

Summary Annual Report 2022

For the Benenden Healthcare Society Limited
for the year ending 31 December 2022

Inside

Who's Who	3
Benenden Health in brief	4
From our Chair, David Furniss	6
From our CEO, Bob Andrews	9
Pay and Rewards: Summary Directors' Report on Remuneration	12
Independent Auditor's Statement	14
Summary Financial Review	16



Who's Who

at 31 December 2022

The Board

Bob Andrews – Chief Executive Officer

Jo Andrews – Member-nominated

Ian Blanchard – Board-nominated*

Helen Chamberlain – Chief Financial Officer

Paula Clark – Board-nominated*

Brian Eaton – Member-nominated

David Fletcher – Member-nominated

David Furniss – Board-nominated* Chair

Angela Hays – Member-nominated

Deryck Lewis – Member-nominated

Belinda Moore – Board-nominated*

Les Philpott – Member-nominated

Sameer Rahman – Board-nominated*

Chief Executive Officer

Bob Andrews

Society Secretary

René Fraioli

Deputy Secretary

Deryck Lewis

Company Secretary

Richard Johnston ACG

Medical Advisor

Mr Rowan Connell MD, FRCOG

External Auditors

Deloitte LLP

Internal Auditors

RSM UK Group LLP

Bankers

Barclays

NatWest

Solicitors

Brachers LLP

DLA Piper

Pinsent Masons LLP

TLT LLP

Investment Advisors

Mercer

Investment Managers

Goldman Sachs Asset Management

Janus Henderson

Legal & General Group plc

Ruffer LLP

*Board-nominated directors are those the Board considers to be 'independent', as defined by the Society's rulebook and as required by corporate governance best practice.

Benenden Health in brief

Our purpose is to improve the nation's health.

We make private healthcare affordable and accessible to everyone. We support people by diagnosing and treating their health issues and by helping them stay well, in body and mind.



**Our membership
is growing**

**In 2022, our membership
grew 19,673 to 847,409**

Third-party
income
at Benenden
Hospital:

£16.7m

(+19% on 2021)



£8.4m (2021: £21.0m)

**Operational surplus
achieved**

£187.9m

(2021: £178.6m)

**Member
funds held**



4/5

of our members say they would recommend us to friends or family.

We are keeping our members satisfied

Throughout 2022, our members gave us scores of

8.8/10

for overall satisfaction and for how easy we were to interact with.

We are keeping our people engaged

97%

of our people feel proud to work at Benenden Health.

We are helping our members more

In 2022, we provided more services to our members that in 2021. We helped members 137,904 times in 2022, up 25,540 (22.7%) on 2021 (2021: 112,364).



Diagnosis
47,197

(+13% on 2021)



Treatment
15,318

(+21% on 2021)



Physiotherapy
21,193

(+25% on 2021)



24/7 GP
had over
45,000
appointments

(+45% on 2021)



The Mental Health
Helpline had over
7,500
Calls

(in line with 2021)

From our Chair, David Furniss

Rising to a new challenge

The test of any business is how it handles challenges, not just how it makes the most of good times. While COVID-19 receded in 2022, another test followed almost immediately – a dramatic rise in the UK's cost of living. So we must redouble our efforts to emphasise our excellent value and service. With the NHS under relentless pressure, we have to underline our role as an affordable alternative to private medical insurance. That message is resonating strongly.

Doing more for our members

Our membership continues to grow. By the end of 2022, it stood at 847,409 members – up by 19,673 on 2021. This is the result of a lot of hard work from our marketing experts, clinical specialists, Member Services teams and those engaging with our corporate clients and keeping our systems running well.



- We helped members 137,904 times in 2022, up 25,540 and 22.7% on 2021
- Authorisations for treatment and diagnosis increased by nearly 16%, from 65,260 to 75,386 in 2022
- Third-party income at Benenden Hospital increased by over 19%, from £14.0m in 2021 to £16.7m in 2022

Consultations through our 24/7 GP service and Physiotherapy appointments have also increased. Our digital offerings, from exercise classes to healthy living advice, remain popular as we add more content to our Wellbeing Hub. Our members also appreciate our service: our own surveys tell us that they consistently scored us 8.8 out of 10 through the year for how easy their experience with us was.

We are not immune to rising costs, particularly medical inflation, which dictates the cost of providing our services. From April 2023, our members' contribution rate will rise for the first time since 2020, from £11.90 to £12.80 per person per month. But the upper limit for diagnosis will also increase, from £1,800 to £2,500 – a clear sign that we continue to be there for our members.

We will continue to look for ways to help vulnerable members through the cost of living crisis, just as we did during the pandemic when we offered deferred contributions and extended authorisations.

Relaunching our democracy

In 2022, we changed our democratic structure by replacing our Branches with Benenden Health Communities. The goal is to involve more members in what the Society does and the direction it takes. This includes them being able to discuss health and healthcare and take part in important decisions through Direct Member Voting rather than via Conference delegates as before. The new structure also includes a Member Council, which can directly consult with the Board and challenge it constructively on behalf of members.

In 2023, we will also develop a digital forum for members.

Managing environmental and social impact

We continue to emphasise environmental, social and governance (ESG) issues. Last year, we started reporting based on the principles of the Taskforce for Climate-related Financial Disclosures (TCFD). This helps us understand our impact, set targets and be transparent about how we move towards them. In particular, we are looking to support the UN's Sustainable Development Goals focused on health, wellbeing and gender equality.

Helping our community

We have been able to support our local communities in York and Kent. Colleagues from our offices in York and from Benenden Hospital have been involved in activities including looking after public spaces and helping school children with reading.

Changes to our Board

We said goodbye to Louise Fowler and Adrian Humphreys in 2022. Both have been great assets to our Board, and we thank them for their support. We also welcome Belinda Moore, who has a background in marketing, commercial transformation and digital and brand strategy.

Looking to the future

Inflation is likely to stay high well into 2023. Energy prices will also stay volatile as the direction of the war in Ukraine remains uncertain. So we must continue making our healthcare product as affordable and easy to access as possible. We go into 2023 having increased member funds by £9.3m, from £178.6m in 2021 to £187.9m in 2022, putting us in a good position to withstand economic shocks and further invest in our services. The need to offer value for money will figure strongly as the Board and leadership team plan the Society's strategic direction for the next five years. Among other things, we will investigate how to make digital technology even more integral to what we offer, creating more services that are easier to use.

Thank you

Our work is only possible because so many people work together for our members' benefit. They include our people, directors, colleagues at Benenden Hospital, volunteers, suppliers and my fellow Board members. All of them have contributed to helping us recruit new members and keep our existing members engaged and supported. I want to thank them for all they have done for Benenden Health in 2022.

How we are different

We stand out by:

Being here for our members

As a mutual, rather than working in the interests of shareholders, we are only here for our members, who also have a say in our big decisions.

Being not-for-profit

As much of our income as possible goes back into services for members.

Offering discretionary cover

We offer care to everyone, subject to the resources we have available through membership contributions. This makes the price of Benenden Health membership considerably lower than the average private medical insurance policy.

Giving everyone the same deal

All our members pay the same monthly contribution for access to the same services, regardless of their age or any pre-existing medical conditions. We do not ask for an excess or increase the contribution rate when members use our services.

From our CEO, Bob Andrews

Making Benenden Health indispensable

We have worked hard in the last four years to strengthen Benenden Health for the future. Among other things, we have made our product and brand appealing to people across the age range, rethought our democracy to connect more strongly with our members and modernised our systems to make ourselves more efficient. This has helped us carve out a unique space as a mutual dedicated to improving the nation's health. It has also put us in a great position to set new ambitions as we plot a course towards the end of the decade.

Our product is great value. And our membership is growing, despite economic turmoil. Clearly, people value their health and wellbeing and trust us to help safeguard it. But we must always look for new ways to earn that trust. We do this by adding value to our product and connecting with people in a way that makes Benenden Health membership indispensable.



Boosting value through our product

Traditionally, our product has been about diagnosing and treating medical issues. While that is still the core of what we do, we now emphasise the importance of maintaining, protecting and improving physical and mental health. This helps us reach a broader audience and offer value in more ways, from support and information on nutrition to advice on fitness or better sleep.

In 2022, we launched:

- The Cancer Support service, giving people with cancer the support of a registered nurse
- Mental Health Support for 11–16-year-olds
- Video Triage as an option for Physiotherapy

Growing our digital presence

Digital technology is already part of the Benenden Health experience. In just 18 months, more than 70,000 members have downloaded our app. They can use it to book GP appointments, attend webinars and exercise classes, download healthy recipes and more. In 2023, they will be able to claim for diagnosis and treatment through the app. We will also create bundles of content and events on specific health and wellbeing topics, like menopause. And we are working towards making it possible for members to keep in touch with us solely through digital channels.

We want to go even further by exploring ways that technology can make our product and medical expertise easier to access, such as messaging GPs directly or enabling digital consultations for dermatology. This is part of us striving to connect members to our healthcare expertise in innovative ways.

Investing in our brand

The key to engaging our audiences is our brand. In 2022, we took our continued investment in brand awareness to a new level through a partnership with Channel 4.

Our 'Time for a check-in' campaign, with celebrities including AJ Odudu and Davina McCall, highlights the importance of maintaining health and wellbeing by talking to each other.

After launching in September, the campaign immediately boosted sales and produced a dramatic spike in web traffic. This is the beginning of a long-term effort to push awareness of the brand until it is one of the most recognised in our sector. By investing now, we become part of people's decision-making when the time comes to buy private healthcare.

Expanding our corporate business

Our brand investment is also boosting our corporate business. Although more organisations include healthcare in their benefits package, the majority of employees still have no cover. By providing it, employers make themselves more attractive, which is critical at a time when the right people are in short supply. Cover also cuts sickness absence and boosts retention. Organisations from education to retail are responding to this message. In fact, in the last 12 months, 28% of our sales have come from our corporate business.

Supporting our people

We also want to be an attractive employer and recruit people of all backgrounds to boost our competitiveness. Our brand investment has helped increase the number of people applying for jobs with us. But we want the experience of working here to be positive, too. In 2022, we started work on a diversity, equity and inclusion (DE&I) strategy to help us create an environment where everyone feels they belong. We also performed a benchmarking exercise to make sure that our salaries match the market.

Upgrading our systems

We have invested substantially in modernising the systems that manage claims and finance to help us handle members' enquiries quickly. In 2023, we will begin replacing the system that manages our relationship with members. Once complete, it will link better with our other systems, control data more efficiently and make us easier to do business with.

Looking ahead

We go into 2023 well placed to set our direction for the next five years. I want to thank everyone involved with Benenden Health for helping us improve the nation's health in 2022, from our team in York to the clinicians and staff at Benenden Hospital and all our supportive partners. Your efforts are helping us to make Benenden Health famous!



Pay and Rewards: Summary

Directors' Report on Remuneration

In 2022, the Group Nominations and Remuneration Committee, chaired by Member-nominated non-executive director Les Philpott, carried out its responsibilities in line with its terms of reference. It had to balance the need to attract and motivate staff in a tough recruitment market with the need to spend members' money wisely in line with our values.

The Committee and Board decided it was important to recognise colleagues' hard work in helping the Society perform well despite economic uncertainty and spiralling inflation.

Executive remuneration

The Committee realises the importance of setting executive remuneration at a level that promotes the long-term success of the organisation. It also recognises that, as a mutual, the Society needs to be prudent with members' money.

The Committee strives to keep the executive reward system simple, avoiding complex, long-term incentive plans used by many organisations. Reflecting corporate best practice, we publish the ratio of the Chief Executive Officer's pay to that of employees as a whole.

We benchmark executive salaries against similar roles in other broadly comparable organisations with the help of independent remuneration consultants. These comparisons are important but don't reflect our uniqueness in the private healthcare sector. This means we also base remuneration decisions on other factors.

The Committee is confident that the independent work on executive remuneration in 2022 was robust, transparent and sensible. Our remuneration approach helps us keep the skills and experience we need and stay competitive in attracting new people to support our plans for growth.

Executive directors' bonus depends on how they perform against key measures. Each executive is measured against personal and collective objectives. We also look at the executive's conduct and behaviour.

Usually, the discretionary element of reward includes a maximum of 50% of individual executives' salaries. We have reset this to 30%, with an 'on target' expectation at 25%, to reflect the realistic maximum payments we are likely to make.

The bonus opportunity is designed to drive outstanding performance and deliver the best we can for the Society and our members on a sustainable basis. The Committee decided it was important to recognise that the Society's performance had been strong in 2022, despite the backdrop of high inflation and economic uncertainty, and set bonuses payable in April 2023 at 27.5% of salary for the CEO and CFO.

This resulted in similar bonus payments to those of 2022, where the executive director bonus was paid up to 25%.

The Committee decided to pay a lower salary increase for the executive team of 3%, paid in April 2022. The rest of the Society received a 4.5% salary increase. This decision reflected the uncertain post-pandemic environment and fluctuating inflation.

The impact of performance on executives' discretionary pay

In considering the discretionary element of executives' pay, the Committee assesses the Society's performance and each executive's contribution. Payments under the plan are made at the Committee's discretion in April, following the audited accounts. A 'clawback' provision is in place for any audited activity that, after year-end, turns out not to have been delivered to the expected level or standard.

The Committee must be satisfied that there is no significant conduct risk or any reputational, financial, operational or other reason not to make awards. It makes this judgement based on input from the Group Audit and Risk Committee.

The Committee had established annual targets for the executives, which they met. The Society has recorded another surplus this year, while also increasing net membership.

As well as recognising whether executives deliver on objectives, the Committee has also assessed how they have dealt with long-term issues and risks facing the group. It has also made sure that the Society carries on supporting members and safeguarding stakeholders' interests.

Non-executive directors' remuneration

The Committee commissioned an independent benchmark of non-executive remuneration, presented in 2022. The objective was to make sure that remuneration was in line with suitable market comparators, as the non-executive directors' basic pay had not risen for three years.

The Committee will continue to meet during 2023 to discuss pay and remuneration, bearing in mind the impacts of inflation and the rising cost of living.

The full Directors' Report on Remuneration is in the Annual Report and Financial Statements www.benenden.co.uk/financial-results

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF THE BENENDEN HEALTHCARE SOCIETY LIMITED

Opinion on Summary Financial Statements

The summary financial statements, which comprises the summary financial review, summary income statement and summary statement of financial position are derived from the audited financial statements of the Society for the year ended 31 December 2022.

In our opinion, the summary financial statements are consistent, in all material respects, with the audited financial statements on the basis described on page 9.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and the Friendly Societies Act 1992. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 April 2023. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Directors' responsibilities for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements on the basis described on page 9.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA 810 (Revised): Engagements to Report on Summary Financial Statements) as issued by the International Auditing and Assurance Standards Board.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with the International Standard on Auditing (ISA 810 (Revised): Engagements to Report on Summary Financial Statements) as issued by the International Auditing and Assurance Standards Board. Our work has been undertaken so that we might state to the Society's members those matters which we are required to report in an auditor's report on summary financial statements and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink that reads "David Heaton". The signature is written in a cursive, flowing style.

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
25 April 2023

Summary Financial Review 2022

This is a summary of the review published in the audited 2022 Annual Report and Financial Statements of the Society and its subsidiaries (the group), which is available at benenden.co.uk/financial-results

The Board of Directors have confirmed that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Approved by the Board of Directors on 25 April 2022
and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'René Fraioli', with a horizontal line underneath.

René Fraioli

Society Secretary

Membership up 2% to 847,409

Against the backdrop of a cost of living crisis, which has led many UK households to consider how to reduce their costs, we have increased our membership by 19,673 in the year to 847,409 (2021: 827,736). This is a testament to the value our product offers and our investment in brand awareness, particularly in attracting corporate members.

Total income up 5%

As a result of this membership growth, total income, excluding the loss/gain on realisation of investments, has increased by 5% to £139.4m (2021: £133.0m).

Proportion of income spent on members up to 74%

We have been able to provide more services to more people in 2022 as, for the first time since the pandemic began, the year was free from lockdown restrictions. This meant that we spent 74%* (2021: 66%) of Society contribution income on members.

*Calculated as the underlying member benefits cost (reported member benefits cost-adjusted for movements in provisions) of the Society as a proportion of contribution income.



Operational surplus of £8.4m

We have achieved an operational surplus of £8.4m for 2022 (2021: £21.0m). This is during a period of a cost of living crisis, increasing demand for our services, inflationary pressures and significant investment in our brand, the benefits of which we expect to see in 2023 and beyond. £4.1m of the operational surplus in 2022 is as a result of the release of unutilised reserves for members' benefits from prior years. The operational surplus is lower than in 2021, when we saw lower demand from members because of COVID-19 restrictions. Expenses of management rose to £31.4m (2021: £22.4m), reflecting the investments in the Benenden Health brand and operational projects including Democracy for Tomorrow. The expenses of management ratio, as defined by Rule 34, was 20.4% and remains below the limit of 24%.

	2022 £m	2021 £m
Excess of income over expenditure after tax	6.6	25.4
Add loss/(less gain) on investments	0.9	(2.9)
Less change in investment property valuation	(0.2)	(1.5)
Add change in operational property valuation	1.1	0.0
Operational surplus for the year	8.4	21.0
Change in investment fund (realised and unrealised losses/gains)	(11.2)	5.7
Net impact of property revaluations	(0.5)	1.5
Actuarial gain on pension scheme	12.6	8.4
Increase in member funds	9.3	36.6

Group member funds up £9.3m to £187.9m

We have increased member funds by £9.3m to £187.9m (2021: £178.6m), which is down to the operational surplus, along with actuarial gains on the pension scheme of £12.6m. The gains mostly arose from the impact of higher inflation and bond yields. These market issues caused a corresponding reduction in the value of part of the investment portfolio which is a hedge against pension scheme liabilities. Overall, there were realised and unrealised losses of £11.2m on the investment fund.

The growth in member funds contributed to the Society's capital coverage ratio rising to 235% (2021: 176%) during the year as the solvency capital requirement reduced in line with lower capital requirements on the Society's investment fund and reduced pension scheme deficit.

Summary financial statements

Summary income statement		
	2022 £m	2021 £m
Income		
Contributions	119.6	115.4
Gain on the realisation of investments	(0.9)	2.9
Gain on investment property revaluation	0.2	1.5
Third-party income from hospital activities	16.7	14.0
Other income*	2.9	2.1
Total income	138.5	135.9
Expenditure		
Members' benefits	(96.9)	(85.4)
Management expenses	(31.4)	(22.4)
Other expenses**	(3.6)	(2.7)
Total expenditure	(131.9)	(110.5)
Excess of income over expenditure	6.6	25.4

*Includes investment income, commissions receivable and other income.

**Includes non-recurring costs, impairment charges, depreciation, investment expenses and interest and similar costs.

Summary statement of financial position		
	2022 £m	2021 £m
Assets		
Intangible assets	3.6	3.6
Tangible assets	46.5	49.1
Investments	158.2	153.8
Cash and cash equivalents	18.2	36.3
Debtors and other assets	10.7	10.1
Total assets	237.2	252.9
Capital and Reserves		
Members' funds	187.9	178.6
Liabilities		
Provision for outstanding members' benefits	20.1	23.1
Defined benefit pension scheme liability	14.0	29.0
Other liabilities	15.2	22.2
Total liabilities	237.2	252.9



Website: www.benenden.co.uk

Registered Office and Business Address
Holgate Park Drive, York, YO26 4GG

Friendly Society Number: 480F

Financial Services
Register Number: 205351

Benenden Health is the trading name of The Benenden Healthcare Society Limited, which is an incorporated Friendly Society, registered under the Friendly Societies Act 1992, registered number 480F. The Society's contractual business (the provision of tuberculosis benefit) is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, (Financial Services Register number 205351). Verify our registration at register.fca.org.uk. The remainder of the Society's business is undertaken on a discretionary basis. Registered Office: Holgate Park Drive, York, YO26 4GG.