

Westfield Contributory Health Scheme Limited
Solvency and Financial Condition Report
for the year ended 31 March 2018

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Summary

About Westfield Health

Westfield Contributory Health Scheme Limited (“Westfield Health”) is a not for profit health insurance company formed almost a century ago with the vision of improving people’s health and wellbeing. By helping people to access and pay for health treatment and through charitable donations, Westfield Health supports the NHS and medically related charities to help its customers and the community to a healthier life. Westfield Health is the parent company of the Westfield Group (the “Group”) which encompasses a number of companies that operate in the health and wellbeing market.

About Westfield Health’s products

Westfield Health offers two different types of insurance - health cash plans and hospital treatment insurance:

Health Cash Plan

A health cash plan allows a policyholder to claim money back, up to set limits, towards the cost of essential healthcare. It is a great way to help budget for everyday health costs. From dental appointments to optical check-ups, therapy treatment and more, policyholders can rest assured that their cover will help with the bills. Dependent children are covered too, on key benefits, giving extra peace of mind.

A health cash plan also provides access to valuable health and wellbeing services, for those unexpected health issues and to help keep policyholders at their fit and healthy best.

Hospital Treatment Insurance

Hospital treatment insurance occupies the “middle market” between health cash plans and fully-featured private medical insurance. It makes private surgery and medical treatment more accessible, to ensure policyholders can be treated as quickly as possible. Westfield Health’s prices have been kept affordable by negotiating fixed price treatment packages and excluding heart and cancer treatment (areas that the NHS have established and proven pathways for) and excluding chronic conditions.

About this report

The purpose of this Solvency and Financial Condition Report is to enable policyholders and other stakeholders to understand Westfield Health’s business performance, governance, risk management, valuation policies, and its management of solvency and capital. It is accompanied by a number of reporting templates which set out more quantitative detail around the financial position and solvency of Westfield Health.

This report is based on Westfield Health as a solo entity and it therefore does not need to undertake group reporting.

Finances

Gross premiums earned decreased slightly year on year from £57.1m to £56.9m, a decrease of £0.2m (0.4%) driven by an increasingly competitive market and partly offset by the acquisition of Bolton & District Hospital Saturday Council.

Westfield Health’s solvency ratio (measured as Own Funds divided by Solvency Capital Requirement) was 289% as at 31 March 2018 (2017: 320%). The regulations are designed so that a ratio of 100% should be enough capital to survive a “one-in-two-hundred year” event.

Westfield Health has donated £462k to health related charities during the year (2017: £592k). In addition to donations in 2018 Westfield has committed to sponsoring the World Transplant Games 2019 in Newcastle Gateshead. The World Transplant Games are staged by The World Transplant Games Federation in order to promote the benefits of transplantation, raise public awareness and increase organ donation, whilst encouraging transplant patients to regain fitness.

The table below summarises Westfield Health's consolidated financial results for the year as reported in the Group financial statements:

Summary Comprehensive Income Statement	2018 £'000	2017 £'000
Deficit on insurance operations	(1,808)	(2,247)
Impairments and revaluations	-	(4,472)
Deficit on technical account	(1,808)	(6,719)
Net non-technical result	(302)	4,772
Deficit before charitable donations	(2,110)	(1,947)
Gift Aid and other charitable donations	(462)	(592)
Deficit before tax	(2,572)	(2,539)
Tax	779	(460)
Deficit for the year on Ordinary Activities	(1,793)	(2,999)
Actuarial loss on pension scheme	(16)	(1,685)
Deficit transferred to reserves	(1,809)	(4,684)

Customer service

Westfield Health continually strives to achieve customer experience excellence. Net Promoter Score ("NPS") is a customer loyalty metric that asks policyholders "How likely is it that you would recommend Westfield to family, friends or colleagues?" The data is collected daily.

The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The scoring ranges from -100 (all detractors) up to +100 (all promoters). A score of +50 is deemed to be excellent. Westfield Health scored, on average, +81 for this financial year (2017: +79). This is the highest score ever for Westfield Health, reflecting the commitment to customer experience excellence.

Developments at Westfield Health

A major focus during the year has been the continued investment and delivery of key projects to enable Westfield Health to meet the changing demands of its policyholders and be able to respond to changes in an increasingly competitive market.

Key events, explained in more detail below, were as follows:

Event	Impact
Acquisition of The Working Health Company Limited	<ul style="list-style-type: none"> Accelerate growth in health and wellbeing market Integration of company into Westfield Group Future diversification of income to reduce reliance on health cash plan
Acquisition of Bolton & District Hospital Saturday Council (trading as UKHealthcare)	<ul style="list-style-type: none"> Further strengthen position in the cash plan market Integration of company into Westfield Group
Develop new IT system	<ul style="list-style-type: none"> New system includes new digital capability to support business objectives Financial impact of development costs Involvement from staff across Westfield Health

The Board of Directors has overall responsibility for the direction and governance of Westfield Health. Over recent years, the Board has put in place measures to further strengthen Westfield Health's corporate governance and risk management in order to meet the requirements of Solvency II. The current governance and risk frameworks are detailed further in this report. There have been no significant changes to the frameworks in the current reporting year.

A. Business and performance

A.1. Business

Name, legal form and key contacts

Westfield Health is a not for profit health insurance company formed almost a century ago in 1919. Westfield Health is a company limited by guarantee, so has no shareholders, but rather has Members of the Company. Members take part in supervising the performance of the Company and its directors, to protect the interests of the Company. The Company's Articles of Association prohibit Members from benefiting as a result of their membership; there are more than 10 Members so no individual Member is considered to hold undue influence over management.

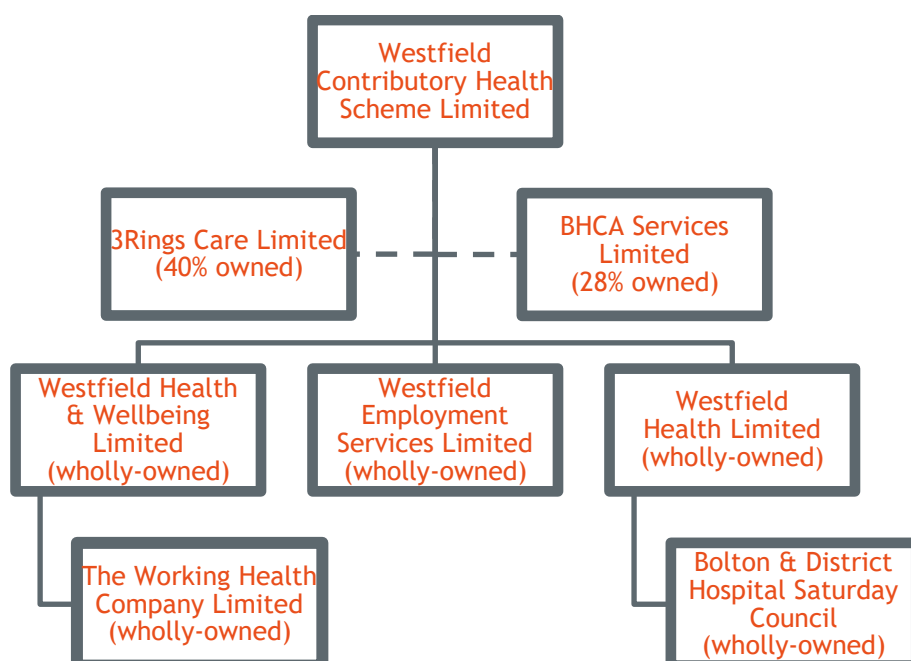
Bolton & District Hospital Saturday Council was acquired during the year to further strengthen the Group's position in the cash plan market.

In line with Westfield Health's diversification strategy of developing non-insurance business lines, during the year Westfield Health & Wellbeing Limited acquired The Working Health Company Limited. This will help to accelerate the broadening of the Group's health and wellbeing portfolio.

The Group also comprises the following companies:

- 100% of the ordinary share capital of Westfield Health & Wellbeing Limited, a company incorporated in England and Wales;
- 100% of the ordinary share capital of Westfield Employment Services Limited, a company incorporated in England and Wales;
- 100% of the ordinary share capital of Westfield Health Limited, an investment holding company (previously dormant) incorporated in England and Wales;
- 40% of the ordinary share capital of 3Rings Care Limited, a company incorporated in England and Wales; and
- 28% of the ordinary share capital of BHCA Services Limited, a company incorporated in England and Wales.

The diagram below sets out the group structure of Westfield Health:



Westfield Health's prudential regulator is the Prudential Regulatory Authority, Bank of England, Threadneedle Street, London, EC2R 8AH ("the PRA"); its external auditors are KPMG LLP, 1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA.

Lines of business

Westfield Health's only line of insurance business, encompassing both health cash plans and hospital treatment insurance, is health insurance within the United Kingdom and Channel Islands.

Material events during the year

During this time of change Westfield Health has undertaken a number of key projects to enable progress towards its medium term strategic goals. The key projects are outlined below:

Acquisition of Bolton & District Hospital Saturday Council ("BDHSC")

The Westfield Group acquired this company in January 2018. BDHSC is a long standing cash plan provider trading under the name "UK Healthcare", with growing customer numbers and income growth of 10% per annum for the past two years. As the company continued to grow, BDHSC recognised that it would fall within the scope of the more burdensome regulatory Solvency II environment which would prove challenging from an operational perspective as well as increasing the cost base of the business. With the opportunities of benefitting from improved IT functionality, shared underwriting experience and a wider product proposition, BDHSC believes that all stakeholders will benefit from this strategic acquisition. As a Group, this strengthens its position in the cash plan market and positively contributes to the overall Group performance.

Acquisition of The Working Health Company Limited ("Working Health")

Working Health was acquired by the Westfield Group in December 2017. One of Westfield's strategic goals is to diversify and generate new income streams. As a result of this, the Group has in recent years broadened its portfolio to include a much wider range of health and wellbeing initiatives beyond traditional health cash plan policies. The purchase of Working Health will help us to accelerate this activity. This will enable us to support a wider range of customers with wellbeing strategies that truly meet their needs.

Working Health operates exclusively in workplace settings, it was established in 2000 but its management have been delivering workplace wellbeing solutions for over 25 years. The wellbeing services that the company provides consist of general wellbeing services, such as health screenings and health campaigns, where an organisation wants to promote a topic such as good nutrition, sleep or being more active to its employees. Through its corporate gym management sector, the company provides onsite gym management, where it provides on-site staff, equipment, promotions and operational systems. It also offers consultancy support services to assist its clients own in-house managed operations by supporting recruitment, training, promotions and supplying cover staff.

Development of new IT System

This project will build a new system that delivers new digital capability that supports the business objectives, by delivering excellence to the customer, driving efficiencies and cost savings, and creating new opportunities.

People

Westfield Health has continued to invest in its people, providing training, support and development during the year. The Group has embedded coaching across the business so that its people can reach their full potential and feel empowered to make improvements in their own roles, teams and across departments.

The development of the Senior Leadership Team has continued which provides a strong foundation of leadership during this transformational period of change within the business and supports succession plans for the future.

During the last quarter of the year the Group concluded a restructure of the external field sales team in order to ensure the team has the capability and experience to deliver a consultative sales process for the Group's corporate customer base. This change was required as a result of the enhanced health and wellbeing proposition which very much includes health insurance at its core.

The restructure has resulted in a very promising start to the next financial year, with the highest quarterly sales recorded in recent years. The Group expects to build on this great start during the year to 31st March 2019.

Product Reviews & Developments

In order to mitigate the rise in IPT and rising claim costs, as well as enhancing relevance, a full product review of all voluntary cash plans was delivered in November 2017. To simplify the products, a number of benefits were consolidated and new services added. The performance of the whole portfolio continues to be monitored so that customers can receive the best value, together with the most relevant benefits.

Embedded within some products, Westfield Health launched an industry first combined eldercare advice, care selection and cover benefit. This benefit is designed to support ageing policyholders as well as meeting the needs of the sandwich generation of people who care for their ageing parents whilst supporting their own children.

A new governance process has been introduced to support new product development and the whole product life cycle, and to ensure strategic fit of new products and partnerships. This allows the development of ideas from a number of sources and provides both strategic alignment and cross-departmental awareness.

Online Claims

The adoption of online claims has continued to increase during the year, enabling more customers to claim easily and quickly, either online or through the Westfield app. The digital adoption rate stood at 47.5% by March 2018.

Strategic Partnerships

The Group has moved into the second year of its major partnership with the Advanced Wellbeing Research Centre (AWRC) during the year. The AWRC is a joint venture between Sheffield Hallam University, Sheffield Teaching Hospitals NHS Foundation Trust and Sheffield City Council. It has a unique national role in stimulating and translating research into practical initiatives designed to improve the health and wellbeing of the population. This partnership is enabling us to move forward in the development of new products and services.

Procurement

During the year a new dedicated procurement function was established which has driven significant savings through process analysis and contract negotiation. The drive to reduce costs and improve value from suppliers will continue into the medium term.

General Data Protection Regulation (GDPR)

GDPR is a new privacy regulation, implemented across the European Union. It provides individuals with more control over their personal data, ensures transparency and accountability around the use of data and requires security and controls to protect data. A project to ensure GDPR readiness was undertaken during the year as the regulation became effective from 25th May 2018. The impact of this new legislation will be fully embedded into the whole of the organisation during 2018.

Information Security Management System (ISO27001)

ISO27001 is a recognised international standard for managing risk to the security of information that is held by an organisation. It is a specification for an information security management system (ISMS) which is an approach to managing and protecting company information in terms of confidentiality, integrity and availability. To become certified, an independent certification body needs to confirm that the business has implemented an Information Security Management System compliant with ISO 27001. The Group is currently working towards certification, aiming to complete this during 2018.

Quality Standards and Awards

Westfield Health has consistently maintained certification to ISO 14001 Environmental and OHSAS 18001 Occupational Health and Safety Standards for well over a decade.

The Group continues to hold the Silver accreditation for Investors in People (IIP) standard. The standards are based on 18 months' research into what makes a high performing organisation and only the top 5 percentile of organisations being assessed are expected to achieve the Silver accreditation.

Westfield Health is ServiceMark Accredited with the Institute of Customer Services. This reflects the commitment to achieve customer experience excellence, as included in the Group's medium term strategic goals.

This year was another award-winning year for the Group; being awarded "Best cash plan provider" at the Moneyfacts Investment Life & Pensions Awards 2017. Westfield Health's Intermediary Support team won the Highly Commended Award for the Best Intermediary Support Team at the Cover Customer Care Awards 2017.

Charitable Donations and Sponsorship

Westfield has donated £462k to health related charities during the year (2017: £592k). In addition to donations in 2018 Westfield has committed to sponsoring the World Transplant Games 2019 in Newcastle Gateshead. The World Transplant Games are staged by The World Transplant Games Federation in order to promote the benefits of transplantation, raise public awareness and increase organ donation, whilst encouraging transplant patients to regain fitness.

Westfield has also committed to sponsoring the British Transplant Games 2018 in Birmingham. The Games help deliver Transplant Sports' aim to demonstrate the benefits of transplantation; increasing public awareness of the need for more people to join the NHS Organ Donation Register and discuss their wishes with their families along with bringing together the transplant community to celebrate the gift of life.

Overview of financial performance

The following sections provide some detail on Westfield Health's financial performance through the year. For reference, the Group's consolidated Income & Expenditure account, as disclosed in the Group's audited financial statements, is included below:

	2018	2017
	£'000	£'000
Gross Premiums Earned	56,893	57,058
Reinsurance ceded	(921)	(784)
Third party underwriting costs	(1,731)	(1,671)
Rebated premiums	(35)	(176)
	54,206	54,427
Gross claims incurred	(42,246)	(41,381)
Reinsurer's share	725	611
Net claims incurred	(41,521)	(40,770)
	12,685	13,657
Net operating expenses	(14,493)	(15,904)
<i>Impairment and revaluation</i>		
Intangible Assets	-	(4,746)
Land and Buildings	-	274
Deficit on general business technical account	(1,808)	(6,719)
Investment income	3,449	2,724
Unrealised (losses)/gains on investments	(2,639)	3,923
Share of losses of associates	(247)	(117)
Revaluation of Investment Property	-	144
Revaluation of investment in associates	-	(925)
Other income	514	66
Other charges	(1,472)	(1,216)
Net finance income in respect of pensions	93	173
Deficit before charitable donations	(2,110)	(1,947)
Other charges - Gift Aid and other charitable donations	(462)	(592)
Deficit on Ordinary Activities before Tax	(2,572)	(2,539)
Tax on deficit on Ordinary Activities	779	(460)
Deficit for the year on Ordinary Activities	(1,793)	(2,999)
<i>Other Comprehensive Income</i>		
Actuarial losses on pension scheme	(16)	(1,685)
Deficit for the year transferred to Revenue Reserve	(1,809)	(4,684)

A.2. Underwriting performance

In Solvency II terms, Westfield Health has only one line of insurance business, health insurance, so all of the underwriting results are reported under a single line of business. The value written in the Channel Islands is immaterial, and therefore no geographical split is presented.

Key performance indicators

	17/18	16/17
Gross Premiums	£56.9m	£57.1m
Gross claims ratio	74.3%	72.5%
Operating Expense Ratio	25.5%	27.9%
Combined Ratio	103.2%	111.8%

Gross premiums

Gross premiums earned decreased slightly year on year from £57.1m to £56.9m, a decrease of £0.2m (0.4%) driven by an increasingly competitive market and partly offset by the acquisition of Bolton & District Hospital Saturday Council.

Gross claims ratio

Gross claims ratio indicates the proportion of policyholders' premiums which are paid out in claims. As a not-for-profit organisation Westfield Health strives to return the best value to policyholders and therefore the aim is to keep this ratio as high as possible whilst ensuring the long-term viability of the Group.

During the year the claims ratio rose from 72.5% to 74.3%, which demonstrates even better value for customers. This ratio excludes the additional benefits provided to policyholders through third parties.

Operating expense ratio

Operating expense ratio is the proportion of policyholders' premiums which are used in the running of the insurance part of the Group.

The operating expense ratio (total operating expenses: gross premiums collected) decreased from 27.9% to 25.5%. Westfield Health continues to proactively manage costs and drive best value from suppliers.

Combined ratio

The combined ratio is the ratio of total expenses (including claims, costs of third party benefits and operating expenses including project spend) to gross premium income.

The combined ratio for the year stands at 103.2% (2017: 111.8%). The ratio for 2017 includes an impairment on the IT system of £4.7m. Excluding this, the combined ratio would have been 103.5%. One of the Group's medium term strategic goals is to deliver sustainable long term operating profits and this is part of the medium term financial plan.

A.3. Investment performance

Investment income and expenses

On a Solvency II basis, Westfield Health's investments were valued at £64.2m at 31 March 2018 (2017 £64.9m). Realised and unrealised gains and losses plus related income and expenses on these, as reported in the FRS 102 financial statements, are set out below:

	2018	2017
	£'000	£'000
Rental income from investment property	33	421
Rental expenses	(274)	(99)
Income from other investments:		
Interest - fixed income securities	358	406
Interest - cash and deposits with credit institutions	31	32
Interest - other loans	-	-
Dividends - investment in equity instruments	730	599
Investment management fees	(254)	(262)
	624	1,097
<i>Profits on realisation of investments</i>		
Fixed Income Securities	29	920
Equity instruments	2,783	624
Recovery of deposits previously written off	13	83
	3,449	2,724
<i>Unrealised gains or losses</i>		
Unrealised (losses)/gains on financial investments	(2,639)	3,923
Revaluation of investment property	-	144
Total	810	6,791

The total return of investment income plus unrealised gains on opening investments for the year, on a FRS 102 basis, was 2.1% (2017: 10.8%).

The equity portfolio increased in value during the year by 3.4%. Good performance at the start of the year was partially reversed by a market downturn in the final quarter, which has since recovered post year end. Fixed income securities also posted gains with the portfolio increasing slightly in value by 0.8%. Approximately £28.2 million of the value of the investment portfolio held by the Group is invested in equity instruments that are Stock Market listed and £22.3 million is held in Government and corporate fixed interest and index linked securities. Deposits held with credit institutions fell from £11.6m to £7.2m. This reduction was due to funds being used for operational purposes.

In addition to the above, Westfield Health also has Investment Property with a total value of £4.8m.

No gains or losses on investments were reported directly in equity.

No direct investments are held in securitisations; Westfield Health has some indirect exposure via bond funds which include securitisations in their portfolios. Westfield Health has no appetite to use derivatives directly; asset managers may use derivatives for the purposes of risk management and efficient portfolio management.

A.4. Performance of other activities

Income and costs relating to other activities are set out in the income and expenditure account at the end of section A.1 above. “Other charges” of £1.5m on the income and expenditure account relate to the cost of developing the Group’s non-insurance business.

Charitable giving, mainly via Westfield Health’s donations to the Westfield Health Charitable Trust, has continued throughout the year in support of Westfield Health’s goal of “being a good corporate citizen”.

Leases

Operating leases - Lessee

At 31 March 2018 Westfield Health had annual commitments under non-cancellable operating leases, for Motor Vehicles and Office Equipment, as follows:

	2018	2017
Expiry Date:	£'000	£'000
Less than one year	104	179
Between one and five years	53	112
Total	157	291

Operating leases - Lessor

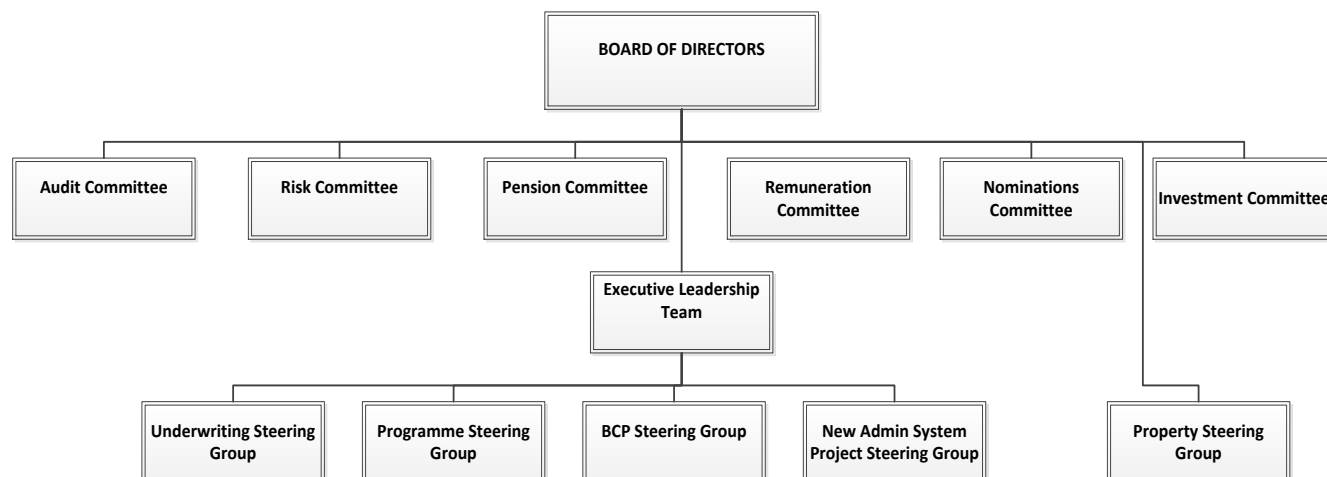
As reported in A3, total rental income during the year was £33k (2017: £421k); the reduction is due to the sale of a tenanted investment property in March 2017. Expenditure in relation to these properties was £274k (2017: £99k).

B. System of governance

B.1. General information on the system of governance

Board and committee structure and roles

Westfield Health’s governance structure is laid out below:



Westfield Health is a company limited by guarantee, so has no shareholders, but rather has Members of the Company. Members take part in supervising the performance of the Company and its directors, to protect the interests of the Company. The Company’s Articles of Association prohibit Members from benefiting as a result of their membership; there are more than 10 Members so no individual Member is considered to hold undue influence over management.

The Board of Directors has overall responsibility for the direction and governance of Westfield Health.

The Audit Committee is entirely non-executive in composition, and has no members in common with either the Remuneration Committee or the Nominations Committee. Its role is to act as part of Westfield Health’s “third line of defence”, reviewing reports from internal and external audit.

The Risk Committee is comprised of a mixture of executive and non-executive directors together with the Compliance Manager, and is regularly attended by operational managers from across the business. The committee includes certain members of the Audit Committee to ensure the two groups’ work is complementary.

The Pension Committee is comprised of a mixture of executive and non-executive directors and reviews the operation of the group’s defined benefit, defined contribution and life assurance schemes.

The Remuneration Committee is responsible for review and implementation of Westfield Health’s remuneration policy, particularly as it applies to executive directors. Its membership is entirely composed of non-executive directors. The Director of HR acts as an advisor to the Committee.

The Nominations Committee is responsible for ensuring that the membership of the Board remains fit and proper. This includes selecting and recommending candidates, and succession planning for key Board roles, including executive and non-executive directors, and members. The Nominations Committee comprises the Chair of Westfield Health, Chief Executive, Vice-Chair and Senior Independent Director. The Director of HR acts as an advisor to the Committee.

The Investment Committee is responsible for reviewing all aspects of Westfield Health’s investment activities to ensure they are aligned with the Board’s Investment Policy. Its membership comprises a mixture of executive directors and other key members of the business.

The Executive Leadership Team consists of the Executive Directors and some members of the Senior Leadership Team. Its role includes the development of strategy for Board approval, and managing the delivery of this strategy across Westfield Health. The Senior Leadership Team is empowered by delegated authority from the Executive Leadership Team to deliver the strategic plan for the Group.

This structure allows for the implementation of a “3 lines of defence” risk management system. The “first line” comprises operational management, who are responsible for ensuring that adequate systems and controls are in place to manage risks in their areas. The “second line” comprises oversight functions (Compliance, Risk Management, and Actuarial functions) who advise and support managers in this role whilst retaining some operational independence; this second line reports to the Risk Committee. The “third line” is internal audit, which reports to the Audit Committee.

Key functions

Solvency II defines four “key functions” - Internal Audit, Compliance, Risk Management and Actuarial - as essential for an effective system of governance in any insurer. Westfield Health has not identified any additional functions which it considers to be “key”. To minimise repetition, information about the implementation of these functions is set out in sections of this report relating to their activities.

Key Function	Section Reference	Section Title
Actuarial	B.6	Actuarial function
Compliance	B.4	Internal Control
Internal Audit	B.5	Internal Audit
Risk Management	B.3	Risk Management

Changes to the system of governance

The Chief Executive, Jill Davies, retired from the Westfield Group on 30th April 2018. Jill has been a committed and loyal part of Westfield for 24 years, with 10 years as the Chief Executive. The Group wishes Jill and her family every success, happiness and health in the future.

David Capper (Executive Director - Commercial) has been appointed as the Interim Chief Executive for the Group whilst the recruitment for a permanent Chief Executive is completed.

Remuneration policy

Principles

Westfield Health has a written remuneration policy, the key objectives of which are to ensure that Westfield Health is able to:

- Appropriately compensate employees, Executive and Non-Executive Directors for their services and to provide a flexible, competitive remuneration structure which:
 - reflects market practice and benchmarks;
 - is aligned to the performance of the business;
 - is tailored to the specific circumstances of Westfield Health;
 - is a transparent system throughout all levels of the company;
 - attracts, motivates and retains highly skilled people; and
 - determines remuneration in a way that ensures a level of equity and consistency across the business.

- Focus on ensuring a sound and effective risk management through:
 - a robust governance structure for setting and communicating goals;
 - inclusion of both financial and non-financial goals in performance and result assessments;
 - making fixed salaries the main remuneration component and providing an overall competitive total reward package; and
 - independent advice from external advisers.
- Support the long-term goal of being a great employer.
- Ensure that no-one will be involved in determining their own pay.

Variable remuneration and performance criteria

Westfield Health has four forms of variable remuneration, paid respectively to Executive Directors, Senior Leadership Team, sales staff, and other staff. In all cases, these bonus schemes are fully flexible and discretionary.

For Executive Directors and the Senior Leadership Team, the Annual Executive Bonus rewards performance aligned to the Group's business goals and individual contribution and performance aligned to role-modelling of the Group's values. The bonus amount is determined by Group performance across agreed key performance measures, and individual contribution determined by the achievement of objectives; behaviours displayed and the level of current and future risk that the business has been exposed to by the actions of an individual or the collective team.

The bonus is designed to ensure it supports the Executive and Senior Leadership Team in striving towards the same corporate goals and encourages the 'one team' working value.

For sales staff, the bonus scheme is based on the income generated by individual sales consultants and is calculated on a monthly basis. There is also a quarterly bonus based on the individual's portfolio value.

For other staff, the Annual Corporate Bonus rewards performance aligned to the Group's business goals.

The bonus amount is determined by Group performance across agreed key performance measures set out on an annual basis, not all of which are financial measures. This provides an opportunity for the Group to share its successes, in an affordable way, with everyone who has contributed towards its corporate goals and promotes and encourages the 'One Team' Group value.

Supplementary pension or early retirement schemes

There are no supplementary pension or early retirement schemes in place for any director or staff member at Westfield Health.

Material transactions with influential parties

During the year there have been no material transactions with members of the Board or Members of the Company, other than their remuneration.

The following transactions occurred in the year with other related parties:

	2018 £'000	2017 £'000
Gift aid payments:		
The Westfield Health Charitable Trust	461	590
Transactions with associates:		
Income from associates	4	2
Expenses recharged to associates	24	33
Payments to associates	(72)	(71)
	<u>(44)</u>	<u>(36)</u>

Two of the directors of Westfield Health are trustees of The Westfield Health Charitable Trust.

During the year one director of Westfield Health was a director of 3Rings Care Limited (resigned 7 June 2018).

During the year one director of Westfield Health was a director of BHCA Services Limited (resigned 19 June 2018).

B.2. Fit & proper requirements

Westfield Health is committed to ensuring that everyone in leadership roles is fit and proper to manage the duties and responsibilities related to the key roles they are appointed to. The Nominations Committee and appointments process in respect of Board members is crucial to strong corporate performance as well as effective accountability.

Before making an appointment the Nominations Committee will evaluate the balance of skills, knowledge and experience on the Board and will develop a role profile to take account of the role and required capabilities in areas such as:

- Market knowledge;
- Leadership;
- Business strategy and business model;
- System of governance;
- Financial and actuarial analysis;
- Regulatory framework and requirement; and
- Risk management.

Westfield Health carries out a number of pre-employment checks for all Board and non-Board appointments including the following:

- Criminal Records Bureau - Standard disclosure;
- Address history;
- Financial propriety checks (CCJ Bankruptcy, IVA);
- Employment and personal references in line with FCA requirements;
- Passport validation;
- Qualifications vetting;
- 5 year general activity (self-employment, employment and education);
- Verification of memberships and licenses; and
- Investigative directorship search.

An annual declaration is completed by any approved person to ensure the ongoing monitoring of fitness and propriety of all approved role holders continues and is reviewed by the Nominations Committee.

B.3. Risk management

Risk management system

Throughout the year a “3 lines of defence model” has been in place in order to manage the risks faced by Westfield Health.

The first line of defence is management - managers at each level of the business are responsible for ensuring that sufficient systems and controls are in place to manage risks in their areas.

The second line consists of a designated risk management resource (Compliance Manager) who provides guidance, oversight and review of the risk management framework. The Executive Director - Finance holds the regulatory responsibility for risk management as nominated Chief Risk Officer.

The Financial Controller is the Risk Owner within the Senior Leadership Team. The Compliance Manager reports directly to the Financial Controller and supports management and the Board in ensuring that there are adequate procedures in place to meet compliance and legal requirements and to manage compliance risk.

The Risk Committee reports directly to the Board. It comprises a mixture of executive and non-executive directors together with the Compliance Manager, and is regularly attended by operational managers from across the business. The committee includes certain members of the Audit Committee to ensure the two groups’ work is complementary.

The third line of defence is internal audit, which has a rolling, risk-based programme across the entire organisation. The Group’s internal audit service has been outsourced throughout the year. This has ensured the Group has access to a comprehensive range of specialist skills and a truly independent internal audit function, reporting directly to the Audit Committee.

Where risks are identified, clear policies and procedures are have been put in place to mitigate the identified risk to a level in line with Westfield Health’s risk appetite. Westfield Health’s risk framework and process is subject to regular review to ensure that it remains fit for purpose.

Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) process is co-ordinated by the Risk Management function with input from a wide range of stakeholders across Westfield Health. Material risks are identified and assessed by senior managers across the business. These are correlated to determine likely capital impacts, and recommendations made for additional management actions.

A range of scenarios is developed in consultation with the Risk Committee and senior management. These scenarios are then applied to Westfield Health’s balance sheet model to identify their impact on capital.

The resulting ORSA report and associated recommendations are reviewed by the Risk Committee and the Board prior to final review and approval by the Board.

Recommended actions from the ORSA are a standing agenda item for the Risk Committee. Any proposed decisions which are expected to have a significant impact on either the capital or risk profile of Westfield Health are assessed by a process which includes identifying their impact on the projected capital position, and determining whether the impact is so material that the ORSA requires re-performing. All Board proposals include a section on capital and solvency implications to ensure consideration is given to them.

The ORSA is generally performed once per year, unless an interim ORSA is considered necessary as described above.

Capital management

The Board recognises the importance of maintaining adequate solvency to ensure the long-term stability of Westfield Health. This is particularly important as all of Westfield Health's capital comes from retained earnings.

The Board intends that Westfield Health should hold a minimum of 200% of its Solvency Capital Requirement ("SCR") on a Solvency II basis under any "base case" financial model, and a minimum of 125% of its Solvency Capital Requirement under any reasonably foreseeable adverse scenario.

B.4. Internal control

The Company's structure is relatively straightforward; its internal control system is proportionate to the complexity of the business. The Board sets the corporate culture and environment including the overall "tone from the top" around controls. It does this by setting and defining Westfield Health's strategy, risk appetite, vision, values and key policies; and by overseeing Westfield Health's operations, reviewing regular reports from management on performance against budget, strategy and risk appetite.

Managers have responsibility for ensuring the appropriate controls are in place to identify and mitigate risks to the operational areas under their responsibility.

The Risk Management and Compliance functions provide oversight around development and implementation of risk assessments and controls. The internal audit function provides a fully independent review for the Board of the efficacy of the overall control environment.

Compliance function

Role

The Compliance function supports management and the Board in ensuring that there are adequate procedures in place to meet compliance and legal requirements and to manage compliance risk.

Authority

The Compliance function acts under a mandate from the Board. The annual Compliance Plan is approved by the Risk Committee.

The Compliance function has access to:

- All areas of the business as necessary to execute the Compliance plan.
- The Chief Executive, Risk Committee and Audit Committee to report any matter that they consider puts the business at risk from non-compliance with its regulatory and legal obligations

The Compliance function is led by a suitably qualified and experienced member of staff.

Reporting

The Compliance function has a management reporting line to the Financial Controller and a functional reporting line to the Risk Committee. The Compliance function holder attends the meetings of this Committee. Written reports are submitted to each bi-monthly meeting of the Risk Committee, and quarterly to the Board.

Independence

The Compliance function's independence from the business activities that it monitors is ensured by its formal status, which is stated and communicated through the Compliance Charter. To further ensure independence, the Compliance function as a whole or its individual members are not placed in a position where possible conflict of interest may occur between compliance responsibilities and any other responsibilities.

Effectiveness

The effectiveness of the Compliance function is periodically reviewed and reported upon by the Internal Audit function.

B.5. Internal audit

Westfield Health's internal audit is outsourced to PricewaterhouseCoopers LLP ("PwC"); the role of Chief Audit Executive is fulfilled by a PwC partner and all internal audit staffing is the responsibility of PwC. The "internal audit" role required under the Senior Insurance Managers' Regime is held by Westfield's Chief Executive Officer who has regulatory responsibility for overseeing the relationship with PwC and the quality of their work.

Scope of work

All of Westfield Health's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit recommends areas should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit programmes include obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.

Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, senior management and regulators.

Responsibilities

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Audit Committee and senior management, submitting the internal audit plan, internal audit budget, and resource plan for review and approval by the Audit Committee, implementing the approved internal audit plan, and issuing periodic audit reports on a timely basis to the Audit Committee and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit Committee makes appropriate enquiries of management and the Chief Audit Executive to determine whether there are any inappropriate limitations to scope or resource.

Reporting and independence

The internal audit plan of work is discussed with management but the internal auditors report to the Audit Committee.

Internal Audit staff remain independent of the business and report to the Chief Audit Executive who, in turn, report functionally to the Audit Committee and administratively to the Executive Director - Finance.

Internal Audit staff have no direct operational responsibility or authority over any of the activities they review. Therefore, they do not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Chief Audit Executive, then the Audit Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

Other PwC teams may be involved in the design and implementation of controls that will be/could be subject to internal audit review. Any such work is unrelated and the teams will be kept entirely separate. In those circumstances, the Executive Director - Finance is responsible for considering whether specific additional review procedures are needed to address any perceived impairment of objectivity.

B.6. Actuarial function

Westfield Health's insurance business is relatively straightforward. Claims are typically high-volume, low-value and are reasonably predictable using straightforward pricing models. The period between an insured event and settlement of a claim is extremely short, so technical provisions are modest compared to premiums or claims. As such the level of actuarial review required is limited.

The actuarial function is held by the Executive Director - Finance, who also holds the “Chief Actuary” role required under the Senior Insurance Managers’ Regime.

Pricing is performed by the Underwriting team under the supervision of the Head of Underwriting and Insight. Significant or bespoke pricing decisions are reviewed by the Underwriting Steering Group (USG) which includes the Executive Director - Finance and the Financial Controller, who are able to provide independent review and challenge to these pricing proposals. USG decisions are periodically reviewed by the Risk Committee.

Technical provisions are calculated by the Finance department and reviewed by the Financial Controller. They are subject to external audit on an annual basis and the process of maintaining the model includes regular comparison of previous estimates to actual out-turns.

The Finance department contributes its modelling expertise to the ORSA process under the supervision of the Executive Director - Finance.

This approach to the implementation of the actuarial function is considered proportionate to the level of risk and complexity inherent in Westfield Health’s business.

B.7. Outsourcing

Westfield Health’s outsourcing policy calls for an assessment of the importance of the service which is to be outsourced, and specifies steps which are proportionate to the importance of the resulting arrangement. The objective of these is to ensure that all activities undertaken as an outsourced arrangement are adequately and proportionately controlled in order to ensure that the strategic objectives of the Group and its responsibilities to policyholders and other stakeholders are not compromised.

Westfield Health is currently using a number of outsourced service providers to provide important or critical operational functions:

Outsourced service	Location of Provider
Internal audit	UK
Provision of data centre services and internet connectivity	UK
Database management services	UK
Telephony maintenance and support	UK
E-mail filtering	USA
Storage and collection of backup media	UK
Software development	Romania, UK
Cloud hosting	UK, Ireland

Westfield Health also outsources all staffing to Westfield Employment Services Limited, a wholly-owned subsidiary whose sole object is to provide staff to the Westfield Group.

B.8. Adequacy of governance arrangements

The Board of Directors are satisfied that the system of governance is adequate for the nature, scale and complexity of the risks inherent to Westfield Health.

C. Risk Profile

C.1. Underwriting risk

There have been no material changes in the risk exposure or means used to assess underwriting risk during the year.

Risk assessment measures

The operational 'Underwriting Steering Group' (USG) is responsible for monitoring product group performance and insurance risk. The USG is overseen by the Risk Committee.

Underwriting risk is assessed using the following measures:

Claims modelling and experience monitoring

Based on experience, Westfield Health models expected claims for each benefit, benefit limit and customer type. This allows Westfield Health to prepare a budget for each product line including the expected claim ratio. Product performance is monitored against this claim ratio and deviations are investigated.

Market monitoring and tracking of claims trends

Westfield Health's cash plan claims are driven partly by behavioural factors. Claim trends, purchasing behaviour and other signals from the broader healthcare market are all monitored for indications that customer behaviour may not be in line with underwriting assumptions.

Description of material risk exposures

Risks arising from insurance contracts can be sub-divided into 3 elements as follows:

- Premium risk - risk that insurance premiums received do not cover claims paid;
- Reserve risk - risk that technical provisions for incidents incurred but not reported are inadequate; and
- Catastrophe risk - risk of a mass accident, pandemic or other incident leading to exceptionally high levels of claims.

These are explained in more detail below.

Premium risk

Health Cash Plan

The nature of Westfield Health's core health cash plan product (reported as "medical expenses insurance" for Solvency II purposes), where claims are low in value and high in volume, tends to produce only small fluctuations in claims relative to the pricing of premiums.

As noted above, claim patterns are behavioural in nature; unexpected behaviour in customer groups could therefore lead to a large volume of loss-making insurance contracts being written.

Product performance is under constant review with active monitoring of all products for indications of such adverse selection; when identified, appropriate actions are taken to mitigate risk.

Hospital Treatment Insurance

Westfield Health's hospital treatment insurance product (reported as "medical expenses insurance" for Solvency II purposes) accounts for a small proportion of premium income. The claims profile is more volatile than health cash plan claims as claim values are higher whilst incident rates are lower.

Prices are kept affordable by negotiating fixed price treatment packages and excluding heart and cancer treatment - areas that the NHS already have established and proven pathways - and excluding chronic conditions. This also reduces premium risk because Westfield Health is not exposed to high-cost novel treatments, chronic conditions and pharmaceuticals.

Reserve risk

Health Cash Plan

Westfield Health's technical provisions for the health cash plan business are small relative to premiums. This reflects the terms of business - policyholders have 13 weeks to submit a claim from the incident date and claims are processed promptly on receipt.

Hospital Treatment Insurance

The nature of the product is such that claims must be reported to Westfield Health before treatment has commenced, and claims are usually resolved within a short timescale. This means that technical provisions and the associated reserve risk for hospital treatment insurance are small.

Catastrophe risk

Where events such as death and disablement are covered in Westfield Health plans, this cover is underwritten by a third party, limiting the financial risk to Westfield Health. Whilst a catastrophic event may directly lead to increased incidents requiring hospitalisation or therapy treatments, which are covered by Westfield Health's health insurance plans, the impact of a catastrophic event is assessed not to be material for cash plans.

Investment assets and the prudent person principle

This is not relevant to underwriting risk.

Risk concentration

Corporate paid business exposes Westfield Health to the risk of concentration with a single customer whose behaviour may not reflect that expected. In the case of cash plans, corporate cultures and the behaviour of the employer can lead to much higher incident rates than those anticipated. For hospital treatment insurance this is mitigated by the non-discretionary nature of the procedures covered.

Similarly, if a corporate customer or intermediary accounts for a significant proportion of Westfield Health's income, Westfield Health's financial results become dependent on retaining this business.

The value of premiums from large accounts and via key brokers is monitored to identify potential concentrations of underwriting risk.

Risk mitigation

The following techniques are used to mitigate the risk associated with insurance risk:

Product design

Combining several benefits in one product reduces the impact of a sudden movement in behaviour on one benefit.

Product pricing

Westfield Health has a defined target claim and combined ratio. Product pricing is based on this underwriting objective.

Sales channels

Westfield Health has a combination of individual and group business, and sells to each of these customer groups both directly and through brokers. This variety of customers leads to a wider range of behaviours which mitigates behavioural risks.

Claims rules

The 13-week claim period for policyholders to submit cash plan claims mitigates the risk that there is a significant volume of incidents outstanding which have not been claimed, thus reducing the reserve risk. The claims reserve model monitors deviations between estimated and actual claims.

Claim monitoring

Westfield Health uses a range of manual and automated processes to detect fraudulent or invalid claims. Rates of potentially invalid claims are tracked to assess efficacy.

Monitoring, pricing and product design

As noted above, results are regularly monitored against expectations. Insights from this monitoring are used to inform Westfield Health's regular reviews of pricing, contract terms, and benefit limits, to ensure that real, sustainable value is being provided to all customers.

Reinsurance

Westfield Health currently reinsures hospital treatment insurance, principally to protect the Company from extreme fluctuations in underwriting result. The effectiveness of this arrangement is reviewed annually by the Risk Committee, considering the cost, contract terms, potential outcomes and any potential credit risk from the reinsurance arrangement.

Risk sensitivity, stress and scenario testing

Westfield Health's ORSA looks at the total monthly and quarterly fluctuations in claim experience, separately for hospital treatment insurance and health cash plan business. These will include seasonal, random and behavioural/anti-selective fluctuations related to both types of business.

These "regular" fluctuations give an indication of the likely impact of more exceptional deviations for any of the above reasons.

The Health Insurance risk module of the Solvency Capital Requirement at the year-end was £9.0m. Westfield Health's internal estimate of a severe fluctuation in the claim ratio is significantly lower than this and therefore £9.0m is considered a highly prudent assessment of Westfield Health's sensitivity to severe adverse claims patterns.

C.2. Market risk

Risk assessment measures

Market risks are measured through the following metrics and reported regularly to the Investment Committee, both at a detailed and an aggregate level:

- Annualised volatility;
- Asset allocation and performance compared to benchmarks;
- Value-at-risk;
- Expected tail loss; and
- Losses for the current portfolio under specific stresses.

These measures have remained the same throughout the year.

Description of material risk exposures

Movement in equity markets, interest rates, credit spreads or other financial market movements can lead to losses in Westfield Health's investment portfolio. Any gains or losses arising on market movements remain unrealised until the investment is sold, when they become realised. These risks have remained the same throughout the year.

Investment assets and the prudent person principle

The "prudent person principle" of Solvency II is that insurers should select investments so that the portfolio as a whole has appropriate levels of security, liquidity and profitability, and that they should properly understand and manage the risks of all their investments. Westfield Health implements this requirement through its Investment Policy.

The Investment Policy specifies:

- A risk/return objective. Westfield Health's investments are "tiered" by target risk and return. These are aggregated to give an overall risk/return objective, whilst ensuring that a significant proportion of assets are invested in very low-risk investments;
- Approved asset classes - Westfield Health is committed to only investing where it understands the risks;
- Strategic asset allocations for each tier to prevent excess concentration in any one asset class
- Concentration limits for any one investment counterparty;
- Risk and return reporting requirements; and
- The selection of managers for each asset class.

Westfield Health's portfolio is diversified between asset classes with a particular focus on reducing "correlation" - the extent to which all of Westfield Health's assets respond in the same way to a market shock. The impact of a range of shocks is regularly modelled and monitored by the Investment Committee. Benchmarks have been approved within the Investment Policy which formalise the cautious balance between acceptable risk and return for Westfield Health's investment portfolio.

Specialist managers are used for each asset class. Throughout the year an investment consultant was also engaged to provide investment risk management advice.

Risk concentration

Westfield Health does not have any identified material risk concentrations in its investment portfolio.

Risk mitigation

The key risk management approaches are set out under "prudent person principle" above; their efficacy is assessed by tracking the measures set out above under "risk measurement".

Westfield Health has no appetite to use derivatives directly; asset managers may use derivatives for the purposes of risk management and efficient portfolio management. Several of Westfield Health's funds are hedged back to sterling by the relevant fund managers; all fund managers' performance is measured against sterling benchmarks.

Risk sensitivity, stress and scenario testing

Westfield Health's ORSA report includes an extensive section on stress and scenario analyses related to market risks.

These include the impact of equity market movements, interest rate and spread changes, currency market movements and changes in property markets.

In its balance sheet modelling, Westfield Health has also modelled the impact of a severe recession, in which:

- Equities and property fall by 20% and produce no yield for 3 years;
- Bonds fall by 10% and produce no yield for 3 years;
- Net policyholder numbers fall by 31% over 3 years; and
- Claims inflation doubles whilst pricing pressure does not allow any price increases during the 3-year period.

Westfield Health's reserves are sufficient to allow several years to adjust to such a scenario without breaching capital requirements.

The market risk module of the Solvency Capital Requirement, reflecting a "one-in-two-hundred year" shock, was £20.1m, accounting for the majority of Westfield Health's Solvency Capital Requirement.

C.3. Credit risk

Risk assessment measures

Credit checks are undertaken on suppliers and credit ratings are periodically reviewed for major financial partners (such as banks).

Policyholder debtors are reviewed and overdue balances investigated.

Description of material risk exposures

Westfield Health does not have material exposure to credit risk other than its banking relationships, which are mitigated by holding cash with reputable banks, whose credit ratings are regularly monitored.

Some premiums are collected on Westfield Health's behalf by an intermediary; these are paid over on a monthly basis and there is never a material balance owing. Policyholder debtors are low in value; and the credit risk associated with the reinsurance arrangement is not material due to the relatively low value of the reinsurance.

Investment assets and the prudent person principle

As disclosed above, Westfield Health's Investment Policy limits its exposure to any one financial institution.

Risk concentration

As above, Westfield Health's only material credit risk arises from its banking relationships. These are not considered so material as to give rise to a material concentration of credit risk.

Risk mitigation

Westfield Health's key mitigation for credit risk is to maintain a low exposure. If the risk assessment measures described above suggest significant credit risk, actions are taken to reduce the risk in a manner proportionate to the risk identified.

As part of its liquidity management, Westfield Health has an upper limit for the value of cash holdings. This is partly in order to ensure that surplus cash is invested to generate returns; it also serves to limit losses in the unlikely event of the failure of a current account provider. Deposit investments are also subject to concentration limits and regular credit checks.

Risk sensitivity, stress and scenario testing

As described above, credit risk is not considered sufficiently material to include in Westfield Health's stress testing programme.

C.4. Liquidity risk

Risk assessment measures

The Finance department prepares a regular cash flow forecast to allow cash to be managed efficiently, comparing anticipated cash requirements to available cash to manage liquidity.

Forecasting and monitoring of historic cash flows allows an estimate of the maximum realistic cash which may be required over a given period and hence exposure to liquidity risk.

Description of material risk exposures

Liquidity risk could arise from a failure to ensure cash is available to meet claims, investment and operational cash flows, or if an expected cash inflow (e.g. a premium collection) fails.

Westfield Health requires all health cash plan claims to be submitted within 13 weeks of being incurred; the aim is to process claims promptly upon receipt. The nature of the insurance written by Westfield Health therefore means that liquidity risks are mainly short-term.

Investment assets and the prudent person principle

As discussed under “risk mitigation” below, the Investment Policy requires a high proportion of investments to be liquid in nature with restrictions on investments which are less liquid.

Risk concentration

The only identified concentration of liquidity risk is that Westfield Health uses a single bank for current account provision. Westfield Health has access to a separate bank in the event of any issues experienced by the main banking provider.

Risk mitigation

Westfield Health aims to hold at least half of one month’s average gross premium income over and above its working capital requirements in cash. This is estimated to be enough to allow for unexpected fluctuations and large cash outflows.

At present Westfield Health’s insurance liabilities are predominantly very short-term; therefore the risks associated with asset-liability mismatches arise from asset liquidity.

The liquidity profile of Westfield Health’s investments is regularly reported as part of the investments management information. Any investment into assets with liquidity periods beyond twelve months is specifically authorised by the Investment Committee and advised to the Risk Committee.

A minimum of two month’s gross premiums is held in assets with a liquidity term of a maximum of one month in order to allow for severe unexpected cash flows. Where breaches of this are anticipated, the Risk Committee must be notified immediately (via the Financial Controller) by the Chair of the Investment Committee, and a written plan on how the matter is to be resolved provided as soon as reasonably practical.

Expected profits in future premiums

Expected profits in future premiums are not a material factor for Westfield Health’s liquidity management; as at 31 March 2018 their value was nil.

Risk sensitivity, stress and scenario testing

Given the nature of Westfield Health’s insurance business, its high cash holdings and the liquid nature of its investments, long-term liquidity risk is not considered material. The liquidity requirements above were set on the basis of modelling the situation if a major cash inflow - such as a premium collection - fails. The minimum acceptable cash balance is based on Westfield Health’s maximum “typical” cash outflow over a two-week period, as it may take up to two weeks to liquidate assets or get additional funding arranged in the case of a major cash inflow failing. These requirements are reviewed as part of the ORSA process.

C.5. Operational risk

Risk assessment measures

Operational risks are recorded on Westfield Health’s Risk Register. Key risk areas and themes from the risk register are assessed in more detail as part of the ORSA process.

Westfield Health’s risk appetite measures operational risk exposure and appetite against metrics including:

- Direct financial cost;
- Business interruption and lost time;
- Staff turnover and absenteeism;
- Reputation; and
- Regulatory breach.

Description of material risk exposures

Key risk areas include:

Market risks

Movement in equity markets, interest rates, credit spreads or other financial market movements can lead to losses in Westfield Health's investment portfolio.

The portfolio is diversified between asset classes with a particular focus on reducing "correlation" - the extent to which all of the Company's assets respond in the same way to a market shock. The impact of a range of shocks is regularly modelled and monitored by the Investment Committee and Risk Committee. Benchmarks have been approved which formalise the cautious balance between acceptable risk and return for the Company's investment portfolio within the Company's investment policy.

Business strategy

As the Group continues to widen its offering in the growing Health & Wellbeing market, both organically and through acquisitions, it is important to recognise the need for an appropriate strategy to ensure strategic alignment across the Group.

Key management information is shared with the Board on a monthly basis. The Board also regularly meets to review the Group's business planning and strategy development. This includes the review of detailed budgets for the next five years and higher level planning for the next six to ten years, including the impact of the strategy on capital and solvency requirements.

IT risks

IT failures could lead to significant issues, for example system downtime, lost productivity and data corruption, theft or loss. Cyber security is a key focus and is high on the Board and Risk Committee's agenda. The Group operates a process of continuous improvement of its systems and processes to maintain the confidentiality, integrity and availability of business information systems and data through the implementation of the Information Security Management System (ISMS) and the Group is working towards ISO27001 certification, to be completed during 2018.

All IT infrastructure is located at a specialised data centre for additional resilience, in addition Cloud services are utilised where appropriate. A business continuity/disaster recovery plan, including a backup site, is in place. A second external data centre for disaster recovery has been set up and data is replicated to it at regular intervals. This significantly enhances the Group's operational resilience. The Group's IT infrastructure and application security and resilience is under constant review and is periodically tested by independent specialists.

Insurance risks

Plans are priced based on existing underwriting experience data, with validated key assumptions and pricing methodology. If policyholder behaviour or healthcare costs change, there is a risk that premiums will not be sufficient to meet claims - or that premiums will prove excessive, which is not in the best interests of policyholders.

In order to protect the stability of underwriting margins, claims trends are actively monitored on an ongoing basis to identify any significant changes in claims experience and allow prices to be adjusted accordingly. Westfield Health invests in underwriting data mining and analytics which will further enhance its insurance risk management capabilities.

Key personnel

There is inevitably a degree of reliance on key personnel, whose departure could increase the risk that core processes may not operate correctly.

This risk is mitigated by strong leadership, staff development and coaching and training strategies. Succession planning continues to be developed across the Company. Documentation of core processes is performed so that they can be undertaken by other members of staff if necessary.

Suppliers and counterparties

Failure of a supplier or counterparty could lead to financial or other loss for the Company or its customers.

All significant suppliers and counterparties are credit checked. For key suppliers, regular performance and credit monitoring takes place and contingency plans are developed to mitigate the consequences of supplier failure. The contracts register is centrally held by the Procurement Lead and is reviewed and updated regularly.

Liquidity

The Company needs to ensure that it has sufficient liquid resources to meet its liabilities as they fall due.

Claims and day-to-day expenses are broadly matched with premium income. However, claims do show some volatility leading to some unpredictability in cash outflows. To mitigate this risk, the Company holds sufficient excess cash to cover all but the most extreme variances and the majority of the Company's investments can be liquidated within one week. To ensure that an appropriate level of cash is retained, regular cash flow and liquidity modelling is conducted.

Regulation

Regulation is constantly evolving and regulatory breaches could have serious consequences for the Company including fines, reputational damage and potentially even loss of permission to operate. All of Westfield Health's major regulators have indicated they neither expect nor want wholesale changes to regulation as a result of the UK's forthcoming exit from the EU; however this cannot be taken for granted. Changes to the regulatory environment are monitored carefully and regularly work with outside experts to review specific areas of Westfield Health's regulatory compliance.

Data protection

As a health insurance provider Westfield Health holds a significant amount of personal data, of which some is classified as sensitive data.

Compliance with Data Protection obligations continues to be a priority for Westfield Health. All new starters are required to undergo data protection training as part of the induction process and this is further supplemented by refresher training and competency testing on a regular basis. Resource has been allocated to a project team to help ensure that the business meets the requirements of the new General Data Protection Regulations (GDPR) by the implementation deadline of May 2018 and we have engaged with external professional support to assist with this. The impact of this new legislation will be fully embedded into the whole of the organisation during 2018.

Customer experience

The Company's customers have come to expect an excellent customer experience with Westfield Health. If this is not delivered the Company's relationship with customers would be compromised, leading to loss of business.

The Company has adopted a number of time based quality standards in respect of its primary operations. The performance against standard as well as the Net Promoter Score is reported internally on a monthly basis and every year the Company prepares a formal performance statement on its achievement of these standards.

Investment assets and the prudent person principle

This is not relevant for operational risk.

Risk concentration

Westfield Health does not believe that it has any significant concentrations of operational risk.

Risk mitigation

The key mitigation for operational risk is operational controls, including the culture and control environment of Westfield Health. Westfield Health's Risk Committee receives regular reports on key operational risk exposures; the internal audit function also reviews operational risk areas as it considers appropriate. There is also a framework for identifying, reporting and escalating operational risk incidents.

The only "risk mitigation" (other than operational controls) used by Westfield Health for operational risk is the purchase of certain insurances such as employers' liability, property, and motor insurance.

Risk sensitivity, stress and scenario testing

Westfield Health has quantified in its ORSA the financial impacts of the key operational risks above. Westfield Health has also considered hypothetical scenarios including a major operational incident leading to significant loss of customers, regulatory sanction and reputational damage. An event of this nature would cause significant financial loss - and would reflect a breach of trust with key stakeholders - but does not pose a threat to Westfield Health's solvency.

C.6. Other material risks

Pension Funding Requirements

The Group has a defined benefit pension scheme which closed to future accrual as at 31 March 2016. The last full actuarial valuation was performed as at 31st March 2015 and showed a surplus of £1.38m. The defined benefit pension scheme shows a surplus of £3.6m as at 31st March 2018 under the FRS 102 valuation (2017: £3.4m). The closure of the scheme to future accrual significantly reduces the expected cost of providing benefits in the future. Changes in financial market conditions, actuarial assumptions, regulatory requirements, and other factors can all result in changes to the funding requirements for this scheme.

The pension scheme has a professional trustee, who is actively involved with the Group to ensure that the scheme is adequately funded and appropriately managed.

D. Valuation for solvency purposes

General

Solvency II requires assets and liabilities to be valued on a market-consistent basis whilst Westfield Health's financial statements are prepared on the basis of UK GAAP (FRS102 and FRS103). This is largely, but not entirely consistent with Solvency II and therefore certain adjustments are required in order to comply with the requirements of Solvency II.

The following table sets out the key differences between Westfield Health's Solvency II balance sheet and that provided in the statutory financial statements. The full Solvency II balance sheet is presented in template S.02.01.02 in Appendix 1.

Summary balance sheet as at 31 March 2018 on Solvency II and statutory accounts bases

	Statutory accounts value £'000	Solvency II value £'000	Difference £'000
<i>Assets</i>			
Intangible assets	1,088	-	(1,088)
Pension benefit surplus	3,610	3,610	-
Property, plant & equipment held for own use	8,667	7,015	(1,652)
Investment Property	4,750	4,750	-
Investments in related undertakings	2,119	1,675	(444)
Equities	12,185	12,185	-
Bonds	7,532	7,609	77
Collective Investments Undertakings	30,827	30,831	4
Deposits other than cash equivalents	7,155	7,155	-
Other loans and mortgages	138	138	-
Reinsurance recoverable	93	15	(78)
Receivables	1,914	1,542	(372)
Cash and cash equivalents	3,774	3,774	-
Total assets	83,852	80,299	(3,553)
<i>Liabilities</i>			
Technical provisions	2,720	3,700	980
Deferred tax liabilities	1,475	1,475	-
Payables	4,276	4,276	-
Total liabilities	8,471	9,451	980
Excess of assets over liabilities	75,381	70,848	(4,533)

D.1. Assets

Value

The value of each material class of assets is set out in the Solvency II balance sheet, presented in template S.02.01.02, and summarised above.

Recognition and valuation bases, assumptions, judgements and differences

Intangible assets

Westfield Health holds software licences which are not transferable. Under UK GAAP, these are recognised at cost, less amortisation, less impairment. Under Solvency II, these are valued at £nil on the Solvency II balance sheet as they are not considered readily convertible to cash.

This has the effect of decreasing intangible assets by £1,088k to £nil.

Pension Benefit Surplus

Westfield Health maintains a defined benefit pension plan that is closed to future accrual as well as a defined contribution pension plan for eligible employees. The valuation of the pension plan is consistent between the financial statements and Solvency II.

Defined benefit pension plan

The liabilities and, where applicable, the assets of the defined benefit plan are recognised at fair value in the balance sheet. An updated valuation for accounting purposes is performed annually by a qualified actuary using the projected unit credit method with a full valuation for funding purposes conducted every three years by the defined benefit plan's appointed actuary.

Property plant and equipment held for own use

Plant and equipment has been valued at nil on the Solvency II balance sheet, as their market value is not practical or cost-effective to estimate and the Solvency II regulations do not permit the use of depreciated cost.

Property held for own use is valued on the basis of estimated market value, less accumulated depreciation since the most recent valuation (last valued March 2017), in the financial statements. The Solvency II balance sheet requires these assets to be valued at an estimated market value. There is no evidence that the market value of property held for own use has materially changed since the most recent professional valuation; therefore accumulated depreciation has been added back.

These changes have the net effect of decreasing the value of property, plant and equipment held for own use by £1,652k to £7,015k.

Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost at initial recognition. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. Subsequently investment properties are held at fair value. A full valuation is obtained from a qualified valuer for each property every three years, with an internal review of carrying value undertaken in the intervening years. This basis is consistent between the financial statements and the Solvency II balance sheet.

Investments in related undertakings

For its financial statements, Westfield Health measures its investments in associates and subsidiaries at cost less any accumulated impairment losses. For the Solvency II Balance Sheet, Westfield Health measures its investments in associates at Westfield Health's share of the net assets of the associate, measured on a Solvency II basis.

This has the effect of decreasing investments held in related undertakings by £444k to £1,675k.

Investments - Equities, bonds and other financial investments

Differences between financial statements and Solvency II balance sheet

Westfield Health's accounting approach for its investments is consistent between the audited financial statements and Solvency II, with the following exceptions:

- For the financial statements accrued interest on bonds is included within receivables; under Solvency II this accrued interest is included in the valuation of the bond. This has the effect of increasing investments in bonds and equities by £77k and decreasing receivables by the same amount.
- For the financial statements listed assets are recognised at bid market price; for Solvency II they are recognised at mid market price. This has the effect of increasing investments in bonds and equities by £4k.

Apart from the differences mentioned above, the SII valuation and recognition of investments follows the FRS 102 treatment as per the financial statements:

Recognition

The asset values of investments are recognised when Westfield Health becomes a party to the contractual provisions of the instrument. They are derecognised only where the contractual rights to the cash flows from the instrument expire or the instrument is sold or transferred and the sale or transfer qualifies for de-recognition.

Fixed income securities

Fixed income securities are measured initially at fair value, which is the transaction price less attributable transaction costs. Subsequent to initial recognition investments are measured at fair value.

Investments in equity instruments

Investments in equity instruments are measured initially at fair value, which is the transaction price less attributable transaction costs. Subsequent to initial recognition investments are measured at fair value.

Deposits with credit institutions

Cash deposits are measured at fair value which is the cash deposit value plus accrued interest.

Cash

Cash comprises cash balances which are repayable on demand. They are measured at fair value.

Unlisted Investments

Unlisted Investments are bonds or shares held which are not tradable on quoted listed markets. They are measured at cost which is deemed to represent fair value.

Fair value measurement and valuation hierarchy

FRS 102 fair value measurement establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

- Level 1: quoted prices in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset e.g. Price of a recent transaction for an identical asset;
- Level 3: valuation technique to be used to determine arm's length price for the asset.

Listed investments totalling £50,605k are stated at mid-market price on the Solvency II balance sheet and are all based on Level 1 inputs.

Deposits with credit institutions, £7,155k, are all due within 6 months. The carrying value is a reasonable approximation of fair value under Level 1 inputs.

Unlisted investments consist of small bond and shareholdings totalling £20k. These are based on appropriate valuation techniques which are categorised as Level 3 inputs.

Reinsurance recoverables

Technical provisions are calculated as set out in section D.2 below. Part of these provisions are recoverable through reinsurance. In the financial statements the associated recoverable is £93k, representing the reinsurer's share of claims that have been provided for in the technical provisions. Reinsurance recoverables calculated for Solvency II purposes total £15k which represents the reinsurer's share of claims in relation to both the claim and premium provisions. Reinsurance on the Solvency II premium provision is net of premiums paid to the reinsurer and so is lower than the financial statement reinsurance recoverable which does not include these.

Receivables

Receivables comprise policyholder debtors, reinsurance receivables, prepayments and other trade receivables, and intra-group loans. All of these are short-term receivables so the carrying value is considered a reasonable approximation to the fair value; the valuation of these is therefore consistent between the financial statements and the Solvency II balance sheet with the exception of the following:

- For the financial statements accrued interest on bonds is included within receivables; under Solvency II this accrued interest is included in the valuation of the bond. This has the effect of increasing investments in bonds and equities by £77k and decreasing receivables by the same amount.
- Westfield Health holds software licences which are not transferable, some of which are included under prepayments. Under Solvency II, software licences not recognised on the Solvency II balance sheet. This has the effect of decreasing receivables by £295k.

Level of uncertainty

Westfield Health considers that its asset valuations are subject to a low level of uncertainty.

The only significant uncertainty is around the valuation of the pension scheme surplus. Key assumptions underlying the liability component are selected with the assistance of an appropriate qualified actuary and the liability is valued in line with accounting standards; as noted above changes in assumptions can have a significant impact on the valuation of the scheme surplus.

D.2. Technical provisions

Value and valuation method

Westfield Health only underwrites one line of business (health insurance); the value of technical provisions, split out into best estimate and risk margin, is set out in the Solvency II balance sheet, presented in template S.02.01.02 and are set out below:

Gross Technical Provisions	Statutory accounts value	Solvency II value	Difference
	£'000	£'000	£'000
Claim provision	2,262	2,732	470
Premium Provision	458	366	(92)
Risk Margin	N/A	602	602
	2,720	3,700	980

Valuation method

Best estimate claims provision

Claims reported but not paid at the balance sheet date are included based on claims settled after the reporting date. This method is the same for Solvency II and the financial statements.

Claims incurred but not reported at the balance sheet date are estimated based on statistical projections from Westfield Health's experience over the most recent 12 months, with appropriate adjustments made for identified anomalies in the data. This method is the same for Solvency II and the financial statements.

Administrative costs for the claims provision are calculated on a different basis for Solvency II and the financial statements. The financial statements include a provision for the cost of handling claims only. The Solvency II claims provision is required to include a provision for related administrative expenses, acquisition costs and overheads. For the Solvency II balance sheet this is calculated on the basis of administrative costs as a percentage of annual claims cost. This results in an increase in the best estimate claims provision of £470k from £2,262k to £2,732k.

Best estimate premium provision

In the financial statements, technical provisions comprise the best estimate claims provision (as above), premiums received not yet earned, and premium rebates due to customers under surplus share agreements.

On the Solvency II balance sheet, the premium provision consists of an estimate of the following items for contracts bound at the reporting date, up to their contract boundary:

- Premiums to be earned
- Claims to be paid
- Other expenses to be paid in relation to these contracts, as described for the claims provision.

The contract boundary for monthly renewable contracts is treated as one month after the reporting date. For annual contracts it is treated as the date of renewal of the contract; it is assumed that all contracts entering into force in the first month following the reporting date were bound before the reporting date.

Each element of the premium provision is calculated on the basis of budgeted income and expenditure; experience indicates that Westfield Health's business is highly predictable and material variances from budget are rare.

For the financial statements, the premium provision has a value of £458k; for the Solvency II balance sheet this value is £366k, a decrease of £92k.

Risk margin

The Risk Margin is not a concept used under UK GAAP and so does not appear in the financial statements. Its aim is to quantify the amount, in excess of the best estimate, which Westfield Health would have to pay a third party to take on its insurance obligations to compensate for the uncertainty in the best estimate.

The very short duration of Westfield Health's technical provisions means that the calculation is relatively straightforward as the technical provisions are extinguished within 12 months of the reporting date.

It is calculated using the Standard Formula Solvency Capital Requirement for a hypothetical insurance company which has:

- No market risk
- Immaterial Counterparty Default risk
- Net premium income last year matching that of Westfield Health, with estimated premium income next year being the estimated cash inflows associated with the technical provisions
- Net best estimate claims provision matching Westfield Health
- Health catastrophe risk matching that of Westfield Health

This Solvency Capital Requirement is multiplied by the Cost of Capital, defined by the European Commission as 6%, to give a risk margin of £602k.

The combined impact of all of these adjustments is an increase of £980k in technical provisions from £2,720k in the financial statements to £3,700k for the Solvency II balance sheet.

Level of uncertainty

Westfield Health considers that its technical provisions are subject to a low level of uncertainty. Technical provisions are low in value compared to annual premiums; claims are high-volume, low-value and are considered highly predictable. By the time of audit of the financial statements most technical provisions are extinguished allowing a high level of confidence in their value.

Adjustments

Westfield Health does not apply either a matching adjustment or a volatility adjustment to its technical provisions; neither does it apply any transitional measures in their calculation.

Other disclosures

Reinsurance recoverables

Westfield Health's reinsurance arrangement is a quota share agreement for certain products. The reinsurance recoverable is therefore a percentage of the best estimate of future claims for these products included in the premium provision.

Changes in assumptions

No material changes have been made in the assumptions used to calculate technical provisions compared to the previous reporting period.

D.3. Other liabilities

Value

The value of each material class of liabilities is set out in the Solvency II balance sheet, presented in template S.02.01.02.

Valuation bases

Deferred tax

There is no difference between the valuation of deferred tax in the Solvency II balance sheet or the financial statements balance sheet.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Other liabilities

The nature of all of Westfield Health's other liabilities are trade payables. All of these are short-term payables so the carrying value is considered a reasonable approximation to the fair value; the valuation of these is therefore consistent between the financial statements and the Solvency II balance sheet.

Westfield Health does not have any contingent liabilities.

D.4. Alternative valuation methods

As noted in D.1., Westfield Health has £20k of unlisted investments held at cost. This valuation is the directors' best estimate and is considered proportionate to the small value of these investments.

D.5. Other information

Westfield Health does not have any other information to disclose regarding its valuation methods.

E. Capital management

E.1. Capital management and availability of capital

Objectives, policies and processes

All of Westfield Health's capital originates from retained earnings. The Board recognises the importance of maintaining adequate solvency to ensure the long-term stability of Westfield Health.

The Board also recognises that holding excessive reserves is an inefficient use of policyholders' funds. The Board intends that Westfield Health should hold a minimum of 200% of its Solvency Capital Requirement (on a Solvency II basis) under any "base case" financial model, and a minimum of 125% of its Solvency Capital Requirement under any reasonably foreseeable adverse scenario.

The balance sheet model is run over a ten-year period. The level of detail in the forecast decreases from a fully detailed budget for the first three years; management prepares estimates for the next two years; trends are then extrapolated for the final five years to provide an indication of the possible position in ten years' time.

There have been no changes to the capital management policies and objectives during the reporting year.

Structure, amount and quality of own funds

Westfield Health has no shareholders and no debt so the capital in the financial statements comes from retained earnings. The excess of assets over liabilities on the Solvency II balance sheet forms the "reconciliation reserve"; this reconciliation reserve constitutes all of Westfield Health's "own funds" for Solvency II reporting purposes.

Under Solvency II, own funds are classified into three tiers according to their ability to absorb losses, and only a limited proportion of own funds from lower tiers can be used to cover the Solvency Capital Requirement or Minimum Capital Requirement.

All of Westfield Health's capital, shown in the Solvency II balance sheet, is "tier one" - the highest quality capital - and is eligible to cover both the Solvency Capital Requirement and the Minimum Capital Requirement. As at 31 March 2018, Westfield Health has no deferred tax assets, which would be classed as "tier three" capital - the lowest quality capital.

Transitional arrangements

Westfield Health has no spread or concentration risk arising from exposures to EU member states' or central banks' debt which is denominated in a currency other than the state's own currency. Therefore the transitional arrangement in Article 308b(9) of the Solvency II directive is not relevant.

Westfield Health (including its pension scheme) has £38m of equity investments (directly held and via pooled funds) of which £23m were subject to the equity transitional arrangement in Article 308b(10) of the Solvency II directive as at 31 March 2018.

Other factors affecting own funds

Westfield Health has no ancillary own funds and no items have been deducted from own funds.

E.2. Capital requirements

Capital requirements

Solvency II defines two capital requirements. The Solvency Capital Requirement is an estimate of enough capital to survive a “one-in-two-hundred year” shock; the Minimum Capital Requirement is an estimate of enough capital to survive a “one-in-eight year” shock.

Westfield Health’s capital requirements, and own funds available to cover those requirements, as set out in template S.23.01.01 in Appendix 1, are as follows:

	2018	2017
	£'000	£'000
Solvency Capital Requirement	24,479	22,916
Minimum Capital Requirement	6,120	5,729
Own Funds	70,848	73,239
Own Funds : SCR	289%	320%
Own Funds : MCR	1,158%	1,278%

The annual movement in own funds represents the deficit generated by Westfield Health for the year.

Solvency Capital Requirement

Under Solvency II, insurers can either use a “standard formula” or develop their own “internal model” to calculate their Solvency Capital Requirement. Internal models are mainly used by the largest insurance companies with complex risk profiles; Westfield Health uses the standard formula. The standard formula produces a capital requirement for a number of defined categories of risk (modules); the total capital requirement is reduced to allow for diversification between these categories as set out in template S.25.01.21 in Appendix 1.

	2018	2017
	£'000	£'000
Health underwriting risk	8,999	8,591
Market risk	20,130	18,971
Counterparty default risk	413	967
Operational risk	1,625	1,647
Loss-absorbing capacity of deferred taxes	(1,290)	(1,741)
Diversification benefit	(5,398)	(5,519)
Solvency Capital Requirement	24,479	22,916

Where appropriate, the standard formula can be varied by the use of simplifications, or by the use of undertaking-specific parameters. No simplifications and no undertaking-specific parameters have been used. Where the PRA believes that there are specific issues which mean that the standard formula does not adequately reflect the risks relating to a firm, it is also able to impose add-ons to increase the Solvency Capital Requirement; the PRA has not imposed a capital add-on for Westfield Health.

The material year-on-year increase in market risk is mainly driven by an increase in the equity risk charge. This was predominantly caused by an increased shock factor as the rate transitions towards the full charge due in 2023.

Minimum Capital Requirement

The Minimum Capital Requirement is calculated by a linear calculation based on premiums and technical provisions, with a “floor” and “cap” of 25% and 40% respectively of the Solvency Capital Requirement. In both 2018 and 2017 the linear calculation relating to premiums and technical provisions produced a value lower than this 25% floor so Westfield Health’s Minimum Capital Requirement was based on this floor. The year-on-year increase in Minimum Capital Requirement is therefore driven by the increase in Solvency Capital Requirement explained above.

E.3. Other disclosures

Westfield Health does not use a duration-based equity risk calculation.

Westfield Health has at no point been non-compliant with any capital requirements.

Westfield Health has no other information to disclose regarding its capital requirements.

Directors' Responsibility Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- throughout the financial year in question, Westfield Health has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to the Company; and
- it is reasonable to believe that Westfield Health has continued to comply subsequently, and will continue to comply in future.

David Capper
Interim Chief Executive
12 July 2018

Auditor's report

Report of the external independent auditor to the Directors of Westfield Contributory Health Scheme Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 March 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Westfield Contributory Health Scheme Limited as at 31 March 2018, ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21 and S28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'Relevant Elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02 and S19.01.21 and the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Company as at 31 March 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you if:

- the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in 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 there is a material misstatement in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. 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.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Solvency and Financial Condition Report 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 it 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 decision making or the judgement of the users taken on the basis of the Relevant Elements of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory Financial Statements. 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.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the Company's directors, as its governing body, in accordance with the requirement in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Company's directors and issued in accordance with the requirement set out in Rule 4.1(2) of the External Audit Part of the PRA Rulebook and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1(2) 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 through its governing body, for our audit, for this report, or for the opinions we have formed.

Alain de Braekeleer

for and on behalf of KPMG LLP

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

12 July 2018

- The maintenance and integrity of the Westfield Contributory Health Scheme Limited's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

Appendix - relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.17.01.02
 - Rows R0290 to R0310 - Amount of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Appendix 1 - Quantitative Reporting Templates

S.02.01.02 - Balance Sheet

Assets		Solvency II value £'000
		C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	-
R0050	Pension benefit surplus	3,610
R0060	Property, plant & equipment held for own use	7,015
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	64,205
R0080	Property (other than for own use)	4,750
R0090	Holdings in related undertakings, including participations	1,675
R0100	Equities	12,185
R0110	Equities - listed	12,165
R0120	Equities - unlisted	20
R0130	Bonds	7,609
R0140	Government Bonds	4,824
R0150	Corporate Bonds	2,785
R0160	Structured notes	-
R0170	Collateralised securities	-
R0180	Collective Investments Undertakings	30,831
R0190	Derivatives	-
R0200	Deposits other than cash equivalents	7,155
R0210	Other investments	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	138
R0240	Loans on policies	-
R0250	Loans and mortgages to individuals	-
R0260	Other loans and mortgages	138
R0270	Reinsurance recoverables from:	15
R0280	Non-life and health similar to non-life	15
R0290	Non-life excluding health	-
R0300	Health similar to non-life	15
R0310	Life and health similar to life, excluding index-linked and unit-linked	-
R0320	Health similar to life	-
R0330	Life excluding health and index-linked and unit-linked	-
R0340	Life index-linked and unit-linked	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	925
R0370	Reinsurance receivables	148
R0380	Receivables (trade, not insurance)	469
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	3,774
R0420	Any other assets, not elsewhere shown	-
R0500	Total assets	80,299

S.02.01.02 Balance Sheet (continued)

Liabilities		Solvency II value £'000
		C0010
R0510	Technical provisions - non-life	3,700
R0520	Technical provisions - non-life (excluding health)	-
R0530	TP calculated as a whole	-
R0540	Best Estimate	-
R0550	Risk margin	-
R0560	Technical provisions - health (similar to non-life)	3,700
R0570	TP calculated as a whole	-
R0580	Best Estimate	3,098
R0590	Risk margin	602
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	Technical provisions - health (similar to life)	-
R0620	TP calculated as a whole	-
R0630	Best Estimate	-
R0640	Risk margin	-
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)	-
R0660	TP calculated as a whole	-
R0670	Best Estimate	-
R0680	Risk margin	-
R0690	Technical provisions - index-linked and unit-linked	-
R0700	TP calculated as a whole	-
R0710	Best Estimate	-
R0720	Risk margin	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	1,475
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	376
R0830	Reinsurance payables	173
R0840	Payables (trade, not insurance)	3,727
R0850	Subordinated liabilities	-
R0860	Subordinated liabilities not in BOF	-
R0870	Subordinated liabilities in BOF	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	Total liabilities	9,451
R1000	Excess of assets over liabilities	70,848

S.05.01.02 Premiums, claims and expenses by line of business

Non-life		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) Medical expense insurance £'000	Total £'000
		C0010	C0200
	Premiums written		
R0110	Gross - Direct Business	54,123	54,123
R0120	Gross - Proportional reinsurance accepted	-	-
R0130	Gross - Non-proportional reinsurance accepted	-	-
R0140	Reinsurers' share	922	922
R0200	Net	53,201	53,201
	Premiums earned		
R0210	Gross - Direct Business	54,151	54,151
R0220	Gross - Proportional reinsurance accepted	-	-
R0230	Gross - Non-proportional reinsurance accepted	-	-
R0240	Reinsurers' share	921	921
R0300	Net	53,230	53,230
	Claims incurred		
R0310	Gross - Direct Business	41,149	41,149
R0320	Gross - Proportional reinsurance accepted	-	-
R0330	Gross - Non-proportional reinsurance accepted	-	-
R0340	Reinsurers' share	725	725
R0400	Net	40,424	40,424
	Changes in other technical provisions		
R0410	Gross - Direct Business	(78)	(78)
R0420	Gross - Proportional reinsurance accepted	-	-
R0430	Gross - Non-proportional reinsurance accepted	-	-
R0440	Reinsurers' share	-	-
R0500	Net	(78)	(78)
	Expenses incurred		
R0550	Other expenses	14,610	14,610
R1200	Total expenses	-	-
R1300	Total expenses	-	14,610

S.17.01.02 Non-life technical provisions

		Direct business and accepted proportional reinsurance Medical expense insurance £'000	Total Non-Life obligation £'000
		C0020	C0180
R0010	Technical provisions calculated as a whole	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	366	366
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	(23)	(23)
R0150	Net Best Estimate of Premium Provisions	389	389
	Claims provisions		
R0160	Gross	2,732	2,732
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	38	38
R0250	Net Best Estimate of Claims Provisions	2,694	2,694
R0260	Total best estimate - gross	3,098	3,098
R0270	Total best estimate - net	3,083	3,083
R0280	Risk margin	602	602
	Amount of the transitional on Technical Provisions		
R0290	Technical Provisions calculated as a whole	-	-
R0300	Best estimate	-	-
R0310	Risk margin	-	-
R0320	Technical provisions - total	3,700	3,700
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	15	15
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	3,685	3,685

S.19.01.21 Non-life insurance claims - Total non-life business

Z0010

Accident year / underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)												In Current year £'000	Sum of years (cumulative) £'000	
Year	Development year													
	0 £'000 C0010	1 £'000 C0020	2 £'000 C0030	3 £'000 C0040	4 £'000 C0050	5 £'000 C0060	6 £'000 C0070	7 £'000 C0080	8 £'000 C0090	9 £'000 C0100	10 & + £'000 C0110			
R0100	Prior													
R0160	N-9	-	-	-	-	-	-	-	-	-	-	-	-	-
R0170	N-8	-	-	-	-	-	-	-	-	-	-	-	-	-
R0180	N-7	-	-	-	-	-	-	-	-	-	-	-	-	-
R0190	N-6	-	-	-	-	-	-	-	-	-	-	-	-	-
R0200	N-5	-	-	-	-	-	-	-	-	-	-	-	-	-
R0210	N-4	-	-	-	-	-	-	-	-	-	-	-	-	-
R0220	N-3	-	-	-	-	-	-	-	-	-	-	-	-	-
R0230	N-2	-	2,168	-	-	-	-	-	-	-	-	-	-	2,168
R0240	N-1	38,195	2,462	-	-	-	-	-	-	-	-	-	2,462	40,657
R0250	N	38,581	-	-	-	-	-	-	-	-	-	-	38,581	38,581
R0260													41,044	81,406

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)												Year end (discounted data) £'000	
Year	Development year												
	0 £'000 C0200	1 £'000 C0210	2 £'000 C0220	3 £'000 C0230	4 £'000 C0240	5 £'000 C0250	6 £'000 C0260	7 £'000 C0270	8 £'000 C0280	9 £'000 C0290	10 & + £'000 C0300		
R0100	Prior												
R0160	N-9	-	-	-	-	-	-	-	-	-	-	-	-
R0170	N-8	-	-	-	-	-	-	-	-	-	-	-	-
R0180	N-7	-	-	-	-	-	-	-	-	-	-	-	-
R0190	N-6	-	-	-	-	-	-	-	-	-	-	-	-
R0200	N-5	-	-	-	-	-	-	-	-	-	-	-	-
R0210	N-4	-	-	-	-	-	-	-	-	-	-	-	-
R0220	N-3	-	-	-	-	-	-	-	-	-	-	-	-
R0230	N-2	-	-	-	-	-	-	-	-	-	-	-	-
R0240	N-1	2,594	-	-	-	-	-	-	-	-	-	-	-
R0250	N	2,732	-	-	-	-	-	-	-	-	-	-	2,732
R0260													2,732

S.23.01.01 Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		Total	Tier 1	Tier 1	Tier 2	Tier 3
		£'000	unrestricted	restricted	£'000	£'000
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	-	-	-	-	-
R0030	Share premium account related to ordinary share capital	-	-	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve	70,848	70,848	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	-	-	-	-	-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-	-	-
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	-
R0290	Total basic own funds after deductions	70,848	70,848	-	-	-
Ancillary own funds						
R0300	Unpaid and uncalled ordinary share capital callable on demand	-	-	-	-	-
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-	-	-	-	-
R0320	Unpaid and uncalled preference shares callable on demand	-	-	-	-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-	-	-	-
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-	-	-	-	-
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-	-	-	-	-
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-	-	-	-
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-	-	-	-	-
R0390	Other ancillary own funds	-	-	-	-	-
R0400	Total ancillary own funds	-	-	-	-	-
Available and eligible own funds						
R0500	Total available own funds to meet the SCR	70,848	70,848	-	-	-
R0510	Total available own funds to meet the MCR	70,848	70,848	-	-	-
R0540	Total eligible own funds to meet the SCR	70,848	70,848	-	-	-
R0550	Total eligible own funds to meet the MCR	70,848	70,848	-	-	-
R0580	SCR	24,479				
R0600	MCR	6,120				
R0620	Ratio of Eligible own funds to SCR	289%				
R0640	Ratio of Eligible own funds to MCR	1158%				
Reconciliation reserve		C0060				
R0700	Excess of assets over liabilities	70,848				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	-				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-				
R0760	Reconciliation reserve	70,848				
Expected profits						
R0770	Expected profits included in future premiums (EPIFP) - Life business	-				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-				
R0790	Total Expected profits included in future premiums (EPIFP)	-				

S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement £'000	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	20,130		-
R0020	Counterparty default risk	414		
R0030	Life underwriting risk	-	None	-
R0040	Health underwriting risk	8,999	None	-
R0050	Non-life underwriting risk	-	None	-
R0060	Diversification	(5,398)		
R0070	Intangible asset risk	-		
R0100	Basic Solvency Capital Requirement	24,145		
Calculation of Solvency Capital Requirement		C0100		
R0130	Operational risk	1,625		
R0140	Loss-absorbing capacity of technical provisions	-		
R0150	Loss-absorbing capacity of deferred taxes	(1,290)		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-		
R0200	Solvency Capital Requirement excluding capital add-on	24,479		
R0210	Capital add-ons already set	-		
R0220	Solvency capital requirement	24,479		
Other information on SCR				
R0400	Capital requirement for duration-based equity risk sub-module	-		
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	-		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	-		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-		

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole £'000	
		C0020	C0030
Linear formula component for non-life insurance and reinsurance obligations		C0010	
R0010	MCR _{NL} Result	2,647	
R0020	Medical expense insurance and proportional reinsurance	3,084	53,230
R0030	Income protection insurance and proportional reinsurance	-	-
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	-	-
R0060	Other motor insurance and proportional reinsurance	-	-
R0070	Marine, aviation and transport insurance and proportional reinsurance	-	-
R0080	Fire and other damage to property insurance and proportional reinsurance	-	-
R0090	General liability insurance and proportional reinsurance	-	-
R0100	Credit and suretyship insurance and proportional reinsurance	-	-
R0110	Legal expenses insurance and proportional reinsurance	-	-
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	-	-
R0150	Non-proportional casualty reinsurance	-	-
R0160	Non-proportional marine, aviation and transport reinsurance	-	-
R0170	Non-proportional property reinsurance	-	-
Linear formula component for life insurance and reinsurance obligations		C0040	
R0200	MCR _L Result	-	
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	-	
R0240	Other life (re)insurance and health (re)insurance obligations	-	
R0250	Total capital at risk for all life (re)insurance obligations		-
Overall MCR calculation		C0070	
R0300	Linear MCR	2,647	
R0310	SCR	24,479	
R0320	MCR cap	11,016	
R0330	MCR floor	6,120	
R0340	Combined MCR	6,120	
R0350	Absolute floor of the MCR	2,196	
R0400	Minimum Capital Requirement	6,120	



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