



Western Provident Association

Solvency and Financial Condition Report

As at 31 December 2023



FS 28452



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Article 292 Summary

Executive Summary

Introduction

The purpose of the Solvency and Financial Condition Report (“SFCR”) is to provide information about the capital position of Western Provident Association Limited (“WPA” or the “Company”) based on the Solvency II requirements. The report includes information regarding the Company’s business and performance, system of governance, risk profile, valuation for solvency purposes and capital management.

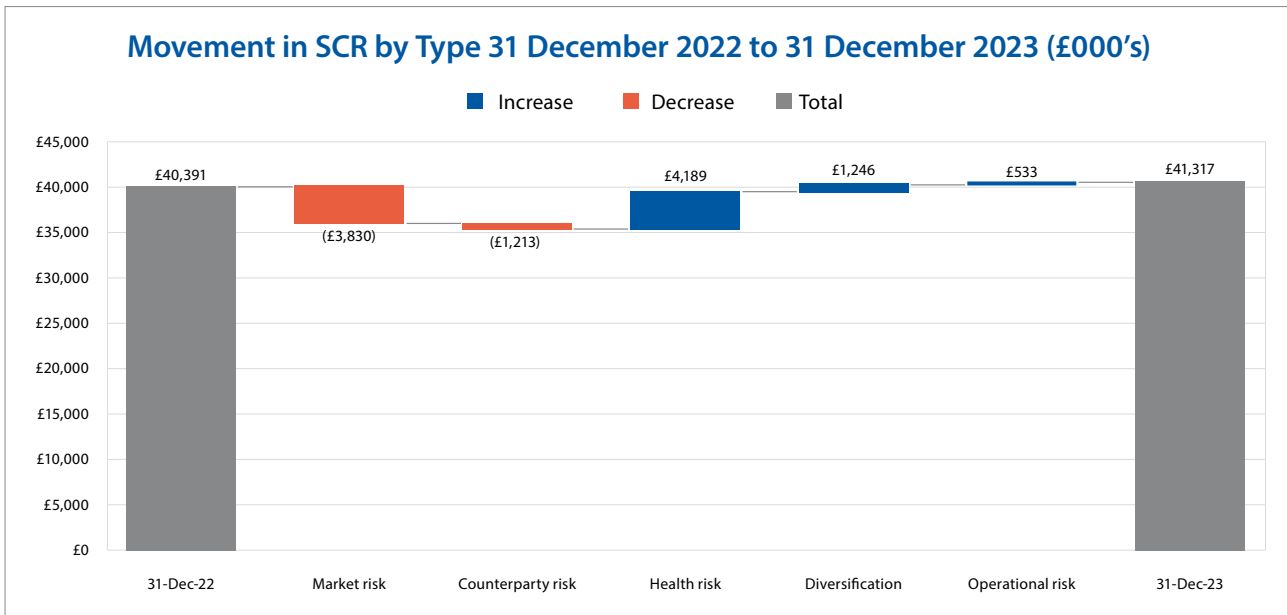
Overview

WPA is a UK medical insurer. It is the Parent Company of the WPA Group (“the Group”) and is the sole insurer within the Group. The insurance arrangements written by WPA comprise solely short-term contracts. These general insurance contracts indemnify customers against costs specified in the insurance contract that are incurred as a result of medical treatment for acute conditions.

WPA is a private company limited by guarantee. Our status as a company limited by guarantee is not commonplace in today’s financial services marketplace. We are reliant solely on our own resources, with no readily available access to external funding or the ability to raise share capital. Consequently, our resources over the last century have been carefully managed and our strength is evident in the balance sheet. The investment portfolio that has been built over a century of careful investment represents the unrestricted capital of the Company. This exists to support, but not subsidise, the commitments we make to our customers under the insurance contracts.

Summary capital position

	unaudited 2023 £’000	unaudited 2022 £’000
Solvency Capital Requirement (SCR)	41,317	40,391
Minimum Capital Requirement (MCR)	10,329	10,098
Total eligible own funds to meet SCR	156,217	162,407
SCR coverage by total eligible own funds	378%	402%



The SCR increased from £40.4m to £41.3m between December 2022 and December 2023. The SCR has increased primarily due to business growth reflecting in increased health risk partially offset by a reduction in equity held in the investment portfolio in 2023 reducing the market risk charge.

Review of 2023

For the business 2023 has been dominated by the high volume of claims, a reflection of the current situation of the NHS, both its waiting lists and the general public's ability to get an appointment to see a GP. This has a direct impact on our business, firstly through increased customer numbers, as individuals and employers look for ways to support future healthcare requirements; secondly through the volume of touch points with our customers as they search for appropriate healthcare providers to cater for their needs in a timely manner; and thirdly through the increased frequency of claims as this treatment takes place. Alongside the NHS issues, it is a year which has seen the Consumer Price Inflation (CPI) start in double digits, which drives up costs and consequently prices. The Income Statement reflects a strong increase in insurance revenue, from both sales and premium increases, as well as higher claims costs seen through the insurance service expenses from the volume of claims experienced.

From an investment perspective the high inflationary environment has provided low risk investment opportunities at an interest rate of 5% or above. Where our investments in government debt and corporate bonds have matured in the year, we have been able to reinvest the proceeds at these higher rates of return. The returns from equities, commodities and property have been mixed and reflects the fortunes of individual areas of the economy in light of its current circumstances.

One of the significant changes in the Report & Accounts is the introduction of IFRS 17 – Insurance Contracts. It impacts both the look of the financial statements and disclosures as well as changing the accounting treatment of some items.

The insurance revenue of £147.9m (2022: £129.4m) for the year reflects a full year of premium from our renewing customers, in addition to premium from new lives on cover. Customer numbers have increased in all areas of our business during the year, totalling a 16% net increase in lives covered.

Insurance service expenses of £157.2m (2022: £131.5m) have increased due to the higher frequency of claims, as well as growth in customer numbers. Looking at the detail behind the insurance service expenses figure, the business continues to use the claims ratio (claims/revenue) as a key performance indicator, which has increased to 84.1% (2022: 78.5%) as a result of the increased level of claims. Our claims authorisation levels remained high at 97.2% (2022: 97.7%) of properly presented claims.

Overall operating and administrative expenses have increased from £13.8m to £15.3m. This can be attributed to an increase in new business acquisition costs and the consequent uplift in headcount and variable costs to service our higher customer numbers.

Global investment markets continued to be challenging during 2023. Inflation was at a 40 year high towards the end of 2022 but has steadily decreased during 2023, in part as a result of the higher interest rates. Fears of recession have continued to put pressure on stock markets with performance being relatively flat over the first three quarters of the year, but the markets did see an increase in the final quarter of the year.

During the year we have reduced our exposure to equities and increased our investment in Gilts, in order to take advantage of the higher interest rates available on government bonds, which are low risk and reduce volatility in the investment return.

The investment return for the year was 4.1%, marginally lower than our target return of CPI, which was 4.4%. The primary objective of the portfolio is to preserve capital and in the context of the market conditions, this result was considered acceptable.

As noted above, 2023 has produced an insurance service loss for the year of £9.4m whilst the investment portfolio has returned £7.2m, with other income and expenditure creating an overall loss of £11.2m before tax. The business remains well capitalised with a Solvency Capital Requirement coverage ratio of 378% – unaudited (2022: 402% unaudited). The decrease in coverage is primarily as a result of expected growth in premiums year-on-year. The total available capital is £156.2m – unaudited (2022: £162.4m - unaudited).

Key performance indicators

Key performance indicators (KPIs) are reported to the Directors and Senior Managers each month as part of the regular management reporting and form an important element of the control environment. They indicate where actual experience is varying from plan and the prior year and, with our knowledge of our industry and market, help us to benchmark our performance.

An extract of the KPIs reported to the Board each month is as follows:

Earned Premiums

£147.9m (2022: £130.0m)

Combined operating ratio

111.9% (2022: 108.4%)

Ratio of net insurance claims and operating and administrative expenses to net insurance and administration income.

Solvency II SCR coverage (unaudited)

3.8 (2022: 4.0)

Available regulatory capital divided by standard formula assessment.

Net investment return

4.1% (2022: -4.4%)

Return as a percentage of financial assets.

Claims authorised

97.2% (2022: 97.7%)

Percentage of properly presented claims authorised.

Customer Numbers

427,786 (2022: 370,038)

Total number of customer base and prior year comparator figure.

Claims Ratio

84.1% (2022: 78.5%)

Ratio of net insurance claims to net insurance premium.

Insurance Service Result

-£9.4m (2022: -£2.1m)

Ratio of net insurance claims to net insurance premium.

Future outlook

The key areas which will have the most impact in future, and therefore focus areas for the business, are the UK economy and healthcare market.

For the insurance and administration parts of the business the threat of recession and political change provide a backdrop of instability against which to make decisions. The plan for the business is a return to equilibrium, in line with our objective of breaking even on the insurance business over the medium-term. For the coming year this strategy will be supported by the investment portfolio, which has been structured to take advantage of the higher interest rates provided by UK Government debt and high quality corporate bonds.

This plan recognises our strong service quality and provides for continued modest growth in customer numbers, as employers work to retain staff through good benefit packages which include private medical insurance. The long NHS waiting lists and constraints around NHS GPs, dentists and therapists, mean that individuals increasingly see private healthcare as a necessity, rather than a luxury.

Changes to healthcare markets, particularly improvements in the NHS, are likely to be driven by political change and could have a significant impact on our business in the short and medium-term. The impact will be on sales and premiums or claims depending upon the action taken. Inflation and interest rate changes are likely to provide opportunities in the medium-term and the investment portfolio is considered as part of the day-to-day operations of the business.

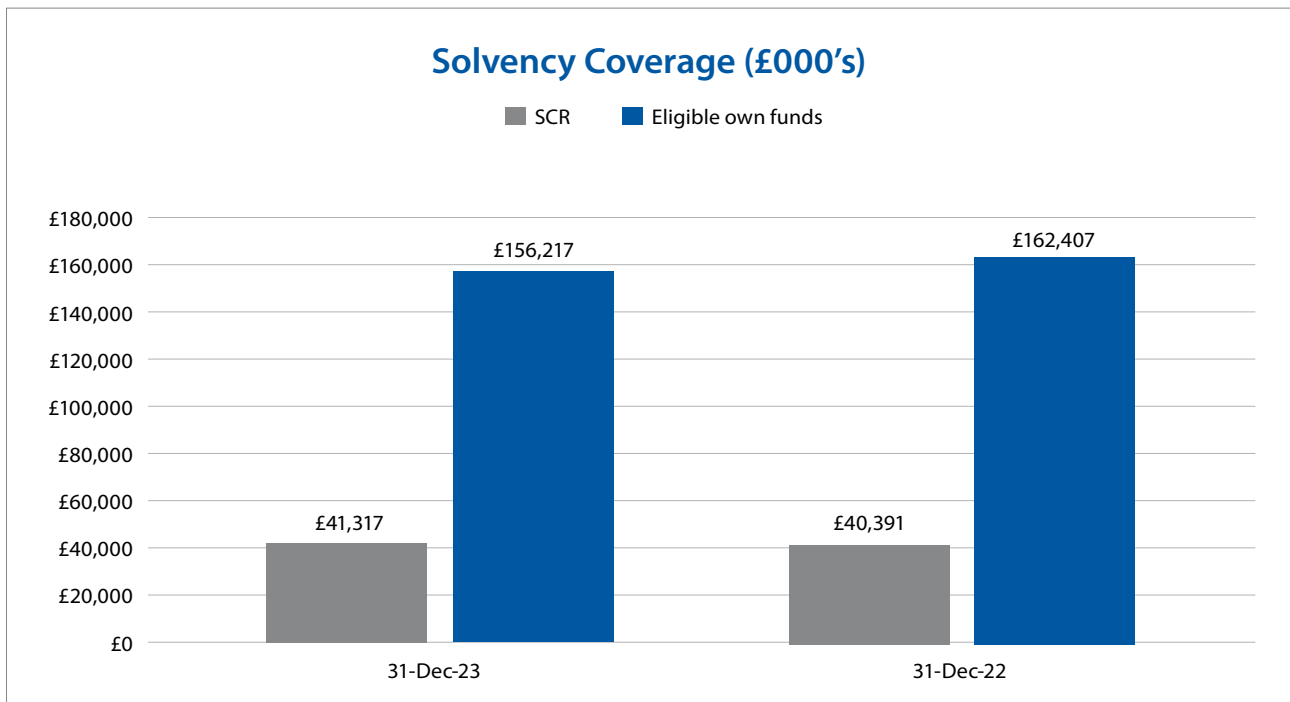
The UK is currently experiencing relatively high inflation levels. This provides the business with both opportunities and threats. The former is the increased return that Government instruments and corporate bonds can generate; whilst the latter is that business costs are increasing, most specifically employment costs. Ultimately this will be balanced by ensuring that the product pricing is appropriate.

Overall, the Board is positive about outlook for WPA and by remaining dedicated to our purpose of enabling our customers to access the best possible healthcare we are confident that the business will continue to be successful going forward.

Governance Framework

WPA is controlled by the Board of Directors, who act as stewards of the business. The Board has implemented a robust risk management framework that provides oversight to all of the Group's operations. The combined output from the risk management framework and the risk management activities is captured in the Own Risk and Solvency Assessment ("ORSA"), which is regularly reviewed by the Board, with monthly dashboard reporting.

Capital Position



WPA prepares its Solvency Capital Requirement (SCR) under the Standard Formula. The SCR is sensitive to the composition of the investment portfolio and can be expected to be volatile depending on the level of market risk within the portfolio. For example, between December 2014 and December 2023 the SCR has varied between £79m and £30m.

The portfolio asset allocation as at 31 December 2023 saw a decrease in equity holdings in the portfolio from the prior year, which is reflected in the movement in our market risk SCR capital requirement, offset in aggregate by increases in health risk driven by business growth.

During 2024 the expectation is that a similar level of market risk exposure will be maintained within the portfolio, perhaps increasing as the economic environment improves.

Directors approval of the Solvency and Financial Condition Report

The Board of Directors of Western Provident Association Limited (WPA) certifies that:

- 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.
- Throughout the financial year ended 31 December 2023, WPA has complied in all material respects with the applicable requirements of the PRA rules and Solvency II regulations.
- It is reasonable to assert that at the date of signing the SFCR, WPA has continued to comply and will continue to comply in future.

Peter Venables
Executive Director and Chief Risk Officer
25 March 2024

Audit Statement

1. Small insurers' exemption for external audit purposes

This document has been completed in accordance with the PRA Policy Statement PS25/18 "Solvency II: External audit of the public disclosure requirement" and S11/16 "Solvency II: External audit of, and responsibilities of the governing body in relation to, the public disclosure requirement". Consequently, this document has not been subject to external audit.

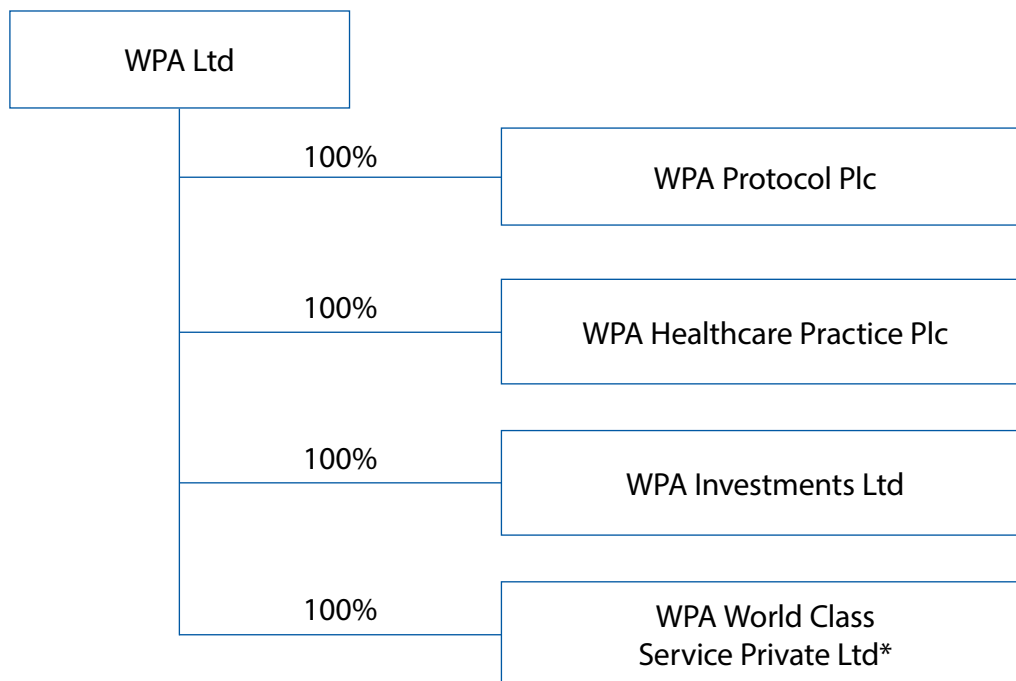
Article 293

Business and Performance

1. Business Strategy and Overview

Western Provident Association Limited (WPA) is a company limited by guarantee; it is domiciled, incorporated and registered in England under number 00475557 and regulated by the UK Prudential Regulation Authority and Financial Conduct Authority. WPA is the Parent Company of the WPA Group. The external auditor is Deloitte LLP, Bristol, UK.

WPA Group Structure



* Incorporated in India

Excludes dormant subsidiaries

WPA's strategy is threefold: to stay true to our purpose and ethos by enabling our customers to access the best possible healthcare and to treat others as we would wish to be treated ourselves; to fulfil our potential by providing excellent service, sustainable pricing and contemporary products through a trusted brand; and for the insurance business to return a positive contribution in the medium-term. As a not-for-profit organisation we are not entangled with the conflict between shareholder returns and long-term investment decisions and consequently have continued to invest in our people and processes, which for our customers means the delivery of excellent service. The omission of profit from our strategic objectives coupled with industry leading technology provides a compelling customer proposition, differentiating us from our competitors.

Our status as a company limited by guarantee is not common in today's financial services marketplace. We are reliant solely on our own resources, with no readily available access to external funding or the ability to raise share capital. Consequently, our resources over the last century have been carefully managed and our strength is evident in the Statement of Financial Position.

It is important to distinguish between the three primary activities of the WPA Group: medical insurance, healthcare administration and management of the investment portfolio. The insurance and healthcare administration operations include all interactions with current customers and we aim to break-even on our customer relationships in the medium-term.

The investment portfolio has the objective of maintaining the real value of the portfolio. Capital preservation, not growth, is paramount. Assets backing in-force business, as measured on a Solvency II Own Risk and Solvency Assessment (ORSA) basis, are held in UK Government stocks or cash. Assets in excess of the ORSA requirements are held in a diversified range of investments across different sectors and geographies. This investment strategy underpins the unquestionable financial stability of the business. As a general insurer it is necessary to recognise that our financial strength supports, but does not subsidise, the promises made to our current customers.

2. Underwriting Performance

The Company is a mono-line medical insurer based in the UK that writes business in the UK and Crown dependencies. Its customers are private individuals, small and medium sized enterprises (SMEs) as well as large blue-chip companies. Private individuals and SMEs are insured under a twelve-month traditional insurance contract. The larger organisations either have a full insurance contract, a high corporate deductible excess policy or a stop-loss policy, which sits alongside a healthcare administration contract with WPA's subsidiary – WPA Protocol Plc.

Insurance contracts are twelve months in duration. These general insurance contracts indemnify customers against costs specified in the insurance contract that are incurred as a result of medical treatment for acute conditions. The providers of medical treatment, typically hospitals and specialists have a vested interest in being paid for the services they provide, which results in a very short time lag between treatment taking place and the insurance liability being settled. This "short tail" for claims settlement results in circa 90% of the claims reserve being utilised within three months, which in turn provides a high degree of accuracy when assessing the underwriting performance of a financial year.

For the business 2023 has been dominated by the high volume of claims, a reflection of the current situation of the NHS, both its waiting lists and the general public's ability to get an appointment to see a GP. This has a direct impact on our business, firstly through increased customer numbers, as individuals and employers look for ways to support future healthcare requirements; secondly through the volume of touch points with our customers as they search for appropriate healthcare providers to cater for their needs in a timely manner; and thirdly through the increased frequency of claims as this treatment takes place. Alongside the NHS issues, it is a year which has seen the Consumer Price Inflation (CPI) start in double digits, which drives up costs and consequently prices. The Income Statement reflects a strong increase in insurance revenue, from both sales and premium increases, as well as higher claims costs seen through the insurance service expenses from the volume of claims experienced.

WPA prepares its financial statements in accordance with International Financial Reporting Standards. The numbers below are taken from the WPA Group financial statements and reflect the adoption of IFRS17.

WPA Group	2023	2022
	£'000	Restated* £'000
Insurance Revenue	147,868	129,424
Insurance service expenses	(157,248)	(131,515)
Insurance service result	(9,380)	(2,091)
Administration income**	6,327	4,561
Net investment income	7,195	(7,257)
Net insurance, administration and investment result	4,142	(4,787)
Other operating and administrative expenses	(15,268)	(13,775)
Investment management expense	(38)	(13)
Corporate Social Responsibility donations	(10)	(11)
Loss before income tax	(11,175)	(18,606)
Combined operating ratio	111.9%	108.4%

* 2022 figures have been restated to reflect the transition to IFRS17.

** Administration income represents non-insurance income for services provided to third parties.

3. Investment Performance

As a company limited by guarantee, WPA is solely reliant on its own resources, with no readily available access to external funding or the ability to raise share capital. The investment portfolio has the primary object of capital preservation over growth.

From an investment perspective the high inflationary environment has provided low risk investment opportunities at an interest rate of 5% or above. Where our investments in government debt and corporate bonds have matured in the year we have been able to reinvest the proceeds at these higher rates of return. The returns from equities, commodities and property has been mixed and reflects the fortunes of individual areas of the economy in light of its current circumstances.

Global investment markets continued to be challenging during 2023. Inflation was at a 40 year high towards the end of 2022 but has steadily decreased during 2023, in part as a result of the higher interest rates. Fears of recession have continued to put pressure on stock markets with performance being relatively flat over the first three quarters of the year, but the markets did see an increase in the final quarter of the year. During the year we have reduced our exposure to equities and increased our investment in Gilts, in order to take advantage of the higher interest rates available on government bonds, which are low risk and reduce volatility in the investment return.

The investment return for the year was 4.1%, marginally lower than our target return of CPI, which was 4.4%. The primary objective of the portfolio is to preserve capital and in the context of the market conditions, this result was considered acceptable.

As the published solvency capital ratios demonstrate, WPA is very well capitalised and this allows the business to adopt a low-risk strategy, beneficial to the business in the long term.

Investment return by asset class

Company Investment Return	2023 £'000	2022 £'000
UK Gilts	629	444
Treasury bills	43	13
Cash	370	96
Solvency and liquidity funds return	1,042	553
Treasury bills	477	-
UK Gilts	428	-
Cash instruments – Sterling	1,290	180
Cash instruments – US Dollars	61	22
Forward currency contracts ¹	1,459	(3,216)
Corporate bonds	710	384
Commodities	69	507
UK equity (including dividends from subsidiaries)	1,945	997
Global equity	1,536	(5,234)
Investment fund return	7,975	(6,360)
Direct Investments expense	(38)	(33)
Total portfolio return	8,979	(5,840)

¹ All forward currency contracts are held to hedge assets denominated in foreign currencies. The hedge effectiveness is carefully monitored.

The UK equity performance includes £2.2m in relation dividends received from subsidiaries.

4. Subsidiary Companies

WPA Protocol Plc is a primary subsidiary, which administers healthcare trusts and is an appointed representative of WPA. This business provides a dividend flow to WPA – £0.9m in 2023 (2022: £1.1m).

The majority of large corporate customers execute their healthcare arrangements through a Healthcare Trust. WPA Protocol is a leading administrator of Corporate Healthcare Trusts for blue chip businesses. On a statutory basis this business appears to generate a modest contribution to the Group's results, but the underlying economic benefit is far greater. This business when measured on a like-for-like basis increases the footprint of WPA by 61%, thus increasing WPA's purchasing power with the medical profession, the benefit of which is experienced across both insured and administered customers.

WPA Healthcare Practice Plc is an FCA authorised insurance intermediary and licenses franchisees (Healthcare Partners) from across the UK, who advise on WPA's range of retail and licensed corporate products for small and medium sized enterprises. The Company paid a dividend to WPA in 2023 of £1.3m (2022: £0.8m).

WPA Investments Limited is a wholly owned subsidiary that manages the properties owned by the WPA Group.

WPA World Class Service (India) Private Ltd is a wholly owned subsidiary based in India that carries out back-office administrative data processing on behalf of the WPA Group.

Article 294 System of Governance

1. Overview

The Board, comprising Executive and Non-Executive Directors, has responsibility for the overall leadership and direction of WPA including determining the strategic direction of the Group, its values and culture. Collectively, the Board is responsible for the Group's system of corporate governance. A Schedule of Matters Reserved for the Board is in place, setting out those matters that are ultimately Board responsibilities; where applicable, the Board will consider the recommendations of the appropriate Board Advisory Committee.

In accordance with its Articles of Association, WPA maintains a greater number of Non-Executive Directors than Executive Directors and with their particularly wide experience their role is to bring independent judgement to the Board. A meeting of the independent Non-Executives, both with and without the Chair, is held annually. The Non-Executive Directors have access to any information or independent professional advice they require and, as part of their role, regularly spend time working alongside staff in all parts of the Group.

The Board has a formal Code of Conduct and schedule of matters specifically reserved to it, which can only be amended by the Board itself and which is reviewed annually.

The structure and composition of the Board is kept under review and the Board considers the identification and nomination of new directors and the continuation of existing directors in office. There is a formal procedure for Directors to obtain independent professional advice, should this be necessary in the furtherance of their duties.

The Company is regulated by the PRA and the FCA as a general insurer and consequently has a Management Responsibilities Map, which defines the regulated activities and the individuals responsible for their performance as defined under the Senior Manager Certification Regime. The Board and Senior Management are regularly briefed on existing and proposed regulation. The Company routinely monitors its compliance with regulatory requirements at all levels and reports the findings formally to the Audit and Risk Committees.

Organisational structure

The Board reviews the Group's strategic plans and objectives at least annually and approves budgets and plans in light of these. The Board, following review and challenge by the Risk Committee, formally approves the Group Risk Appetite Statements and other related policies. There are detailed financial control procedures, applicable across the business; the Board receives regular reports on financial and operational matters. These include monthly Risk Dashboards, Customer Outcomes information and reports on financial performance both against the approved business plan and by comparison with the previous year and reporting on investment performance, liquidity and solvency.

The management of business risk is the responsibility of the executive management of the Group, managed through the Executive Leadership Team meetings. This meets regularly and comprises the Executive Directors and the Senior Management Team. Organisational arrangements include clearly defined lines of responsibility and limits of authority. The identification of critical risks and the control environment are continuously monitored by the Risk Group, which is chaired by the Chief Risk Officer and reports to the Risk Committee and to the Executive Leadership Team.

The Board committees have written statements of principles, which clearly define authorities and responsibilities. All Committees meet regularly. The minutes of all the Board Advisory Committees are placed on the Agenda of the Board. Committee remit and membership are kept under review by the Nomination and Governance Committee, at least annually. Where appropriate, the Committees include members who are not directors, where they bring a particular expertise.

Audit Committee

The primary responsibility of the Audit Committee is the oversight of the internal audit function, external audit, and other providers of assurance. In executing this responsibility, the Audit Committee:

- Acts as steward to the financial and operational integrity of WPA, ensures compliance with statutory and other relevant requirements in public statements of a financial nature.
- Provides objective challenge and oversight of external financial reporting and the Internal Audit Function including the published annual Statutory Financial Statements, the ISAE3402 Client Money Report, the Solvency and Financial Condition Report and any other relevant Regulatory Returns.
- Provides objective oversight of the effectiveness of the Group's internal control framework, systems and processes.
- Oversees the adequacy of the Group's whistle-blowing policy.

The Audit Committee monitors and reviews the internal audit function for the WPA Group. Internal audit is part of the systems of risk governance and provides independent assurance over the internal control system. The Committee reviews and approves the internal audit programme and subsequent reports to ensure that the function is independent, adequately resourced and has appropriate standing within the WPA Group.

The Committee assists the Board in ensuring that the external audit is conducted in a thorough, objective and cost-effective manner. The Committee annually assesses the effectiveness of the audit process and the external auditor's independence and objectivity taking into account relevant law, regulation, the ethical standard and any other professional requirements.

The Audit Committee monitors the integrity of the financial statements and reviews any significant financial reporting judgements contained in them. In accordance with the formal Schedule of Matters Reserved for the Board, the Committee provides advice regarding the Annual Report and Accounts, and the SFCR. The Committee has oversight of the SFCR before it is approved by the Board, it is subject to an external audit periodically, as determined by the Audit Committee. The 31 December 2020 SFCR is the most recent SFCR to have been subject to an external audit.

The Audit Committee reviews the annual financial statements before submission to the Board, and reviews reporting from the external auditor to be satisfied that there are no significant unsettled issues between management and the external auditor which would affect the truth and fairness of the statements.

Investment Committee

The Investment Committee has clear investment guidelines based on the objectives of the Group and emphasis is placed on communicating these to all appointed investment managers. The overriding aim of the investment strategy is to maintain the Group's capital comfortably to meet regulatory requirements.

Medical Advisory & Clinical Governance Committee

The Medical Advisory & Clinical Governance Committee provides advice to the Board and to Senior Management on any medical matters related to private medical insurance. It advises on developments in medicine and medical treatments, on appropriate levels of benefit and related professional fees, on specialists' recognition and clinical governance in private practice and on rules applied to medical matters in the Group's insurance and administration contracts.

Nomination and Governance Committee

The Nomination and Governance Committee leads the process for appointments to the Board, Board Committees, subsidiaries within the WPA Group and positions captured under the Senior Managers Certification Regime.

Personnel Committee

The Personnel Committee reviews and monitors the development and maintenance of effective human resource strategies. The Group has rigorous recruitment and selection procedures, coupled with induction, further training and regular assessments of all employees.

The Committee reviews human resource strategies and practices for compliance with current employment legislation, to ensure structured training in both business specific skills and, where appropriate, personal development.

Remuneration Committee

The Remuneration Committee primarily is designed to support the strategy and promote the long-term success of WPA.

The Remuneration Committee has delegated responsibility for determining the Remuneration Policy for Executive Directors.

The Committee has established a Remuneration Policy and has delegated responsibility for setting the remuneration of Executive Directors and the Chair of the Board. Workforce remuneration is reviewed by the Committee along with the alignment of the incentives and rewards with culture. These factors are taken into consideration when setting the Executive Director Remuneration Policy.

Remuneration Policies and Practices

The Committee has established a Remuneration Policy and has delegated responsibility for setting the remuneration of Executive Directors and the Chair of the Board. Workforce remuneration is reviewed by the Committee along with the alignment of the incentives and rewards with culture. These factors are taken into consideration when setting the Executive Director Remuneration Policy.

As a company limited by Guarantee there are no beneficial shareholders or share option schemes.

Risk Committee

The primary responsibility of the Risk Committee is as a steward of the Risk Management Framework for the WPA Group and to provide objective oversight of the risk management process. In executing this responsibility, the Risk Committee ensures that:

- The Group's risk strategy is aligned to the long-term strategic objectives of WPA;
- The effectiveness of the Group's principal governance, financial, operational, conduct, and compliance risk management and control systems.
- Any material breaches of risk limits are reported, and proposed actions are adequate;

- The risk management function has adequate independence;
- External and emerging risks that may impact on the Group are considered;
- The Risk Register is reviewed to ensure all material risks are covered;
- The level of capital held against identified risks is appropriate;
- A risk awareness culture is promoted throughout the Group;
- The Management Responsibilities Map and Key Functions are appropriate and correct;
- The Group remains compliant with relevant legislation and regulation;
- The insurance activities do not expose the Group to significant adverse financial results;
- Customers are treated as we would wish to be treated in accordance with the principles of the FCA's Consumer Duty;
- The Investment Portfolio is structured in accordance with the Group's risk appetite and the PRA Prudent Person Principles;
- Operational risk and financial crime is managed;
- Assets and liabilities are appropriately managed;
- There is sufficient liquidity to settle liabilities as they fall due;
- Reinsurance arrangements are appropriate;
- Underwriting and reserving risks are managed;
- The basis on which the regulatory capital is computed for inclusion in statutory reports is adequate; and
- Changes in the SCR, ORSA and Risk and Capital dashboard are reviewed.

The Risk Committee receives reports from the Regulatory Compliance Group, the Distribution Monitoring Group, the Risk Group, the Security Advisory Committee and the Actuarial and Product Governance Committee. It reviews the ORSA, and the Group Risk Appetite Statements.

The Board retains overall responsibility for internal control and the identification and management of business risk.

2. Fit and Proper Requirements

All senior appointments are vetted for fitness and propriety, including identity verification, references from previous employers and Disclosure and Barring Service checks. All Board appointments are subject to the approval of the Nomination and Governance Committee. Ongoing capability assessment is conducted through annual performance assessments for all Board members and senior staff.

The Company has implemented the Senior Manager Certification Regime (SMCR). The Board has approved each SMCR role and other key roles based on the knowledge skills and experience necessary to fulfil the position.

3. Risk Management System

The Group's risk management system is described in the Risk Management Framework ('RMF') which is embedded across the business. The RMF comprises our systems of governance and culture, our risk strategy and our risk management processes. The RMF describes the processes, procedures and policies used to identify, measure, mitigate, monitor and report risk.

Systems of Governance

Oversight of the risk management system is provided by the Risk Committee, which is a Board Advisory Committee. The Risk Committee is comprised of Non-Executive Directors.

Our systems of risk governance are underpinned by the three lines of defence:

1. Business and core support functions have primary responsibility for identifying, managing, and reporting risks, and for ensuring that controls are designed and operate effectively.
2. The second line, led by the Chief Risk Officer, comprises the Risk Function and Compliance. The Risk Function is responsible for the risk management system, for constructively challenging the first line and providing guidance on risk matters. Compliance is responsible for developing, maintaining and monitoring compliance processes across the Group.
3. The third line is internal audit which is responsible for independent evaluation of the internal control system and other systems of governance, supplemented by external auditors who focus on financial reporting, ISAE 3402, QMS and ISO standards.

Other components of our systems of governance include our ORSA, our internal control system and the Actuarial Function. These components contribute to the effectiveness of the risk management system.

Finally, a healthy, purposeful culture is an important part of the systems of risk governance. Our purpose, to enable our customers to access the best possible healthcare, is at the centre of the decisions we make. The unquestionable focus on good customer outcomes as opposed to profitability creates a positive environment within which to manage risk.

Risk Strategy

Our strategy and our business plan seek to fulfil our purpose, by aligning to two strategic goals; we must ensure that we treat our customers as we wish to be treated ourselves and we must maintain WPA as a healthy organisation. Group strategy and risk appetite are developed in tandem, with the business plan aiming to fulfil our customer goals within the risk appetite parameters that will ensure the organisation continues to be strong and healthy. The ORSA is an important tool in ensuring that we develop a business plan that aligns with our risk appetite.

The Group's Risk Appetite Statements detail the parameters within which we operate. The statements form part of the Risk Management Framework, around which risk policies, metrics, controls and decision making are based. Risks are identified, managed, mitigated, monitored and reported using our Risk Management Framework. This is the foundation for the delivery of effective risk management.

Overall the Group defines its Risk Appetite as 'Conservative'. This is evidenced in the qualitative Group Risk Appetite Statements and in our more granular Key Risk Indicators that underpin these.

Risk Management Processes

Our risk management processes set out how we identify, measure, monitor, manage and report risks. These processes operate at a granular level before being aggregated for reporting purposes. The processes are as follows:

Risk Identification: Risks are initially identified through either 1. The quarterly meeting of the Leadership Team members attending the Risk Group meeting; and 2. focused emerging risk workshops which take place on a periodic basis as part of the Risk Committee activities. Risks are captured in the risk register under five categories; Governance, Conduct, Operational, Insurance and Financial risks.

Risk Measurement: Risks recorded in the risk register are assessed using expert judgement. They are assigned a rating between 1 and 4, 4 being the highest and indicative of a risk that requires regular Board level oversight. A framework is in place to enable management to apply a consistent measurement of risks that are recorded in the risk register.

Risk Management: A variety of risk mitigation strategies used by the Group to manage risk, these include risk acceptance, avoidance, termination, transfer and reduction. Policies are in place for individual risk categories which set out the risk management strategy for different risks. Internal controls are a key component of Risk Management and key controls are recorded in the Risk Register.

Risk Monitoring: Key risk indicators (KRI) are in place for each risk category which quantify our qualitative Group Risk Appetite Statements. A tolerance is in place for each KRI which is recommended by the Risk Committee for Board approval.

More granular monitoring takes place within each risk category, with oversight from the relevant risk category owner – this more granular monitoring is described in each risk policy. Control attestations provide insight into whether any controls have failed and where they have these are assessed at the Risk Group meetings.

Risk Reporting: KRIs are reported to the Board on a monthly basis as part of the Management Accounts. The Risk Register is reviewed on a quarterly basis, and a Top and Emerging Risk report is shared with the Risk Committee which summarises those risks requiring more attention. The ORSA Report is reviewed and updated at least annually, and more often if a trigger event occurs.

The ORSA Requirement, Risk Group Reports, Management Accounts, Investment Value at Risk, Customer Outcomes Report & Management Responsibility Map are other important Risk Tools produced to help to monitor and report risks at a Board level.

The Risk Committee Annual Cycle ensures that the various elements of the Risk Management Framework are reviewed by the Risk Committee on a regular basis.

4. Own Risk and Solvency Assessment (ORSA)

The Chief Risk Officer is responsible for the ORSA. The purpose of the ORSA is to:

- Set out and assess the principal risks faced by the business both now and in the future in the context of the current strategy, plans and performance.
- Document the business' self-assessment of the capital required to meet these risks over the business planning period and how this compares with the Standard Formula, thereby assessing the adequacy of the Standard Formula.
- Understand how the capital required changes under stressed conditions, to test the loss absorbing capacity of the business under different scenarios and outline contingency plans and management actions should they be needed.

Oversight and review of the ORSA is performed by the Risk Committee. This includes consideration of the stress scenarios that are assessed. In line with the Prudential Regulation Authority's guidelines the document clearly details the requirements of the Board, including review and approval of strategy and risk appetite for each area of the business.

The ORSA also:

- Demonstrates embedded links between business strategy, risk, capital and stress testing, and shows consideration of both internal and external risks;
- Includes a summary of recent performance and a three year forecast;
- Shows the overall direction of the group from a strategic and risk perspective; and
- Details the current key and emerging risks that are identified and how they have been assessed.

The ORSA Report is produced at least annually with monthly updates included in the Management Accounts. Triggers exist in case there needs to be a special update of the ORSA.

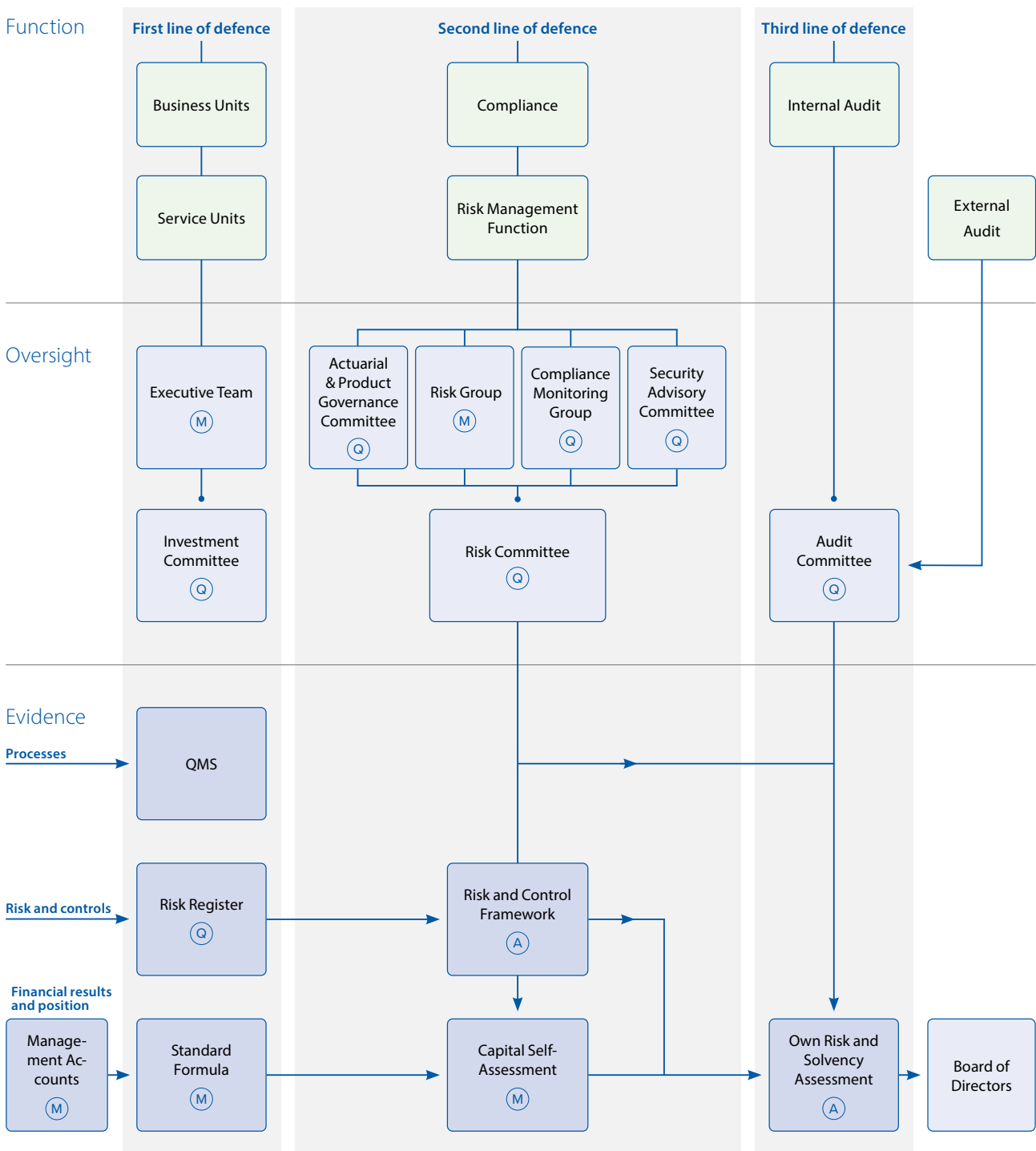
A separate ORSA Policy has been produced which covers how the ORSA should be conducted and the contents of the ORSA Report, this includes:

- The processes and procedures required by the ORSA framework;
- How the ORSA incorporates strategic and business planning processes, risk, risk tolerances, overall solvency needs, timing and frequency of ORSA framework, information on data quality, the structure of ORSA Report, description of roles and responsibilities, details of how Board owns the framework, and requirement of annual Board approval of the ORSA.

The entire ORSA process is underpinned by the Board driven principle that the capital requirements should be held in either cash or UK Government Gilts.

5. Internal Control System

The key components of the systems of governance as at 31 December 2023 are summarised below.



- Functions
- Committees
- Documents
- A Annual Meetings
- M Monthly Meetings
- Q Quarterly Meetings
- B Biannual meetings

Board of Directors

The Board of Directors sits across the three lines of defence; they collectively have responsibility for setting organisational objectives, defining strategy and establishing the necessary governance, risk management and control frameworks to manage the risks.

The non-executive directors provide oversight of the executive management team through a structured set of management information, sub-committees, meetings and work experience. The management information includes monthly reporting on financial results, capital position and compliance with the Board agreed risk appetite statements.

First Line of Defence – Business Management

The primary controls of the business reside within the key business processes. These are documented within the Quality Management System, for which WPA holds the ISO9001 accreditation.

The Group's Risk Management Framework captures the risks within each area of the business, together with the associated risk appetite, mitigating controls and monitoring procedures that provide regular oversight and review. The Board and Senior Management are responsible for the identification and evaluation of key risks applicable to the Group, whether from internal or external sources. The assessment of risk is kept under quarterly review and includes strategy and corporate issues, insurance, operations, financial (including market, credit and liquidity), pensions, group and other risks related to the achievement of the Group's business objectives.

Second Line of Defence – Oversight

The implementation and management of the internal control and risk management programme has been delegated to the Chief Risk Officer. Control policies and procedures are clearly set out in the Group's Risk Management Framework which captures the risks faced by the business together with the related risk appetite, mitigating controls and the monitoring procedures that provide regular oversight and review.

Risk Group

The Risk Group is a monthly committee with representation from all business departments. At these monthly meetings outstanding internal audit points are also reviewed and actively managed to their conclusion. The objectives of the Risk Group are to:

- To keep under review all existing and potential issues relating to corporate security and risk, and to ensure that remedial actions are taken in relation to any control weaknesses identified.
- To maintain the Group Risk Register as a compendium of all relevant risks and for ensuring that it is embedded in the culture of the Group.
- To manage outstanding Internal and External Audit points to their conclusion.
- To be the principal focus for documenting and quantifying the impact of the risks of WPA and its subsidiaries.
- To ensure that the Risk Register accurately lists all risks faced by the WPA Group.
- To ensure that the Risk Register correctly lists all relevant controls for each risk, how the controls are monitored and how that monitoring is evidenced.
- To carry out a quarterly assessment of the risks across the business.

- To assess the significance of the individual risks captured in the Group Risk Register.
- To monitor the non-capital impact of risk, primarily reputational damage as a result of risks crystallising, and changes in this category of risk.
- To contribute to the Group's Risk Management Framework and ORSA.
- Collaboration with the Security Advisory Committee support the Group's cyber-security programme and initiatives.

Security Advisory Committee

The Security Advisory Committee is chaired by the Chief Operating Officer and utilises external technical specialists to advise the Group on best practice cyber-security. The Security Advisory Committee reports into the Risk Committee.

Actuarial & Product Governance Committee

The Actuarial & Product Governance Committee chaired by the Actuarial Function Holder is a forum representing Finance, Risk, Product Owners and Distribution. The objectives of the Committee are:

- To maintain awareness of all existing and potential issues relating to underwriting, pricing and technical reserving.
- To co-ordinate the calculation of the technical provisions, ensuring segregation between the calculation and independent review. To ensure appropriate validation of data.
- To provide advice and an opinion on underwriting risks and policies; adherence to the commercial decisions policy; significant adaptations to products and/or pricing; technical provisions for solvency II; stress and scenario tests for technical provisions; and reinsurance
- To ensure that WPA manufactured and distributed products meet the needs of their target market and provide ongoing fair value.
- To provide advice and an opinion on the Product & Governance Oversight Policy and the Medical & Financial Underwriting Policy.

Compliance Function

Compliance function oversight is through two Committees, both chaired by the Chief Risk Officer and Head of Office Compliance.

The Regulatory Compliance Group (RCG) has the following objectives:

- To provide a forum for overall co-ordination of compliance activities at WPA through the development and maintenance of sound structured and consistent compliance processes across the Company which are appropriately monitored.
- To monitor the Company's level of exposure to financial crime, to improve methods of identifying financial crime and to develop anti-fraud and anti-money laundering initiatives both within WPA and externally.
- To provide overall review of the outcome of Compliance Monitoring activities through overview of the activities of the Distribution Monitoring Group, (DMG) by exception. • To ensure that responsibilities for compliance activities across the Company are reflected by appropriately worded and signed job descriptions.

- To ensure that an appropriate Compliance Monitoring Plan is produced in each year and that members of the RCG lead the implementation of that plan.
- To ensure that its members are fully appraised of appropriate regulatory guidance and requirements and that such guidance and requirements are embedded in documented policies and procedures.
- To receive and actively review compliance processes by business and service units, together with a report on the minutes of the DMG.

The Distribution Monitoring Group (DMG) has the following objectives:

- Reports into the RCG.
- To ensure the development and maintenance of sound, consistent, structured and documented distribution monitoring activities.
- To ensure that WPA's distribution activities across direct sales, brokers and the WPA Healthcare Practice consistently deliver successful outcomes for customers.
- To ensure prompt and rigorous management action is taken to correct any regulatory shortfalls in the area of distribution.
- To actively review and constructively challenge distribution monitoring processes and reports. The DMG will particularly focus upon the effectiveness and resilience of processes and the performance of those monitored.
- To assess trends, deal with any other matters which are relevant and take appropriate management action.
- To implement prevailing legislation and regulatory requirements to ensure the fair treatment of customers, successful customer outcomes and protects WPA from the risk of reputational damage.

Third Line of Defence – Assurance

The third line of defence is considered in the separate Internal Audit Function section below.

6. Internal Audit Function

The Internal Audit Function is led by the Head of Internal Audit. Resource to complete the audit work is then sourced from a mix of WPA staff and third-party professional services firms, depending on the nature of the work to be undertaken.

The Internal Audit Function is delivered in accordance with WPA's Internal Audit Charter. Internal Audit's scope embraces the whole of WPA's internal control system including all its operations, resources and services. Internal Audit has access to all systems and activities in all departments and locations throughout WPA (including subsidiaries) with no restrictions.

The internal audit plan is driven by WPA's organisational objectives and priorities, and the risks that may prevent WPA from meeting those objectives; it covers all aspects of the Group's internal control system. The Internal Audit Function develops annual audit plans.

Updates from the Internal Audit Function are provided to each meeting of the Audit Committee on audit work conducted since its previous meeting, key findings and agreed actions by management. Annually the Internal Audit function provide opinions on the adequacy of the risk control framework. The output from the 2022 / 2023 audit plan indicated that the adequacy and effectiveness of WPA's governance, risk and control framework has remained stable. All rated reports issued had a rating of 'Satisfactory' or 'Satisfactory with exceptions'.

The Internal Audit Function reports to the Chair of the Audit Committee. Regular private sessions are held with Internal Audit and the members of the Audit Committee.

The Audit Committee has delegated authority for:

- The appointment of the Internal Audit Function;
- Monitoring and reviewing the effectiveness of the Internal Audit Function, and reviewing the internal audit programme and reports, and to ensure that the function is independent, adequately resourced and has appropriate standing within the Company.

The external audit of the financial statements for the year ended 31 December 2023 is conducted by Deloitte LLP, Bristol UK. Deloitte report directly to the Members. Deloitte have also periodically audited the SFCR; the last externally audited SFCR was for the year ended 31 December 2020.

The external audit was tendered during 2022 for the 2024 financial year end. The Company sought approval from the Financial Reporting Council to extend the tenure of the current auditors Deloitte from 10 to 11 years to ensure an effective selection process and to enable a less disruptive transition to the new insurance accounting standards IFRS 17 – Insurance contracts. For the audit of the 2024 financial statements the proposed Group auditors will be PwC LLP. A resolution to appoint PwC LLP as auditor to the Group will be proposed at the Annual General Meeting.

7. Actuarial Function

The Actuarial Function Holder for WPA is also the Chief Finance Officer.

Oversight is provided by the Risk Committee, its Chair being a Fellow of the Institute of Actuaries in the UK.

The Actuarial Function holder provides an annual report to the Board which captures details of the Company's technical provisions, including the appropriateness of both the methodology and quantum; reviews the underwriting policy taking note of relevant variables and potential adverse selection; reviews the reinsurance policy for appropriateness against the Company's risk profile, and; considers the link between the Actuarial Function and the risk management system.

8. Outsourcing

Software development is performed in conjunction with a third party, although responsibility for implementation resides in-house. WPA utilises the services of an outsourced provider to host key IT platforms, although a back-up solution is retained in-house to mitigate against the loss of the outsource provider.

WPA World Class Service (India) Private Ltd is a wholly owned subsidiary of WPA Ltd. It is based in Bengaluru, India and performs claims and administration services.

9. Adequacy of Governance Framework & Internal control

The Board is satisfied that the Governance framework and system of internal control is appropriate for the Company's needs, given its size, scale and complexity.

Article 295 Risk Profile

1. Risk Categories

a) Underwriting risk

WPA solely underwrites short-term UK medical insurance. Medical insurance is short-tail business and thus the ultimate claims outcome each year can be predicted with reasonable accuracy at the end of each accounting period. Adverse claims frequency or severity could result in short-term claims costs exceeding premium levels.

Management regularly review underwriting ratios and take action as necessary to ensure that results within a financial year are aligned to the medium-term strategy of break-even across the insurance portfolio. In the current environment risk arises from longer NHS waiting lists which may result in greater utilisation in the private sector.

Treatment costs are also impacted by inflation which gives rise to the risk that claims costs increase at a faster rate than can be passed on to policyholders. Policy terms and premium rates are reviewed regularly, particularly where performance deviates from expectations.

Contracts with major hospital networks are negotiated annually and when our customers require complex medical treatment, we work with the healthcare providers to ensure that our policyholders obtain value for money. The financial strength of the business does not necessitate an extensive reinsurance arrangement.

The insurance business is the focus of the Leadership Team, a monthly forum of the Executive Directors and senior leaders. Insurance activities are monitored by product and aggregated into those contracts of private customers and those of corporate customers. There is an Executive Director covering Retail and Commercial, and an Executive Director covering Corporate. Risk is managed within the core underwriting business by the achievement of pre-agreed underwriting ratios.

Within this line of business the primary risks and associated mitigants can be characterised as:

Risk	Mitigation technique
Claims risk	<p>Claims inventory is monitored daily by the business units. Claims payment levels are monitored by the Chief Finance Officer on a weekly basis and claim trends are reviewed at least quarterly by the Actuarial & Product Governance Committee.</p> <p>Large claims are escalated to the Centre of Clinical Excellence who provide bespoke case management. Oversight is provided by the Large Claims Group which involves senior managers from all areas of the business. Governance is provided by the Medical and Clinical Governance committee. Claims severity metrics are reported monthly as part of the risk dashboard and are reviewed quarterly by the Actuarial & Product Governance Committee.</p>
Pricing risk	<p>Pricing risk is overseen by the Chief Underwriting Officer. Business analysts make initial proposals of premium rates to the Chief Underwriting Officer who considers the proposals together with the supporting analysis and then recommends premium rates, which are reviewed and approved at pricing meetings. Final sign off of premium rates are approved by the Chief Underwriting Officer, the Chief Finance Officer, and the Chief Risk Officer. Loss ratios are produced monthly at a product level and reviewed by the Board as part of the Management Accounts.</p>
Reserving risk	<p>Run off analysis is completed each month by the Finance Controller and reviewed by the Head of Actuarial Function and Chief Financial Officer. The estimated capital requirement reflects the latest historical experience</p>
Stop Loss risk	<p>Stop-loss policies are sold to large claims rated groups. Pricing is reviewed at least annually for each individual contract based on group specific experience, with overall portfolio analysis completed annually</p>

Risk measurement

Claims severity and frequency metrics, together with detailed loss ratios are reported monthly as part of the Risk Dashboard and more granular information reported to the Actuarial & Product Governance Committee.

b) Market risk

Equity Risk. The Group's primary market risk is through its exposure to equity markets. From a solvency perspective the impact of market risk is eliminated through holding low risk investments, typically cash and UK Government stock which meet both solvency capital and short-term liquidity requirements. Equity risk is managed through the Investment Committee's careful selection of managed funds with a sound track record and appropriate passive exchange traded funds. There is regular monitoring of these investments. The equity portfolio is well diversified to protect against adverse market movements in any one segment. The Investment Committee is authorised by the Board to use derivative instruments solely to protect the value of the portfolio. By holding a range of instruments from very low risk government stock to higher risk equities, market risk is managed effectively.

Interest rate risk. The Group's investment policy is to typically hold debt instruments until maturity and thus eliminate volatility from asset valuations. The returns on cash instruments are dependent on interest rates. This is managed through holding instruments with a range of maturity dates to optimise returns. There is no interest rate risk in respect of the Company's liabilities, with the exception of the pension scheme which is considered below.

Currency risk. The Group has exposure to worldwide currencies as a result of collective investment schemes with international holdings. The primary exposure is the impact of the US Dollar exchange rate on global equity holdings and US Dollar cash holdings. The Investment Committee has discretion to use derivative instruments to manage currency risk in the portfolio. The running costs of our wholly owned Indian subsidiary – WPA World Class Service (India) Private Ltd – create a secondary exposure to currency which is an accepted risk and is not significant in the context of the wider group.

Risk measurement

The market risks described above are monitored against the parameters agreed by the Investment Committee.

c) Credit risk

The Group's primary credit risk is through cash deposited with banks and investments in corporate bonds. Credit risk also arises through exposure to policyholder debtors, which are subject to robust credit control procedures, further protected by our policy to hold claims payments until any customer arrears are settled. Credit risk is mitigated by limiting the exposure to any individual financial or corporate institution based on their credit rating, by diversifying investments across a number of counterparties and by only investing in investment grade credit.

Risk measurement

The credit risks described above are monitored at a counterparty level against the parameters agreed by Investment Committee.

d) Liquidity risk

The Group monitors its working capital on a daily basis. The group has a specific Liquidity Fund which has been designed to meet the liquidity requirements of operating the business. The cash instruments held within the Liquidity Fund ensure that there are always sufficient funds available to meet all operational liquidity requirements.

Risk measurement

The liquidity position is monitored on a daily basis with reference to the Liquidity Fund requirement.

e) Inflation risk

The Group is exposed to inflation risk through the investment portfolio, the economic value of which could be eroded by high inflation, and through the cost base which primarily consists of claims, technology and staff costs. We manage the inflation risk in the investment portfolio through careful supervision, which targets a return designed to maintain the real value of the portfolio. The cost base of the organisation is managed through negotiation of contracts and optimisation of the business model to ensure we operate as efficiently as possible whilst continuing to provide excellent customer service.

Risk measurement

Inflation risk developments are monitored by the Investment Committee on a quarterly basis.

f) Operational risk

The business is exposed to a variety of operational risks in respect of systems, premises and people, including the risk of cyber-attack. Where appropriate the Board has sought independent assurance over the robustness of the operational practices. Such assurances include Cyber Essentials Plus and the following ISO accreditations: 9001:2015 Quality Management, 27001:2013 Information Security Management, 22301:2012 Business Continuity Management and 14001:2015 Environmental Management.

We have well established and regularly tested business continuity plans that ensure we can continue to serve our customers in the face of adverse events. In addition the Group has sole occupancy of a dedicated business continuity site which, coupled with resilient cloud-based IT platforms and telephony services ensures continued operation in the event of an incident at the primary site in Taunton. The Group also complies with PRA and FCA rules on operational resilience.

In addition to technological risks, our use of and greater reliance on third parties exposes us to new risks. We have a policy that is designed to manage these risks, including onboarding and ongoing monitoring.

Risk measurement

Operational risk developments are monitored by the Risk Group on a monthly basis. The Risk Group reports to the Risk Committee on a quarterly basis.

g) Other material risks

i. Capital Management

The Board has set out its investment risk appetite and delegated responsibility for management to the Investment Committee. The investment portfolio is managed as three key components:

1. Liquidity Fund: This is the cash required to run the insurance business. The fund fluctuates depending on operational cashflows.

Benchmark: risk-free rate of return.

2. Solvency Fund: This is the fund held in risk-free assets to cover our Solvency Capital Requirement (or ORSA Requirement, whichever is higher). The funds are generally held in Gilts or Treasury Bonds, although cash is also acceptable.

Benchmark: risk-free rate of return.

3. Investment Fund: This is the excess capital over and above that needed to run the business and ensure that we meet the solvency requirement. Over the medium-term our aim is to maintain the real value of the Investment Fund.

Benchmark: positive return over a rolling 12-month period.

The Board wishes to maintain the prudent risk appetite of holding cash and/or UK Gilts to back the in-force insurance business capital requirement and short-term cashflow requirements. However, in determining how much should be invested in these funds, the Company does not believe that the Standard Formula alone is a suitable tool. The purpose of the ORSA is to assess the adequacy of the Standard Formula for WPA's business and where necessary manage the business to a higher capital requirement than required under the SCR.

The "Investment Fund" represents the assets that are surplus to the quantifiable insurance requirements. These investments provide additional protection to the business against unknown and unquantified events. The assets are diversified across a variety of asset classes, sectors and geographies. A key principle of this fund is that no positions may be taken that could adversely impact the Solvency and Liquidity Funds, for example derivatives may only be used for the protection of the portfolio and not for speculative gain.

Ultimately, we aim to maintain the real value of the investment fund, whilst we aim to achieve a risk-free rate of return on the Liquidity and Solvency Funds which are held in low risk assets.

Risk measurement

The investment risk of the portfolio is aggregated and monitored monthly by the Board through a "Value at Risk" measure and investment return. At all points during the year the investment portfolio operated within the established risk metrics.

The Group manages its concentration risk through limiting the maximum exposure to an individual counterparty. The largest single counterparty is represented by the Treasury Bills and Gilts issued by the UK Government.

The Group does not have any off-balance sheet positions, or any Insurance special purpose vehicles.

ii. Pension Risk

The company no longer has any material pension risk following the purchase of an annuity buy in to secure the scheme benefits in February 2024. The residual risk within the pension scheme is the credit risk of the insurer however as a UK insurer they are subject to stringent solvency requirements meaning the credit risk is low.

Risk measurement

The Scheme Actuary reviews the funding level formally on an annual basis. Management undertake quarterly estimates based on market movements.

iii. Conduct Risk

As a not-for-profit organisation we are not entangled with the conflict between shareholder returns and long-term investment decisions and consequently have continued to invest in our people and processes, which for our customers means the delivery of excellent service. WPA's core values and culture mean that we should always treat our customers as we wish to be treated. Therefore, WPA considers conduct risk as: "The risk that we do not act in our customers' best interests".

The Company's working practices are supported by the Distribution Monitoring Group (DMG) and the Regulatory Compliance Group (RCG). The DMG has been established to ensure that documented monitoring of the Company's distribution activities takes place. The RCG aims to ensure that all customers are treated fairly and properly by implementing, maintaining and documenting a consistent culture of compliance.

Risk measurement

Performance measurement criteria, including customer service levels, complaints, compliments and direct customer feedback ratings are monitored monthly at the Customer Outcomes Meeting and in the Board's Customer Outcomes report.

iv. Climate Change Risk

The financial risks from climate change arise from two primary risk factors, physical and transition. Physical risks are related to weather events and longer-term shifts in climate, whilst transition risks can arise from the process of changing to a low carbon economy.

Regarding 'physical risks' WPA is well protected. Being a UK based medical insurer we have limited exposure to natural perils such as severe weather events, associated with physical risks of climate change. Our products are also annually renewed and can be repriced as new risk factors emerge or change; should climate change influence our claims costs in the future we will be able to adjust our pricing accordingly.

We also face operational risks associated with extreme weather events which could result in staff resourcing difficulties or cause disruption to our offices. These risks are managed through home working capabilities and a dedicated back up premises.

As the world moves towards a greener economy, transition risks can occur and some sectors of the economy face big shifts in asset values or higher costs of doing business, possibly through taxation on emissions.

In terms of our business, we already offset our carbon emissions such that we are carbon neutral and we are ISO 14001 accredited, demonstrating our commitment to environmental management. By 2026 we aim to reduce our scope 1 and 2 emissions by 50%. This is an important business goal, as well as being the right thing to do, and will encourage individuals and companies that are also environmentally focused to want to do business with us.

Transition risk will also impact the investment portfolio through the companies we invest in. WPA is well protected as we have a well-diversified investment portfolio with limited concentration risk, mitigating the risk that we have significant exposure to impacted sectors. We carefully monitor the portfolio for potential risks that arise from climate change to avoid significant unknown exposures.

Risk measurement

Performance measurement criteria, successful accreditation to ISO14001 and tracking against our scope 1 and scope 2 emissions targets.

2. Risk Exposures

The primary risks faced by the business have been consolidated from the risk register and captured in a series of risk appetite statements that define the objectives of the business and the tolerance against each of these measures. The status of each risk is reported monthly to the Board in the Risk and Capital Dashboard as part of the management accounts.

The Company only writes short-term medical insurance contracts which are twelve months in duration and have a claims tail which is approximately 75% complete within three months. The solvency needs are all predicated on this basis, such that within a year all premium rates can be reset. The solvency self-assessment uses this outlook period in determining the self-assessed capital requirement, on which the adequacy of the Standard Formula is assessed.

Investment in accordance with the Prudent Person Principle

The relevant prudent person principles are included below. The Company does not have any linked long-term liabilities, or repackaged loans. The policyholders do not bear any investment risk. All policies are short tail.

Prudent Person Principle

Response

(1) the firm must only invest in assets and instruments the risks of which it can properly identify, measure, monitor, manage, control and report and appropriately take into account in the assessment of its overall solvency needs in accordance with Conditions Governing Business 3.8(2)(a);

The Board delegates oversight of the investment portfolio to the Investment Committee (IC). The Board sets the mandate for the IC to operate within, which requires assets are readily identifiable, held with reputable managers and custodians (with the exception of Board approved direct holdings) and are regularly valued and reported to the Board.

(2) all the assets of the firm must be:

(a) invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio of assets of the firm as a whole; and

(b) localised such as to ensure their availability; and

(c) in the case of a conflict of interest, the firm must, or must procure that any third party which manages its assets will ensure that the investment of assets is made in the best interest of policyholders.

The Company manages its investment portfolio in three funds. The Solvency and Liquidity Funds mandates that assets backing the capital requirement plus current liabilities are held in either cash or UK Government stock, which can readily be converted into cash.

The assets over and above the solvency and liquidity requirements are known as the "Investment Fund" and permit a greater degree of investment freedom. This Fund is invested in a diversified range of asset classes, sectors and geographies.

In addition to meeting the requirements set out above, a firm must ensure that assets held to cover its technical provisions are invested in a manner appropriate to the nature and duration of the firm's insurance and reinsurance liabilities and in the best interests of all policyholders, taking into account any disclosed policy objectives.

The Board wishes to maintain the prudent risk appetite of holding cash and/or gilts to back the in-force insurance business. However, in determining how much should be invested in the Solvency and Liquidity Funds, the Company does not believe that the Standard Formula "SCR" in isolation results in an appropriate answer. As such the Solvency Funds is determined by reference to the higher of the SCR and the self-assessed capital requirement. The Liquidity Fund is set based on the needs of the insurance business.

(1) the firm must not invest in a derivative or quasi-derivative unless, and to the extent that, it contributes to a reduction of risks or facilitates efficient portfolio management	The investment mandate stipulates that “derivative instruments may be used, but only for the protection of the portfolio against defined current or future events and not for speculative gain. WPA is averse to carrying open-ended, unlimited liability obligations and as such any derivative positions should represent a nil net exposure when considered with the associated element of the portfolio which is being protected.”
(2) investments and assets which are not admitted to trading on a regulated market must be kept to prudent levels;	The investment mandate stipulates that “assets will be diversified in such a way to avoid excessive reliance on any particular asset class, issuer or group of undertakings, geographical area and avoid excessive cumulative risk, consistent with the risk appetite of the Association. Typical asset classes within the portfolio will be Government Stock, cash deposits, corporate bonds, UK and global equity funds, exchange traded funds (ETFs), exchange traded commodities (ETCs) and hedge funds. At least 50% of the Investment Fund must be in Sterling denominated instruments. No single investment should ordinarily exceed 10% of the portfolio.” In the Investment Fund, limits have been set by asset class and a limit has been set for sectors within the equity exposure.
(3) assets must be properly diversified in such a way as to avoid:	
(a) excessive reliance on any particular asset, issuer, group of undertakings or geographical area; and	
(b) excessive accumulation of risk in the portfolio as a whole;	
(4) investments in assets issued by the same issuer, or issuers belonging to the same group, must not expose the firm to excessive risk concentration.	The Company has no exposure arising from off-balance sheet positions or special purpose vehicles.

3. Risk Concentration

The Company does not have any material concentration risks with regard to insured customers. Policyholders are distributed throughout the UK and no single individual customer is material to the profitability of the Company.

Investment concentration risk is managed in accordance with the Investment Committee’s statement of principles.

One area of risk concentration is our reliance on third parties such as Microsoft Azure as our cloud service provider. A plan is in place for the business to move to an alternative cloud provider should the need arise.

4. Risk Mitigation

Risk mitigation techniques are discussed above for each risk area.

5. Expected Profit Included Within Future Premiums

For the purpose of the Solvency II balance sheet there is no recognition of future profits within future premiums.

6. Risk Sensitivity Analysis

An important part of the ORSA process looks at how the capital requirement may change in a number of different situations and test the resilience of the business in these circumstances.

Scenario testing

Scenario testing is designed to estimate the financial impact of onerous potential events.

Sensitivity testing

This investigates the sensitivity of individual components of the capital requirement. The purpose of this exercise is to understand how the capital requirement could change in relation to a particular variable.

Stress and combined testing

A stress test is understanding what financial impact there would be on the business if a risk variable was stressed to a defined point.

The Company conducts a combined stress test annually, which considers what would happen to the business if the risk variables identified were to all happen to a 1 in 200 year event level within a twelve-month period, (with some allowance for diversification).

The interaction of stresses is also considered on a 1 in 200 year basis with more regular stresses – a 1 in 10 year event.

Reverse Stress testing

The reverse stress test is designed to overcome the inherent tendency of business management to think that company failure is unlikely. The challenge is to construct scenarios in which the Company might fail, or how bad a situation would have to get for it to fail – not from the expectation that this will happen but to shed more light on the risks facing the business and how those risks might be managed.

For this purpose failure is considered to be the business no longer being a going concern.

Conclusion

The Board having considered the results of the stress, sensitivity and scenario testing has concluded that the business holds appropriate solvency capital for the risks faced by the business.

Article 296

Valuation for Solvency Purposes

1. Assets and Liabilities

	Solvency II value £'000s		Valuation Base, Method and Assumptions
	C0010		
Assets			
Pension benefit surplus	R0050	8,997	IFRS value as accounted for under IAS 19. The key assumption is the discount rate which is mandated by IAS 19 to be a high quality corporate bond rate.
Property, plant and equipment held for own use	R0060	4,281	Cost less depreciation, after assessing for impairment, which is considered to represent economic value.
Holdings in related undertakings, including participations	R0090	427	Valued on adjusted equity method, based on Solvency II valuation of underlying net assets of wholly owned subsidiaries.
Government Bonds	R0140	97,012	Fair value under Solvency II which is judged to be equivalent to economic value.
Corporate Bonds	R0150	25,802	Fair value under Solvency II which is judged to be equivalent to economic value.
Collective Investments Undertakings	R0180	36,090	Fair value under IFRS which is judged to be equivalent to economic value. The valuations are provided by the Fund Managers or custodians.
Derivatives	R0190	563	Fair value under Solvency II which is judged to be equivalent to economic value.
Deposits other than cash equivalents	R0200	4,909	Amortised cost under IFRS which is considered to be equivalent to economic value.
Insurance and intermediaries receivables	R0360	1,340	Fair value under IFRS which is considered to be equivalent to economic value.
Cash and cash equivalents	R0410	2,146	Amortised cost under IFRS which is considered to be equivalent to economic value.
Any other assets, not elsewhere shown	R0420	5,177	Fair value under IFRS which is considered to be equivalent to economic value.
Total assets	R0500	186,744	

C0010

Liabilities

Technical provisions – non-life	R0510	14,481	Refer to Section 2 on the following page.
Derivatives	R0790	12	Fair value under IFRS, which is considered to be equivalent to economic value.
Insurance & intermediaries payables	R0820	6,400	Amortised cost, under the effective interest rate method which is considered to materially represent economic value.
Payables (trade, not insurance)	R0840	9,490	Amortised cost, under the effective interest rate method, which is considered to materially represent economic value.
Any other liabilities	R0880	144	IFRS value.
Total liabilities	R0900	30,527	

2. Technical Provisions

All technical provisions relate to UK Private Medical Insurance.

We use a chain ladder methodology, which is weighted towards more recent development patterns given the significant changes that had been observed in the payment data in recent months.

The assumptions made in the calculation of technical provisions in the prior year have effectively resolved as the claims run off for the prior year has concluded.

Best estimate 12,622	<p>Calculation comprises:-</p> <ul style="list-style-type: none"> – Future claims and administrative expenses less debtors due after the valuation date, discounted at the SONIA prescribed risk free rate. – Claims reserve from IFRS balance sheet, excluding the IFRS risk margin, discounted at the SONIA prescribed risk free rate. <p>The value is taken from the IFRS balance sheet and the discount effect is very small, due to the short-tail nature of health insurance. There is uncertainty and judgement required, and an overriding assumption that the past provides a reasonable basis for future payment patterns and judgement is required in determining the data and patterns that are appropriate.</p> <p>The development patterns for health insurance claims are generally predictable and run-off variations are consequently low. This has allowed a longer period of experience to be used to set the development patterns for calculating the reserve. Estimation uncertainty exists for future claims that have not yet been incurred; a conservative estimate based on the most recent claims experience is used.</p> <p>Events not in data: The Company is conscious that there are risks emerging within the medical insurance industry that are not yet evident in the data, but pertinent to current in-force business and will become relevant.</p> <p>Whilst the Company actively considers the emerging risks and develops strategies to mitigate against the impact, the exposure is lessened compared to other insurance-types due to the short-tailed nature of health insurance. For example:</p> <ul style="list-style-type: none"> • Virtually all insurance contracts are twelve months in duration. • WPA indemnifies customers against medical treatment undertaken, rather than conditions that have developed, during the insurance contract period. • The claims reserve represents costs to be settled for treatment that took place during the accident year and thus is approximately 90% complete three months after the end of the financial year. This is far less volatile and subjective than in longer tail insurers. <p>As such, no allowance has been made for events not in data.</p>
Risk margin 1,859	<p>Risk margin is calculated on the bases of the Operational Risk and Health Risk module of the Standard Formula SCR, at the EIOPA prescribed cost of capital and discounted at the EIOPA prescribed risk free rate.</p> <p>Base data to generate the Operational Risk component is from the IFRS financial statements. Pandemic and catastrophe risk within the Health Risk are estimated using actual lives on cover, actual hospitalisation costs and actual average treatment per claim, based on historic claims experience. The discount rate effect is very small, due to the short-tail nature of health insurance.</p>
14,481	Total Technical Provisions

IFRS to Solvency II Balance Sheet

	Solvency II Balance Sheet £'000s	IFRS Balance Sheet £'000s	Explanation of difference
Intangible Assets	–	538	The intangible asset held on the IFRS balance sheet is deemed not to have an active market with quoted prices for the same or similar assets and so is not included on the Solvency II balance sheet.
Property, plant and equipment held for own use	4,281	4,281	
Net pension surplus	8,997	8,997	
Holdings in related undertakings, including participations	427	934	Subsidiaries valued in Solvency II using adjusted equity method, based on Solvency II valuation of underlying net assets. On the IFRS balance sheet, holdings in related undertakings are stated at cost or at deemed cost, less allowance for impairment.
Government Bonds	97,012	98,301	Bonds are shown on the IFRS balance sheet at amortised cost and on the Solvency II balance sheet at fair value.
Corporate Bonds	25,802	26,320	Bonds are shown on the IFRS balance sheet at amortised cost and on the Solvency II balance sheet at fair value.
Collective Investments Undertakings	36,090	36,090	
Derivatives	563	563	
Deposits other than cash equivalents	4,909	4,909	
Insurance and intermediaries receivables	1,340	–	Under IFRS all insurance related balances are recognised within the insurance contract liabilities.
Cash and cash equivalents	2,146	2,146	
Deferred tax asset	–	7,996	As permitted under the Solvency II regulations a decision has been made to not recognise the deferred tax asset under Solvency II.
Any other assets, not shown elsewhere	5,177	6,949	Prepayments are not recognised on the Solvency II balance sheet as they do not result in future cash flows and therefore the economic value is nil.
Total assets	186,744	198,024	

	Solvency II Balance Sheet £'000s	IFRS Balance Sheet £'000s	Explanation of difference
Reserves	–	159,143	Reserves are not directly recognised on the Solvency II balance sheet. The comparable figure is excess of assets over liabilities reported below.
Best estimate technical provisions	12,622	33,912	he IFRS balance includes other insurance related balances which are separately disclosed under Solvency II. In addition the IFRS unearned premium reserve and debtors not yet due are removed from the Solvency II balance sheet. The claims reserve remains the same but is subject to discounting under IFRS 17.
Risk margin	1,859	–	Additional calculation for the Solvency II balance sheet as discussed in Article 296 section 2 above.
Derivatives	12	12	
Insurance & intermediaries payables Government Bonds	6,400	–	Under IFRS all insurance related balances are recognised within the insurance contract liabilities.
Payables (trade, not insurance)	9,490	4,813	Balances which are offset within the same line under IFRS have been separated out under Solvency II
Any other liabilities	144	144	
Total equity and liabilities	30,527	198,024	
Excess of assets over liabilities	156,217	–	Comparable to Reserves on an IFRS basis.

Transitional Measures

Given the demonstrable solvency of the business WPA has elected not to adopt the following:

- Transitional risk-free interest rates
- Transitional deduction on technical provision

Due to the nature of WPA's business the matching adjustment and volatility adjustment are not applicable.

3. Reinsurance

The reinsurance coverage during the year was limited to two facultative policies, which have been classified in our accounts as non-IFRS 17 insurance contracts as a result of the interdependence between the primary and reinsurance contracts. Consequently the contracts have not been treated as reinsurance in the SFCR.

Article 297 Capital Management

1. Own Funds

WPA continues to demonstrate its capital strength and has sought to immunise policyholders from any market risk. This strategy prevails throughout the business planning period which is considered to be an outlook period of three years from start of each financial year.

The Company has at all points throughout the year held capital over and above that required under both the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). The available capital is exclusively unrestricted.

The capital strategy has driven the Board mandated investment strategy which requires that either Gilts and/or cash are held to back current liabilities and the self-generated estimate of the capital required to back the in-force business. These assets are known as the Solvency and Liquidity Funds respectively.

The Company is in the robust position of having assets that are in excess of the Solvency and Liquidity Funds as a result of asset growth over a century of WPA's existence. The assets over and above the solvency and liquidity requirement are known as the Investment Fund and permit a greater degree of investment freedom. This Fund is invested in a diversified range of asset classes, sectors and geographies.

The free IFRS reserves of the Company, which represent the Own Funds on the Solvency II balance sheet are all unrestricted tier 1. There are no material differences between the IFRS free reserves of the Company and the Own Funds for the purpose of the Solvency II balance sheet. The IFRS free reserves of the Company are classified within the Reconciliation Reserve in the analysis of Own Funds.

	unaudited 2023 £'000	unaudited 2022 £'000
Solvency II Own Funds	156,217	162,407
IFRS Reserves	159,143	167,944*

* Prior period restated to reflect adoption of IFRS17, prior period IFRS reserves as reported were £173,416k.

2. Capital Requirement

The Company's solvency capital requirement is determined under the "Standard Formula". This yields a capital requirement of £41.3m, (31 December 2022: £40.4m).

The Company has established monthly procedures that ensure there has been continuous compliance with Solvency Capital and Minimum Capital requirements throughout the year.

Summary capital position	unaudited 2023 £'000s	unaudited 2022 £'000s
Market Risk	17,289	21,119
Counterparty Risk	1,410	2,623
Health Risk	28,020	23,831
Operational Risk	4,436	3,903
Diversification	(9,838)	(11,085)
Solvency Capital Requirement (SCR)	41,317	40,391
Minimum Capital Requirement (MCR)	10,329	10,098
Total eligible unrestricted own funds to meet SCR and MCR	156,217	163,407
SCR coverage by total eligible own funds	378%	402%

Changes in the period

The SCR increased from £40.4m to £41.3m between December 2022 and December 2023. The main reasons for the net increase in the Standard Formula during the year were:

Market risk: £3.8m decrease

- Decrease in equity holdings in the investment portfolio and in the prescribed equity capital charge issued by the Bank of England, resulting in a decrease in equity risk of £3.0m
- Decrease in currency risk of £0.7m, due to a reduction in net US Dollar exposure, as the currency hedge is more closely matched.
- Decreased value of holdings in gold bullion through an ETF to nil, decreasing our concentration risk by £1.8m to nil
- Decrease in spread risk of £0.6m.
- £0.2m decrease in shock as a result of a reduction in the value of property holdings.
- Decrease of £0.2m in the interest shock due to routine changes through the year in the bond portfolio.
- Decrease in the benefit of market risk diversification (reduction to market risk) of £2.7m, driven by the change in assets detailed above.

Counterparty risk: £1.2m decrease

- Lower shock as a result of a decrease in the amount of cash held with an unrated counterparty.

Health risk: £4.2m increase

- An increase in planned earned premium in 2024.

Diversification risk: £1.2m decrease (an increase to the SCR)

- A decrease in the benefit of the overall SCR diversification risk due to the decrease in market risk.

Operational risk: £0.5m increase

- An increase in earned premium in 2023 compared to the previous year.

The MCR is calculated as the higher of 25% of the SCR or the 'Absolute Floor of the MCR'. In WPA's case the higher is 25% of the SCR and therefore the MCR has increased in line with the SCR, rising from £10.1m as at 31 December 2022 to £10.3m at 31 December 2023.

3. Use of the duration-based equity risk sub module

WPA does not use the duration-based equity risk sub module.

4. Differences between the Standard Formula and the Internal Model

This is not applicable as the Company does not use a PRA approved Internal Model.

5. Non Compliance with SCR or MCR

Not applicable as the Company has been in continuous compliance with the SCR and MCR.

6. Other information

The Company does not use any Undertaking Specific Parameters.

The inputs used to calculate the MCR are taken from the Company's audited financial statements.

No simplifications have been used for any of the risk modules or sub-modules of the standard formula.

Appendices

General Information

Undertaking name	WESTERN PROVIDENT ASSOCIATION LIMITED
Undertaking identification code	LEI/2138002EZM8HP5FQ6J93
Type of undertaking	Non-Life undertakings
Country of authorisation	UNITED KINGDOM
Language of reporting	English
Reporting reference date	31/12/2023
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

Templates used

S.02.01.01	Solvency II balance sheet
S.05.01.01	Premiums, claims and expenses by line of business (unaudited)
S.17.01.01	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.01	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.02.01.01 Balance sheet (unaudited)

		Solvency II value £'000s
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	8,997
Property, plant & equipment held for own use	R0060	4,281
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	164,802
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	427
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	122,814
Government Bonds	R0140	97,012
Corporate Bonds	R0150	25,802
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	36,090
Derivatives	R0190	563
Deposits other than cash equivalents	R0200	4,909
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	1,340
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	2,146
Any other assets, not elsewhere shown	R0420	5,177
Total assets	R0500	186,744

S.02.01.01 Balance sheet (unaudited)

		Solvency II value £'000s
		C0010
Liabilities		
Technical provisions – non-life	R0510	14,481
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	R0560	14,481
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	12,622
Risk margin	R0590	1,859
Technical provisions – life (excluding index-linked and unit-linked)	R0600	
Technical provisions – health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	12
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	6,400
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	9,490
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	144
Total liabilities	R0900	30,527
Excess of assets over liabilities	R1000	156,217

S.05.01.01 Premiums, claims and expenses by line of business (unaudited)

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)
		Medical expense insurance £'000s
		C0010
Premiums written		
Gross – Direct Business	R0110	158,336
Gross – Proportional reinsurance accepted	R0120	
Gross – Non-proportional reinsurance accepted	R0130	
Reinsurers' share	R0140	
Net	R0200	158,336
Premiums earned		
Gross – Direct Business	R0210	147,868
Gross – Proportional reinsurance accepted	R0220	
Gross – Non-proportional reinsurance accepted	R0230	
Reinsurers' share	R0240	
Net	R0300	147,868
Claims incurred		
Gross – Direct Business	R0310	124,375
Gross – Proportional reinsurance accepted	R0320	
Gross – Non-proportional reinsurance accepted	R0330	
Reinsurers' share	R0340	
Net	R0400	124,375
Changes in other technical provisions		
Gross – Direct Business	R0410	(2,267)
Gross – Proportional reinsurance accepted	R0420	
Gross – Non- proportional reinsurance accepted	R0430	
Reinsurers' share	R0440	
Net	R0500	(2,267)
Expenses incurred	R0550	46,875

S.05.01.01 Premiums, claims and expenses by line of business (unaudited)

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)
		Medical expense insurance £'000s
		C0010
Administrative expenses		
Gross – Direct Business	R0610	4,014
Gross – Proportional reinsurance accepted	R0620	
Gross – Non-proportional reinsurance accepted	R0630	
Reinsurers' share	R0640	
Net	R0700	4,014
Investment management expenses		
Gross – Direct Business	R0710	790
Gross – Proportional reinsurance accepted	R0720	
Gross – Non-proportional reinsurance accepted	R0730	
Reinsurers' share	R0740	
Net	R0800	790
Claims management expenses		
Gross – Direct Business	R0810	11,085
Gross – Proportional reinsurance accepted	R0820	
Gross – Non-proportional reinsurance accepted	R0830	
Reinsurers' share	R0840	
Net	R0900	11,085
Acquisition expenses		
Gross – Direct Business	R0910	19,199
Gross – Proportional reinsurance accepted	R0920	
Gross – Non-proportional reinsurance accepted	R0930	
Reinsurers' share	R0940	
Net	R1000	19,199
Overhead expenses		
Gross – Direct Business	R1010	11,788
Gross – Proportional reinsurance accepted	R1020	
Gross – Non-proportional reinsurance accepted	R1030	
Reinsurers' share	R1040	
Net	R1100	11,788
Other expenses	R1200	
Total expenses	R1300	46,875

S.17.01.01 Non-Life Technical Provisions (unaudited)

		Direct business and accepted proportional reinsurance
		Medical expense insurance £'000s
		C0020
Technical provisions calculated as a whole		
Technical provisions calculated as a whole	R0010	
Direct business	R0020	
Accepted proportional reinsurance business	R0030	
Accepted non-proportional reinsurance	R0040	
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	
Technical provisions calculated as a sum of BE and RM – Best Estimate		
Premium Provisions		
Gross – Total	R0060	19
Gross – direct business	R0070	19
Gross – accepted proportional reinsurance business	R0080	
Gross – accepted non-proportional reinsurance business	R0090	
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	
Recoverables from reinsurance before adjustment for expected losses	R0110	
Recoverables from SPV before adjustment for expected losses	R0120	
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	
Net Best Estimate of Premium Provisions	R0150	19
Claims provisions		
Gross – Total	R0160	12,602
Gross – direct business	R0170	12,602
Gross – accepted proportional reinsurance business	R0180	
Gross – accepted non-proportional reinsurance business	R0190	
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	
Recoverables from SPV before adjustment for expected losses	R0220	
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	
Net Best Estimate of Claims Provisions	R0250	12,602
Total Best estimate – gross	R0260	12,622
Total Best estimate – net	R0270	12,622
Risk margin	R0280	1,859

S.17.01.01 Non-Life Technical Provisions (unaudited)

		Direct business and accepted proportional reinsurance
		Medical expense insurance £'000s
		C0020
Amount of the transitional on Technical Provisions		
TP as a whole	R0290	
Best estimate	R0300	
Risk margin	R0310	
Technical provisions – total		
Technical provisions – total	R0320	14,481
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment		
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	14,481
Line of Business: further segmentation (Homogeneous Risk Groups)		
Premium provisions - Total number of homogeneous risk groups	R0350	
Claims provisions - Total number of homogeneous risk groups	R0360	
Cash-flows of the Best estimate of Premium Provisions (Gross)		
Cash out-flows		
Future benefits and claims	R0370	54,577
Future expenses and other cash-out flows	R0380	5,595
Cash in-flows		
Future premiums	R0390	60,053
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400	
Cash-flows of the Best estimate of Claims Provisions (Gross)		
Cash out-flows		
Future benefits and claims	R0410	
Future expenses and other cash-out flows	R0420	12,602
Cash in-flows		
Future premiums	R0430	
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440	
Percentage of gross Best Estimate calculated using approximations	R0450	
Best estimate subject to transitional of the interest rate	R0460	12,622
Technical provisions without transitional on interest rate	R0470	1,859
Best estimate subject to volatility adjustment	R0480	
Technical provisions without volatility adjustment and without other transitional measures	R0490	1,859

S.19.01.21

Non-life insurance claims Total non-life business (unaudited)

Z0020 Accident Year

Gross Claims Paid (non-cumulative) – Development year (absolute amount – £'000s)

		0	1	2	3	4	5 & +	In current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0170	C0180
Prior	R0100	0	0	0	0	0	0	0	0
N-14	R0110	0	0	0	0	0	0	0	0
N-13	R0120	0	0	0	0	0	0	0	0
N-12	R0130	0	0	0	0	0	0	0	0
N-11	R0140	72,493	6,049	0	0	0	0	0	78,542
N-10	R0150	70,203	6,929	0	0	0	0	0	77,132
N-9	R0160	71,458	8,895	0	0	0	0	0	80,353
N-8	R0170	72,031	7,989	0	0	0	0	0	80,020
N-7	R0180	69,420	9,691	0	0	0	0	0	79,111
N-6	R0190	71,112	9,504	0	0	0	0	0	80,616
N-5	R0200	69,177	9,732	0	0	0	0	0	79,509
N-4	R0210	73,676	11,007	0	0	0	0	0	84,683
N-3	R0220	57,704	10,585	0	0	0	0	0	68,289
N-2	R0230	80,944	7,063	0	0	0	0	0	88,007
N-1	R0240	95,166	9,333	0	0	0	0	9,333	104,500
N	R0250	112,297	0	0	0	0	0	112,297	112,297
Total								121,630	1,013,057

Gross undiscounted best estimate claims provisions – Development year (absolute amount – £'000s)

		0	1	2	3	4	5 & +	In current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0170	C0180
Prior	R0100							0	0
N-14	R0110	0	0	0	0	0	0	0	0
N-13	R0120	0	0	0	0	0	0	0	0
N-12	R0130	0	0	0	0	0	0	0	0
N-11	R0140	6,049	0	0	0	0	0	0	0
N-10	R0150	6,929	0	0	0	0	0	0	0
N-9	R0160	8,895	0	0	0	0	0	0	0
N-8	R0170	7,989	0	0	0	0	0	0	0
N-7	R0180	9,691	0	0	0	0	0	0	0
N-6	R0190	9,504	0	0	0	0	0	0	0
N-5	R0200	9,732	0	0	0	0	0	0	0
N-4	R0210	11,007	0	0	0	0	0	0	0
N-3	R0220	10,585	445	0	0	0	0	0	0
N-2	R0230	15,208	458	0	0	0	0	0	0
N-1	R0240	13,084	592	0	0	0	0	592	592
N	R0250	12,030	0	0	0	0	0	12,030	12,030
Total								12,622	12,622

S.23.01.01 Own funds (unaudited)

		Total £'000s	Tier 1 – unrestricted £'000s
		C0010	C0020
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35			
Ordinary share capital (gross of own shares)	R0010		
Share premium account related to ordinary share capital	R0030		
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040		
Subordinated mutual member accounts	R0050		
Surplus funds	R0070		
Preference shares	R0090		
Share premium account related to preference shares	R0110		
Reconciliation reserve	R0130	156,217	156,217
Subordinated liabilities	R0140		
An amount equal to the value of net deferred tax assets	R0160		
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180		
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			
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	R0220		
Deductions			
Deductions for participations in financial and credit institutions	R0230		
Total basic own funds after deductions	R0290	156,217	156,217
Ancillary own funds			
Unpaid and uncalled ordinary share capital callable on demand	R0300		
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310		
Unpaid and uncalled preference shares callable on demand	R0320		
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330		
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340		
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350		
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360		
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370		
Other ancillary own funds	R0390		
Total ancillary own funds	R0400		
Available and eligible own funds			
Total available own funds to meet the SCR	R0500	156,217	156,217
Total available own funds to meet the MCR	R0510	156,217	156,217
Total eligible own funds to meet the SCR	R0540	156,217	156,217
Total eligible own funds to meet the MCR	R0550	156,217	156,217
SCR	R0580	41,317	
MCR	R0600	10,329	
Ratio of Eligible own funds to SCR	R0620	378%	
Ratio of Eligible own funds to MCR	R0640	1519%	

S.23.01.01 Reconciliation reserve (unaudited)

		Total £'000s
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	156,217
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	156,217
Expected profits		
Expected profits included in future premiums (EPIFP) – Life business	R0770	
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

S.25.01.01 Basic Solvency Capital Requirement (unaudited)

		Net solvency capital requirement £'000s	Gross solvency capital requirement £'000s	Allocation from adjustments due to RFF and Matching adjustments portfolios £'000s
		C0030	C0040	C0050
Market risk	R0010	17,290	17,290	
Counterparty default risk	R0020	1,410	1,410	
Life underwriting risk	R0030			
Health underwriting risk	R0040	28,020	28,020	
Non-life underwriting risk	R0050			
Diversification	R0060	(9,838)	(9,838)	
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	36,881	36,881	

S.25.01.01 Calculation of Solvency Capital Requirement (unaudited)

		Value £'000s
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	4,436
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	41,317
Capital add-on already set	R0210	
Solvency capital requirement	R0220	41,317
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	

S.28.01.01 Linear formula component for non-life insurance and reinsurance obligations (unaudited)

		MCR components £'000s
		C0010
MCRNL Result	R0010	8,035

S.28.01.01 Background information (unaudited)

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole £'000s	Net (of reinsurance) written premiums in the last 12 months £'000s
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	12,622	158,336
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

S.28.01.01 Linear formula component for life insurance and reinsurance obligations (unaudited)

		£'000s
		C0040
MCRL Result	R0200	0

S.28.01.01 Total capital at risk for all life (re)insurance obligations (unaudited)
Overall MCR calculation (unaudited)

		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole £'000s	Net (of reinsurance/ SPV) total capital at risk £'000s
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	0
Obligations with profit participation – future discretionary benefits	R0220	0	0
Index-linked and unit-linked insurance obligations	R0230	0	0
Other life (re)insurance and health (re)insurance obligations	R0240	0	0
Total capital at risk for all life (re)insurance obligations	R0250	0	0

S.28.01.01 Overall MCR calculation (unaudited)

		£'000s
		C0070
Linear MCR	R0300	8,035
SCR	R0310	41,317
MCR cap	R0320	18,593
MCR floor	R0330	10,329
Combined MCR	R0340	10,329
Absolute floor of the MCR	R0350	2,339
Minimum Capital Requirement	R0400	10,329



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