**S172 Report 2023**

**Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

Section 172(1) of the Companies Act 2006 provides that a Director of a company must act in a way that is considered in be in good faith, would most likely promote the success of the Company and benefit the shareholder and policyholders as a whole; and in doing so to have regard to various other stakeholder interests including the employees, regulators, brokers and reinsurers. As an insurance company, the NPAI exists for the benefit of its policyholders and shareholder. The key factors under section 172(1) are considered further below:

1. the likely consequences of any decision in the long term
* 2022 saw exceptional levels of inflation, as the economy entered a period of economic slowdown from the aftermath of Covid-19 and geo-political uncertainty across the globe. In 2023, this challenge has continued in terms of the macro economy. The directors are mindful of the challenge that this brings to the business and are well prepared to withstand the short-term to mid-term challenges to profitability. Inflationary increases are monitored closely and investment strategy reviewed periodically via an investment advisory group with support from the investment portfolio manager, Schroders. The Company has been impacted by market volatility since 2022 which has had a large impact on our profitability. 2022 saw the worst investment portfolio performance for many years with the asset valuation decreasing by 7.1%. This volatility continued in the first half of 2023, leading to a change in strategy in August 2023. The investment portfolio is now beginning to recover following a change of strategic direction aimed at maximising returns that the current high interest rate landscape enables. The strategic development programme, commenced in 2018, to expand the business’ underwriting capacity, was fully executed in 2019/2020 enabling NPAI to write a range of property and liability covers for its direct policyholders with effect from January 2020 alongside its long-established and proven Professional Indemnity/Public Liability cover for NPA Members;
* The programme was designed to ensure the sustained profitability of the Company in the long term thereby enabling it to benefit members, policyholders and the public alike in the provision of specialised insurance solutions and suitable indemnities to allow pharmacists to deliver community healthcare;
* The programme was augmented in 2020/2021 with the launch of a new trading style, Peach Pi, aimed at writing property and professional indemnity schemes for health and wellbeing trades via the intermediary market. The launch of Peach Pi was underpinned by the launch of a new bespoke product in 2021 alongside new brokers’ schemes and underwriter capacity to the professional indemnity market which has been embedded further in 2023 with the launch of several external partnership schemes. Peach PI now represents a material distribution channel for the Company;

**Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 (continued)**

1. the interests of the Company’s employees

Our employees are fundamental to our Company. We are a responsible employer in our approach to pay, benefits and welfare. The strategic development programme has provided many employees with the opportunity to upskill and receive training in specialist disciplines such as underwriting, claims management and business development. Employees are kept up to date with the performance of the business and progress against plan through regular communications e.g. team meetings, town halls, performance reviews and email;

1. the need to foster the Company’s business relationships with suppliers, customers and others

To deliver these high levels of cover and service we engage with a wide range of suppliers, reinsurers, insurers (for business we place outside of our risk appetite), claims loss adjustors, IT services as well as advisors in the fields of audit, claims reserving, investments, law and tax. Effective relationships are maintained with all suppliers through regular communication throughout the year. NPAI engages with its shareholder NPA through regular meetings at executive level and attendance at NPA’s Board and Finance Committee throughout the year;

1. the impact of the Company’s operations on the community and the environment

As a service oriented organisation, the Company does not have a material impact on the environment. The Board however, bears ultimate responsibility for managing the financial risks arising from climate change. Their responsibilities include:

* + Understanding and assessing the risks to which NPAI is exposed and their effect on solvency, liquidity and the ability to pay claims, together with their potential to cause reputational risk;
	+ Setting the tone by exercising effective oversight of risk management and controls and ensuring that adequate resources and sufficient skills and expertise are devoted to managing the risks from climate change; and
	+ Reviewing NPAI’s investment portfolio to determine climate related risk factors.
1. the desirability of the Company maintaining a reputation for high standards of business conduct

The Board are all approved or notified persons to the Prudential Regulation Authority (PRA) and as such are required to follow their code of practice standards including acting with Integrity, ensuring the Company is controlled effectively and must act with due skill, care and diligence.  These high standards are reflected within everything we do at NPAI.

1. the need to act fairly as between members of the Company

Standard 8 of the PRA’s code of practice requires that when exercising your responsibilities, approved persons must pay due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits.  The NPA as a membership organisation and shareholder is regularly reported to, engaged with and supportive of the overall strategy of the Company.