



Solvency & Financial Condition Report 31 December 2019

CONTENTS

INTRODUCTION AND SUMMARY

A - BUSINESS & PERFORMANCE

- A.1 Business
- A.2 Underwriting Performance
- A.3 Investment Performance
- A.4 Performance of Other Activities
- A.5 Any Other Information

B - SYSTEM OF GOVERNANCE

- B.1 General Information on the system of governance
- B.2 Fit and proper requirements
- B.3 Risk management system including the own risk and solvency assessment
- B.4 Internal control system
- B.5 Internal audit function
- B.6 Actuarial function
- B.7 Outsourcing
- B.8 Any other information

C - RISK PROFILE

- C.1 Underwriting risk
- C.2 Market risk
- C.3 Credit risk
- C.4 Liquidity risk
- C.5 Operational risk
- C.6 Other material risk
- C.7 Any other information

D - VALUATION FOR SOLVENCY PURPOSES

- D.1 Assets
- D.2 Technical provisions
- D.3 Other liabilities
- D.4 Alternative methods for valuation

E – CAPITAL MANAGEMENT

- E.1 Own funds
- E.2 Solvency Capital Requirements and Minimum Capital Requirement
- E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement
- E.4 Differences between the standard formula and any internal model used.
- E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

TEMPLATES

VALIDATION

SUPPLEMENTARY PAGE: THE IMPACT ON COVID-19

INTRODUCTION AND SUMMARY

The new co-ordinated EU regulated regime for Insurance Companies, Solvency II, came into effect on 1 January 2016. The new regime requires new reporting and public disclosures to be put in place by insurers, some of which will be required to be published on the Company's website. This is the third Solvency Financial Conditions Report (SFCR) for the HSF health plan based on the financial position as at 31 December 2019.

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

The Company's financial year runs to 31 December each year and it reports its results in GBP sterling.

HSF health plan has three main objectives:-

1. To provide policyholders with a wide range of health benefits that represents excellent value for money. In broad terms 95% of premiums received are paid out as claims and to cover management/administration costs - leaving a relatively low profit margin.
2. To generate long-term investment growth from its investment portfolio.
3. To pay most profits and investment surplus to its parent charity company, The Hospital Saturday Fund, by way of charitable Gift Aid payments. In turn the charity upholds the aims of The Hospital Saturday Fund's founders and its own objectives by donations to medical charities, hospitals, hospices, and individuals with medical needs or medical training needs.

The profits from 1 above are fairly consistent whilst those from 2 above are inevitably quite variable. In combination this results in overall profitability in most years as demonstrated by HSF health plan's financial performance over the past 20 years. Steady modest growth is sought/achieved through the considerable efforts of HSF health plan staff, management and board - success is not a given. This approach is particularly important given the limited fund raising ability of HSF health plan, reflecting its position as a subsidiary of a registered charity.

HSF health plan has been in existence for over 145 years and is determined to continue its insurance and charitable activities far into the future. HSF health Plan behaves ethically and treats policyholders, staff, and suppliers fairly. The business seeks to operate pragmatically, responsively, and in a controlled manner. Being responsive to customer's means HSF health plan can adjust its product offerings in relation to what is required. Being responsive to staff means improvements can be identified/made and problems/risks dealt with rather than be hidden.

HSF health plan's investment portfolio seeks long-term growth through diversification focussing mainly on equities. Some might classify this as a medium risk approach in the short term and a low risk approach when looking many years hence.

Performance

The Directors were very satisfied with the results in 2019 and all 2019 profits will be gift aided to The Hospital Saturday Fund in the 2019/2020 financial year in line with current gift aid rules. The financial statements were approved and authorised for issue by the Board of Directors on 19 March 2020 and were signed on its behalf by the Chairman, Mr John Randel.

A - BUSINESS & PERFORMANCE

A.1 Business

HSF health plan Ltd is the wholly owned and trading subsidiary of The Hospital Saturday Fund, an independent charity registered (number 1123381) with the Charity Commission. The Hospital Saturday Fund is a Company Limited by Guarantee in England No 6039284. Both companies have their registered office at 24 Upper Ground London SE1 9PD.

In the UK HSF health plan Limited is a Company Limited by Guarantee in England No 30869 and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. The firm's reference number for the FCA is 202182. The company, as a category 5 firm, has no named supervisor.

Contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/prd

www.fca.org.uk

In Ireland HSF health plan Limited is registered as Branch No 904935 by the Companies Registration Office and is registered with the Department of Health and Children and the Health Insurance Authority in Ireland, as per Section 14 of the Health Insurance Act 1994. HSF health plan is also authorised to "Passport" into Ireland on a Freedom of Establishment basis and is regulated by the Central Bank of Ireland for conduct of business rules in Ireland.

Contact details for the Health Insurance Authority in Ireland and CBI, can be found on their respective websites:

<https://www.hia.ie/>

<https://www.centralbank.ie/>

The HSF health plan Limited is engaged in only one class of business, a range of health cash plan schemes, all of which arises in the United Kingdom and Ireland. The original Hospital Saturday Fund was founded in 1873.

Advisers	Kerman & Co LLP
Solicitors	200 Strand London WC2R 1DJ
	Ronan Daly Jermyn 2 Park Place, City Gate, Mahon Point, Cork Ireland
External Auditors'	MHA MacIntyre Hudson 6 th Floor, 2 London Wall Place, London, EC2Y 5AU
Investment Managers	UBS AG 1 Finsbury Avenue, London, EC2M 2AN
	Brewin Dolphin The Harcourt Building, Harcourt Street, Dublin 2, D02 F721 Ireland

A.2 Underwriting Performance

The total premiums (less Insurance Premium Tax) for the year were £31,269,301 (2018: £30,770,984). Benefits payable (including Personal Accident premiums, helplines and Perk Box) for the year were £22,914,491 (2018: £22,716,381) and represented 73.3% (2018: 73.8%) of premium income.

There was an increase in new business against prior year of 1%, though overall gross premium income increased by 1.6%. A total of 94 new companies launched HSF health plan schemes for their employees, which has increased from 76 in 2018. The number of policyholders at the year-end was 87,284 (2018: 88,143).

A.3 Investment Performance

The Company holds a range of financial investments including both Sterling and Euro cash deposits and stock market investments. The Company's Directors are careful to manage the Company's exposure to any one counterparty and ensure the nature of the financial investments are appropriate to the Company's activities, objectives and the maintenance of the Company's PRA solvency requirement. The Company's investments increased in value from £14,972,221 to £17,144,754 comprising net additions of £988,358 (2018 net additions of: £55,486) and unrealised gains of £1,184,175 (2018 losses of: £827,162). The companies' investment holdings have generated income of £434,923 (2018: £508,964) in interest and dividend payments. The fund management fees per annum range from 0.008% to 0.01% of funds under management.

A.4 Performance of Other Activities

In considering the major service suppliers to HSF health plan the following specific comments apply to certain suppliers:-

- The accident benefit coverage section of the health cash plan operated by HSF health plan is provided by Chubb European Group Ltd in their capacity as co-insurer of HSF health plan's policyholders. As a co-insurer Chubb assesses and pays the claims it receives. HSF health plan monitors the performance of Chubb to ensure that it is providing a good service to its policyholders, and may from time to time appoint an alternative accident insurer to provide these benefits. The accident cover is a minor component of the health cash plan offering.
- Medical Solutions UK supplies the various telephone helplines offered as part of the health cash plan. The most material of these is the GP Advice Line. Medical Solutions is not involved in claims. The telephone helplines are a peripheral part of the health cash plan offering.
- HSF health plan purchases fund management services from two external investment managers. These are currently UBS and Brewin Dolphin with appointment reviews being conducted every five years, and performance reviews conducted quarterly. These fund management activities are not material to the provision of the health cash plan product to policyholders, but does influence the capital resources available and the level of charitable donations to HSF's parent company.
- HSF health plan also donated £1.4m (2018: £3.3m) to its parent charity the Hospital Saturday Fund.

A.5 Any Other Information – Mission Statement

HSF health plan Mission Statement

Our Mission is: To be recognised as the number one Health Cash Plan provider in the UK and Ireland by offering the best value range of schemes and ensuring a first class service for every policyholder

B - SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

The usual board structure of HSF health plan Ltd is:-

- Three executive directors employed by HSF health plan including the Chief Executive and the Managing Director. These Executive Directors have day-to-day management responsibility for HSF health plan.
- Three independent Non-Executive Directors.
- Five Non-Executive Directors nominated by The Hospital Saturday Fund who are also Directors/Trustees of The Hospital Saturday Fund. These Non-Executive Directors are chosen from the seven Directors/Trustees of The Hospital Saturday Fund. The Directors/Trustees of The Hospital Saturday Fund are in turn elected from amongst the members of the Association. The Chairman of the Board is chosen from these Directors.

The board has four sub committees each comprising of four to six Directors of HSF health plan (always a majority of Non-Executive Directors) and attended by invitation by the chair of the committee, and HSF health plan senior manager with responsibilities in the committee's area of focus. These report to the main Board with a focus of interest as indicated by their names i.e.: -

- Sales and Marketing
- Audit & Finance
- Human Resources and Remuneration (to include Operations)
- Risk & Compliance

In Solvency II terms the Board and Committees are the “administrative, management and supervisory body” (AMSB).

Board of Directors

The Executive Directors are:-

- Mr Paul Jackson (Chief Executive)
- Mr Paul Clare (Managing Director)
- Mrs Sharon Phelan (Director of Operations UK and Ireland)

The Non-Executive are:-

- Mrs J L Dalton LLB (Hons)
- Mr M Davies
- Mr J Diamond
- Mr N Finlayson FCA DChA
- Mr J Greenwood
- Mr J Randel – Chairman
- Mrs L Richards-Cole ACII
- Mr D Thomas

In November 2019, Mr John Randel was elected to serve a further term as Chairman and Mr Mark Davies was elected as Vice Chairmen. Two of the independent Directors, Mr Neil Finlayson and Mrs Lynn Richards-Cole continued to serve for a three-year period of service, which commenced on 1 October 2017 and a third independent Director, Mr Jonathan Diamond joined the Board in June 2018. None of them serve as Directors/Trustees of the charity company.

The Board is made up of individuals from a range of backgrounds in general insurance, finance, investment banking, legal, private sector and charity sectors. This diverse range of experience is invaluable to the Company and ensures that a strong governance structure is maintained, underpinning the business being managed efficiently.

Material Transactions with Parent

HSF health plan is structured to donate all profits made each year to its parent charity, the Hospital Saturday Fund. HSF health plan donated £1.4m (2018: £3.3m).

Committee Membership at 31 December 2019

Audit & Finance	Human Resources	Sales and Marketing	Risk & Compliance
Mr N Finlayson – Chairman	Mrs J Dalton – Chairman	Mr M Davies - Chairman	Mrs L Richards-Cole - Chairman
Mr J Greenwood	Mr J Randel	Mrs L Richards Cole	Mr J Randel
Mr J Randel	Mr D Thomas	Mr J Randel	Mr M Davies
Mr P Clare (in attendance)	Mr P Clare	Mr P Clare	Mr P Clare
Mr P W Jackson (in attendance)	Mr P W Jackson	Mr J Diamond	Mrs S Phelan
Mr J Diamond (from 16 September 2019)	Mrs S Phelan		Mr P W Jackson

Remuneration

The Human Resources & Remuneration Committee is responsible for carrying out duties delegated to them by the Board to ensure the firm recruits and retains employees whose values are aligned to our culture and core purpose. The Committee undertakes an oversight role and gives guidance to the appropriate Executive Directors and senior managers to ensure that the following areas:

- Annual review of staff salaries, bonus payments, allowances and benefits
- Being non-discriminatory – all remuneration policies and practices are free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin
- Terms and Conditions of Employment are reviewed when appropriate
- Health and Safety practices are regularly monitoring and training delivered to meet mandatory requirements
- Induction, ongoing training and Person Development Reviews (PDR's) are conducted in-line with company policy.
- Holding individual performance appraisals to identify talent at all levels in the business and enable fair and competitive pay;
- Holding interim reviews as appropriate, and instruct the Managing Director to take the necessary action deemed necessary.
- All policies are applied and maintained in a satisfactory manner, to ensure that the company is conducting business within acceptable legal regulations and good practice guidelines.

The Human Resources & Remuneration Committee is also responsible for:

- Recommending to the Board a level of remuneration for the Chairman of the Board and Non-Executive Directors.
- Ensuring that the Service Agreement for Non-Executive Directors continues to reflect the role adequately.

B.2 Fit and proper requirements

Directors are appointed under the “fit and proper” process adopted by the Company and in addition under the Senior Managers and Certification Regime (SM & CR) function holders are pre- approved by the PRA/FCA. The process within HSF health plan which is used to determine honesty, integrity, reputation, competence/capability and financial soundness, involves a personal declaration, credit checks, criminal record checks as well as the assessment as to whether individuals have the knowledge, skills and experience to undertake a particular role. This is reflected in the Scope of Responsibilities. “Fit and proper” is reviewed annually and there is a continuing obligation to advise the Chairman if, at any stage, individuals cannot fulfil these requirements.

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

The main activity of the Company is operator of a medical cash plan and with this business activity, comes the need to take risk. We monitor the profitability of schemes and the claims data regularly, taking action when required and deemed necessary. The scheme premiums are rated on detailed analysis of historic claims data. Under the insurers regulatory regime, we also consider and diligently monitor a wide range of other risk including market, liquidity, interest rate, insurance, operational, concentration among others, this is done by regular consideration of the ORSA (Own Risk and Solvency Assessment).

The framework adopted by HSF health plan to complete the ORSA process pulls together the work which is done on risk within the business and ensures that appropriate monitoring takes place, that appropriate reviews are conducted in line with the regulatory guidelines and the appropriate amendments made to any necessary documentation. The

ORSA is reviewed and approved by the Board on an annual basis. HSF health plan has adopted the Standard Formula as the basis for calculating its solvency capital requirement.

For the SM & CR functions of Risk Management, Internal Audit and the Actuarial Function, the company adopts an approach, which reflects the nature, scale and complexity of the business and delivers the desired outcomes.

The key purpose of preparing an ORSA is for HSF health plan to make its own assessment of the capital required to be solvent and stay in business over the next year and beyond. The minimum benchmark is the active survival of the business for at least one year with a probability of at least 99.5%. This sits alongside the statutory capital calculated in accordance with the balance sheet and standard capital requirements parameters set by the regulatory authorities for their "standard model". The required capital for HSF health plan is then the higher of the amount that HSF health plan determines or the statutory amount calculated within the "standard model". Therefore a key underlying purpose of the ORSA is to identify capital shortfalls arising from mechanistically applying the statutory solvency calculations. Conversely if HSF health plan determines that less capital than the statutory amount is more appropriate then the statutory amount will prevail i.e. under Solvency II the capital required is set at the higher of the statutory and own assessment amounts.

The indicated confidence level of a 99.5% probability of remaining solvent after one year is deemed a suitable balance for HSF health plan between taking excessive risks or holding excessive capital. This period reflects HSF health plan's three year business planning cycle with updated three year plans being prepared every year i.e. in effect a one year plan with a three year horizon. Maintaining capital well in excess of the amount determined on this basis provides significant investment freedom for HSF health plan's investment portfolio to secure real long-term growth and permit profits to be generated both from the trading activities and the investment portfolio.

B.4 Internal control system

In order to ensure the effectiveness of the firms system of governance, HSF health plan has adopted the 'Three Lines of Defence' model. The first line of defence is provided by front line staff and operational management. The systems, internal controls, the control environment and culture developed and implemented by these business units is crucial in anticipating and managing operational risks. The second line of defence is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks. The third line of defence is provided by the Audit and Finance Committee together with the Internal and External Audit Function. This function provides a level of independent assurance that the risk management and internal control framework is working as designed.

B.5 Internal audit function

The Internal Audit function is managed by the Compliance Manager. The function reports through normal line management to the Managing Director and has full and ready access to the Chief Executive. They also report directly to the Audit and Finance Committee regarding internal audit matters only, and have access to Non-executive Directors. When performing an audit and when evaluating and reporting the audit results, the internal audit function is not subject to influence from the Board that can impair its independence and impartiality.

B.6 Actuarial function

The actuarial function manager (i.e. Head of Finance) will like all staff in a small company such as HSF health plan have many other roles and duties, particularly preparation of accounting information. The Company is aware of the potential conflicts, as well as the advantages, from this overlap of duties. Support and oversight is provided by the Chief Executive and Managing Director. Many of the function's outputs will be checked or prepared first by others including the external auditors, the Chief Executive, the Managing Director or other Finance department personnel.

HSF health plan does not require the services of a qualified actuary given the straightforward nature of the product offering to policyholders, and risks inherent in the business. Claims expectation is derived solely from the claims experience of HSF health plan as no appropriate/relevant industry claims data is available.

As a matter of practice and policy no prior underwriting of individual risks is conducted and terms offered are usually the same for policyholders who fulfil the criteria for joining/remaining in their particular scheme. Health condition exclusions or temporary restrictions are usually applied based on the health declaration supplied by the policyholder on joining. Premiums do not vary with age, or sex, or health.

In setting out the terms offered to policyholders HSF health plan's objectives for these are designed to:-

- Reflect the provident ethos of the organisation by generating a small surplus of premiums over claims and management costs to provide:-
 - funds to assist the capital development of the business
 - funds to allow for future benefit improvements/development
 - funds to allow charitable donations to be made to the parent charity organisation
- Provide a consistent benefit structure for the various country/distribution channel product ranges with a progressive increase in benefits for an increase in premiums regardless of age or sex or dependency situation. The level charging structures thus created naturally incorporate cross subsidies between various membership categories e.g. young and old, high-paying and low-paying, etc.
- Provide long-term good value for money.

B.7 Outsourcing

The general stance of HSF health plan is not to outsource any activities, and does not therefore require an outsourcing policy. HSF health plan does however buy in skills that it does not possess. In terms of the critical/important functions/activities from a Solvency II perspective the following applies:-

- The design and pricing of insurance products - undertaken solely by HSF health plan personnel.
- The investment of assets or portfolio management - HSF health plan determines its own investment strategy, and the broad market sectors and investment ranges for fund management service providers. HSF health plan owns and manages its own head office property and its bank deposits. Other assets are managed within HSF health plan's investment policy by two external fund managers, currently Brewin Dolphin and UBS, who have freedom to select individual stocks and shares and the timing of their purchase/sale within an agreed framework.
- The claims handling process is undertaken solely by HSF health plan personnel.
- The provision of regular or constant compliance, internal audit, accounting, risk management or actuarial support is undertaken by HSF health plan personnel. However, on occasions external guidance or commissioned tasks may be requested.
- The provision of data storage - undertaken for electronic data solely by HSF health plan personnel using Company owned equipment. Paper file storage is partly undertaken in-house but with the bulk being held by an external box management company, currently Recall
- The provision of on going day-to-day systems maintenance or support is undertaken solely by HSF health plan personnel. On the rare occasions external support may be sought.

B.8 Any other information - Employees

HSF health plan has approximately 75 employees to include all staff, as well as the Board of Directors. The company remains fully committed to its on-going program of staff training and personal development. During the year a number of employees from departments across the business successfully completed a broad range of courses and achieved professional accreditation with their respective awarding bodies. In June 2020, the company will once again undertake an assessment against the revised Investors in People Gold standard, in line with the terms of the company's accreditation.

C- RISK PROFILE

C.1 Underwriting risk

Underwriting Risk - standard terms apply to the great majority of business controlled by monthly monitoring of profitability and the product re-pricing facility. About 10% of existing business lapses each year so much of new business (over 90% is direct) is about replacing this. In practice numbers of policyholders are static/slightly reducing with premiums slightly growing as new joiners usually pay more than leavers assisted by the occasional price increase.

C.2 Market risk

HSF health plan's business plans involve very modest business growth. Materially different levels of new business would require very different direct sales resources, and intermediary sales are very low margin/IT resource intensive (brokers often request their own benefit structures).

C.3 Credit risk

There is minimal risk other than temporary exposures whilst sponsoring company's forward premiums deducted from policyholder earnings.

C.4 Liquidity risk

Liquidity Risk - assets are immediately tradable apart from up to 25% held in property and hedge funds.

C.5 Operational risk

The Risk and Compliance Committee monitor the Company's risk exposure in all areas including investment, operational, financial, human resources, sale and business continuity, with the Committees also monitoring their own areas of risk as well. It advises the Board on risk management and policy, whilst it also keeps under review the effectiveness of these areas. The Chief Risk Officer is the Executive Director accountable for enabling the efficient and effective governance of significant risks, and related opportunities, this role is the responsibility of the Managing Director. The Chief Risk Officer reports to the Risk and Compliance Committee bi-annually to assist the committee with actively monitoring the risks and ensure the controls and appropriate monitoring systems are in place, the Chief Risk Officer is also accountable to the Board of Directors.

The Company have produced various risk registers for the different parts of the business and these are kept under constant review by the various Committees and Board to manage and mitigate risks. The Risk and Compliance Committee meet regularly to review and monitor these and reports to the Board. The Board are satisfied with the risk management policies and procedures in place.

C.6 Other material risk

Regulatory Risk - all sales are on a non-advisory basis with firm training and monitoring to prevent policyholder advice. HSF undertakes audits, complaint monitoring, and sales staff training/monitoring to detect indications that advice might be given to policyholders

Investment Risk - broad investment ranges and categories are agreed with the external fund managers, UBS and Brewin Dolphin, to achieve a well-diversified balanced portfolio. Real assets (equities plus to a lesser extent property and hedge funds) form 50 to 80% of the holdings with cash and fixed interest making the remainder. Overall HSF applies the prudent person principle in ensuring its investments will be more than sufficient to cover its statutory capital requirements.

C.7 Any other information

HSF health plan adopts a medium to low strategic risk appetite when determining the acceptability and management approach to risk. Due allowance is made for HSF's financial strength, the cost/value of controls, and the extent to which the risk can be accepted or mitigated.

HSF health plan seeks to manage its business in a sensible, considered, and common sense manner whilst taking sufficient risks to develop the business and compete/survive successfully against other organisations. So taking risks is necessary, but taking unnecessary or ill-judged risks in areas HSF health plan do not fully understand is not. HSF health plan will act with prudence in its business activities and approach – and even more so on matters more removed from its core health cash plan insurance product.

HSF health plan will make considered judgments, acting decisively, seeking to carefully analyse potential new initiatives in order to consider possible outcomes in relation to specified criteria. HSF health plan may seek external guidance (upon which HSF health plan will still need to make a validity judgment) where appropriate.

The business is operated in an open and ethical manner with the Board monitoring expenditure and actual/potential variances. “Treating Customers Fairly” is embedded firmly in the firms’ ethos and good treatment of customers and low level of complaints is of primary importance.

Not all HSF health plan’s risk exposures are included in the standard formula capital calculation. For example risk exposures associated with reputation, strategic or regulatory are mitigated through a combination of reliance on internal controls, monitoring of the risk management framework and future management actions. There is no exposure to pension scheme liabilities.

D - VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Land and buildings

The Company owns a freehold property at 24 Upper Ground, London SE1 9PD which is used for the Company’s own activities. The property was valued on 23 February 2018, at £2,500,000 on an open market basis by Dunsin Surveyors, Chartered Surveyors. The carrying value of the property as at 31 December 2019 if it were carried under the cost method is £493,500. At the date of the revaluation, the directors believed the property had a useful economic life of at least 50 years. The Directors have considered the value of the property at 31 December 2019 and do not consider there to be any material change in value.

Investments

The investment of assets, or portfolio management, are managed within HSF health plan’s investment policy by two external fund managers, currently Brewin Dolphin and UBS, who have freedom to select individual stocks and shares and the timing of their purchase/sale within an agreed framework.

Market value at 1 January 2019	14,972,221
Additions	19,688,625
Disposals	(18,700,267)
Unrealised gain on investments	1,184,175
Market value at 31 December 2019	17,144,754

Insurance and intermediaries receivables

Insurance and intermediaries receivable balances represent premiums owed from policyholders. As at 31 December 2019 the Company had a total of £1,724k of outstanding premiums. Outstanding premiums are valued at fair value and due to the short-term nature of the receivable; no adjustments to valuation are required. The value of insurance and intermediaries receivables in the Company’s financial statements is the same as for Solvency II.

Cash and cash equivalents

As at the reporting date, the Company had £2,469K held as cash in UK and Irish bank accounts. The UK bank accounts are all held in pounds sterling; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The monies held in Irish bank account are denominated in Euro (“EU”), translated into pounds sterling at the period end for reporting purposes.

Cash and cash equivalents are valued at fair value by the relevant financial institution, and the Company receives monthly statements at the period end to confirm the balances held. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset.

Tangible Fixed Assets

	Furniture and Equipment £
Cost	
At 1 January 2019	1,526,914
Additions	252,860
Disposals	-

At 31 December 2019	1,779,774

Depreciation	
At 1 January 2019	1,129,914
Charge for year	287,253
Disposals	-

At 31 December 2019	1,417,167

Net book value	
At 31 December 2019	362,607
	=====
At 31 December 2018	397,000
	=====

The valuation used for assets within the Reports and Financial Statements we feel is in line with the defined fair value for Solvency purposes and therefore there has been no revaluation of assets for Solvency II.

D.2 Technical provisions

At 31 December 2019, HSF health plan held a technical provision valued for Solvency II purposes of £3,565k.

The Technical provision represents at the balance sheet date the current cost of insurance liabilities and includes the following components:

- Claims provisions being claims incurred at the balance sheet date
- Premium provision being claims expected to be incurred after the balance sheet date
- Risk Margin representing the amount a third party would require in addition to the best estimates to assume the liability, calculated on a cost of capital basis.

HSF health plan technical provision is calculated using a claims paid analysis and including all policies in force and on risk at the reporting date.

The risk margin is calculated using the cost-of-capital approach prescribed by Solvency II.

The primary uncertainties relate to how future actual experience will differ from the assumptions used to calculate the technical provisions. The key assumptions are in respect of the claims experience. In order to best understand the uncertainties a robust process for setting assumption is adhered to.

The table below is set out to display the split between technical provision and risk margin.

Description	Technical Provisions per Solvency II
Technical Provisions	£3,352k
Risk Margin	£213k

Total	£3,565k
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The main difference between the Solvency II and UK GAAP for the Technical Provisions is the inclusion of the Risk Margin value of £213k for Solvency II.

D.3 Other liabilities

The other liabilities included within the Solvency II valuation are Payables (trade, not insurance) of £857K and Deferred Tax Liabilities of £500k. There are no adjustments or judgements made for valuation purposes. The valuation for Solvency II is the same as UK GAAP valuation for both other liabilities detailed above.

D.4 Alternative methods for valuation

The valuation used by HSF health plan Ltd for assets within the Reports and Financial Statements we feel is in line with the defined fair value for Solvency purposes and therefore there has been no revaluation of assets for Solvency calculations.

E- CAPITAL MANAGEMENT

E.1 Own funds

The own funds management objective is to at all times maintain sufficient own funds to cover both the SCR and MCR with an appropriate excess. Regular reviews are carried out by the responsible committee at least quarterly of the eligible own funds over SCR and MCR ratios with the ultimate responsibility for this resting with HSF health plans Board of Directors. HSF health plans own funds are all tier 1 unrestricted and available to cover SCR and MCR.

HSF health plan's eligible own funds as of 31 December 2019 £20,104k.

E.2 Solvency Capital Requirements and Minimum Capital Requirement

The Solvency Capital Requirement and Minimum Capital Requirement for the Company are set out in templates 28.01.01. HSF health plan Ltd applies the Standard Formula as the basis for calculating capital requirements having assessed and reviewed the underlying assumptions as appropriate for the firm.

	31 December 2019
Market Risk	£6,612K
Counterparty Default Risk	£678K
Health Underwriting Risk	£5,520K
Diversification	£(2,961K)
Operational Risk	£656K
SCR	£10,505K
MCR	£2,626k

The MCR is pre-determined within the Solvency II legislation and corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk if insurance undertakings were allowed to continue their operations. The MCR is calibrated to the Value-at-Risk of the basic own funds of an insurance undertaking subject to a confidence level of 85% over a one year period. The MCR has been calculated as 25% of the SCR in accordance with article 248(1) of the Delegated Regulations 2015/35.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

No duration-based equity risk sub-module is included in the Solvency Capital Requirement.

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

HSF health plan has fully embedded the Solvency II calculation process and is engaged with the Solvency II standard model assumptions. HSF health plan considers the standard model provides a prudent calculation of HSF health plan's capital requirements and no additional capital loadings are necessary. As a package of risk capital calculations HSF considers the Standard Model provides a sound framework to use when applying its own assessment to the risks to be valued. HSF health plan agrees that the 0.5% per annum risk of failure is an appropriate benchmark when balancing the firm failure risk against its capital resources - as is inherent in the Standard Formula.

HSF health plan monitors the ongoing appropriateness of the standard formula for HSF health plan's ORSA framework as part of its considerations each time an ORSA is being prepared. Business assumptions are challenged and agreed by relevant parties with controls put in place such as agreeing all inputs and stress tests to be conducted before the calculation takes place.

E.5 Non-Compliance with the Minimum Capital Requirements and non-compliance with the Solvency Capital Requirement

HSF health plan Ltd has continually complied with both the Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.

TEMPLATES

General information

Undertaking name	HSF Health Plan Ltd
Undertaking identification code	213800YV3JV2KPMNCU43
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	2,763
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	17,153
R0080	<i>Property (other than for own use)</i>	706
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	12,300
R0110	<i>Equities - listed</i>	11,547
R0120	<i>Equities - unlisted</i>	753
R0130	<i>Bonds</i>	3,757
R0140	<i>Government Bonds</i>	1,897
R0150	<i>Corporate Bonds</i>	1,860
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	389
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	0
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	1,770
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	602
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,469
R0420	Any other assets, not elsewhere shown	270
R0500	Total assets	25,026

S.02.01.02

Balance sheet

		Solvency II value
Liabilities		C0010
R0510	Technical provisions - non-life	3,565
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	Technical provisions - health (similar to non-life)	3,565
R0570	<i>TP calculated as a whole</i>	3,352
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	213
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	500
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	857
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	4,923
R1000	Excess of assets over liabilities	20,104

5.05.01.02
Premiums, claims and expenses by line of business

Non-life

	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of business for: accepted non-proportional reinsurance					Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
Premiums written	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
R0110 Gross - Direct Business	31,117																31,117
R0120 Gross - Proportional reinsurance accepted																	0
R0130 Gross - Non-proportional reinsurance accepted																	0
R0140 Reinsurers' share																	0
R0200 Net	31,117																31,117
Premiums earned																	
R0210 Gross - Direct Business	31,269																31,269
R0220 Gross - Proportional reinsurance accepted																	0
R0230 Gross - Non-proportional reinsurance accepted																	0
R0240 Reinsurers' share																	0
R0300 Net	31,269																31,269
Claims incurred																	
R0310 Gross - Direct Business	21,417																21,417
R0320 Gross - Proportional reinsurance accepted																	0
R0330 Gross - Non-proportional reinsurance accepted																	0
R0340 Reinsurers' share																	0
R0400 Net	21,417																21,417
Changes in other technical provisions																	
R0410 Gross - Direct Business	152																152
R0420 Gross - Proportional reinsurance accepted																	0
R0430 Gross - Non-proportional reinsurance accepted																	0
R0440 Reinsurers' share																	0
R0500 Net	152																152
Expenses incurred																	
R0550	8,197																8,197
Other expenses																	
R1300 Total expenses																	8,197

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010	C0010		C0020		C0030		C0040		C0050		C0060		C0070	
	Home Country		Top 5 countries (by amount of gross premiums written) - non-life obligations		Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country		Total Top 5 and home country		Total Top 5 and home country		Total Top 5 and home country	
	C0080		C0090		C0100		C0110		C0120		C0130		C0140	
	13,616		17,502										31,117	
													0	
													0	
	13,616		17,502										31,117	
	13,599		17,670										31,269	
													0	
													0	
	13,599		17,670										31,269	
	10,259		11,237										21,496	
													0	
													0	
													0	
	10,259		11,237										21,496	
	-17		169										152	
													0	
													0	
													0	
	-17		169										152	
	3,881		4,316										8,197	
													8,197	

S.17.01.02

Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance					Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	3,352																3,352
Technical provisions calculated as a whole																	
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																	
R0050																	0
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross																	
R0060																	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
R0140																	0
R0150	0																0
Net Best Estimate of Premium Provisions																	
Claims provisions																	
Gross																	
R0160																	0
R0240																	0
R0250	0																0
Net Best Estimate of Claims Provisions																	
R0260																	0
R0270	0																0
R0280	213																213
Risk margin																	
Amount of the transitional on Technical Provisions																	
R0290																	0
R0300																	0
R0310																	0
R0320	3,565																3,565
Technical provisions - total																	
R0330	0																0
Finite Re after the adjustment for expected losses due to counterparty default - total																	
R0340	3,565																3,565
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																	

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Accident Year

Gross Claims Paid (non-cumulative)															
(absolute amount)															
Year	C0010	C0020	C0030	C0040	C0050	Development year		C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)		
Prior													86,412	86,412	
R0100	0	0	0	0	0	0	0	0	0	0		19,672	19,672	19,672	86,412
R0160	0	0	0	0	0	0	0	0	0	0			17,276	17,276	19,672
R0170	0	0	0	0	0	0	0	0	0	17,276			16,966	17,276	17,276
R0180	0	0	0	0	0	0	0	0	0	16,966			18,134	16,966	17,276
R0190	0	0	0	0	0	0	18,134						18,098	18,134	16,966
R0200	0	0	0	0	0	18,098							17,562	18,098	18,134
R0210	0	0	0	0	17,562								20,434	17,562	18,098
R0220	0	0	0	20,434									20,604	20,434	17,562
R0230	0	0	20,604										21,284	20,604	20,434
R0240	0	21,284											21,496	21,284	20,604
R0250	21,496												277,937	21,496	21,284
R0260													Total	277,937	277,937

Gross Undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year											
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year													
Prior		0	0	0	0	0	0	0	0	0	0	4,713	4,713
R0100		0	0	0	0	0	0	0	0	0	1,726	1,726	1,726
R0160		0	0	0	0	0	0	0	0	0	1,807	1,807	1,807
R0170		0	0	0	0	0	0	0	1,877	0	0	2,090	2,090
R0180		0	0	0	0	0	0	2,090	0	0	0	2,275	2,275
R0190		0	0	0	0	0	2,275	0	0	0	0	2,255	2,255
R0200		0	0	0	0	2,255	0	0	0	0	0	2,620	2,620
R0210		0	0	0	2,620	0	0	0	0	0	0	2,493	2,493
R0220		0	0	2,493	0	0	0	0	0	0	0	2,492	2,492
R0230		0	2,492	0	0	0	0	0	0	0	0	2,427	2,427
R0240		2,427	0	0	0	0	0	0	0	0	0	26,773	26,773
R0250												Total	
R0260													

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

20

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

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

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

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

Other information on SCR

R0400	Capital requirement for duration-based equity risk sub-module
R0410	Total amount of Notional Solvency Capital Requirements for remaining part
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
R0440	Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

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

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
6,612		
678		
0		
5,520		
0		
-2,961		
0		
9,849		
C0100		
938		
-282		
0		
0		
10,505		
0		
10,505		
0		
0		
0		
0		
C0109		
0		
LAC DT		
C0130		
0		
0		
0		
0		
0		
0		

USP Key

For life underwriting risk:

1 - Increase in the amount of annuity benefits

9 - None

For health underwriting risk:

1 - Increase in the amount of annuity benefits

2 - Standard deviation for NSLT health premium risk

3 - Standard deviation for NSLT health gross premium risk

4 - Adjustment factor for non-proportional reinsurance

5 - Standard deviation for NSLT health reserve risk

9 - None

For non-life underwriting risk:

4 - Adjustment factor for non-proportional reinsurance

6 - Standard deviation for non-life premium risk

7 - Standard deviation for non-life gross premium risk

8 - Standard deviation for non-life reserve risk

9 - None

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

1,620

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
---	---

C0020

C0030

R0020 Medical expense insurance and proportional reinsurance
 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

3,352	31,117
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
---	--

C0050

C0060

R0210 Obligations with profit participation - guaranteed benefits
 R0220 Obligations with profit participation - future discretionary benefits
 R0230 Index-linked and unit-linked insurance obligations
 R0240 Other life (re)insurance and health (re)insurance obligations
 R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

R0300 Linear MCR
 R0310 SCR
 R0320 MCR cap
 R0330 MCR floor
 R0340 Combined MCR
 R0350 Absolute floor of the MCR
 R0400 Minimum Capital Requirement

1,620
10,505
4,727
2,626
2,626
2,153
2,626

Validations

HSF health plan

Approval by the Board of Directors of the Solvency and Financial Condition Report
Financial period ended 31 December 2019

We certify that:

1. the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and
2. we are satisfied that:
 - (a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
 - (b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

Approval by the Administrative, Management or Supervisory Body (AMSB) of the SFCR and reporting templates

A handwritten signature in black ink, appearing to read 'PJ Jackson', followed by a long horizontal line extending to the right.

Paul Jackson
Chief Executive Officer
HSF health plan Ltd

Date: 19th March 2020

Supplementary Page to the:

Solvency & Financial Conditions Report 2019 for HSF health plan

Introduction - The impact of COVID-19 on HSF health plan

The Prudential Regulation Authority issued a statement on March 23, 2020 confirming that COVID-19 should be treated as a “major development” as per Article 54 (1) of the Solvency II Directive. The valuations reported within this report are based on information up to December 31, 2019. Therefore, based on the Company’s interpretation of Article 77 (2) of the Solvency II Directive, the valuations and technical provisions including the premium provision do not reflect the impact of COVID-19. The outbreak of COVID-19 has resulted in a pandemic causing extensive disruption across the globe. As at December 31, 2019, a very limited number of cases had been reported to the World Health Organisation. Since then the spread of the virus has been significant and the number of reported cases and deaths has increased substantially.

Whilst there remains significant uncertainty as to the impact of COVID-19 on HSF health plan, significant progress has been made to mitigate the risks including an efficient migration of staff to home working in the UK. Furloughed employees in the UK – Twenty-one of our UK employees were furloughed on 1st April 2020. The office in Ireland continues to be open 5 days a week, but with shortened hours.

Financial and operational risks have been modelled in order to assess the solvency position under relevant stresses. The Company expects to continue to meet its solvency and capital requirements as required by current laws and regulations. The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

Business Performance

The valuations reported within this report are based on information up to December 31, 2019. Therefore, based on the Company’s interpretation of Article 77 (2) of the Solvency II Directive, the valuations and technical provisions including the premium provision do not reflect the impact of COVID-19.

The coronavirus pandemic is currently affecting all aspects of our personal and professional lives, the health of the world’s population, global economic performance and the financial markets. Despite all of these uncertainties, HSF health plan is very well prepared for the situation. This applies in the context of our operational resilience but also in the context of our capital strength.

HSF health plan operations are now being fully supported by home working in the UK whilst the office in Ireland continues to be open, but with shortened hours. HSF health plan has worked to keep its employees safe and taken steps so that key work can continue even if public life remains highly constrained.

The current pandemic could have wide ranging impacts and these have been considered in order to assist in planning and evaluating the impact on the business. HSF health plan continues to align its approach to the guidance of the UK Government as well as to HSF health plan Group guidance. The impact of COVID-19 on HSF health plan’s solvency position has been assessed, taking into consideration relevant stresses given the circumstances. After consideration of the relevant stresses at the time of writing, the SCR would not breach the regulatory requirements or HSF health plan’s own risk appetite. HSF health plan is expected to continue to have funds available in excess of the regulatory requirements without needing to take contingency action.

Profits made by HSF health plan are channelled to its parent, a registered charity, The Hospital Saturday Fund, who support medically-associated charities and individuals in the form of grants. As a direct result of Covid-19, the trustees of the charity have had to make the difficult decision to suspend grant-making for the foreseeable future as the grant-making process is based on visiting charities to carry out assessments. However, the Hospital Saturday Fund has put in place a Covid-19 grant, and whilst applications will not be accepted for this grant, the trustees aim to target and approach those charities in the UK and Ireland that have been particularly affected by Corona virus.

The driving force behind the decision to suspend the majority of its grant making other than the effect of social distancing on the grant assessment procedures is to also retain funds within The Hospital Saturday Fund group. The Hospital Saturday Fund currently holds £12m of reserves from which it can provide subordinate loans to the Insurance Company the unlikely event that it requires financial support during this crisis.

Governance

There has been no need for specific changes to the System of Governance as the result of the COVID-19 pandemic. This is because the System of Governance is designed to be robust to significant external events. During the COVID-19 pandemic, there has been continued involvement and input from the Board, including from the Non-Executive directors. The Non-Executive directors have received weekly updates describing the financial and operational impacts on the Company. Feedback has been provided on these topics to executive management.

The Risk function is responsible, among other things, for assessing risks and monitoring risk capital. This also includes the ongoing assessment of risks resulting from pandemics such as COVID-19. In order to assess current developments, the Risk function has analysed the current and potential future impacts of the current pandemic. Financial risks have been closely monitored by means of at least weekly assessment of the Company's solvency position. Our ability to continue to meet our customers' needs has been supported by a move to home working in the UK. Operational risks associated with this move have been mitigated by the investments made by the Company in IT to support this home working.

Risk Profile

The COVID-19 pandemic has the potential to have significant impacts on each of the main risk categories. Taking each of these in turn:

- Underwriting risk could be impacted by lower than expected claim frequencies. The claim frequency impacts from COVID-19 are being actively monitored.
- Market risk will be impacted by the widening of corporate bond spreads and also the reduction in equity market valuations. HSF health plan's solvency position is being monitored weekly. The solvency position is resilient to these market movements due to the strategic asset allocation in a diverse portfolio of investments.
- Credit risk could be impacted by increased frequencies of frozen policies, and defaults. Credit risk is monitored and actively managed and mitigated by the Company's finance team.
- Liquidity risk could be impacted by the inability of customers to keep up premium payments, or reductions in the liquidity of our chosen investment classes. Our liquidity risk is mitigated by our strategic asset allocation which focusses on liquid gilt and corporate bond investments.
- Operational risk could increase due to the increase in home working, although this has been actively mitigated through IT investments and revisions to processes associated with home working.

The statements on the risks associated with the COVID-19 pandemic are subject to the proviso that risk identification and assessment are of a provisional nature at the time of reporting (end of March 2020).

Valuation for Solvency Purposes

The recent volatility in financial markets, in particular the increase in spreads on the corporate bond portfolio, and the impact on asset and liability values is being monitored with management plans in place to react as necessary.

The financial impact of potential claims is difficult to estimate at this stage although we anticipate fewer claims as a consequence of the government instruction for people to stay at home. However, whilst there is still a significant degree of uncertainty, the Company expects to continue to meet its solvency and capital requirements as required by regulation. The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

Capital Management

The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

A handwritten signature in black ink, appearing to read 'P. Jackson', followed by a long horizontal line extending to the right.

Paul Jackson
Chief Executive Officer
HSF health plan Ltd

Date: 24th April 2020