



Western Provident Association

Solvency and Financial Condition Report

As at 31 December 2024



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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.

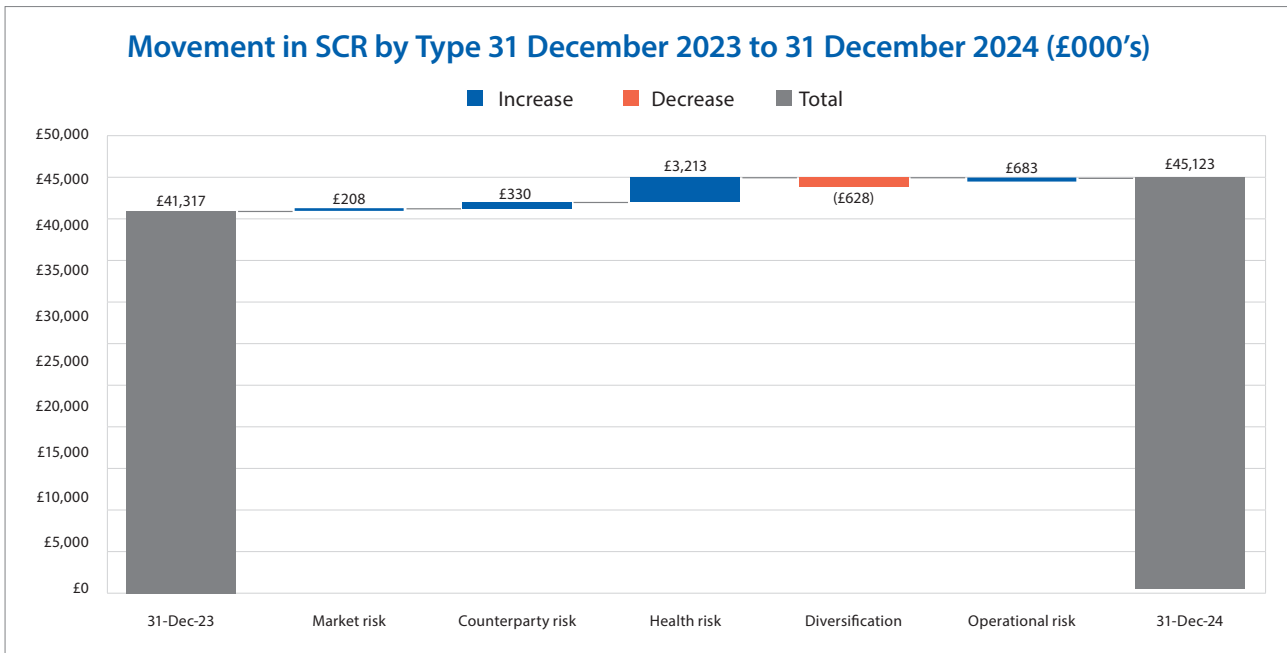
Overview

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. The company sells policies in the UK and Crown dependencies.

WPA is a private company limited by guarantee which 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 financial strength is evident in the balance sheet. The investment portfolio that has been built over 120 years 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

	2024 £'000	2023 £'000
Solvency Capital Requirement (SCR)	45,123	41,317
Minimum Capital Requirement (MCR)	11,281	10,327
Total eligible own funds to meet SCR	179,100	156,217
SCR coverage by total eligible own funds	397%	478%



The SCR increased from £41.3m to £45.1m between December 2023 and December 2024. The increase is primarily due to the growth of the business with the biggest driver of the increase being an increase in Health risk as a result of higher premiums.

Review of 2024

2024 has been the year for returning the business to equilibrium following 2023 which was dominated by high volumes of claims and consequent losses on the insurance business. The Group has worked hard to effect change, with the Consolidated Income Statement showing an increase in insurance revenue, from new sales. The on-going position of the NHS, with resources stretched and waiting times long, directly impacts our business through claims volume, and driving an increase in customer numbers, as individuals and employers look for ways to support future healthcare requirements.

The increased customer numbers support the business and provide economies of scale, visible through our insurance service expense and combined operating ratio.

The insurance revenue of £170.2m (2023: £147.9m) for the year comprises premium from our renewing customers, in addition to premium from new customers on cover. Customer numbers have increased in all areas of our business during the year, providing a 6% net increase in lives covered.

Insurance service expenses of £156.8m (2023: £157.2m) have reduced due to the lower volume and value of claims during the year which have offset increases in business acquisition costs and costs attributable to the insurance contracts. 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 improved to a more sustainable 69.1% (2023: 84.1%) as a result of this decrease in claims costs. Our claims authorisation levels remained high at 97.0% (2023: 97.2%) of properly presented claims.

Overall, operating and administrative expenses have increased from £15.3m to £18.1m. This can be attributed to the inflationary increases on underlying costs as well as the uplift in headcount resulting from the growth of the business.

During the year we continued to take advantage of the high interest rates and de-risk our portfolio with more than 80% of the portfolio in government debt, corporate bonds or cash, with the remainder in equities, held in a number of geographies; commodities and property. This relatively high weighting towards fixed income investments reduces the volatility in the investment return.

From an investment perspective the continuing UK economic environment has provided low-risk investment opportunities at an interest rate of 4.25% or above. Where our long-held investments in government debt and corporate bonds have matured in the year we have been able to reinvest the proceeds at higher rates of return. The overall returns from equities and commodities have been higher than those from fixed income, reflecting the fortunes of the sectors of the economy they come from.

The primary objective of the portfolio is to preserve capital through achieving a return of, or above, CPI. The investment return for the year was 6%, 3.5% higher than our target return of CPI, at 2.5%.

2024 has resulted in an insurance service profit for the year of £13.3m (2023: loss of £9.4m) whilst the investment portfolio has returned £10.4m (2023: £7.2m) gross of expenses. After other income and expenditure are taken into account, the business made a profit of £12.4m before tax. The business remains well capitalised with a Solvency Capital Requirement coverage ratio of 397% (2023: 378%). The increase in coverage is primarily as a result of the increase in capital following the modest surpluses of the insurance contracts made in the year which are expected to continue. The total available capital is £179.6m (2023: £156.3m).

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

£170.2m (2023: £147.9m)

Combined operating ratio

98.7% (2023: 111.9%)

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

Solvency II SCR coverage (unaudited)

4.0 (2023: 3.8)

Available regulatory capital divided by standard formula assessment.

Net investment return

6.0% (2023: 4.1%)

Return as a percentage of financial assets.

Claims authorised

97.0% (2023: 97.2%)

Percentage of properly presented claims authorised.

Customer Numbers

451,587 (2023: 427,786)

Claims Ratio

69.1% (2023: 84.1%)

Ratio of net insurance claims to net insurance premium.

Insurance Service Result

£13.3m (2023: -£9.4m)

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 the healthcare market.

For the insurance and administration parts of the business the return to equilibrium in 2024 has strengthened the platform from which to build upon in 2025. The underlying objective of the business is return a positive contribution over the medium-term through modest growth in customer numbers and cost control. As ever, the insurance business is supported by the investment portfolio, built up over the Association's long history, and which has been currently structured to take advantage of the higher interest rates provided by UK Government debt.

This plan recognises our strong service quality and provides for continued organic growth in customer numbers, as employers work to retain staff through comprehensive 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 expected to experience increased inflation levels in the near-term, which provides the business with both opportunities and threats. The former through held, or potentially increased returns, that Government instruments and corporate bonds can generate; the latter through increased costs, particularly employment expenditure. Ultimately this will be balanced by ensuring that the product pricing is appropriate.

Overall, the Board is positive about the 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.

Governance Framework

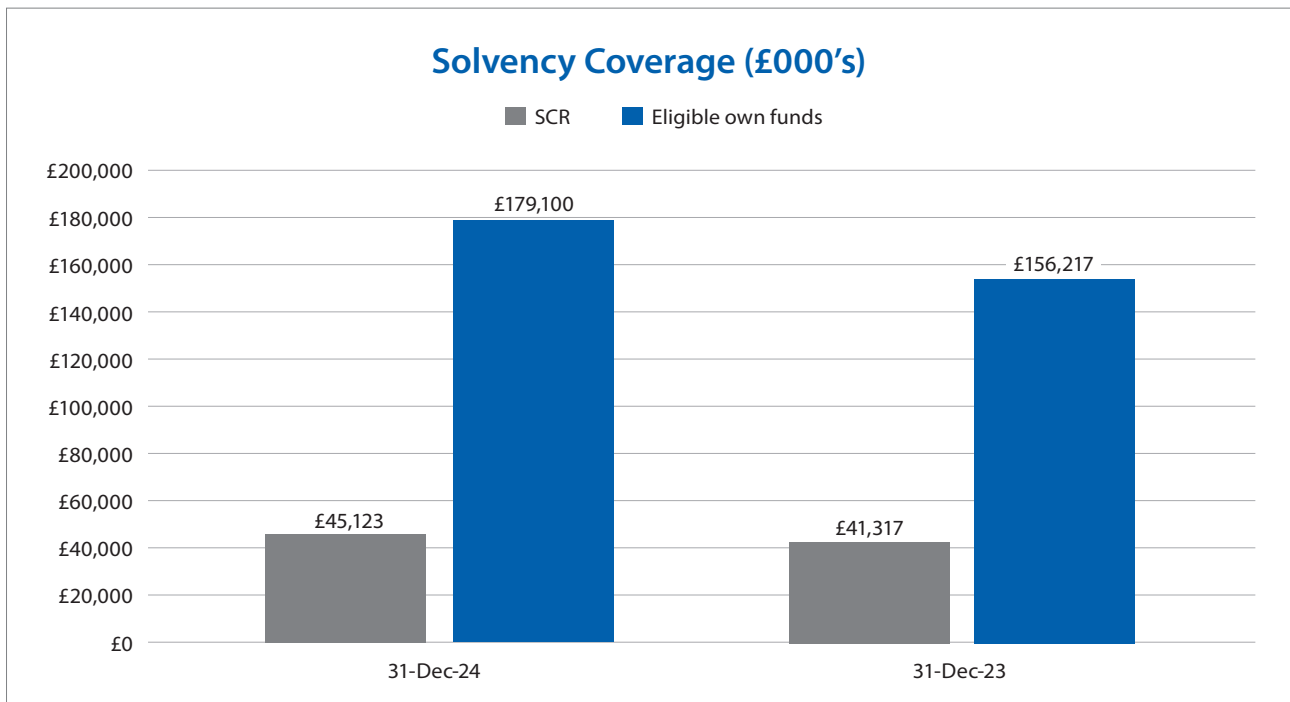
WPA is controlled by the Board of Directors, who act as stewards of the business. The Board has implemented a robust risk management framework that provides oversight to all of the Group's operations. The combined output from the risk management framework and the risk management activities is captured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

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 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.

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 remits 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.

The Company has implemented 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 including liquidity and solvency.

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 2024 the SCR has varied between £79m and £30m.

During 2025 the expectation is that a similar level of market risk exposure will be maintained within the portfolio.

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 UK Solvency II regulations.
- Throughout the financial year ended 31 December 2024, WPA has complied in all material respects with the applicable requirements of the PRA rules and UK 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.

Donna Eavis
Executive Director and Chief Financial Officer
27 March 2025

Audit Statement

Small insurers' exemption for external audit purposes

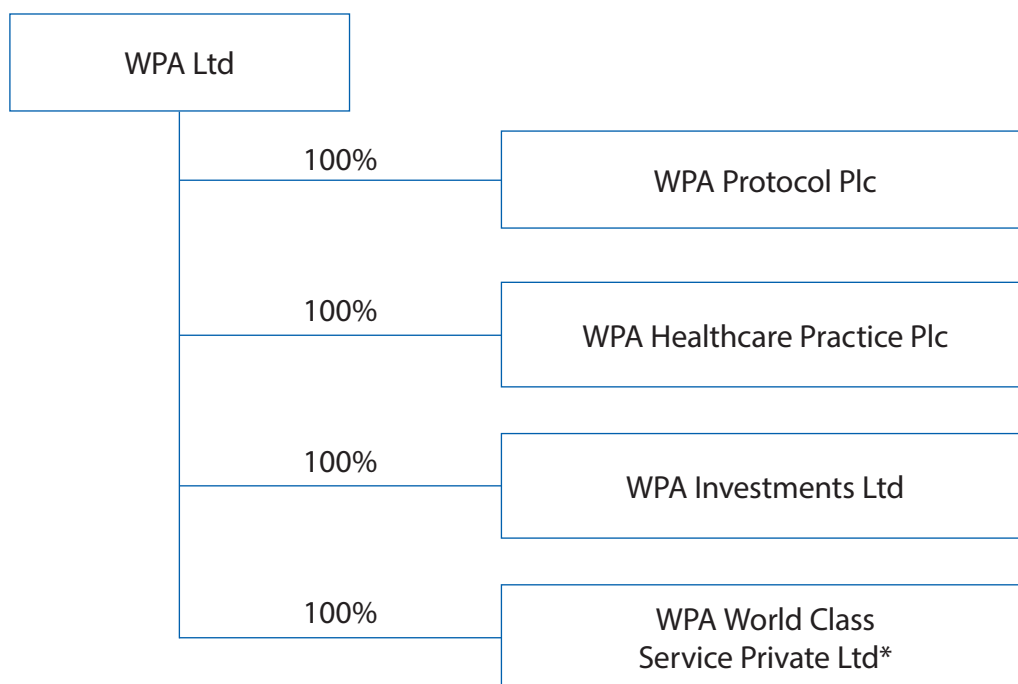
This document has been completed in accordance with the PRA Policy Statement PS25/18 "Solvency II: External audit of the public disclosure requirement", S11/16 "Solvency II: External audit of, and responsibilities of the governing body in relation to, the public disclosure requirement" and the External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

A: 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 PricewaterhouseCoopers LLP, 2 Glass Wharf, Bristol, BS2 0FR.

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. Our company structure ensures we are not entangled in a conflict between shareholder returns and long-term investment decisions, which consequently allows us to drive our strategic objectives of investing in our people and processes; for our customers this means the delivery of excellent service.

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 120+ years have been carefully managed and our financial 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 medical insurance and healthcare administration operations include all interactions with customers and we aim to achieve a modest contribution 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 the inforce business, as measured by the higher of our Own Risk and Solvency Assessment (ORSA) or Solvency Capital Requirement (SCR), are held in UK Government stocks or cash. Assets in excess of the requirement are held in a diversified range of investments across different sectors and geographies. This investment strategy underpins the 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.

2024 has been the year for returning the business to equilibrium following 2023 which was dominated by high volumes of claims and consequent losses on the insurance business. The Group has worked hard to effect change, with the Consolidated Income Statement showing an increase in insurance revenue, from new sales. The on-going position of the NHS, with resources stretched and waiting times long, directly impacts our business through claims volume, and driving an increase in customer numbers, as individuals and employers look for ways to support future healthcare requirements.

WPA prepares its financial statements in accordance with UK Adopted International Accounting Standards and the Companies Act. The Income Statement from the WPA Group financial statements is included below. WPA is the only insurer in the Group and therefore the insurance revenue and service expenses solely relate to WPA:

WPA Group	2024 £'000	2023 £'000
Insurance revenue	170,162	147,868
Insurance service expenses	(156,833)	(157,248)
Insurance service result	13,329	(9,380)
Administration income*	7,081	6,327
Net investment income	10,398	7,195
Net insurance, administration and investment result	30,808	4,142
Other operating and administrative expenses	(18,128)	(15,268)
Investment management expense	(58)	(38)
Corporate Social Responsibility donations	(250)	(10)
Loss before income tax	12,372	(11,175)
Combined operating ratio	98.7%	111.9%

* 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.

During the year we continued to take advantage of the high interest rates and de-risk our portfolio with more than 80% of the portfolio in government debt, corporate bonds or cash, with the remainder in equities, held in a number of geographies; commodities and property. This relatively high weighting towards fixed income investments reduces the volatility in the investment return.

From an investment perspective the continuing UK economic environment has provided low-risk investment opportunities at an interest rate of 4.25% or above. Where our long-held investments in government debt and corporate bonds have matured in the year we have been able to reinvest the proceeds at higher rates of return. The overall returns from equities and commodities have been higher than those from fixed income, reflecting the fortunes of the sectors of the economy they come from.

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	2024 £'000	2023 £'000
UK Gilts	1,685	629
Treasury bills	–	43
Cash	636	370
Solvency and liquidity funds return	2,321	1,042
Treasury bills	1,092	477
UK Gilts	912	428
Cash instruments – Sterling	769	1,290
Cash instruments – US Dollars	(6)	61
Forward currency contracts ¹	147	1,459
Corporate bonds	1,079	710
Commodities	259	69
UK equity (including dividends from subsidiaries)	3,270	1,945
Global equity	2,417	1,536
Investment fund return	9,939	7,795
Direct Investments expense	(58)	(38)
Total portfolio return	11,202	8,979
Intercompany transactions	(804)	(1,784)
Investment return for the group	10,398	7,195

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 £1.3m (2023: £2.2m) dividends received from subsidiaries.

4. Subsidiary Companies

WPA Protocol Plc is a subsidiary, which administers healthcare trusts and is an appointed representative of WPA. The company paid a dividend to WPA in 2024 of £nil (2023: £0.9m).

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 58%, 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 2024 of £1.3m (2023: £1.3m).

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 within the group based in India that carries out back-office administration on behalf of the WPA Group.

5. Other information

There is no other information.

B: System of Governance

1. General Information on the System of Governance

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 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 ISAE 3402 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. For the 2024 year end the Audit Committee requested that the external auditor audit the solvency ratio disclosed in the financial statements as part of the financial statements audit. In order to gain assurance over the solvency ratio the auditor audited the inputs and methodology used to calculate the two components of the ratio being the own funds and Solvency Capital Requirement.

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 and maintain the real value of the portfolio.

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 responsibility for setting the remuneration of Executive Directors and the Chair of the Board. Remuneration consists of fixed salary and variable short and long term benefits. 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:

- 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 are managed;
- 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 and Head of Compliance, 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. The Compliance Function 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, Quality Management Systems (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 Register review meeting; or 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. Triggers for review of the ORSA would include a significant change in risk to the Company.

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 to the ORSA requirement 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:

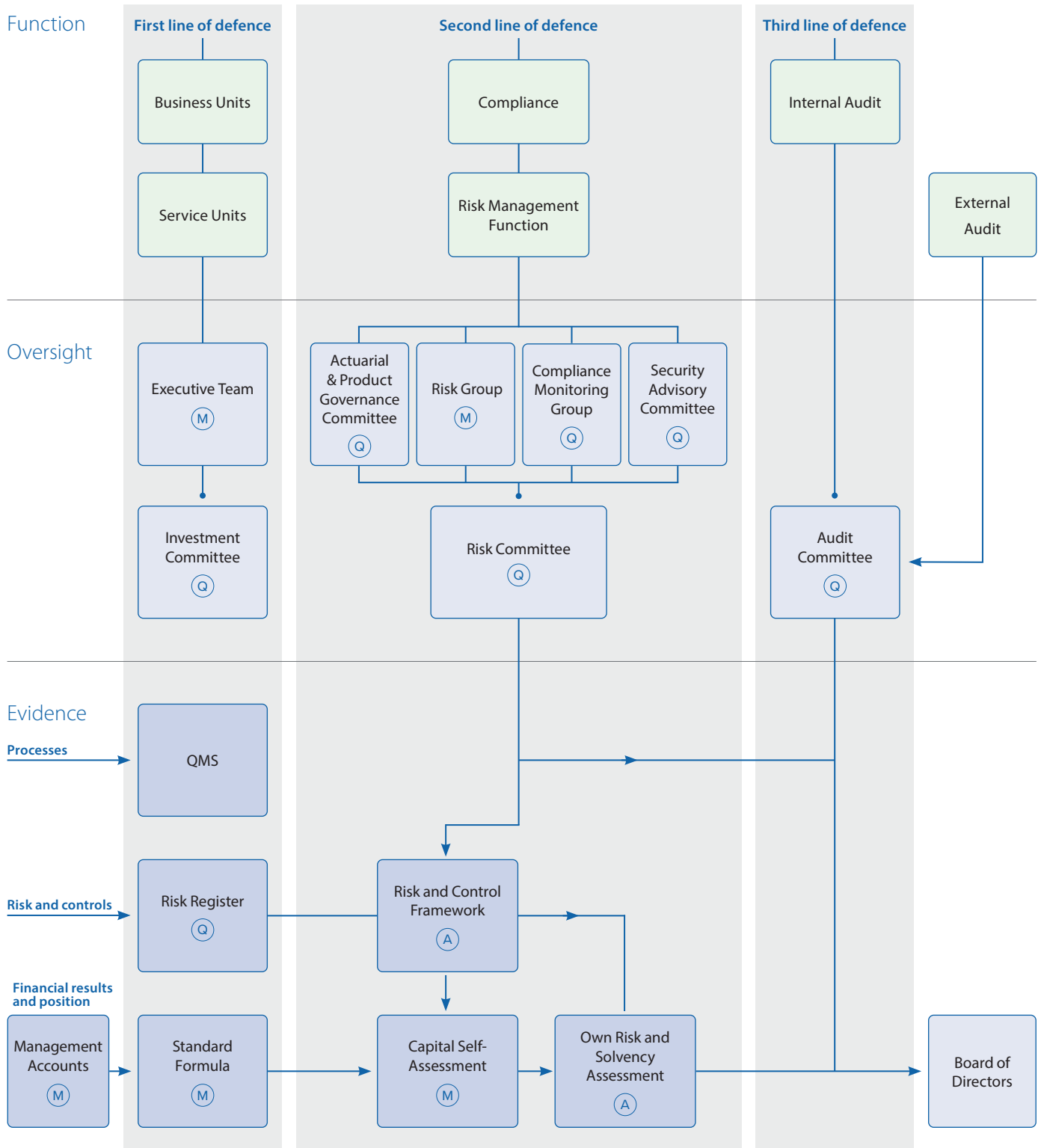
- The processes and procedures required by the ORSA framework;
- How the ORSA incorporates strategic and business planning processes, risk, risk tolerances, overall solvency needs, timing and frequency of ORSA framework, information on data quality, the structure of ORSA Report, description of roles 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 stock.

5. Internal Control System

The key components of the systems of governance as at 31 December 2024 are summarised below.

The system of governance is designed to enable the Board to lead with three lines of defense, evidence and oversight of functions.



- 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 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 control 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 Information security programme and initiatives.
- 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.

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 Information-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

The Compliance function oversight is through two Committees, both chaired by the Head of 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 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 provides an opinion on the adequacy of the internal control framework, systems and processes with the opinion based on the findings from the internal audits performed in 2024 concluding that the internal control framework, systems and processes appeared to be adequate and effective.

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.

External Audit

The external audit of the financial statements for the year ended 31 December 2024 is conducted by PricewaterhouseCoopers LLP (PwC), Bristol UK. PwC report directly to the Members.

7. Actuarial Function

The Actuarial Function Holder for WPA is also the Chief Financial 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 outsourced provider.

WPA World Class Service (India) Private Ltd performs claims and administration services and is a wholly owned subsidiary within the WPA Group.

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.

10. Other information

There is no other information.

C: 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 a modest surplus 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. 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 Financial 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 Claims management forum 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 Financial 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 Financial 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

The Group's primary market risk is through exposure to equity markets. From a solvency perspective the impact of market risk is eliminated through holding UK Government stock equivalent in value to the capital requirement. Further low risk investments in cash and UK Government stock are held to cover our liquidity requirement.

Equity Risk. 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 UK 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 minimise asset valuation volatility. The returns on cash instruments are dependent on interest rates. This is managed through holding instruments with a range of maturity dates to diversify risk.

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 managed through paying expenses in advance to lock in the exchange rate. The risk 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. The Group also has an indirect credit risk in relation to its defined benefit pension scheme which has invested in an annuity buy-in. 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 cash instruments held within the investment portfolio 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, administrative and staff costs. We manage the inflation risk in the investment portfolio through targeting a return in excess of inflation through a diversification of assets. 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 premises, people and systems, 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 independent certification by the British Standards Institute (BSI) to the following ISO accreditations: 9001:2015 Quality Management, 27001:2022 Information Security Management, 22301:2019 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. Our business continuity plans include home working capability together with ownership of a dedicated business continuity site which, coupled with a resilient IT platform, ensures continued operation in the event of an incident at the primary site in Taunton. The Group also complies with Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) rules on operational resilience.

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 Government stock 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 in isolation 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 business 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 Group 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

The Group is exposed to conduct risk as it is required to comply with FCA and PRA regulation as well as wider UK Company regulations. The Group manages the risk of compliance with regulation through a formal Regulatory Compliance Group which reports into the Risk Committee. The Group meets monthly and is attended by personnel from across the business with a view to ensuring continued compliance with the latest regulation. The Group monitors and reports the capital coverage to the Board on a monthly basis.

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 which could result in staff resourcing difficulties or cause disruption to our offices. These risks are managed through home working capabilities and a dedicated business continuity site.

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.

We have actively sought ways to reduce our carbon emissions over the last five years.

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 90% 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

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.

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

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.

(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.

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 Government stock 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 Fund 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.

Prudent Person Principle

Response

(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. 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. The scenario and sensitivity testing performed under the ORSA process is also relevant under Solvency II.

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.

6. Other information

There is no other information.

D: Valuation for Solvency Purposes

1. Assets and Liabilities

	Solvency II value £'000s		Valuation Base, Method and Assumptions
	C0010		
Assets			
Pension benefit surplus	R0050	2,947	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	4,769	Cost less depreciation, after assessing for impairment, which is considered to represent economic value.
Holdings in related undertakings, including participations	R0090	1,001	Valued on adjusted equity method, based on Solvency II valuation of underlying net assets of wholly owned subsidiaries.
Government Bonds	R0140	101,707	Fair value under Solvency II which is judged to be equivalent to economic value.
Corporate Bonds	R0150	22,487	Fair value under Solvency II which is judged to be equivalent to economic value.
Collective Investments Undertakings	R0180	51,976	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	78	Fair value under Solvency II which is judged to be equivalent to economic value.
Deposits other than cash equivalents	R0200	3,646	Amortised cost under IFRS which is considered to be equivalent to economic value.
Insurance and intermediaries receivables	R0360	1,359	Fair value under IFRS which is considered to be equivalent to economic value.
Cash and cash equivalents	R0410	4,827	Amortised cost under IFRS which is considered to be equivalent to economic value.
Any other assets, not elsewhere shown	R0420	4,679	Fair value under IFRS which is considered to be equivalent to economic value.
Deferred tax asset	R0780	7,534	Fair value in accordance with the requirement of IFRS.
Total assets	R0500	207,010	

C0010

Liabilities

Technical provisions – non-life	R0510	5,686	Refer to Section 2 on the following page.
Derivatives	R0790	1,057	Fair value under IFRS, which is considered to be equivalent to economic value.
Insurance & intermediaries payables	R0820	10,440	Amortised cost, under the effective interest rate method which is considered to materially represent economic value.
Payables (trade, not insurance)	R0840	9,817	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	27,144	

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.

<p>Best estimate 4,294</p>	<p>Calculation comprises:-</p> <ul style="list-style-type: none"> - Future premiums due under contracts in-force at the year end date less the forecast associated claims and administrative expenses in relation to those premiums, 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>There is uncertainty and judgement required in valuing both the claims reserve and the profit in future premiums. There is 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. 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>
<p>Risk margin 1,392</p>	<p>The Risk margin is calculated on the bases of the Operational Risk and Health Risk module of the Standard Formula SCR, at the PRA prescribed cost of capital and discounted at the PRA 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 small, due to the short-tail nature of health insurance.</p>
<p>5,686</p>	<p>Total Technical Provisions</p>

IFRS to Solvency II Balance Sheet

	Solvency II Balance Sheet £'000s	IFRS Balance Sheet £'000s	Explanation of difference
Intangible Assets	–	302	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.
Net pension surplus	2,947	2,947	
Property, plant and equipment held for own use	4,769	4,769	
Holdings in related undertakings, including participations	1,001	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	101,707	103,008	Bonds are shown on the IFRS balance sheet at amortised cost and on the Solvency II balance sheet at fair value.
Corporate Bonds	22,487	22,621	Bonds are shown on the IFRS balance sheet at amortised cost and on the Solvency II balance sheet at fair value.
Collective Investments Undertakings	51,976	51,976	
Derivatives	78	78	
Deposits other than cash equivalents	3,646	3,646	
Insurance and intermediaries receivables	1,359	–	Under IFRS all insurance related balances are recognised within the insurance contract liabilities.
Cash and cash equivalents	4,827	4,827	
Any other assets, not shown elsewhere	4,679	5,912	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.
Deferred tax asset	7,534	7,534	
Total assets	207,010	208,554	

	Solvency II Balance Sheet £'000s	IFRS Balance Sheet £'000s	Explanation of difference
Reserves	–	164,950	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	4,294	33,512	The IFRS balance includes other insurance related balances which are separately disclosed under Solvency II. In addition the IFRS unearned premium reserve and premium debtors are removed from the Solvency II balance sheet. The claims reserve remains the same but is subject to discounting under IFRS 17.
Risk margin	1,392	–	Additional calculation for the Solvency II balance sheet as discussed in section 2 above.
Derivatives	1,057	1,057	
Insurance & intermediaries payables	10,440	–	Under IFRS all insurance related balances are recognised within the insurance contract liabilities.
Payables (trade, not insurance)	9,817	8,891	Under IFRS there are some payable balances which are included within the best estimate technical provisions which are split out under Solvency II.
Any other liabilities	144	144	
Total equity and liabilities	27,144	208,554	
Excess of assets over liabilities	179,866	–	Difference between excess of assets over liabilities and IFRS reserves is driven by valuation differences in relation to: <ul style="list-style-type: none"> • Technical provisions and risk margin • Valuation of bonds • Valuation of investment in subsidiaries • Non recognition of prepayments and intangible assets under Solvency II

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 financial statements 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.

4. Other information

There is no other information.

E: 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 the 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 Government stock 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 Liquidity and Solvency 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 majority of the Solvency II own funds are classified as Tier 1 capital. However both the Solvency II own Funds and the IFRS reserves include the recognition of a deferred tax asset amounting to £7,534k, which is a Tier 3 asset. Tier 3 assets are restricted to 15% of the Solvency Capital requirement. As a result of this restriction the eligible own funds to meet the SCR are £766k lower than the Solvency II own funds.

	2024 £'000	2023 £'000
Solvency II Own Funds	179,866	156,217
IFRS Reserves	164,950	159,143

2. Capital Requirement

The Company's solvency capital requirement is determined under the "Standard Formula". This yields a capital requirement of £45.1m (31 December 2023: £41.3m).

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	2024 £'000s	2023 £'000s
Market Risk	17,498	17,289
Counterparty Risk	1,740	1,410
Health Risk	31,233	28,020
Operational Risk	5,118	4,436
Diversification	(10,466)	(9,838)
Solvency Capital Requirement (SCR)	45,123	41,317
Minimum Capital Requirement (MCR)	11,281	10,329
Total eligible unrestricted own funds to meet SCR	179,100	156,217
SCR coverage by total eligible own funds	397%	378%

Changes in the period

The SCR increased from £41.3m to £45.1m between December 2023 and December 2024. The main reasons for the net increase in the Standard Formula during the year were:

Market risk: £0.2m increase

- Increase in equity holdings in the investment portfolio due to market growth resulting in an increase in equity risk of £1.1m.
- Decrease in currency risk of £1.4m, due to a reduction in net US Dollar exposure, due to a reallocation of investments and also having a more accurately aligned currency hedge at the year end.
- Increase in spread risk of £0.3m.
- £0.1m increase in property risk due to the purchase of an additional property in the year.
- Decrease of £1.5m in the interest shock due to routine changes through the year in the bond portfolio and the fact the portfolio is 12 months closer to maturity.
- Decrease in the benefit of market risk diversification of £1.6m, driven by the change in assets risks detailed above.

Counterparty risk: £0.3m increase

- Higher shock as a result of the additional exposure created by the pension scheme purchasing an annuity buy-in.

Health risk: £3.2m increase

- Risk is highly dependent on the level of forecast premium and therefore the increase in shock is as a result of the fact that premiums are expected to continue to increase through growth and inflation.

Diversification risk: £0.6m increase (decrease to the SCR)

- A increase in the benefit of the overall SCR diversification risk due to the increase in the various risk modules.

Operational risk: £0.7m increase

- Risk is calculated based on premiums and therefore the increased premiums has resulted in an increased risk.

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 £10.3m as at 31 December 2023 to £11.2m at 31 December 2024.

3. Differences between the Standard Formula and the Internal Model

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

4. Non Compliance with Solvency Capital Requirement or Minimum Capital Requirement

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

5. 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	31/12/2024
Currency used for reporting	GBP
Accounting standards	UK adopted International Accounting Standards
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 (unaudited)

IR.02.01.02	Solvency II balance sheet
IR.05.02.01	Premiums, claims and expenses by country
IR.05.04.02	Non-life income and expenditure
IR.17.01.02	Non-life technical provisions
IR.19.01.21	Non-life insurance claims
IR.23.01.01	Own funds
IR.25.04.21	Solvency Capital Requirement
IR.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

IR.02.01.02 Balance sheet (unaudited)

		Solvency II value £'000s
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	7,534
Pension benefit surplus	R0050	2,947
Property, plant & equipment held for own use	R0060	4,769
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	180,894
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	1,001
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	124,194
Government Bonds	R0140	101,707
Corporate Bonds	R0150	22,487
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	51,976
Derivatives	R0190	78
Deposits other than cash equivalents	R0200	3,646
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	
Life excluding health and index-linked and unit-linked	R0315	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	1,359
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	4,827
Any other assets, not elsewhere shown	R0420	4,679
Total assets	R0500	207,010

IR.02.01.02 Balance sheet (unaudited)

		Solvency II value £'000s
		C0010
Liabilities		
Technical provisions – total	R0505	5,686
Technical provisions – non-life	R0510	5,686
Technical provisions – life	R0515	
Best Estimate – total	R0542	4,294
Best estimate – non-life	R0544	4,294
Best estimate – life	R0546	
Risk margin – total	R0552	1,392
Risk margin – non-life	R0554	1,392
Risk margin – life	R0556	
Transitional (TMTP) – life	R0565	
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	1,057
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	10,440
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	9,817
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not shown elsewhere	R0880	144
Total liabilities	R0900	27,144
Excess of assets over liabilities	R1000	179,866

IR.05.02.01 Premiums, claims and expenses by country (unaudited)

			Top 5 countries (by amount of gross premiums written) – non-life obligations	Total Top 5 and home country – non-life obligations
		Home country £'000s	Country (by amount of gross premiums written) – non-life obligations £'000s	Total Top 5 and home country £'000s
		C0080	C0090	C0140
Premiums written				
Gross – Direct Business	R0110	182,103	182,103	182,103
Gross – Proportional reinsurance accepted	R0120			
Gross – Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140			
Net	R0200	182,103	182,103	182,103
Premiums earned				
Gross – Direct Business	R0210	170,162	170,162	170,162
Gross – Proportional reinsurance accepted	R0220			
Gross – Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240			
Net	R0300	170,162	170,162	170,162
Claims incurred				
Gross – Direct Business	R0310	121,059	121,059	121,059
Gross – Proportional reinsurance accepted	R0320			
Gross – Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340			
Net	R0400	121,059	121,059	121,059
Net expenses incurred	R0550	54,758	54,758	54,758

IR.05.04.02 Non-life income and expenditure (unaudited)

All non-life business
(i.e. excluding annuities
stemming from accepted
insurance and reinsurance
contracts)

Line of
Business
for: non-life
insurance
and accepted
proportional
reinsurance
obligations

Medical
expense
insurance
(lines of
business 1
and 13)
£'000s

		C0010	C0015	C0110
Premiums written				
Gross written premiums	R0110		182,103	182,103
Gross written premiums – insurance (direct)	R0111			
Gross written premiums – accepted reinsurance	R0113			
Net	R0160		182,103	182,103
Premiums earned and provision for unearned				
Gross earned premiums	R0210		170,162	170,162
Net earned premiums	R0220		170,162	170,162
Claims incurred				
Gross (undiscounted) claims incurred	R0610		121,059	121,059
Gross (undiscounted) direct business	R0611			
Gross (undiscounted) reinsurance accepted	R0612			
Net (undiscounted) claims incurred	R0690		121,059	121,059
Net (discounted) claims incurred	R0730		120,936	
Analysis of expenses incurred				
Technical expenses incurred net of reinsurance ceded	R0910	54,758		
Acquisition costs, commissions, claims management costs	R0985	34,234		
Other expenditure				
Other expenses	R1140	250		
Total expenditure	R1310	178,786		

All other balances on IR.05.04.02 are nil.

IR.17.01.02 Non-life Technical Provisions (unaudited)

		Direct business and accepted proportional reinsurance	Total non-life obligation £'000s
		Medical expense insurance £'000s	
		C0020	C0180
Best estimate			
Premium provisions			
Gross	R0060	(6,916)	(6,916)
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	(6,916)	(6,916)
Claims Provisions			
Gross	R0160	11,210	11,210
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	11,210	11,210
Total Best estimate – gross	R0260	4,294	4,294
Total Best estimate – net	R0270	4,294	4,294
Risk margin	R0280	1,392	1,392
Technical provisions – total (best estimate plus risk margin)			
Technical provisions – total	R0320	5,686	5,686
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330		
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	5,686	5,686

IR.19.01.21 Non-life insurance claims Total non-life business (unaudited)

Z0020 Accident
Year

**Gross Claims Paid (non-cumulative) – Development year. Total Non-Life Business
(absolute amount – £'000s)**

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100	0	0	0	0	0	0	0	0	0	0	0
N-9	R0160	72,872	6,973	250	18	18	4	0	0	0	0	
N-8	R0170	70,535	7,791	198	18	26	5	0	0	0		
N-7	R0180	72,189	6,992	275	13	15	0	0	0			
N-6	R0190	69,434	7,420	178	31	10	1	0				
N-5	R0200	75,807	8,627	174	28	5	19					
N-4	R0210	59,315	6,033	85	22	16						
N-3	R0220	83,099	6,551	173	2							
N-2	R0230	95,185	9,454	204								
N-1	R0240	110,118	8,636									
N	R0250	108,110										

Gross Claims Paid – Current year (non-cumulative), sum of years (cumulative).

Total Non-Life Business

		In current year £'000s	Sum of years (cumulative) £'000s
		C0010	C0020
Prior	R0100		
N-9	R0160		80,135
N-8	R0170		78,573
N-7	R0180		79,484
N-6	R0190		77,074
N-5	R0200		84,660
N-4	R0210		65,471
N-3	R0220		89,825
N-2	R0230		104,483
N-1	R0240	8,636	118,754
N	R0250	108,110	108,110
Total	R0260	116,746	

IR.19.01.21 Non-life insurance claims Total non-life business (unaudited)

Z0020 Accident
Year

**Gross undiscounted Best Estimate Claims Provisions – Development year. Total Non-Life Business
(absolute amount – £'000s)**

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0110
Prior	R0100	0	0	0	0	0	0	0	0	0	0	0
N-9	R0160	7,989	0	0	0	0	0	0	0	0	0	
N-8	R0170	9,691	0	0	0	0	0	0	0	0		
N-7	R0180	9,504	0	0	0	0	0	0	0			
N-6	R0190	9,732	0	0	0	0	0	0				
N-5	R0200	11,007	0	0	0	0	0					
N-4	R0210	10,585	445	0	0	0						
N-3	R0220	15,208	458	0	0							
N-2	R0230	13,084	592	0								
N-1	R0240	12,030	190									
N	R0250	11,333										

Gross discounted Best Estimate Claims Provisions – Current year.

Total Non-Life Business

		Year end (discounted date) £'000s	
			C0360
Prior	R0100		
N-9	R0160		
N-8	R0170		
N-7	R0180		
N-6	R0190		
N-5	R0200		
N-4	R0210		
N-3	R0220		
N-2	R0230		
N-1	R0240		190
N	R0250		11,020
Total	R0260		11,210

IR.19.01.21 Non-life insurance claims Total non-life business (unaudited) *continued*

Gross premium

		Gross earned premium at reporting reference date £'000s	Estimate of future gross earned premium £'000s
		C0360	C0580
Prior	R0100		
N-9	R0160	105,538	
N-8	R0170	104,435	
N-7	R0180	106,840	
N-6	R0190	108,217	
N-5	R0200	108,757	
N-4	R0210	100,224	
N-3	R0220	118,027	
N-2	R0230	129,424	
N-1	R0240	147,868	
N	R0250	170,162	

IR.23.01.01 Own funds (unaudited)

		Total £'000s	Tier 1 – unrestricted £'000s	Tier 1 – restricted £'000s	Tier 2 £'000s	Tier 3 £'000s
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
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	172,332	172,332			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	7,534				7,534
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	179,866	172,332			7,534
Ancillary own funds						

IR.23.01.01 Own funds (unaudited) *continued*

		Total £'000s	Tier 1 – unrestricted £'000s	Tier 1 – restricted £'000s	Tier 2 £'000s	Tier 3 £'000s
		C0010	C0020	C0030	C0040	C0050
Basic 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	R0340					
Letters of credit and guarantees – other	R0350					
Supplementary members calls	R0360					
Supplementary members calls – other	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	179,866	172,332			7,534
Total available own funds to meet the MCR	R0510	172,332	172,332			
Total eligible own funds to meet the SCR	R0540	179,100	172,332			6,768
Total eligible own funds to meet the MCR	R0550	172,332	172,332			
SCR	R0580	45,123				
MCR	R0600	11,281				
Ratio of Eligible own funds to SCR	R0620	397%				
Ratio of Eligible own funds to MCR	R0640	1528%				

IR.23.01.01 Reconciliation reserve (unaudited)

		Total £'000s
		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	179,866
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Deductions for participations in financial and credit institutions	R0720	
Other basic own fund items	R0730	7,534
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	172,332

IR.25.04.21 Basic Solvency Capital Requirement (unaudited)

		Total £'000s
		C0050
Market risk	R0140	17,498
Interest rate risk	R0070	2,466
Equity risk	R0080	14,291
Property risk	R0090	879
Spread risk	R0100	888
Concentration risk	R0110	
Currency risk	R0120	4,148
Other market risk	R0125	
Diversification within market risk	R0130	(5,174)
Counterparty default risk	R0180	1,740
Type 1 exposures	R0150	1,023
Type 2 exposures	R0160	835
Other counterparty risk	R0165	
Diversification with counterparty default risk	R0170	(118)
Life underwriting risk	R0270	
Mortality risk	R0190	
Longevity risk	R0200	
Disability-Morbidity risk	R0210	
Life-expense risk	R0220	
Revision risk	R0230	
Lapse risk	R0240	
Life catastrophe risk	R0250	
Other life underwriting risk	R0255	
Diversification within life underwriting risk	R0260	
Total health underwriting risk	R0320	31,233
Health SLT risk	R0280	
Health non SLT risk	R0290	30,277
Health catastrophe risk	R0300	3,205
Other health underwriting risk	R0305	
Diversification within health underwriting risk	R0310	(2,249)
Non-life underwriting risk	R0370	
Non-life premium and reserve risk (ex catastrophe risk)	R0330	
Non-life catastrophe risk	R0340	
Lapse risk	R0350	
Other non-life underwriting risk	R0355	
Diversification within non-life underwriting risk	R0360	
Intangible asset risk	R0400	
Operational and other risks	R0430	5,118
Operational risk	R0422	5,118
Other risks	R0424	
Total before all diversification	R0432	63,130
Total before diversification between risk module	R0434	55,589
Diversification between risk modules	R0436	(10,466)
Total after diversification	R0438	45,123
Loss-absorbing capacity of technical provisions	R0440	

IR.25.04.21 Basic Solvency Capital Requirement (unaudited) *continued*

		Total £'000s
		C0050
Loss-absorbing capacity of deferral taxes	R0450	
Other adjustments	R0455	
Solvency capital requirement including undisclosed capital add-on	R0460	
Disclosed capital add-on – excluding residual model limitation	R0472	
Disclosed capital add-on – residual model limitation	R0474	
Solvency capital requirement including capital add-on	R0480	45,123
Biting interest rate scenario	R0490	
Biting life lapse scenario	R0495	

IR.28.01.01 Minimum Capital Requirement – Only life or only non-life activity (unaudited)

		Linear formula component for non-life insurance and reinsurance obligations £'000s
		C0010
MCR _{NL} Result	R0010	8,761

Background information

		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	4,294	182,103
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

R.28.01.01 Minimum Capital Requirement – Only life or only non-life activity (unaudited)
 Overall MCR Calculation

		£'000s
		C0040
Linear MCR	R0300	8,761
SCR	R0310	45,123
MCR cap	R0320	20,305
MCR floor	R0330	11,281
Combined MCR	R0340	11,281
Absolute floor of the MCR	R0350	2,066
Minimum Capital Requirement	R0400	11,281



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