allowed for the purpose of risk mitigation or seeking active risks as part of efficient portfolio management.

Dividends

No dividends are proposed for the year (2021: £nil).

Directors' indemnities

During the year and at the time the Directors' Report was approved, the Company's Directors were the beneficiaries of qualifying indemnity provisions in respect of proceedings brought by third parties (subject to the conditions set out in section 234 of the Companies Act 2006) provided by Simplyhealth Access.

Political contributions

During the year, no donations were made by the Company for political purposes (2021: £nil)

Branches outside the UK

Simplyhealth Access has no branches registered outside of the United Kingdom.

Disclosure of information to the auditor

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

- So far as each Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- Each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP has indicated its willingness to be continue in office and a resolution that it be reappointed will be proposed at the Annual General Meeting.

The Directors' Report was approved by the Board of Directors and signed on their behalf by,

Nicholas Potter

Nicholas Potter, Acting Chief Executive and Chief Financial Officer
30 March 2023

Simplyhealth Access (00183035) is a private unlimited Company with share capital, registered in England and Wales.

DIRECTORS' RESPONSIBILITIES STATEMENT
Year ended 31 December 2022

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'. Under Company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, that disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIMPLYHEALTH ACCESS

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Simplyhealth Access (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the statement of comprehensive income,
- the statement of financial position,
- the statement of changes in equity, and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.
We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the selection and application of actuarial methodologies and models used in estimating the gross outstanding claims provision. The risk level associated with this is in line with prior year.
Materiality	The materiality that we used in the current year was £5.1m which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit team.
Significant changes in our approach	There have been no significant changes to our approach from the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of the relevant controls relating to management's going concern assessment process.
- We evaluated management's going concern assessment; this included obtaining evidence such as underlying business plans and forecasts to support the key assumptions in management's assessment.
- We assessed management's reverse stress testing and the likelihood of the various scenarios that could adversely impact upon the company's liquidity and solvency headroom.
- We assessed the ORSA ("Own Risk and Solvency Assessment ") to support our understanding of the key risks faced by the company and its ability to continue as a going concern.
- We obtained and assessed correspondence between the company and its regulators, the FCA and PRA, as well as reviewing the Board of Directors, Audit Committee and Risk and Capital Committee meeting minutes, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the company.
- We have assessed the appropriateness of the disclosures made in relations to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Selection and application of actuarial methodologies and models used in estimating the gross outstanding claims provision

Key audit matter description	The provision recognised as at 31 December 2022 is £18.0m (2021: £17.7m). The company is required to estimate the provision for claims incurred during the year-ended 31 December 2022 but not yet settled at the reporting date. This provision is based on the best-estimate of the total value of all claims incurred but not settled at 31 December 2022, including a margin recognised to reflect potential adverse development. Determining an appropriate estimate is a complex process, and requires significant management judgement, particularly in selecting and applying appropriate actuarial methodologies and models. This has been identified as the most likely source of a material misstatement of the gross outstanding claims provision, either through fraud or error. Management has identified the estimation of the gross outstanding claims provisions as a key source of estimation uncertainty. See Note 3 and Note 18 to the financial statements for further details.
How the scope of our audit responded to the key audit matter	Our audit work to challenge the actuarial methodologies and models used by management in estimating the gross outstanding claims provisions has included the following procedures: • We gained an understanding of relevant controls in the process of estimating the gross outstanding claims provision. • Together with our actuarial specialists, we have performed the following procedures: o Assessed and challenged the selection of actuarial methodologies and benchmarked to market practice, where appropriate. o Assessed the implementation of the chosen methodologies through inspection of the actuarial models.

- Calculated an independent projection of the gross outstanding claims reserve to challenge whether the model is functioning as intended and accurately implementing selected methodologies and to determine a point estimate against which management's estimate can be benchmarked. We assessed the reasonableness of any differences noted in the comparison of our internal estimates with that of management.
- Performed a recalculation of the gross outstanding claims reserve taking into account the actual claims development data from January 2023.

Key observations	Based on the results of the above procedures, we are satisfied that the selection and application of actuarial methodologies and models is appropriate.

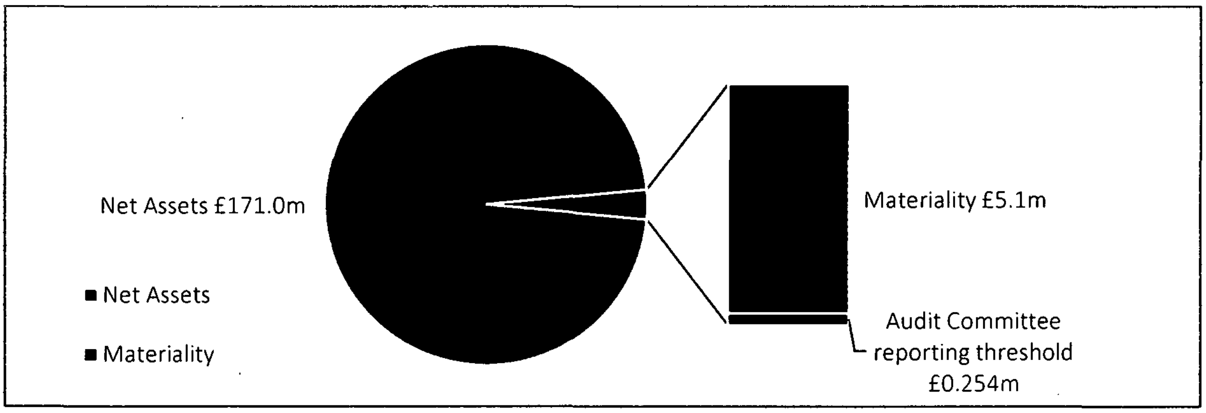
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£5.1m (2021: £5.7m)
Basis for determining materiality	3% (2021: 3%) of net assets.
Rationale for the benchmark applied	Net assets has been determined as the most appropriate benchmark due to the fact that it is a key metric of interest to the users, demonstrating the company's financial stability and solvency.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the company's overall control environment.
- The low level of corrected and uncorrected misstatements identified in the prior year.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £254,000 (2021: £287,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. There were no changes to the scope of our audit compared to prior year.

7.2. Our consideration of the control environment

We obtained an understanding of relevant controls on several business processes. This included gross written premium for corporate business, gross claims paid, gross claims outstanding, investments, expenses, payroll, cash and financial reporting. We tested and relied on controls over gross written premiums from the consumer business.

We do not take controls reliance on any other business cycles however we expect to consider this in the future as the company enhances its controls and invests in its technology infrastructure.

Given the importance of IT to the recording of financial information and transactions, with the involvement of our IT specialists, we obtain an understanding of the IT environment and test the operating effectiveness of relevant general IT controls in key IT systems. These systems included the general ledger and consumer policy administration system where we were able to rely on general IT controls.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the entity's business and its financial statements.

The entity continues to develop its assessment of the potential impacts and opportunities of environmental, social and corporate governance (ESG) and climate change as explained in the Strategic Report on pages 13 to 51. As set out in Note 3, management does not consider that climate change risk is currently a key source of estimation uncertainty nor that it presents a material impact to the judgements made in the financial statements.

As part of the audit, we have held discussions with management and reviewed their supporting papers to understand the climate-related risk assessment, legal and regulatory requirements, ESG strategy, governance, and disclosures.
We performed our own qualitative risk assessment of the potential impact of climate change on the entity's account balances and classes of transactions and did not identify any risks of material misstatements.
With the involvement of our ESG specialists we assessed the disclosures included within the annual report, to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.
If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10.Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11.Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, compliance and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, actuarial, IT, and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the selection and application of actuarial methodologies and models used in estimating the gross outstanding claims provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.
We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.
In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements and the wider regulations of the Prudential Regulation Authority and the Financial Conduct Authority.

11.2. Audit response to risks identified

As a result of performing the above, we identified the selection and application of actuarial methodologies and models used in estimating the gross outstanding claims provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.
In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Prudential Regulation Authority and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12.Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13.Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14.Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 October 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years 2020 to 2022.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Holland, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
30 March 2023

Simplyhealth Access

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

Figures are in millions of pounds

Technical Account	Note	2022	2021
General business		**Total**	**Total**
Earned premiums			
Gross premiums written		215.7	198.6
Change in the gross provision for unearned premiums	18	(2.4)	(0.4)
Total technical income		**213.3**	198.2
Claims incurred			
Claims paid			
Gross claims paid		(143.5)	(144.0)
Change in the provision for outstanding claims			
Change in the gross provision	18	(0.3)	1.4
Total claims incurred		**(143.8)**	(142.6)
Net operating expenses and other charges	5	(72.2)	(66.0)
Total technical charge		**(216.0)**	(208.6)
Balance on the general business technical account		**(2.7)**	(10.4)
Non-Technical Account			
Investment returns			
Income from investments	7	**1.1**	1.9
Gains/(losses) on realisation of investments		**(2.2)**	(0.3)
Unrealised gains / (losses) on investments		**(22.6)**	(4.5)
Other investment charges and expenses		**(0.9)**	(0.6)
Income from shares in group undertaking		**0.7**	-
Other income and charges			
Revaluation of land and buildings	9	**(1.8)**	-
Impairment of investment in subsidiary	10	**(0.7)**	-
(Loss) on ordinary activities before tax		**(29.1)**	(13.9)
Tax on profit/(loss) on ordinary activities	8	**6.6**	2.6
Profit/(loss) for the financial year		**(22.5)**	(11.3)

The notes on pages 65 - 88 form an integral part of these financial statements

Simplyhealth Access
Company no. 00183035

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

Figures are in millions of pounds

As at 31 December	Note	2022	2021
ASSETS			
Investments			
Land and buildings	9	**4.1**	6.2
Investment in group undertakings	10	**0.4**	1.1
Derivative assets	11	**0.2**	0.4
Other financial investments	11	**177.8**	203.3
Debtors			
Debtors arising out of direct insurance operations	4c	**76.2**	75.4
Other debtors	13	**17.8**	17.2
Deferred taxation	15	**5.0**	-
Other assets			
Cash and cash equivalents	12	**9.1**	14.2
Prepayments and accrued income			
Accrued interest		**0.3**	0.3
Deferred acquisition costs	14	**4.3**	2.9
Total assets		**295.2**	321.0
EQUITY			
Called up share capital	16	-	-
Profit and loss account		**170.6**	193.1
Revaluation reserve		**0.4**	0.6
Total shareholder funds		**171.0**	193.7
Liabilities			
Technical provisions			
Provision for unearned premiums	18	**80.5**	78.1
Provision for claims outstanding	18	**18.0**	17.7
Creditors			
Derivative liabilities	11	**0.4**	0.4
Other creditors	17	**24.9**	30.8
Accruals and deferred income		**0.4**	0.3
Total equity and liabilities		**295.2**	321.0

The notes on pages 65 - 88 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 30 March 2023.
Signed on behalf of the Board of Directors

Nicholas Potter

Nicholas Potter, Acting Chief Executive and Chief Financial Officer
30 March 2023

Simplyhealth Access

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

Figures are in millions of pounds

	Note	Called up share capital	Revaluation reserve	Profit and loss account	Total shareholder funds
Balance as at 01 January 2021		-	0.6	204.4	205.0
Total comprehensive income/(loss) for the year		-	-	(11.3)	(11.3)
Balance as at 31 December 2021		**-**	**0.6**	**193.1**	**193.7**
Total comprehensive income/(loss) for the year		-	(0.2)	(22.5)	(22.7)
Balance as at 31 December 2022		**-**	**0.4**	**170.6**	**171.0**

The balance on the profit and loss account comprises accumulated profits less accumulated dividends paid.

The notes on pages 65 - 88 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

1. CORPORATE INFORMATION

The Company is limited by guarantee and is incorporated in the United Kingdom, registration number 00183035. The address of the registered office is detailed on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

2. ACCOUNTING POLICIES

The principal accounting policies are summarised below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"* ('FRS 102') and FRS 103 *"Insurance Contracts"* ('FRS 103') and the Companies Act 2006.

The functional currency of the Group and the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a company cash flow statement and remuneration of key management personnel of the Company.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income, and expenses are eliminated on consolidation.

Going concern

The Directors have considered in detail the Group's forecast performance, in a number of scenarios, as well as its capital and liquidity resources, in each case. These forecasts have been stressed tested through our scenario modelling, evaluating the impact on our financial performance and solvency in a number of economic best and worst case scenarios, over a number of years. The group remains able to trade as a going concern through the strength of its capital base and liquidity even when faced with severe, yet plausible scenarios/events.

Our operational stress testing has included both internal assessments of risk through our ORSA process and the external regulatory capital requirements contained within Solvency II, under both of these tests, and respective scenarios the business is able to continue to support our customers and trade as a going concern.

The Groups Investment Strategy remains unchanged with funds split between a portfolio managed under a segregated mandate, and a more diversified income fund that is managed as a unit trust for multiple investors. Even in stressed scenarios, such as those experienced over the past six months, we are able to liquidate our investments at short notice. Our portfolio value at the end of 2022 was £177.8m, and the value of our portfolio as at 24 March 2023 was £180.3m.

Our Solvency ratio at the end of 2022 was 293.7% (2021: 309.5%). In this year's Own Risk & Solvency Assessment (ORSA), we conducted a range of scenarios to determine our financial resilience when faced with severe, yet plausible events. The outcome of each scenario demonstrated that we remain solvent with significant headroom above our own economic view of our capital requirements, the SCR and our risk appetite buffer. On this basis, the Directors have confidence that the Group has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing these financial statements.

2. **ACCOUNTING POLICIES (continued)**

Company accounts

The financial statements present information about the Company as an individual undertaking. The Company is exempt from preparing consolidated accounts as it is a wholly owned subsidiary undertaking of Simplyhealth Group Limited, a company incorporated in the United Kingdom, and the Company's results and those of its subsidiary undertakings are included in the consolidated accounts of Simplyhealth Group Limited.

Revaluation of properties

Individual freehold properties are revalued to fair value every year using professional external valuers.

Where the fair value of an individual property exceeds historical cost, the surplus is credited to a revaluation reserve and recognised as other comprehensive income. If a deficit is identified which exceeds a previously recognised surplus relating to the same property, this deficit is charged to the statement of comprehensive income within the non-technical account. A reversal of such a deficit is credited to the statement of comprehensive income within the non-technical account.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities, including debtors and creditors receivable or payable within one year with no stated interest rate, are initially measured at transaction price (including transaction costs), except for those financial assets classified as 'at fair value through profit or loss', which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Derivative financial instruments are measured at fair value through profit or loss.

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments due in more than one year, other than those designated at fair value through profit or loss as part of the Group's trading portfolio, are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled, or expires.

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or where their fair value is reliably measurable) are measured at fair value through profit or loss.

Investments in debt securities and collective investment schemes held by the Group as part of the trading portfolio have been designated by the Group as fair value through profit or loss. This group of instruments is managed and its performance evaluated on a fair value basis in accordance with the Group's investment strategy and information is provided internally on that basis to the Group's key management personnel.

Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries are measured at cost less impairment.

2. **ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using an appropriate valuation technique such as a discounted cashflow or industry specific EBITDA multiple.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy of, the Group or counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy of the Company or counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income as described below.

Non-financial assets

If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

At each subsequent reporting date a new assessment of impairment is carried out and if the circumstances that previously caused the impairment no longer exist or if there is clear evidence of an increase in the selling price because of changed economic circumstances the previous impairment is reversed.

Financial assets

For financial assets carried at amortised cost, the recoverable amount is determined as the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the recoverable amount is the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

2. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash balances, deposits, and other financial instruments with maturity less than 90 days. This includes funds held on behalf of third parties that are not available for use by the Group or Company. The offsetting liability is included in 'Other creditors' in note 17.

Contingent assets

Contingent assets are not recognised, in the financial statements. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Third party funds

Third party funds comprise cash held on behalf of customers to administer claims under service contracts and are maintained in separate bank accounts. Following generally accepted industry practice, these amounts are disclosed separately within cash, with a corresponding creditor disclosed. The inclusion of these funds on the statement of financial position therefore has no impact on the net assets of the Company or Group.

Foreign currencies

Monetary assets and liabilities held in foreign currencies at the statement of financial position date are expressed in sterling at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling at the date on which the transaction occurs. All resulting exchange gains and losses are included within the non-technical account in the statement of comprehensive income.

Premiums

The Group accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract. Claims are only payable where customers continue to pay premiums. Premiums written relate to business incepted in the year, together with any differences between booked premiums for prior years and those previously accrued and are recognised as written on a receivable basis with an adjustment for any unearned element. Gross premiums are stated net of any Insurance Premium Tax as applicable .

Unearned premiums

Earned premiums represent gross premiums written after adjusting for changes in unearned premiums. The unearned premium provision represents the proportion of premiums written in the financial year that relate to periods of risk in future accounting years. It is calculated separately for each insurance contract and on a pro rata basis. The change in this provision is taken to profit or loss in order that revenue is recognised over the period of risk.

Investment income

Investment income includes dividends, interest, gains and losses on the realisation of investments and unrealised gains and losses. Income from fixed interest securities together with interest and associated expenses are accounted for in the year in which they accrue. Dividends are included in the statement of comprehensive income when the securities are listed as ex-dividend. Realised gains and losses on investments are calculated as the difference between the net sale proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the statement of financial position date and their original cost or, if they have been previously valued, the valuation at the previous statement of financial position date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

Unexpired risk provision

An unexpired risk provision is made where necessary to cover any amount by which future claims and related acquisition costs on business in force at the statement of financial position date are expected to exceed the provision for unearned premiums at that same date. The amount provided is determined after considering the individual pattern and profile of specific homogeneous risk groups. Any provision for unexpired risks is included within the 'Technical provisions' in the statement of financial position.

The Company assesses at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

2. ACCOUNTING POLICIES (continued)

Operating expenses

The majority of operating expenses are recharged from the group service company, Simplyhealth People. Expenses are collected by the service company and allocated directly, when the entity is identified as the final cost objective, or indirectly, where there are multiple cost objectives, by applying an allocation methodology consistently across the group's trading entities. Amounts are invoiced at cost plus a 5% fee.

Claims

Claims are recognised on the occurrence of the loss event which is the date the individual incurs the treatment.

Claims incurred comprises claims reported and settled during the year or awaiting settlement at the year end, an estimate for claims incurred but not yet paid and an allowance to cover expenses in connection with the settlement of the claims incurred. The provision for outstanding claims at the year-end is based on claims experience and current expectations. Any over or under provision is adjusted as part of claims incurred in the following year.

Claims incurred and the provision for outstanding claims include direct, and an allocation of indirect, expenses connected with the settlement of claims. The allocation of indirect expenses is performed in a manner that fairly reflects the running of the business.

Claims also include other direct costs related to the provision of insured benefits. It includes but is not limited to, the provision of an Employee Assistance Program (EAP), a General Practitioner (GP) service and the provision of various health checks.

The provision for outstanding claims represents an estimate of the ultimate cost of settling all claims (including direct and indirect claims settlement costs) which have occurred up to the statement of financial position date. This includes a provision for claims incurred but not yet paid, the value of which is based on a best estimate plus a provision for adverse development within a range of possible outcomes. These figures are based on the overall claims risk profile as measured by the cost, frequency, deviation from historic trends and sensitivity of claims to market factors and include a fixed level of prudence based on the Company's risk appetite. The basis and calculation of both the estimates and the provision for adverse development are reviewed annually against claims experience.

Acquisition costs relating to insurance contracts

All costs of acquiring new business together with the associated initial processing costs are accounted for as acquisition costs in the statement of comprehensive income in the year in which they were incurred. Similarly, the costs of monitoring existing business and the general running of the Company are treated as administrative expenses. The commission paid in respect of insurance contracts incurred during a financial year is deferred to the extent that it relates to unearned premiums at the statement of financial position date and is amortised over the period in which the related revenues are earned.

Taxation

The Company is liable to taxation on its profit or loss on ordinary activities. Current tax is provided for at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.
Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
When the amount that can be deducted for tax for an asset (other than goodwill) or liability that is recognised in a business combination is different from the value at which it is recognised, a deferred tax asset or liability is recognised for the additional tax that will arise in respect of that difference. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

2. ACCOUNTING POLICIES (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.
Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
Deferred tax assets and liabilities are not discounted.

Leases

Payments in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
Whilst climate change risk is one of the most significant challenges facing the world, with Simplyhealth having its part to play in shaping policies and practices that contribute to managing climate risk challenges, the year-end balance sheet does not include any significant judgements that are underpinned by a particular climate change scenario. As a consequence, we do not believe that climate change risk is currently a key source of estimation uncertainty.

Critical judgements in applying the accounting policies

There are no critical accounting judgements in the year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Claims incurred arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. Management estimates use historical analysis and an extrapolation of current trends to inform claims provisioning, this is then subject to formal management review. A 5.7% deviation in the final outturn would lead to a shortfall in reserves of £1.0m.

There is uncertainty as to the loss ratio the Group will experience as claims are settled. Key assumptions are based upon anticipated loss ratios, which are based upon historical experience, and updated for expectations of future changes in claims inflation and incidence rates.

There are a number of uncertainties that determine how much the Group will ultimately pay with respect to such contracts. This includes whether a claim event has occurred or not, how much it will ultimately settle for and changes in the business portfolio which affect factors such as the number of claims and their typical settlement costs.
The insurance liabilities recorded on the statement of financial position include a provision for adverse development in addition to the best estimates for future claims. The margin over and above the best estimate is a fixed amount, based upon technical provisions net of reinsurance, and is subject to annual review. Further discussion, including analysis of the sensitivity of profit or loss to changes in the claims loss ratio, is presented in note 19.
The claims best estimates attempt to reflect the impact of COVID-19 and its inherent uncertainties, including such items as claims inflation and volumes.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Other sources of estimation uncertainty

Deferred tax asset

The deferred tax asset at the 31st December of £5.0m (2021:Nil) is recognised on the basis that the company will make profits in the future in accordance with its five year financial plan. The primary reason for the loss is the £25.5m decline in the investment portfolio caused by the current economic crises with global inflationary pressures leading to interest rates rises. The financial markets are expected to recover over the planning period recovering the losses on the portfolio. In addition, the underlying trading profits are expected to continue in the future as the company executes its strategy of digitalisation, product development and rationalisation. The asset is expected to be recovered by the end of 2026.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed to financial risk through its financial assets and insurance liabilities. The most important components of financial risk are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk.

There have been no significant changes from the prior period in the nature of the financial risks to which the Company is exposed. The Company's objectives and policies for managing these risks and the methods used to measure risk exposure are consistent with those adopted during the prior period.

The Company uses derivatives for the purpose of efficient portfolio management and to reduce risk in aspects of the Company's investment activities. The Company uses forward foreign exchange contracts and fixed interest futures for these purposes.

The Company monitors its exposure to risks through regular reviews of its portfolio of assets and liabilities and their underlying characteristics. The Directors have chosen not to apply hedge accounting to the Company's derivatives.

The Company has designated debt instruments, derivative assets and liabilities, cash equivalents and equity shares in its investment portfolio as fair value through profit and loss. All other financial assets and liabilities are held at amortised cost.

a) Categories of financial assets and liabilities

Figures are in millions of pounds

As at 31 December 2022	Held at fair value	Held at amortised cost	Total
Cash at bank and in hand	-	9.1	**9.1**
Other financial investments	177.8	-	**177.8**
Derivative assets	0.2	-	**0.2**
Derivative liabilities	(0.4)	-	**(0.4)**
Other financial assets	-	92.8	**92.8**
Other financial liabilities	-	(25.3)	**(25.3)**
Total	**177.6**	**76.6**	**254.2**

As at 31 December 2021	Held at fair value	Held at amortised cost	Total
Cash at bank and in hand	-	14.2	14.2
Other financial investments	203.3	-	203.3
Derivative assets	0.4	-	0.4
Derivative liabilities	(0.4)	-	(0.4)
Other financial assets	-	92.9	92.9
Other financial liabilities	-	(31.1)	(31.1)
Total	203.3	76.0	279.3

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

b) Measurement of fair value

The Amendment to FRS 102 in respect of Fair Value Hierarchy Disclosures sets out the measurement bases that can be used to value financial assets and liabilities held at fair value. The different methods of valuation are categorised into a hierarchy as follows:

Level 1: assets and liabilities for which fair values have been measured using the unadjusted quoted price in an active market for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table analyses the Company's financial assets and liabilities that are held at fair value according to the above hierarchy:

Figures are in millions of pounds

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Debt securities	-	94.9	-	94.9
Unit trusts	-	82.9	-	82.9
Financial assets held at fair value	**-**	**177.8**	**-**	**177.8**
Derivative assets	**-**	**0.2**	**-**	**0.2**

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Debt securities	-	103.2	-	103.2
Cash equivalents	-	100.1	-	100.1
Financial assets held at fair value	-	203.3	-	203.3
Derivative assets	-	0.4	-	0.4

c) Credit risk

The Company has exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation, from the following areas:

- cash deposits held with banks;
- counterparty defaults on debt securities;
- amounts due from insurance premium debtors; and
- amounts due from other group undertakings and guarantees offered to other group entities.

The carrying value of its financial assets best represents the Company's maximum exposure to credit risk. The Company's risk policies limit the maximum exposure to credit risk with any single counterparty to £45m.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

c) Credit risk (continued)

Debtors arising out of direct insurance operations
Debtors arising out of direct insurance operations comprise premiums due from policyholders. The most significant exposure to credit risk is attributable to insurance premium debtors. An allowance for doubtful debts is maintained and regularly monitored as part of the Company's internal financial reporting process. The maturity of premium debtors, net of allowances for doubtful debts, is as follows:

Figures are in millions of pounds

Days past due	**Premium debtors not yet due**	**0-30 days overdue**	**30-60 days overdue**	**60-90 days overdue**	**Over 90 days overdue**	**Total**
Amount outstanding						
As at 31 December 2022	**74.5**	**1.1**	**0.2**	**0.4**	**-**	**76.2**
As at 31 December 2021	72.8	2.5	0.2	0.1	(0.2)	75.4

Premium debtors are stated net of a provision for doubtful debts of £0.3m *(2021: £0.4m).*

At 31 December 2022, there are impaired amounts due from insurance policyholders of £0.3m *(2021: £0.4m).* Where contractual payments are in arrears for more than three months, the relevant assets are classified as past due and impaired.

Financial investments
The credit risk exposure from financial investments and cash deposits is managed by monitoring credit ratings assigned to counterparties by international credit rating agencies.
The Company manages its direct investment holdings by placing the following limits on the credit ratings of its investment counterparties with the appointed investment managers through the Investment Management Agreement:
Maximum limit of BBB-rated securities 30%
Maximum limit of A-rated securities 65%
Values do not total to 100% due to custodian cash that is held in the portfolio.
No investment is made in unrated bonds.
If a bond is downgraded to below investment grade, it would normally be sold within 6 months.
The limits set out in the Investment Management Agreement were adhered to throughout the period.
Derivative financial instruments
The Investment Manager has a credit risk policy that governs the assessment of credit risk and the process for selection of derivative counterparties. The Company maintains strict control on open derivative positions by amount and term. The use of International Swaps and Derivatives Association (ISDA) Master Agreements allows for close-out netting to reduce pre-settlement credit risk and provide a right of set-off upon the event of default. Additionally, where material, collateral may be received or pledged to reduce the level of credit risk in derivative contracts.
Other financial assets
The carrying amount of policyholder debtors and financial assets represents the Company's maximum exposure to credit risk. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.
Cash balances are regularly reviewed to identify the quality of the counterparty banks and to monitor and limit concentrations of risk. The Company has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well diversified spread of such debtors. The debt investments portfolio consists of a range of fixed interest instruments including government securities and corporate bonds, preference shares and other interest-bearing securities.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

c) Credit risk (continued)

Financial assets bearing credit risk
The financial assets bearing credit risk are summarised below, together with an analysis by credit rating. The maximum exposure that the Company has to credit risk at the balance sheet date is the carrying value of the assets shown below.

Figures are in millions of pounds

Category of assets	2022	2021
Debt securities	**94.9**	103.2
Unit trusts	**82.9**	100.1
Cash equivalents	**-**	-
Derivative financial instruments	**0.2**	0.4
Debtors arising out of direct insurance operations	**76.2**	75.4
Other debtors	**15.3**	14.7
Cash	**9.1**	14.2
Accrued interest	**-**	0.3
Total	**278.6**	308.3

Analysis by credit rating	2022	2021
AAA	**27.2**	38.3
AA	**41.4**	31.5
A	**103.3**	124.5
BBB	**15.1**	23.3
BB	**-**	0.2
Below BBB or not rated	**91.6**	90.5
Total	**278.6**	308.3

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities or insurance contract liabilities when they fall due. The Company is exposed to daily calls on its available cash resources from claims arising from insurance contracts and to settle its financial liabilities. The Company has robust processes in place to manage liquidity risk and has available cash balances and other readily marketable assets in case of exceptional need. The Company's risk policies are designed to manage the risks associated with asset and liability matching.
At 31 December 2022, the Company held cash and cash equivalent balances totalling £9.1m *(2021: £14.2m)* to meet both current and potential liquidity requirements under stressed conditions. In addition to these balances, the Investment funds contained within the segregated portfolio managed by Schroders Investment management and through the Pimco Diversified Income Fund could be liquidated into cash within a one month period.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

d) Liquidity risk (continued)

The following table shows the maturity profile of the Company's insurance contract liabilities at the undiscounted amounts of their contracted future cash flows:

Figures are in millions of pounds

Provision for unearned premiums	2022	2021
Within one year	**80.5**	78.1

Provision for outstanding claims	2022	2021
Within one year	16.3	16.0
Between one and five years	1.4	1.4
After more than five years	0.3	0.3
Total	**18.0**	17.7

All of the Company's other financial liabilities total £25.3m *(2021: £31.1m)* and are payable within one year.

Information about the expected timing of the net cash outflows resulting from recognised insurance liabilities is given in note 19.

e) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company has potential material exposure to four types of market risk: interest rate risk, equity price risk, currency risk and credit risk.

The exposure to interest rate risk arises primarily from valuation movements on financial investments that are measured at fair value and have fixed interest rates. The investment strategy is set by the Board and management follows this strategy in making investment decisions. The investment portfolio is reviewed by the Risk and Capital Committee to ensure that investments are maintained in line with the investment strategy.

The Risk and Capital Committee oversees the management of all investments, including cash balances, of the Company. The Committee meets quarterly to discuss and provide challenge to the decisions of management and of the investment manager appointed by the Board. External advisors are consulted to provide both investment and actuarial advice to support the Committee in setting the investment policy and strategy and to supplement the internal resource in challenging the investment manager's advice.

The Company's exposure to currency risk arises from the investment portfolio, with some purchased investments denominated in currencies other than sterling. This risk is managed through the use of foreign exchange forward contracts and diversification of currency exposures. The Company's exposure to credit risk arises from potential changes in the risk profile of investment counterparties leading to increased risk of defaults. The management of this risk is further explained in note 4 (c).

The Company's only exposure to market risk is through its financial investment portfolio. The value of financial investments and cash equivalents at 31 December 2022 is £178.0m *(2021: £203.7m)*. The stress tests applied are weighted to reflect the value of the portfolio that is exposed to each variable.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

e) Market risk (continued)

The sensitivity of reserves to movements in market risk variables, each considered in isolation, is shown in the following table:

Figures are in millions of pounds

Variable	Change in variable	Potential increase/(decrease) in profit after tax and equity	
		2022	**2021**
Interest rate risk	-150 basis points (2021: -50bps)	**10.7**	3.4
	+150 basis points (2021: +50bps)	**(10.3)**	(12.0)
Equity price risk	+10% global equity market (same in 2021)	**2.6**	2.3
	-10% global equity market (same in 2021)	**(2.7)**	(2.3)
Currency risk	+15% spot rate against USD and EUR (same in 2021)	**6.8**	(0.4)
	-15% spot rate against USD and EUR (same in 2021)	**(7.5)**	0.8
Credit risk	-50 basis points (same in 2021)	**6.4**	6.7
	+100 basis points (2021: +50bps)	**(12.2)**	(6.6)

The analysis of market risk sensitivity has been derived by the Company's independent external investment managers, using standard valuation techniques that are the same as those applied in the previous year. It has been assumed that:

- the value of fixed income investments will vary inversely with changes in interest rates,
- equity prices will move by the same percentage across all territories,
- currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel, and
- credit spreads will move by the same percentage across all instruments and counterparties.

The change in profit and loss is stated after tax at the standard rate applicable to the Company.

Whilst not invested in specific ESG funds we also consider ESG and climate change as part of our decision making process working with our investment managers to ensure that our investment philosophy is aligned to this purpose.

f) Capital risk management

The Company's capital comprises profits accumulated in prior years and its share capital. It manages its capital on both economic and regulatory bases to ensure it has sufficient funds to meet its business objectives, the promises made to policyholders and regulatory requirements.

Capital Management Policy

The Capital Management Policy seeks to optimise the balance between risk and return while maintaining economic and regulatory capital within the Company's risk appetite. This policy guides the definition, measurement, reporting and projection of capital, assessing the current and potential sources and uses of capital, addressing:

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

f) Capital risk management (continued)

- The assessment of the optimal overall capital balance required to support appropriate financial strength and flexibility, with reference to the Company's risk appetite, regulatory requirements and the reasonable expectations of stakeholders including customers and suppliers.
- The allocation of capital within the organisation to ensure that legal entities, and the Company, hold adequate capital for the effective operation of their businesses.
- The rationing of capital to investment opportunities with the aim of delivering on Simplyhealth's long-term goals, growing the capital base and diversifying the risk profile of the Company's invested capital.

Capital Management Principles

The Capital Management Policy exists to provide guidance and governance over the holding and investment of the Company's overall capital.

The Company is required to maintain a solvency capital position in accordance with the Solvency II rules.

Capital headroom corresponds to capital reserves above our regulatory capital requirements and is calculated on the basis of the Company's risk appetite. The risk appetite has been agreed with the Board of Directors and includes a capital buffer in excess of the higher of the Solvency Capital Requirement and the ORSA estimate of capital requirement.

Capital above this buffer comprises resources which may be allocated to continued investment in the development of the Company's operations, subject to its risk appetite and targeted rates of return on capital. The Company sets a target rate of return for investment proposals to qualify for funding.

The Company's capital position is monitored on a regular basis as part of the standard performance reporting and review process and it has complied with the capital adequacy requirements of the Solvency II rules throughout the year.

Capital Management

The Company operates a single fund in respect of its general insurance business. The table below shows the capital available on a regulatory basis available to meet the regulatory Solvency II capital requirements for its general insurance business, which continues to represent a strong position.

Figures are in millions of pounds

Available capital resources	**2022**	**2021**
UK GAAP net assets	**171.0**	193.7
Adjustments onto regulatory basis:		
Deferred acquisition costs	**(4.3)**	(2.9)
Investments in subsidiary	**(0.1)**	(0.1)
Other liabilities	**-**	0.1
Adjust technical provisions to Solvency II basis	**11.9**	11.6
Deferred tax valuation adjustments	**(1.3)**	(1.6)
Other valuation adjustments	**-**	-
Solvency II eligible own funds	**177.2**	200.8
Solvency II Capital Requirement ('SCR')	**60.3**	64.9
Capital Surplus	**116.9**	135.9
Solvency 'Buffer' at 40% of SCR	**(24.1)**	(25.9)
Available Capital ('Headroom')	**92.8**	110.0
Solvency II Capital Multiple	**293.7%**	309.5%

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

f) Capital risk management (continued)

Simplyhealth Access has used the Standard Formula as defined by Solvency II regulations to determine the SCR without undertaking-specific parameters or simplifications.

Governance arrangements

The Chief Financial Officer owns the Capital Management Policy on behalf of the Board of Directors. The Board owns and agrees the definition of the Company's risk appetite. Governance over the implementation and operation of capital management is provided by the Risk and Capital Committee, a sub-committee of the Board.

Revision of key elements of the Capital Management Policy, such as an alteration of the Company's approach to meeting regulatory capital requirements or the composition of its own funds, is subject to approval within this governance structure.

5. PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

Particulars of business

The Company has a single operating segment with one line of business that operates solely within the United Kingdom. Therefore, no segmental analysis has been presented.

Figures are in millions of pounds

Technical Account - Net operating expenses	2022	2021
Acquisition costs	39.1	31.7
Change in deferred acquisition costs	(1.4)	0.2
Administrative expenses	34.5	34.1
Total	**72.2**	66.0

Included in the acquisition costs are £17.7m *(2021: £14.8m)* commissions payable to group undertakings and £2.2m *(2021: £2.2m)* commissions payable to external insurance brokers.

Profit/ (Loss) on ordinary activities before tax is stated after charging:

Figures are in millions of pounds

	2022	2021
Depreciation		
- Buildings (Note 11)	**0.1**	0.1
Revaluation loss on buildings	**1.8**	(0.1)
Impairment of investment in subsidiary	**0.7**	0.0
Fees payable to the Company's auditor for the audit of the Company's financial statements	**0.3**	0.2

In addition, the Company had audit-related assurance service fees payable of £60,000 *(2021: £55,000)*.
The fees payable noted above include VAT.

6. STAFF COSTS

All employees are employed under contracts for service with Simplyhealth People Limited that acts as the Group service organisation. Simplyhealth People recharges the cost to the operating entities at cost plus 5% and is included in operating expenses, note 5. Staff costs are disclosed in the Simplyhealth People and Simplyhealth Group financial statements only.

Directors' remuneration

All the Directors are employed by and receive emoluments from Simplyhealth People Limited

All the Directors are also Directors of Simplyhealth Group Limited and the Directors' emoluments, which relate to their services to the Simplyhealth Group as a whole, are disclosed in the financial statements of that company.

7. INCOME FROM INVESTMENTS

Figures are in millions of pounds

	2022	2021
Bank and other interest	**1.1**	1.9

All income from investments relates to continuing operations.

8. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

Figures are in millions of pounds

	2022	2021
United Kingdom corporation tax at 19% (2020: 19%)	-	(0.9)
Group relief payable/(receivable)	(1.3)	-
Adjustment in respect of prior years	(0.3)	(1.7)
Total current taxation	**(1.6)**	**(2.6)**
Current year deferred taxation	(3.8)	-
Effect of changes in taxation rates	(1.2)	-
Total deferred taxation	(5.0)	-
Tax on profit/(loss) on ordinary activities	**(6.6)**	(2.6)

The corporation tax credit for the year is higher *(2021: higher)* than the standard rate of corporation tax in the UK at 19% *(2021: 19%)*. The differences are explained as follows:

Figures are in millions of pounds

	2022	2021
Profit/(loss) on ordinary activities before taxation	(29.1)	(13.9)
Tax credit on loss at UK rate of 19% (2020: 19%)	(5.5)	(2.6)
Adjustments in respect of prior years	(0.4)	(1.7)
Expenses not deductible for tax purposes	0.5	-
Income not taxable for tax purposes	(0.1)	-
Group relief surrendered/(claimed)	1.3	-
Payment / (receipt (credit)) for group relief	(1.3)	-
Remeasurement of deferred tax for changes in tax rates	(1.2)	-
Other tax adjustments	0.1	1.7
Tax charge/(credit) on profit/(loss) on ordinary activities	**(6.6)**	(2.6)

9. LAND AND BUILDINGS

Figures are in millions of pounds

Group	Freehold land	Freehold buildings	Total
Valuation:			
At 1 January 2022	1.8	4.4	6.2
Revaluation gain/(loss)	(0.6)	(1.5)	(2.1)
At 31 December 2022	**1.2**	**2.9**	**4.1**
Accumulated depreciation:			
At 1 January 2022	-	-	-
Charge for the year	-	0.1	0.1
Reversal of prior year impairment	-	(0.1)	(0.1)
At 31 December 2022	**-**	**-**	**-**
Net book value			
At 31 December 2022	**1.2**	**2.9**	**4.1**
At 31 December 2021	1.8	4.4	6.2

The freehold and investment properties of the Group were professionally valued in accordance with the RICS Appraisal and Valuation Manual at 31 December 2022 by Colliers International UK plc, an independent external valuer.

The valuations have been arrived at by considering market evidence of similar office buildings after deducting normal purchasers' acquisition costs.

If freehold land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

Figures are in millions of pounds

	2022		2021	
	Freehold land	**Freehold buildings**	**Freehold land**	**Freehold buildings**
Cost	1.2	11.8	1.2	11.8
Accumulated depreciation	-	(5.9)	-	(5.7)
Historical cost value	**1.2**	**5.9**	**1.2**	**6.2**

10. INVESTMENT IN GROUP UNDERTAKINGS

Figures are in millions of pounds

Company	Investment in subsidiary undertakings
Cost:	
At 1 January 2022	2.4
Additions	-
At 31 December 2022	**2.4**
Impairment:	
At 1 January 2022	1.3
Impairment during the year	0.7
At 31 December 2022	**2.0**
Net book value	
At 31 December 2022	**0.4**
At 31 December 2021	1.1

The details of investments in the subsidiary undertakings held by the Company as at 31 December 2022 are as follows:

Name of company	Country of Registration	Principal activity	Class and percentage of shares held
Simplyhealth Funding Services Limited	England & Wales	Arrangement of loans to dental practices	Ordinary shares 100%

During the year a dividend of £0.7m was received from the subsidiary undertaking. The subsidiary is no longer taking on new business and is being wound down, so the reduction in net assets caused by the distribution, has led to an impairment charge of the same amount.

11. OTHER FINANCIAL INVESTMENTS AND DERIVATIVES

Figures are in millions of pounds

	2022		2021	
Financial assets	**Fair value**	**Cost**	**Fair value**	**Cost**
Debt and other fixed income securities	**94.9**	**102.0**	103.2	104.9
Unit trusts	**82.9**	**100.0**	100.1	-
Derivative assets	**0.2**	-	0.4	-
Total	**178.0**	**202.0**	203.7	104.9

Financial liabilities	**Fair value**	**Cost**	**Fair value**	**Cost**
Derivative liabilities	**(0.4)**	-	(0.4)	-

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of fixed interest futures and foreign exchange forward contracts are based on market prices.

Fixed interest futures are exchange traded and currency forward contracts are traded over the counter. Both have been classified as Level 2.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Net gains or losses arising from changes in the fair value of the derivative financial instruments are recognised immediately in the statement of comprehensive income within the heading 'Investment Returns'.

Figures are in millions of pounds

	2022		2021	
Derivatives	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fixed interest futures	**0.2**	-	0.4	(0.1)
Foreign exchange forwards	-	**(0.4)**	-	(0.3)
Total	**0.2**	**(0.4)**	0.4	(0.4)

Offsetting

The Company does not offset financial assets and liabilities in the statement of financial position unless there is a legally enforceable right to offset and the Group has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

Except for fixed interest futures and foreign exchange forward agreements, the Group has no financial assets and financial liabilities that have been offset in the statement of financial position as at 31 December 2022*(2021: £nil)*.

12. CASH AND CASH EQUIVALENTS

Figures are in millions of pounds

	2022	2021
Amounts falling due within one year:		
Cash at bank	9.1	14.2
Total	**9.1**	14.2

13. OTHER DEBTORS

Figures are in millions of pounds

	2022	2021
Amounts falling due within one year:		
Group relief	1.3	2.5
Corporation tax	1.3	-
Investment debtors	4.2	4.1
Amount due from other group undertakings	10.9	10.6
Other debtors	0.1	-
Total	**17.8**	17.2

14. DEFERRED ACQUISITION COSTS

Figures are in millions of pounds

	Gross Provision	
	2022	2021
At 1 January	2.9	3.1
Additional costs incurred	21.3	16.5
Amortisation through statement of comprehensive income	(19.9)	(16.7)
At 31 December	**4.3**	2.9

Costs are only deferred and amortised if they are considered repayable in the event of cancellation.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

15. DEFERRED TAXATION

The Company's deferred tax asset comprised the following items:

Figures are in millions of pounds

	2022	2021
Asset relating to unused tax losses	3.8	-
Effect of changes in taxation rates	1.2	-
Total	**5.0**	-

The movement in the Company's deferred tax asset during the year was as follows:

	2022	2021
At 1 January	-	-
Current year deferred tax	5.0	-
At 31 December	**5.0**	-

The deferred tax asset is expected to be fully recovered by 2026.

16. CALLED UP SHARE CAPITAL

	2022	2021
Allotted, issued and fully paid		
100 ordinary shares of £1 each	100	100

The Company has one class of ordinary shares which carries no right to fixed income.

17. OTHER CREDITORS

Figures are in millions of pounds

	2022	2021
Amounts falling due within one year:		
Creditors arising out of direct insurance operations	1.4	10.3
Investment creditors	4.8	4.1
Other creditors	0.2	0.2
Insurance premium tax	5.8	4.8
Amount due to other group undertakings	12.7	11.4
Total	**24.9**	30.8

18. TECHNICAL PROVISIONS

Figures are in millions of pounds

	Gross Provision	
	Provision for Unearned Premiums	Provision for Outstanding Claims
At 1 January 2022	78.1	17.7
Movement in provision	2.4	0.3
At 31 December 2022	**80.5**	**18.0**

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

The Company applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. A formal policy for managing insurance risk is in place and is overseen by the Risk and Capital Committee.

18. TECHNICAL PROVISIONS (continued)

Gross provisions

The lines of risk underwritten by the Company are restricted to health insurance in which the Company has substantial experience. Where the Company wishes to enter into new lines this is done using a controlled approach in order to manage the risk associated with new areas of business. The Company's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of the accounting period, plus an amount in respect of claims incurred but not yet reported. Trends in claim rates and other market data are reviewed on a regular basis and premiums for new contracts adjusted accordingly. Each class of contract has a large population of homogeneous policyholders, and no insurance contracts are subject to concentration risk as policyholders are based throughout the UK. No one client represents more than 10% of total turnover. Therefore, no insurance contracts are deemed subject to concentration risk.

The Directors have assessed that a deterioration of 10% (2021:15%) is the highest reasonably possible change in the loss ratio. Such a deterioration in the loss ratio during the year would have resulted in a reduction in profit before tax of £21.3m (2021: £30.9m reduction in profit before tax) and a reduction in equity of £17.3m (2021: £25.0m). The latter represents 10.1% (2021: 12.9%) of the Company's capital. The Company's claims loss ratio has been disclosed in the Strategic Report as a key performance indicator.

Uncertainty about the amount and timing of claims payments is typically resolved within one year. Consequently, disclosure about claims development is not presented as this information is not considered relevant to the evaluation of the nature and extent of risks arising from insurance contracts.

Insurance contract maturities

The net cash outflows resulting from recognised insurance liabilities have the following estimated maturities:

- Unearned premium reserves are estimated to result in cash flows arising within 12 months of the year end date; and
- For outstanding claims provisions, including the provision for claims incurred but not reported, approximately 90.6% *(2021: 90.4%)* of the provision is expected to crystallise as cash outflows and inflows respectively within 12 months of the year end date. The remaining cash flows, representing an immaterial amount of these provisions, are expected to be settled within the subsequent 12 months.

Due to the short-term claims nature of our products, we do not include an annualised claims triangle in our report.

Assumptions

The Company follows a process of reviewing its reserves for outstanding claims on a monthly basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review, further review by external actuarial specialists, a management sign-off process and ultimately the Board committees.

The most significant assumptions in determining the net insurance reserves are the forecast monthly claims loss ratios by homogeneous risk group, and the extent to which reinsurers will share in the cost.

Changes in assumptions

During the year we have seen claims volumes increase but remain below the pre pandemic levels. Average values remain above pre pandemic levels and our claims provision assumptions reflect these changes.

19. FINANCIAL COMMITMENTS

Figures are in millions of pounds

	2022	2021
Authorised and contracted for by the Board of Directors		
Sponsorship	1.2	1.6

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 102 not to disclose details of transactions with:

- Simplyhealth Group Limited and its subsidiary undertakings, 100% of whose voting rights are controlled within the group, that are included in the consolidated financial statements of Simplyhealth Group Limited; and

- Key management personnel.

There were no other related party transactions during the year.

21. ULTIMATE PARENT AND CONTROLLING PARTY

The Company's ultimate parent company is Simplyhealth Group Limited, a company registered in the United Kingdom and limited by guarantee.
Simplyhealth Group Limited is the parent of the largest and smallest group for which consolidated accounts are prepared of which the Company is a member. The financial statements of this company can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.