Bupa Insurance Limited

Annual Report and Accounts for the financial year ended

31 December 2023

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Officers and Professional Advisers

Directors

D J Brumpton	(appointed 12 April 2023)
A F Cabrelli	
P J Evans	
S Langan	(appointed 1 November 2023)
S Moynihan	(appointed 20 October 2023)
S J O'Connor	
A P Perry	
R A Phipps (Chair)	
R K Thakrar	

Company Secretary

Bupa Insurance Limited (Company Secretary)

Registered Office

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London,
EC2R 7HJ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountant and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Strategic Report

for the year ended 31 December 2023

The Directors present their annual report and the audited financial statements of Bupa Insurance Limited (the “Company”) for the financial year ended 31 December 2023. The ultimate parent of the Company is The British United Provident Association Limited (“Bupa” and together with its subsidiaries “Bupa Group”).

Principal activities

The Company is the UK’s largest health insurer and a leading provider of domestic and international health insurance providing cover to 3,139k customers worldwide.

The Company is part of the Bupa Group, an international healthcare group. Bupa was established in 1947 when 17 British provident associations and other UK funding organisations such as hospital contributory schemes came together. Their aim was to enable people to fund high-quality healthcare. Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers. Over the past 75 years Bupa Group’s global footprint has grown from our origins in the UK to Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Türkiye, Mexico, the US, Brazil, the Middle East, India and Ireland.

We are driven by Bupa’s purpose, helping people live longer, healthier, happier lives and making a better world. It defines everything we do for our customers, inspiring and motivating us to improve our performance. The Company provides health insurance to individual, corporate and small to medium enterprise (“SME”) customers, as well as inward reinsurance and a number of other health insurance products, such as cash plans and dental insurance.

The two main health insurance portfolios are private medical insurance (“PMI”) predominantly in the UK market; and international private medical insurance (“IPMI”) provided for individual consumers and employees requiring cover beyond their usual country of residence. The latter is underwritten both directly and through inward reinsurance.

Our principal operations take place in the UK, with an active branch sited in Switzerland. Branches in Denmark, Cyprus and Malta have no active policies and will be removed once formal closure is complete.

The Company’s people, strategic management and operational services, including the provision of mediation and administrative services, are primarily provided by Bupa Insurance Services Limited and some smaller Bupa Group companies (together “our service companies”). The Company’s directors are also the directors of Bupa Insurance Services Limited. Where appropriate they consider the interests of key stakeholders and the risks faced by the companies with reference to the interrelated nature of the businesses. Within the Company’s annual report and accounts consideration is given to decisions that impact its people (including both direct employees and those employed by our service companies), the communities in which they work and the wider environment as well as related risks.

Key performance indicators (KPIs)

	2023	2022
Insured customer lives (thousands)	3,139	2,798
Insurance revenue (£m)[1]	2,901	2,616
Insurance service result (£m)[1]	149	162
Net financial income/expense (£m)[1]	71	(12)
Profit before taxation (£m)[1]	210	144
Loss ratio[1,2]	71.9 %	69.8 %
Combined operating ratio[3]	94.9 %	93.8 %
Solvency II (SII) coverage ratio (estimated)[4,5]	196.0 %	180.0 %

[1] The IFRS comparatives have been restated for the adoption of IFRS.

[2] Loss ratio is calculated as the ratio of incurred claims net of amounts recoverable from reinsurers for incurred claims as a percentage of insurance revenue net of premiums ceded to reinsurers.

[3] Combined operating ratio is the ratio of insurance service expense plus net gain/loss from reinsurance contracts held as a percentage of insurance revenue.

[4] The 31 December 2022 Solvency Capital Requirement ("SCR") comparatives have been restated to correct for an error identified in the lapse risk module. The 2022 SCR increased from £284m to £301m following restatement.

[5] The Solvency Capital Position and related disclosures are estimated values and are unaudited at the time of approval of the financial statements.

Results

Profit before tax increased by £66m to £210m (2022: £144m) driven by net financial income, as a result of mark to market gains on our return seeking asset portfolio and higher interest income and profit growth in our international business.

The insurance service result decreased by £13m to £149m (2022: £162m) with insurance revenue growth more than offset by higher insurance service expense.

Customer numbers grew significantly by 341k to 3,139k driven by strong performance in UK PMI and Dental with IPMI and Cash Plan product lines also seeing good growth. Insurance revenue increased by £285m primarily due to the customer growth performance. Revenue growth is further supported by average premium increases reflecting inflationary trends in medical expenses.

Insurance service expense, comprising claims incurred and operating expenses attributable to the policies we issue, has increased by £320m to £2,752m and led to an increase in loss ratio and combined operating ratio. A significant increase in claims incurred reflects the growth in customers, a sharp increase in medical inflation during the year and rebound of deferred claims. Acquisition costs have also increased in line with the customer growth. The increase is partially offset by the release of the remaining return of premium provision of £59m due to the increase in deferred claims.

The return of premium provision was held to reflect our April 2020 commitment to pass back any exceptional financial benefit ultimately arising from COVID-19 to relevant customers. We were the first major insurer to act on this promise and made a payment of £125m[1] to customers starting in April 2021. The release of the remaining return of premium provision reflects a higher than anticipated rebound of claims during 2023. Our calculations have determined that the commitment has now been fully met with all exceptional financial benefit arising from COVID-19 having been returned to customers.

Net financial income increased by £83m to £71m (2022: £12m net financial expense) due to mark to market gains on the investment portfolio as a result of lower inflation trends and fall in long term interest rates. Interest income increased due to good cash generation combined with the higher interest rates in the year.

Development

In our UK Insurance business we launched several new propositions for customers, including Workplace Mental Health Advantage, a new corporate proposition to better support their people's mental health through early intervention. We also launched Family+, a new consumer proposition built around savings for families.

In Bupa Global, our IPMI business, we have made good progress against targets to deliver long-term sustainable growth, with propositions tailored to meet local requirements. We launched new products in the UK and Africa and Bupa Egypt has announced an expanded range of services and products to provide holistic global cover for individuals and their families which we reinsure.

Engaging with our stakeholders (Section 172(1) statement)

This statement sets out how the Board has acted in a way that promotes the success of the Company in helping to contribute to and achieve Bupa's purpose of helping people live longer, healthier, happier lives and making a better world. Bupa's status as a company without shareholders means that we can focus on the long-term achievement of our purpose and reinvest our profits into providing more and better healthcare for the benefit of current and future customers.

When making decisions, the Board considers:

- the likely long-term impact of the decision;
- the interests or concerns of, and impact on, our key stakeholders and in particular, the need to consider customer impact and to ensure good outcomes for our customers;
- the impact of our decisions and operations on the communities in which we operate, and the environment; and
- the need to maintain a reputation for high standards of business conduct.

The Company's people, strategic management and operational services are provided by our service companies and are herein referred to as our people.

We consider our customers, people, immediate shareholder (Bupa Finance plc) and ultimate parent company, Bupa, regulators, suppliers and the communities we operate in to be our key stakeholder groups, and their views and concerns are considered as part of the development of our business model and strategy.

The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company's long-term sustainability and success and good outcomes for customers. It is important for all levels of the business to engage with stakeholder groups to gain a better understanding of their interests and concerns and the impact our decisions have on them. Further detail on how we engage with our key stakeholder groups is set out below.

Customers

Bupa's ambition is to be the world's most customer-centric healthcare company and its three ambition KPIs, to have 40% of customer care touchpoints owned by Bupa, 60% active digital customers and a Net Promoter Score ("NPS") score of 80, all relate to our customers. This means a commitment to excellent customer experience, through great service and value, frictionless access and quality healthcare. Our strategy focuses on customer experience through continuous innovation, a commitment to sustainability, and business growth underpinned by high standards of corporate governance. This puts customers at the core of everything we do. Customer needs and preferences are evolving rapidly as consumers become increasingly engaged with their own health and expect more from service providers in all aspects of their lives, including healthcare. We champion quality, medically evidenced treatment and care, and seek to deliver value for money, provide exceptional care, keep our customers' data safe and help customers navigate the complex world of healthcare.

We have increased customer care touchpoints through our digital service offerings and greater utilisation of the Bupa Clinics network. There are more customers engaging with us through our digital channels with an increase in virtual GP appointments, roll-out of automated claims e-mails and development of digital wellbeing features which launched in early 2024. NPS has increased year on year across our UK PMI and IPMI businesses as a result of our focus on delivering customer experience improvements.

Direct customer feedback is an important tool to help us improve their experience and leaders are encouraged to use our Customer Listening app to gain insights on the issues that customers raise and to provide feedback on how customer experiences could be improved.

The Board receives regular reports including the CEO's Report and Performance Dashboard and the Consumer Outcomes Dashboard, which provides an overview of the Consumer Outcomes being delivered across a range of metrics, such as Products and Services, Price and Value, Consumer Understanding, and Consumer Support which track key customer metrics, such as NPS, complaints and customer research.

[1] The £125m payment to customers comprised £110m of rebate payments under our pledge and £15m related to COVID-19 impacts within contractual payments under risk and profit share arrangements.

The Board has also received regular updates during 2023 on the progress against the three ambition KPIs and the Board and Risk Committee continued to focus on customers through reporting on areas including, but not limited to, pricing fairness, product reviews and fair value assessments. In addition, in 2023 the Financial Conduct Authority's Consumer Duty regulations came into effect and created a new Consumer Principle that require firms to act to deliver good outcomes for retail customers. The Risk Committee continues to monitor the Company's compliance with the Consumer Duty requirements through regular consideration of the Consumer Outcomes Dashboard at all of its meetings. Following the retirement of Mr. Smith from the Board, Ms. Brumpton became the Board appointed Consumer Duty Champion with effect from 23 August 2023.

People

Our people are at the heart of our business, supporting our customers every day. We want our people to feel engaged and empowered to deliver great outcomes for our customers, to feel that Bupa is a great place to work and grow and to be healthier and happier themselves. People issues are reported to the Board through regular reports from the CEO and the People Director including updates on progress of the people strategy, inclusion and diversity, talent, succession, and reward and benefit arrangements including reporting against the gender pay gap and for the first time the ethnicity pay gap. The Audit Committee reports to the Board on issues raised through the Speak Up whistleblowing service and separately the Consumer Outcomes Dashboard, which is presented to the Risk Committee includes key metrics to track how we are performing in relation to culture and people.

The Board discusses the results of the global employee survey 'People Pulse' twice a year. Through the People Pulse, every colleague has the opportunity to participate and share their feedback openly. In our most recent survey in November 2023, 87% of colleagues from the Company's service company shared their views on how they find working at Bupa. Our people left 6,315 comments (an increase of 43% on the May 2023 survey) with overall sentiment trending positively (+6pts). This provided insights to allow the prioritisation of actions in support of key people engagement drivers. Half of our key drivers either reached or exceeded the high-performance benchmarks. These benchmarks are based on the scores of those companies that are the top 10% highest scoring on each survey item. We saw improvement particularly in areas related to Wellbeing, Career, Diversity, Values and Manager Inspiration.

The Board continues to focus on supporting colleagues by considering their physical and mental wellbeing. Policies and procedures are in place to ensure that colleagues are able to operate and remain safe in a flexible hybrid working model. All colleagues in our service company have access to health insurance as part of their benefits package and colleagues who opt out of health insurance have access to a primary care service that offers access to a remote GP, counselling, physio support, and access to health advice and support at no cost.

Shareholder

The Company's immediate parent company is Bupa Finance plc, which has a number of listed debt securities in issue. The ultimate parent company Bupa is therefore required to operate in accordance with the relevant UK Listing Rules, Disclosure Guidance and Transparency Rules and the Market Abuse Regulation in respect of its announcements of financial results and operations.

The Board has a number of ways in which it engages with Bupa. These include:

- a current Bupa Non-Executive Director sits on the Board;
- periodic attendance at Board and Committee meetings of individuals identified as a Group Entity Senior Manager, SMF7 under the Senior Managers and Certification Regime, as they exercise significant influence over the Company;
- annual attendance of the Board Chair and Chief Executive Officer at the Bupa Board; and
- annual attendance of the Risk, Remuneration and Audit Committee Chairs at Bupa's equivalent Board Committees.
- Furthermore, the Board adheres to the matters reserved for the Board of Bupa and Bupa's Enterprise Subsidiary Governance Policy.

Regulators

The Company operates in a highly regulated environment. The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by both the Financial Conduct Authority ("FCA") and the PRA. Our regulators ultimately aim to promote the safety and soundness of regulated firms, protect customers and ensure that they receive good outcomes and are treated fairly. There has been an increased focus on the need for products and services to provide value and for firms to ensure that they provide appropriate support to customers in financial difficulty. This clearly aligns with our strategy to put our customers front and centre of everything we do.

Regulators expectations of us align with their statutory objectives:
PRA objectives and what it means for us:

- To promote the safety and soundness of firms – We must remain adequately capitalised and have sufficient liquidity.
- To ensure an appropriate degree of protection for policyholders - We must maintain our financial and operational resilience, and identify and deliver important business services, even in times of stress.
- To facilitate effective competition in the market.

FCA objectives and what it means for us:

- Protecting consumers and working to achieve good outcomes for customers - We must ensure value for customers and have robust and effective processes and controls in place to mitigate risks to protect our customers.
- Enhancing market integrity – by supporting a healthy financial system.
- Promoting competition.

The Board has a regular programme of interaction with the PRA and FCA and engages with them on key Board decisions.

Suppliers

Suppliers are critical to delivering a high-quality service to our customers. We aim to treat our suppliers fairly and pay them within agreed timescales, holding ourselves to high standards of business conduct and the Board receives regular reporting in respect of this.

We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

Communities and Environment

Bupa's purpose of helping people live longer, healthier, happier lives and making a better world means we want to build a healthier future for people and the planet. Bupa Group has set science-based targets for CO2 reduction and committed to reducing emissions to reach net zero by 2040 with a milestone to have cut direct emissions (scopes 1-2) by 40% by 2025. We have also committed to the targets in the Association of British Insurers' Climate Change Roadmap.

In 2023, the Company, along with our service company Bupa Insurance Services Limited, reduced its direct emissions (scopes 1-2) by 68% vs its 2019 baseline and 57% vs 2022. All UK offices continue to run on renewable electricity and we have reduced energy consumption at our service company's offices in Salford and Staines, saving 167t CO2.

A major contributor to the Company's indirect emissions is customer claims. To tackle these, we are engaging with our largest healthcare providers and suppliers so they can align with our net zero targets. We aim to provide the best possible care that's also better for the planet. To support this, we're growing our at-home care (such as virtual GP, physio and mental health services) to reduce patient travel and avoid emitting thousands of tonnes of CO2. Our other streamlined care pathways also lower emissions by reducing travel and, where appropriate, removing unnecessary clinical interventions.

We continue to significantly reduce the amount of paper our service companies use. We provide digital corporate membership packs as standard, plus 40% of UK customers now hold a digital account.

Bupa is committed to investing some of its profits back into supporting people's wellbeing in our local communities, particularly helping the most vulnerable in society. In 2023 we updated our community strategy to focus on programmes which have co-benefits for people and planet health. In 2023, the Bupa Foundation which is supported by the Company, invested £2.8m in charitable causes. We also enabled a further £200,000 in donations from Bupa employees, customers and suppliers. Key activities included:

- Healthy Cities programme saw employees take part in a step challenge to improve their wellbeing and in return the Bupa Foundation invested in regenerating nature in urban environments. This included the launch of a £500,000 'Green Community Grant' fund in partnership with Groundwork, which helped 241 schools and community groups across the UK to regenerate local green spaces directly impacting more than 130,000 people.
- We continued our partnership with the social mobility charity, Career Ready. In addition to mentoring, workplace visits and career insight sessions, we expanded our paid internships to offer inclusive internships for disabled students.
- To help inspire and educate the next generation, the Foundation partnered with Eco-Schools (part of Keep Britain Tidy) to offer new learning resources and free teacher training on environmental education, reaching over 300,000 students. It also funded 80,000 copies of 'The Happy News' for schools to help share eco-stories with over 230,000 students.
- Over 6,000 hours were volunteered in 2023, supporting tree planting projects, homeless charities, hospices and more.

Key decisions and their impact on stakeholders

The table below sets out a number of key decisions taken by the Board during the year, how stakeholder views were taken into account and how competing interests were balanced.

Strategic Report (continued)

for the year ended 31 December 2023

Board Decision	How we took stakeholders into account	Long-term implications
Setting our 3 Year Plan	**Customers, Regulators and Shareholder** **Action** The Board approved the annual budget and base operating plan for the following three years after consideration of the Company's annual strategy review. The Board monitors performance delivery against this Plan, taking action and engaging further where necessary. **Stakeholder considerations** The Board chose a three-year assessment period because it ties in with our internal strategic planning process. Our planning considers all important financial and regulatory measures over the period and stresses the key risks facing the Company. The Board continued to consider the evolution of claims experience through 2023 and how medical inflation was influencing the claims profile. This analysis helped inform the planning process and underlying key Plan assumptions. Stress and scenario testing was performed on the Plan and reviewed by the Board to ensure the Company would remain solvent and financially robust under adverse conditions.	The Plan aims to: – deliver on the Company's strategic ambition including our customer ambition KPIs; – deliver outstanding experiences and outcomes for our customers, whilst ensuring that they continue to receive good outcomes from their products; – ensure our business is sustainable and grows in the long-term; – ensure adequate investment is planned to support our strategic goals; – retain our competitive advantage by providing high quality products and services; and – limit our impact on the environment.
Completing the COVID-19 Pledge	**Customers, Regulators and Shareholder** **Action** During the year, the Audit Committee and the Board considered a proposal to complete the COVID-19 Pledge in respect of the April 2020 commitment to our UK PMI customers to return any exceptional financial benefit experienced by our UK PMI business line ultimately arising as a result of the COVID-19 pandemic. **Stakeholder considerations** Following detailed analysis and consideration of customer and stakeholder expectations, the Board approved the release of the return of premium provision held at the 2022 year-end following evidence of increased deferred claims in the first half of 2023.	The Board approved a number of principles against which to test the assumptions and final approach. These included principles such as acting in line with Bupa's values which aimed to ensure good customer outcomes were delivered whilst also helping to protect the Company's reputation and brand in the longer term.

Continuing to Provide Good Outcomes to Customers	**Customers and Regulators** **Action** Throughout 2023, the Board and Risk Committee received regular reports from the Consumer Duty Programme on progress towards the Financial Conduct Authority's Consumer Duty rules and guidance deadline of 31 July 2023. The Board scrutinised and challenged the implementation plans and considered assurance feedback and benchmarking from an external third party. **Stakeholder considerations** In July 2023, the Board received the Consumer Duty Regulation Readiness Report which provided the basis upon which the Board was able to confirm it was satisfied, based on the activities completed at that time, and the work in progress to be completed prior to 31 July 2023 deadline, that the business would be substantially compliant with the requirements of the Consumer Duty rules and guidance by 31 July 2023. In considering Regulation Readiness, the Board considered the views from the Second Line of Defence, Third Line of Defence and the Board Consumer Duty Champion.	The culture, strategy, and purpose of the business is aligned with the Consumer Duty. In addition, the Consumer Duty Programme delivered a range of individual improvements to processes and communications to better support good customer outcomes. This included enhancements in customer communications, building protocols for testing communications with consumer panels and seeking accreditation of key documents by Plain Numbers and Plain English, updated reporting and additional steps to support vulnerable customers, amongst other things. These changes meant that the business was well placed to meet the requirements of the Consumer Duty rules and guidance but also fulfilling its strategy and purpose
Dividends	**Customers, Regulators and Shareholder** **Action** In 2023, the directors declared two interim dividends totalling £126m which were paid to its immediate parent company. **Stakeholder considerations** The Board considered the necessary investment in business operations along with the financial strength of the Company, such as liquidity, solvency and capital, including under stressed conditions, before approving the payment of dividends.	Prudent financial management supports the long-term success of the Company and its ultimate shareholder, Bupa, and motivates management to deliver strong and sustainable business performance aligned with Bupa's purpose: helping people live longer, healthier, happier lives and make a better world.

Principal risks and uncertainties

Both the business performance and operations are subject to a number of risks and uncertainties. Taking these macro-level conditions and the sector specific risks around competition and demand into account, there is a large range of potential outcomes that might impact the Company, our customer segments and our supply network. The Directors consider that the key risks and uncertainties relate to economic risk (for example impact of inflation on claims), insurance risk, operational risk (including information security, privacy risks and operational resilience risks), investment risk, external market conditions, government and policy change, regulatory risk, and sustainability.

Performance and risks are monitored by the Board and senior management using operational, financial and other data. The Company's Chief Risk Officer provides regular reporting to the Board Risk Committee on the risk profile of the Company and the key mitigation activities in place.

Economic risk

The Company operates in an economic environment which continues to be challenging. Uncertain growth and heightened inflation impact business performance in a variety of ways, including increased costs and higher interest rates impacting households and fiscal policy responses.

The Company's response will balance delivery of the Plan and the medium to long-term strategic goals, through effective coordination and clear accountabilities across the business. Continued robust Stress and Scenario Testing ("SST") on the Company's Plan will be key to informing decision making.

The SST exercise this year considered reputational damage driven by servicing demands, workforce pressure, supplier failure and other operational issues, and adverse regulatory change leading to claims volatility and pressure on margins. The SST exercise demonstrates that through the use of key management actions the Company can maintain sufficient liquidity and capital coverage over the Plan period to withstand a variety of severe scenarios and stresses of this nature.

The Company's prospective solvency position is regularly monitored, and management actions are identified where required to ensure the Company remains within risk appetite.

Insurance risk

The Company seeks to take insurance risk, in the natural course of business, within the Board’s risk appetite. Insurance risk can arise when the frequency, size or timing of claims on insurance policies varies from that expected, leading to an unexpected impact on financial returns. The Company is exposed to a number of factors due to writing medical insurance business, including medical inflation, changes in utilisation of independent healthcare, shifts in demographics, changes in population health, developments in healthcare delivery and technology, and catastrophes. Each of these factors could affect product pricing, reserving, and claim risk accumulation. In addition, general macroeconomic trends and changes in government policy could affect the lapse and persistency behaviour of current and prospective customers.

Post pandemic, we continue to experience claims uncertainty with increased utilisation and severity of claims observed during 2023. This has been accompanied by changes in demand from customers in terms of the type of treatments sought and a shift to digital services. It is expected that the average cost of claims that have been deferred could increase, because of the delay in treating progressive illnesses.

The Company’s size and experience enables it to achieve stability in provider contracting for UK operations and it benefits from geographic diversification elsewhere. Claims uncertainty heightens the risk of inadequate pricing and/or underwriting of insurance policies, and of claims experience being materially adverse to expectations. The Company uses its data and experience to develop products that meet customers’ needs and are priced competitively and fairly. In addition, the Company applies controls to underwriting and claims settlement. A significant mitigating factor is that most business written is for short-term risks, which enables regular opportunities for re-pricing in the event of changes in claims trends or market conditions. Refer to the insurance risk section in note 22.1.

Operational Risk

The Company manages operational risks arising from its people, processes and systems through the three lines of defence model. First line management are responsible for identifying, managing, monitoring and reporting on risks, through documented policies and established processes and controls. The second line Risk function provides oversight and challenge, while the third line provides independent assurance. Appropriate key controls are in place to mitigate potential risks and the Company continues to develop its risk and control culture, in order to embed risk management and key controls assurance within the first line of defence.

Information security risks are those associated with non-compliance with data protection, privacy and information governance requirements and remain key risks for the Company, as they are for all insurance companies. The Company continues to develop controls and strengthen controls already in place where necessary to address these risks, including enhancing our event monitoring and incident management.

The services provided by the Company are underpinned by information technology systems and infrastructure that enable the delivery of core processes and products. Failure of these systems may reduce the ability of the Company to deliver products and services to its customer base or increase the risk of information security breaches. In addition, the Company continues to focus on monitoring and managing third-party supplier risks and continues to build on existing capability in this area.

The Company’s IT services are provided by teams which are overseen by the Company’s Chief Information Officer and team. These IT teams are responsible for the development, maintenance and monitoring of IT services. The Company ensures the continued development and enhancement of all IT services to keep pace with the evolving technology risk landscape and to provide and maintain the level of services required by the business and adequately protect sensitive customer and business data. Our office-based staff now work in a hybrid model mixing office and home working, enabled by technology to ensure that we continue to serve our customers and work together effectively. The longer-term impact of hybrid working on our colleagues has been assessed and appropriate support and checks have been put in place for our people. For our customers we continue to enhance remote services and digitise the customer experience.

Workforce expectations continue to change and the Company is tackling workforce and skills availability in the context of cost of living pressures and tight labour markets. Attracting and retaining highly engaged employees and maintaining an inclusive and resilient workforce capable of providing great service to customers remains a key area of focus for senior management. The Company continues to enhance both financial and non-financial elements of its employee proposition to address changing workforce expectations, maintaining its competitiveness in the market in the medium term and ensuring that capacity and skills availability do not affect its operations, strategic and growth ambitions, or its ability to deliver good customer outcomes.

Significant programmes of transformational change are underway to keep pace with technological developments and the Company is investing (i) in information technology and security to protect our customers’ privacy, (ii) to better manage and use its data, (iii) to digitise our customers’ experience and (iv) to ensure our suppliers meet appropriate standards for services provided to our customers. Risks from transformational change are managed through programme delivery methodologies such as Agile practices. The Company is focused on ensuring it has the right levels of experience and robust succession plans to simultaneously manage the business and deliver effective transformational change in pursuit of its strategic objectives. Lastly, an operational resilience framework exists to support continuity of business services from potential significant disruptions or failures to effectively implement transformational change.

Investment risk

Our long-term financial strategy is to facilitate sustainable long-term growth in the insurance business, while minimising risk from our financial investment portfolio to an acceptable level. The majority of the Company’s investment portfolio is held in highly liquid cash and cash equivalents with highly rated counterparties, matching the short-term nature of the insurance liabilities. The Company also maintains a limited Return-Seeking Assets (“RSA”) portfolio comprised of bonds and loans to generate long-term performance at an acceptable level of risk.

Investment risk is managed using a framework of prudent risk appetites and exposure limits. A value-at-risk based limit constrains the overall level of investment risk and the investment risk charge contribution to the Company's Solvency Capital Requirement ("SCR"). A liquidity risk appetite ensures adequacy of liquid resources in stress scenarios, counterparty exposure limits are used to reduce credit risk, and further limits are used to support the management of climate risk.

The Company's Responsible Investment approach ensures that Economic, Social and Governance ("ESG") factors are integrated within investment management, including the exclusion of certain sectors and the use of ESG ratings in manager selection and review processes. Targets have been set to reduce financed carbon emissions from within the investment portfolio in line with Bupa Group's ambition to achieve Net Zero by 2040.

Market and competitor activity

Health insurance markets are highly competitive with companies seeking to attract customers through marketing, new products and benefits and price. There is also demand for innovation to meet the different needs of corporate customers and individuals, with increasing customer expectations on the use of technology to provide healthcare services. The Company keeps its competitive position in each of its markets under continuous scrutiny and regularly reviews strategic and tactical objectives.

Government and policy change

As part of the strategic planning process, analysis is performed on the impact of possible political change on the Company's business model, such as a change in UK Government or changes resulting in greater taxation for individuals and companies. The Company continues to engage with policymakers and seeks to maintain a constructive dialogue with governments in its main areas of operation, promoting the benefits of high-quality, independent healthcare alongside public provision.

Regulatory Risk

The Company seeks to comply with all regulatory standards and to maintain awareness of, and where possible, anticipate regulatory change. Its principal financial regulators are the PRA and the FCA, with which the Board and senior managers maintain close supervisory relationships. Both regulatory authorities have a significant regulatory agenda with increased focus on insurers. Key areas of interest include customer protection, the fair treatment of vulnerable customers, operational resilience, information security, culture and governance, fair pricing and value, and ESG outcomes. In particular, the FCA has introduced a new Consumer Duty that places even greater emphasis on good outcomes for customers. The individual accountability regimes require regulated firms and senior management to act appropriately and with due care. The Company seeks to mitigate the risk that it may fail to meet regulatory expectations through regular engagement with regulators, an effective governance framework and a three lines of defence model which helps to ensure the identification and management of relevant requirements and associated risks.

Climate change

Climate change is one of the major challenges we face as a society and has the potential to heighten and accelerate the Company's existing risk profile. The Company assesses how its risk profile may be driven by the physical and transition risks associated with climate change. The Company has minimal direct investment and insurance exposures in respect of the physical risks associated with climate change. However, the Company may be impacted by adverse economic outcomes from the transition to a lower-carbon economy if its products become less affordable for customers. In addition to economic impacts, the Company is exposed to reputation and regulatory compliance risk in the short-term and the impact on health, and hence claims experience, over a longer time frame. The ability to reprice policies annually provides a significant mitigant to adverse claims and expense experience.

The Company monitors and assesses the potential financial and operational impacts of climate change as part of its Own Risk and Solvency Assessment process, through emerging risk horizon scanning and SST. Although not formally part of the PRA's Climate Biennial Exploratory Scenario ("CBES") exercise, Bupa has undertaken assessments in line with the Late Action and No Additional Action scenarios set out by the PRA. This allows analysis of both physical and transition risk exposures and it has highlighted that while the more severe physical environmental impacts may not be felt immediately, the transitional commercial implications are likely to materialise more quickly as individuals, corporates and governments increase their understanding of climate risks and react. Exercises of this nature will continue to shape the development of our climate change risk management approach.

A Bupa Group-led programme is in place supported by suitable governance structures to manage the risks associated with climate change. This programme extends to wider Environmental, Social and Governance risks and aims to ensure compliance with regulatory requirements in relation to the risk management framework, disclosure and SST. The Company's Chief Risk Officer is responsible for overseeing the identification and management of financial and other risks from climate change. The Company is committed to being a responsible and sustainable business and actively promotes positive environmental practices.

for the year ended 31 December 2023

Solvency

The Company maintains regulatory capital in line with its capital management objective as set out in note 23. The Company is subject to the requirements of the Solvency II Directive, as enacted in the UK, and must hold sufficient Eligible Own Funds to cover its SCR. The Solvency II Eligible Own Funds as at 31 December 2023 were £573m (2022: £541m), well in excess of the SCR.

Solvency II Capital Position[2]

	2023	2022 restated[3]
	£m	£m
Eligible Own Funds	**573**	541
Solvency Capital Requirement	**293**	301
Surplus	**280**	240
Solvency Ratio	**196 %**	180 %

Solvency II Eligible Own Funds[1]

	2023	2022 restated[4]
	£m	£m
IFRS Equity Attributable to Shareholders	**417**	386
Valuation Differences	**156**	155
Solvency II Eligible Own Funds	**573**	541

Solvency II Capital Requirements

The SCR is calculated in accordance with the Standard Formula specified in the Solvency II Directive, as enacted in the UK. The Company has obtained approval from the PRA to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter ("USP") which reflects the Company's own loss experience.

Analysis of the Solvency Capital Requirement[1]

% of Diversified SCR	**2023**	2022 restated[2]
Premium & Reserve Risk	**35.0 %**	35.0 %
Operational Risk	**24.0 %**	22.0 %
Market Risk	**15.0 %**	14.0 %
Lapse Risk	**24.0 %**	25.0 %
Counterparty Risk	**1.0 %**	2.0 %
Catastrophe Risk	**1.0 %**	2.0 %
Total	**100.0 %**	100.0 %

Future Outlook

The Company is well positioned for sustainable growth and is committed to driving investment in innovation, creating seamless customer pathways across our offerings to provide access and value to customers, and be an employer of choice for our people.

4 March 2024

S Moynihan

Director

[2] The Solvency II capital position (eligible Own Funds, SCR and coverage ratio) is estimated and unaudited.
[3] The 31 December 2022 SCR comparatives have been restated to correct for an error identified in the lapse risk module. The 2022 SCR increased from £284m to £301m following restatement.
[4] The IFRS comparatives have been restated for the adoption of IFRS 17.

Results and dividends

The profit for the financial year after taxation amounted to £157m (2022: £120m). The Directors declared two interim dividends totalling £126m during the year ended 31 December 2023 (2022: £110m).

Directors

The directors of the Company who were in office during the year and up to the date of signing the annual report and accounts are shown on page 3. The directors who served for part of the year are given below:

D J Brumpton	(appointed 12 April 2023)
F Harris	(resigned 20 October 2023)
S Langan	(appointed 1 November 2023)
S Moynihan	(appointed 20 October 2023)
D W Smith	(resigned 29 August 2023)

Insurance and indemnities

Bupa has a directors’ and officers’ insurance policy in place, together with indemnities for the Directors and certain senior managers, to the extent permitted by English law and the Company’s Articles of Association.

These cover all losses arising out of, or in connection with, the execution of their powers, duties, and responsibilities, as Directors of the Company or of any of its subsidiaries. These have been in place throughout 2023 and to the date of this Annual Report. There are no other qualifying third-party indemnity provisions or pension indemnity provisions in place.

Employees

Details of the number of persons employed and gross remuneration are contained in note 5 to the financial statements. The Company’s people, strategic management and operational services are provided by our service companies. Every effort is made by the Directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company’s performance. A summary of how the directors have engaged with employees and taken account of their interests is included in the Section 172 statement in the Strategic Report.

Inclusion and Diversity

The Company is committed to providing equal opportunities to all employees, regardless of their background, race, gender, sexual orientation, disability, religious beliefs or age. This is reflected in our recruitment, training and career development. People progress and are rewarded based on their aptitudes and abilities.

Employment policy

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company’s performance through management channels. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

The Bupa Code clearly sets out the expectations of all our people and our leaders. Speak Up provides the opportunity for all employees to raise their views anonymously. The approach to managing performance includes setting performance expectations. Schemes exist to incentivise, recognise and reward performance.

Stakeholders

A summary of how directors have engaged with suppliers, customers and others in a business relationship with the Company is included in the Section 172 statement in the Strategic Report.

Streamlined energy and Carbon reporting and Non-Financial and Sustainability Information

The Company is exempt from reporting company specific information as it is a subsidiary of Bupa and consolidated reporting is included in the Annual Report and Accounts of that company. Further detail on the commitments made by the Company and Bupa relating to carbon emissions can be found in the Section 172 statement within the Strategic Report.

Corporate governance arrangements applied by the Company

The Company is required by UK company legislation to disclose its corporate governance arrangements, including which corporate governance code it chooses to apply. Bupa, the Company's ultimate parent, applies the UK Corporate Governance Code 2018 ("the Code"). The Company, to the extent it is appropriate for a large, wholly owned subsidiary company, models its system of governance on the Principles of the Code applied by Bupa.

The table below sets out how the Principles of the Code have been applied within the Company's system of governance during 2023.

Principle	How we apply the Principle
1. Board Leadership and Company Purpose	
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is responsible for the long-term sustainable success of the Company for the benefit of its customers and wider stakeholders, now and in the future. The Board works to achieve this by: – providing clear leadership in setting the Company's strategy, culture and risk appetite to achieve its purpose; – overseeing management's implementation of strategy within a prudent and effective governance structure using a three lines of defence model; – receiving regular management information on customers and their views of the Company and our products; and – reviewing the results of employee surveys.
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The schedule of matters reserved to the Board includes: – Setting the overall direction of the business having regard to long-term objectives, business strategy, purpose, values, standards and culture whilst acting to deliver good outcomes for its customers; and – Reviewing performance in the light of the Company's strategy, objectives, business plan and budgets and ensuring that any necessary resources are in place in order to meet these objectives. The Board holds an annual strategy day and considers strategy topics at Board meetings throughout the year. The Risk Committee and Board receive regular updates on culture and conduct throughout the year.
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board annually approves the Company's Plan, ensuring that sufficient resources are available to achieve the Company's objectives. The Board retains ultimate responsibility for risk management and internal controls, with delegated oversight carried out by the Audit and Risk Committees. On the recommendation of the Risk Committee, the Board sets the Company's Risk Appetite and Risk Management Framework. These set out the principal risks facing the Company and the nature and extent of risk the Board is willing for the Company to take in order to achieve its strategic objectives. The Company's enterprise risk policies are approved by the Board or relevant committee and overseen by the Risk Committee.
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	We are a customer-focused business reliant on our people to deliver a great service. The Board receives regular management information and considers the impact of decisions on relevant stakeholders, with particular focus on customer impact. There is a programme of engagement with our key stakeholders: customers, our people, our shareholder and our regulators.

E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concerns.	The values of the Company are driven from the top by the Bupa Group through the Bupa Code, which all employees must adhere to and complete mandatory training on an annual basis. Employees in the Conduct Rules population must also adhere to the regulatory Conduct Rules. Directors' statutory duties are also set out in the Board's Corporate Governance Manual. The Risk Committee, through the Consumer Outcomes Dashboard, receives detailed quarterly management information which includes metrics on people and culture issues. A 'Speak Up' programme enables employees to raise any issues confidentially if they feel unable to discuss them with their manager. The Audit Committee receives annual reports on the issues raised under the Speak Up Policy. The Board also receives the results of the People Pulse surveys twice a year which provide an indication of the levels of employee engagement and any key issues which need to be elevated to the Board's attention.
2. Division of Responsibilities	
F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chair leads the Board in an open and transparent manner, encouraging debate and challenge. The Chair plays a pivotal role in fostering the effectiveness of the Board and the individual directors both in and outside the Boardroom. The Chair works with the Company Secretary to ensure that sufficient time is available to discuss the agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	The Board comprises the Chief Executive Officer, Chief Financial Officer, Managing Director of Bupa Global, the Chair (who was independent on appointment), and six independent Non-Executive Directors (one of whom sits on the Bupa Board). The roles of the Chair and Chief Executive Officer are separate with distinct accountabilities set out in their role profiles and Statements of Responsibility required under the Senior Managers & Certification Regime. The Chief Executive Officer is responsible for the day-to-day leadership and management of the business, in line with the risk appetite and annual and long-term objectives approved by the Board. The Chief Executive Officer cascades their authority through a delegated authority framework. The Non-Executive Directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Company's system of governance and the risk appetite set by the Board.
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Prior to their appointment as a director (and on any subsequent re-appointment for a further term), the Nomination Committee considers whether each Non-Executive Director has sufficient time to devote to their role with the Company. This is re-assessed by the Board annually and in light of any changes to a Non-Executive Director's external commitments during the year. Time commitment assessments are also provided to the Company's regulators on the appointment of new directors.

<table>
<tr><td>I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.</td><td>The Company Secretary advises the Board on company law and corporate governance matters. The Company Secretary works with the Chair and Committee chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters.

The Company Secretary works with management to ensure that the Board receives papers of a high quality in a timely manner and has provided Board Paper training to Board paper authors during the year. The Company Secretary arranges Directors' induction and ongoing training and supports the succession planning for Non-Executive Directors and the recruitment of new Non-Executive Directors. The Company Secretary is responsible for ensuring compliance with the Group's Enterprise Subsidiary Governance Policy which sets minimum standards of corporate governance across the Bupa Group.

The appointment and removal of the Company Secretary is a matter reserved to the Board.</td></tr>
<tr><td colspan="2">3. Composition, Succession and Evaluation</td></tr>
<tr><td>J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.</td><td>The Nomination Committee is responsible for:
• ensuring there is a formal, rigorous and transparent procedure for the appointment of Non-Executive Directors to the Board;
• ensuring plans are in place for succession to the Board and senior management positions and oversee the development of a diverse pipeline for succession;
• overseeing Inclusion and Diversity arrangements across the business; and
• assisting the Board in ensuring its composition and the composition of the Board Committees is regularly reviewed and refreshed.

All Board recruitment takes into account the Board Diversity Policy.</td></tr>
<tr><td>K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.</td><td>The Nomination Committee reviews the balance, composition and structure of the Board, including reviewing the skills of each Non-Executive Director.

In considering succession plans for the Board, the Nomination Committee also keeps the length of service of each Board member under review, recommends the re-appointment of the Non-Executive Directors and any extensions to their term and ensures that Board recruitment is commenced in a timely manner to regularly refresh the membership of the Board.</td></tr>
<tr><td>L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.</td><td>The annual board evaluation considers the composition and diversity of the Board and how effectively members work together.

For 2023, the Board evaluation will be delivered through a Board Effectiveness Workshop, facilitated by an external party. The Chair separately led an evaluation of each Director, with the Senior Independent Director leading the evaluation of the Chair.</td></tr>
<tr><td colspan="2">4. Audit, Risk and Internal Control</td></tr>
<tr><td>M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.</td><td>The Board delegates detailed oversight of the internal audit function and the external auditors to the Audit Committee, together with oversight of the Company's system of internal controls over the integrity of the Annual Report and Accounts.

On the recommendation of the Audit Committee, the Board reviewed and approved the 2023 Annual Report and Accounts.

The Audit Committee leads the annual processes for assessing the effectiveness of the internal and external audit functions.</td></tr>
<tr><td>N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.</td><td>The Audit Committee reviewed the 2023 Annual Report and Accounts in early 2024 and was satisfied that it presents a fair, balanced and understandable assessment of the Company's position and prospects. It reported its findings to the Board.</td></tr>
</table>

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	An annual assessment of compliance with the enterprise risk policies is undertaken by management, overseen by the Risk function and reported to the Audit and Risk Committees. The Risk and Audit Committees monitor the Company's risk management and internal control systems on behalf of the Board on a continuous basis and the Risk Committee reviews the Company's principal risks and recommends any changes to risk appetite to the Board.
5. Remuneration	
P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	The Company applies the Bupa-wide remuneration policy to all its employees. This remuneration policy, set by the Group Remuneration Committee ("Group RemCo"), is designed to deliver market-competitive remuneration to promote the long-term success of Bupa and link reward to Bupa's strategic goals and purpose while promoting a prudent approach to risk. In assessing incentive outcomes, the Company's Remuneration Committee and the Group RemCo take into account actions and recommendations from executive and non-executive channels for the year to determine whether appropriate risk events have been recognised and dealt with accordingly.
Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Company's Remuneration Committee provides its view, informed by considerations including their oversight of the Company, regulatory requirements and their knowledge of best practice, to the Group RemCo regarding the on-going appropriateness and relevance of the Bupa-wide remuneration policy, which the Group RemCo will take into account when considering amendments to the remuneration policy. No Director is involved in deciding their own remuneration outcome.
R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Company's Remuneration Committee governs the remuneration of key executives and considers if results have been achieved in a way that aligns with Bupa's values and with sustainable underlying business performance. The Company's Remuneration Committee is comprised of independent non-executive directors and there is cross-membership between the Company's Risk Committee and the Remuneration Committee. The Company's Remuneration Committee has robust discussions on remuneration outcomes for the key executives, taking into account all relevant internal and external factors to ensure that any exercise of the Committee's discretion is suitable and justifiable.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

External Auditors Appointment

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

4 March 2024

S Moynihan
Director

Statement of Directors’ Responsibilities
for the year ended 31 December 2023

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;
— make judgements and accounting estimates that are reasonable and prudent;
— state whether they have been prepared in accordance with UK-adopted international accounting standards; and
— assess the Company’s ability to continue as a going concern basis and use the going concern basis of accounting unless they intend to liquidate the Company or to cease operations or have not realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company’s financial statements published on the ultimate parent company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and financial statements taken as a whole are fair, balanced and understandable, and provide the information necessary for the shareholder to assess the Company’s position and performance, business model and strategy.

Independent Auditors’ Report to the members of Bupa Insurance Limited
for the year ended 31 December 2023

Report on the audit of the financial statements

Opinion
In our opinion, Bupa Insurance Limited’s financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Comprehensive income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Regulated Entities Audit Committee.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Context
Bupa Insurance Limited is a provider of health insurance. The company is part of the Bupa Group, an international healthcare group. The company has two main health insurance segments being domestic private medical insurance predominantly in the UK market ("UK PMI"), and international private medical insurance ("IPMI") provided for individual consumers and employees requiring cover beyond their usual country of residence. The year-ended 31 December 2023 is our third year as the external auditors of the company. We have utilised our understanding of the entity gained from the year ended December 2022 audit cycle along with our 2023 risk assessment procedures to inform our view of the audit risks and as part of developing our planned audit approach to address those risks. Given the locations of the activities of the company, our team has been UK-based.

Overview
Audit scope

- The company has two core reportable components, UK PMI and IPMI, which comprise 98% of insurance revenue.
- We conducted audit testing over five components. These were selected based on our assessment of inherent risk and their financial significance to the company. The above two core reportable components were subject to an audit of their complete financial information. Further audit procedures were then performed on certain balances and transactions for three further components.
- Our audit scope provided coverage of 98% of insurance revenue, 99% of profit before taxation expense and 99% of total assets.
- Analytical procedures were performed over the remaining three components.

Key audit matters

- First time adoption of IFRS 17 ‘Insurance contracts’;
- Accounting for the Return of Premium (RoP) liability; and
- Appropriateness of methodologies and assumptions used in the valuation of the actuarially determined portion of the liability for incurred claims (LFIC).

Materiality

- Overall materiality: £8,840,000 (2022: £6,905,000) based on 5% of a two year average of profit before tax.
- Performance materiality: £6,630,000 (2022: £5,178,000).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

First time adoption of IFRS 17 'Insurance contracts' and the accounting for the Return of Premium (RoP) liability are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
First time adoption of IFRS 17 'Insurance contracts'; Refer to note 1.4 'Changes in accounting policies' 2023 is the first time the Company has reported under the new accounting standard, IFRS 17. This standard brings new measurement and recognition principles, introduces new terms. The key areas include: • the level at which insurance contracts are aggregated; • how expenses are to be allocated under the new standard; • how the concept of materiality would be defined when testing for premium allocation approach eligibility; and • the approach to calculating discounting and the risk adjustment. IFRS 17 also alters the presentation and disclosure of the financial statements in a number of areas. Given the extent and complexity of the change we consider there is a risk that aspects of the new requirements are overlooked or misinterpreted and accordingly we consider this a key audit matter.	In addressing the risk that management's consideration of the new standard may be incomplete or inaccurate, we have assessed the development of the revised accounting policies by inspecting the documentation related to approval of accounting policies and evaluated management's accounting policy papers against the requirements of the new financial reporting standard. This included consideration of proposed methodologies to address those areas set out opposite. Disclosure checklists have been completed and reviewed by senior members of the team who have the relevant expertise and training to assess the completeness and appropriateness of disclosures against the requirements of IFRS 17. We have tested the mapping and classification of the current and comparative financial information. Based on the procedures we performed, we were able to conclude that there is sufficient evidence of the new standard's requirements having been materially met. Based on the procedures performed, we consider the requirements of IFRS 17 have been implemented appropriately, including the use of appropriate accounting policies and that judgements applied are appropriate.

Accounting for the Return of Premium (RoP) liability; and Refer to note 19.1 'Insurance contracts roll forward' In the UK market, a public commitment was made in 2020 to pass back any exceptional financial benefit ultimately arising as a result of COVID-19 to PMI customers and this has created a valid customer expectation. Therefore the company had held a liability for the best estimate of the expected cumulative return of premiums and made payments to policyholders in 2021. The calculation of the return of premium liability held at 31 December 2022 was based on assumptions regarding future claims experience. During 2023, the Board determined that a significant proportion of claims not previously anticipated were now expected to arise later in 2023 such that the liability was no longer warranted. Accordingly, they made the decision to release the remaining RoP liability amounting to £58.9m to the Statement of Comprehensive Income. Given the judgement involved and the impact on the financial results, we consider this to be a key audit matter.	In assessing the judgement to release the remaining liability we have considered and, where relevant, tested a number of different sources of information provided by management. We critically assessed and challenged management's analysis of the Company's experience over time of first claims from policyholders, comparing January 2020 policyholders' experience to policyholders from pre and post Covid periods. As part of our testing we developed an independent expectation of the total liability estimate using the claims data referred to above through to and including 2023. From this we deducted payments already made to customers together with the additional costs the business incurred during Covid. This enabled us to further interrogate the judgement arrived at by the Board that there no longer remained a liability at 31 December 2023. We have also understood and evaluated the controls operated by management through this period in respect of RoP accounting. Through the procedures detailed above, we have concluded there is sufficient evidence in support of the Board's decision to release the brought forward RoP liability.
Appropriateness of methodologies and assumptions used in the valuation of the actuarially determined portion of the liability for incurred claims ('LFIC'). Refer to note 19 'Insurance and reinsurance contracts'. The Company's claims liabilities are short-term in nature. Management has valued modelled reserves, which are a significant component of the LFIC using its actuarial reserving methodology. The key assumptions used by management include claims development patterns, claims cost inflation, seasonality and expected loss ratios. In addition, management calculates non-modelled reserves in order to take into consideration factors either not included in the underlying claims data or not as appropriate for traditional actuarial projection techniques. Given the complexity and judgemental nature of methodology and assumptions used to value the actuarially determined portion of LFIC, we consider this to be a key audit matter.	We engaged our actuarial specialists to perform an independent reprojection of the PMI and IPMI modelled best estimate claims reserves as at 31 December 2023. Individual reprojections were performed on selected classes of business within both the PMI and IPMI portfolios, which comprise 99% of both the PMI and IPMI modelled reserves. Key indicator testing was performed on the remaining 1%. In performing our independent reprojections of the estimates, our actuarial specialists have made expert judgements in the selection of their reserving assumptions which include: • Claims development patterns; • Claims cost inflation; • Seasonality adjustments; and • Initial expected loss ratios. We compared our independent estimates to those of management, and investigated any material differences. We have assessed management's recorded amount to determine whether it represents a reasonable estimate. In doing so, we have considered the underlying methodology, assumptions and processes. As part of testing, we have reconciled the key inputs of paid and incurred claims used within the actuarial modelling to the source data in the policy administration systems. We have also tested non-modelled reserves. This has included a combination of obtaining evidence for specific estimates made, and calculating our own independent estimates from underlying data where appropriate. Through the procedures detailed above and having considered the specific nature and circumstances of the company's business, we have concluded that management's assumptions and methodologies used in the valuation of the actuarially determined portion of the LFIC are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Based on the output of our risk assessment, along with our understanding of the company, we identified two components for which a full scope audit of their financial information has been performed. This was determined by assessing those components considered to be financially significant and those components that we otherwise deem to pose a significant risk, which are the UK PMI component and IPMI component. The UK PMI component is based in Manchester and sells private medical insurance predominantly in the UK market. The IPMI component is centrally managed from Brighton and sells international private medical insurance to individual consumers and employees requiring cover beyond their usual country of residence. We identified three further components where audit procedures were performed on certain balances and transactions to provide sufficient and appropriate audit coverage over individual financial statement line items. There are three further components, deemed non-significant, for which analytical procedures have been performed.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£8,840,000 (2022: £6,905,000)
How we determined it	5% of a two year average of profit before tax
Rationale for benchmark applied	In determining our materiality, we have considered financial metrics and benchmarks which we believe to be relevant to the primary users of the financial statements. Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark. We have utilised an average over time as this helps normalise where profit volatility can be introduced by movements in the company's investment portfolio. This benchmark has changed slightly from the prior year audit - previously we used a three year average of profit before tax but this year, with the transition to IFRS 17, there are only two years that have been reported under this new standard so our average has been limited to only two years.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £6,630,000 (2022: £5,178,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Regulated Entities Audit Committee that we would report to them misstatements identified during our audit above £442,000 (2022: £345,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining, evaluating and challenging management's going concern assessment, with a key focus on current and projected capital and liquidity positions; and
- Considering other information obtained during the course of the audit (for example regulatory correspondence) and publicly available market information to identify any evidence that would contradict management's assessment of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries, or introducing bias in relation to areas involving significant judgement or estimation such as the actuarially determined portion of Liability for Incurred Claims ('LFIC'). Audit procedures performed by the engagement team included:

- Discussions with the Regulated Entities Audit Committee and management involved in the company's Risk and Compliance functions and legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board, Risk and Audit Committees;
- Attendance at the Regulated Entities Audit Committee and the Regulated Entities Reporting and Disclosure Committee;
- Reviewing data regarding policyholder complaints and the company's register of litigations and claims in so far they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of the actuarially determined portion of the LFIC and accounting for the RoP liability as described in the related key audit matter above; and
- Identifying and testing certain types of journal entries, including journal entries posted with unusual account combinations or those posted by infrequent users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Regulated Entities Audit Committee, we were appointed by the directors on 6 July 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2021 to 31 December 2023.

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2024

Statement of Comprehensive Income
for the year ended 31 December 2023

	Note	2023 £m	2022 restated[1] £m
Insurance revenue		**2,901**	2,616
Insurance service expenses	2	**(2,752)**	(2,433)
Insurance service result before reinsurance contracts held		**149**	183
Net income/(expense) from reinsurance contracts held	2	**—**	(21)
Insurance service result		**149**	162
Other revenue	3	**4**	4
Other operating expenses	4	**(3)**	(3)
Other income and charges	7	**(11)**	(7)
Total other expenses, income and charges		**(14)**	(10)
Profit before financial income and expense		**139**	156
Financial income and expense			
Financial income	8	**81**	(6)
Financial expense	8	**(4)**	(5)
Financial expense from insurance contracts held		**(6)**	(1)
Net financial income/(expense)		**71**	(12)
Profit before taxation expense		**210**	144
Taxation expense	9	**(53)**	(24)
Profit for the year		**157**	120
Comprehensive income for the year		**157**	120

[1] Balances have been restated for the adoption of IFRS 17. Refer to Note 1.4.

Notes 1-26 form part of these financial statements.

Statement of Financial Position
as at 31 December 2023

	Note	2023 £m	2022 restated[1] £m	1 January 2022 restated[1] £m
Assets				
Property, plant and equipment	10	**17**	17	18
Investment property	11	**38**	49	55
Deferred taxation assets[1]	17	**—**	17	13
Restricted assets	12	**2**	1	—
Financial investments	13	**914**	961	896
Derivative assets	14	**11**	22	5
Reinsurance contract assets[1]	19	**38**	27	25
Current taxation assets		**5**	29	23
Other receivables[1]	14	**17**	31	15
Cash and cash equivalents	15	**282**	129	158
Total assets		**1,324**	1,283	1,208
Liabilities				
Lease liabilities	16	**17**	17	18
Deferred taxation liabilities[1]	17	**2**	—	—
Derivative liabilities	20	**9**	21	3
Provisions for liabilities and charges[1]	18	**1**	1	1
Insurance contract liabilities[1]	19	**802**	787	747
Other payables[1]	20	**76**	71	63
Total liabilities		**907**	897	832
Net assets		**417**	386	376
Equity				
Share capital	21	**187**	187	187
Income and expenditure reserve[1]		**230**	199	189
Equity attributable to shareholder		**417**	386	376
Total equity		**417**	386	376

[1] Balances have been restated for the adoption of IFRS 17. Refer to Note 1.4.

Notes 1-26 form part of these financial statements.

The financial statements on pages 25 to 28 were approved by the Board of Directors on 4 March 2024 and signed on its behalf by

S Moynihan
Director

R K Thakrar
Director

Statement of Cash Flows
for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Operating activities			
Profit before taxation expense		**210**	144
Adjustments for:			
Net financial (income)/expense	8	**(71)**	12
Other non-cash items		**11**	13
Increase in insurance contract liabilities		**26**	21
(Increase)/decrease in reinsurance contract assets		**(12)**	—
Decrease in other receivables, and other assets		**1**	11
Increase/(decrease) in other payables and other liabilities		**18**	(13)
Cash generated from operations		**183**	**188**
Income taxation paid		**(11)**	(34)
Net cash generated from operating activities		**172**	**154**
Cash flow from investing activities			
Purchases of financial investments, excluding deposits with credit institutions		**(392)**	(403)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		**431**	273
Net investments into deposits with credit institutions		**46**	49
Interest received		**34**	10
Net cash from / (used in) investing activities		**119**	**(71)**
Cash flow from financing activities			
Payment of interest on lease liabilities		**—**	(1)
Interest paid		**(9)**	(5)
Net (payments)/receipts on settlement of hedging instruments		**—**	1
Dividends paid		**(126)**	(110)
Net cash used in financing activities		**(135)**	**(115)**
Net increase/(decrease) in cash and cash equivalents		**156**	(32)
Cash and cash equivalents at beginning of year		**130**	158
Effect of exchange rate changes		**(2)**	4
Cash and cash equivalents at end of year[1]	**15**	**284**	**130**

[1] Cash and cash equivalents at the end of the year, as presented in the statement of cash flows, includes restricted assets of £2m (FY 2022: £1m, see Note 12). These restricted assets are not considered a component of cash and cash equivalents within the disclosures made in Note 15.

Notes 1-26 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2023

For year ended 31 December 2023	Share capital £m	Income and expenditure reserve £m	Total equity £m
Balance as at 1 January 2023	187	199	386
Profit for the year	—	157	157
Total comprehensive income for the year	—	157	157
Dividends paid	—	(126)	(126)
Balance as at 31 December 2023	187	230	417

For year ended 31 December 2022	Share capital £m	Income and expenditure reserve £m	Total equity £m
Balance as at 1 January 2022, as previously reported	187	244	431
Initial application of IFRS 17[1]	—	(55)	(55)
Balance as at 1 January 2022, as restated	187	189	376
Profit for the year[1]	—	120	120
Total comprehensive income for the year[1]	—	120	120
Dividends paid	—	(110)	(110)
Balance as at 31 December 2022, as restated[1]	187	199	386

[1] Balances have been restated for the adoption of IFRS 17. Refer to Note 1.4.

Notes 1-26 form part of these financial statements.

1. Basis of preparation

1.1 Basis of preparation

Bupa Insurance Limited (the "Company"), a company incorporated in England and Wales and domiciled in the United Kingdom, is the UK's largest health insurer and a leading provider of international health insurance. These financial statements have been prepared in accordance with UK-adopted international accounting standards ("IFRS"), in conformity with the requirements of the Companies Act 2006.

Financial statements for prior periods were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Following a change in the definition of a qualifying entity in FRS 101, the Company is no longer eligible to apply FRS 101 and has elected to prepare financial statements in accordance with UK-adopted international accounting standards. This is a change in accounting framework and not a change in accounting policy. As FRS 101 requires an entity to apply the recognition and measurement requirements of IFRS there were no adjustments as a result of changing accounting framework and the Company is not considered to fall within the scope of IFRS 1 First-time Adoption of International Financial Reporting Standards. The Company follows the disclosure requirements of IFRS and no longer applies certain disclosure exemptions previously available under FRS 101, nor makes certain disclosures required by the Company Act.

The Company is a private company limited by shares under the Companies Act 2006 and is incorporated in England and Wales. The Company's registered office address is 1 Angel Court, London, EC2R 7HJ.

The financial statements were approved by the Board of Directors on 4 March 2024. The Directors have reviewed and approved the Company's accounting policies which have been applied consistently to all the years presented.

The financial statements are prepared on a going concern basis and under the historical cost convention, modified by the revaluation of investment property, and financial investments at fair value.

The presentation of line items within the Statement of Financial Position is broadly in order of liquidity. Current assets and liabilities disclosed in the notes to the Financial Statements are those expected to be recovered or settled in less than one year.

The financial statements are presented in sterling, which is also the Company's functional currency, rounded to millions.

1.2 Accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Company's accounting policies. The estimates and assumptions are based on historical experience and other related variables, updated to reflect current trading performance. The estimates and assumptions are reviewed on an ongoing basis and are considered to be appropriate but actual results may differ from these estimates.

Key judgements are those made by management in applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements. Assumptions and estimates that are significant to the financial statements are those where there is a risk of material adjustment to the carrying value of assets and liabilities in the next financial year. The areas involving a higher degree of judgement or complexity, or where estimates are significant to the financial statements, are set out below and in more detail in the related notes. Details of judgements applied in the initial application of the standard have been included in Note 1.4 a) below.

Area	Details	Note
Investment property	The Company has an investment property which is an office building and leased to another Bupa Group Company. It is measured at fair value and is valued annually by an independent professional valuer. **Sources of estimation uncertainty** The key assumption for valuing the investment property is the net initial yield and reflects the investment characteristics of the property including building quality, location, tenant and lease term.	11
Insurance contracts	**Accounting judgements** *Premium allocation approach ("PAA")* The Company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition. For a small number of insurance contracts, which have a coverage period that is greater than 12 months, the Company elects to apply the PAA, if at the inception of the contract the Company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Measurement Model ("GMM"). **Sources of estimation uncertainty** *Best estimate claims provision* Estimates included in the insurance contract liabilities include expected claims payments and expenses required to settle existing insurance contract obligations. The key assumptions used in the calculation of the liability for incurred claims include claims development, claims costs inflation, medical trends and seasonality.	19
Return of premium provision	The Company held a return of premium provision to reflect its April 2020 commitment to pass back any exceptional financial benefit ultimately arising from COVID-19 to eligible customers. The remaining provision has been released during 2023. **Accounting judgements** Judgement has been exercised in determining the constructive obligation created by the April 2020 commitment has been met. **Sources of estimation uncertainty** The key assumption in determining the constructive obligation is met is the deferred claims emergence at the reporting date.	19

1.3 Going concern

The Directors have conducted an assessment of the Company's going concern status based on its current position and forecast results. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the Annual Report and accounts and in the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Strategic Report, Directors' Report, Financial Statements and notes.

The going concern assessment has been made with consideration to the principal impacts and risks posed to the Company. As part of their assessment of the Company's ability to continue as a going concern the Directors looked at the financial performance, capital management, cash flow, solvency and future outlook of the Company, including under a number of reasonably plausible severe scenarios and severe and concurrent risks as part of stress testing and reverse stress testing. Scenarios considered included: a combination of adverse events that impact the Company's reputation leading to loss of customers and operational pressures; and regulatory change leading to claims volatility and pressure on margins. Under such scenarios, significant short-term reductions in profitability arise, however the Company would still remain within its risk appetites for regulatory solvency and liquidity. Additional management actions would allow the downside impact to be further mitigated by reducing expenditure, reducing dividends to the Company's parent or divesting investments.

As part of their assessment, the Directors have given due regard to the liquidity, regulatory capital and the ability of the company to meet obligations over a three-year time horizon in line with our planning cycle and reflective of the short-tail nature of our business. The Company is well capitalised with a strong liquidity position and investment grade credit rating, with £887m of liquid assets available at 31 December 2023 and a Solvency II capital ratio of 196%[5]. The Directors have a reasonable expectation that the Company is expected to remain well-capitalised over the Company's three-year planning horizon.

1.4 Changes in accounting policies

Except for the changes detailed below, the Company has consistently applied the accounting policies to all years presented in these financial statements.

[5]The Solvency Capital Position and related disclosures are estimated values and are unaudited at the time of approval of the financial statements.

a) IFRS 17 Insurance Contracts

IFRS 17 sets out the principles for the recognition, measurement and presentation of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Company has adopted IFRS 17 Insurance Contracts in these financial statements on a fully retrospective basis.

Significant judgements on implementation of IFRS 17

On implementation of IFRS 17, significant judgements include the level of aggregation and the determination of the unit of account, the application of PAA, the determination of which expenses are directly attributable to insurance contracts and the identification of onerous contracts. The key considerations made by the Company on application of IFRS 17 are set out below.

Refer to Note 1.2 for significant judgements and estimates relating to the application of IFRS 17 that are reassessed each reporting period.

Level of aggregation

IFRS 17 defines a portfolio of insurance contracts as ‘Insurance contracts subject to similar risks and managed together’. The Company sells domestic and international private medical insurance ("PMI"), dental insurance and cash plans. For each of these product lines, cash flows are generally expected to respond similarly in direction and timing to changes in assumptions. The Company manages its insurance business through the UK and Bupa Global ‘Business Units’. The Company has defined portfolios as these product lines. Portfolios are further divided into groups of contracts for the identification of onerous contracts.

There is a presumption under the PAA that no contracts are onerous unless there are facts and circumstances that indicate otherwise. However, the requirement to identify onerous contracts means that business is generally accounted for at a level lower than portfolios, being profitability groupings. This is the basis on which the standard requires various assessments to be made, e.g., PAA eligibility.

Contract boundary and PAA

IFRS 17 requires a current measurement model for insurance contracts where estimates are remeasured each reporting period. Under the GMM, contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. An optional, simplified PAA is permitted for eligible short-duration contracts.

In applying the standard, the Company has reviewed its insurance and reinsurance contracts and considered the contract boundary for each type of policy. The majority of policies have a coverage period of one year or less. As a result, the Company has taken the available policy choice to apply the PAA to these contracts. This approach leads to simplified measurement and presentation relative to the GMM.

The Company has a small number of policies with a coverage period of greater than a year. For this group of contracts, the Company has assessed whether the measurement of the LFRC under the PAA is expected to differ materially from that under the GMM. This required the use of a GMM and materiality thresholds determined by management for these policies, as well as the selection of reasonably expected scenarios against which eligibility is assessed. All contracts are eligible for the PAA measurement model either automatically or through this assessment.

Liability for incurred claims

The liability for incurred claims ("LFIC") is made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

Liability for remaining coverage

The LFRC under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs deferred. In subsequent periods, the LFRC is amortised to recognise the revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period. This is recognised on a straight line basis as the expected pattern of the release of risk during the coverage period does not differ significantly over the passage of time. If certain acquisition cash flows paid on new contracts are allocated to future renewals, outside the boundary of the current contract, the deferred portion is recognised in the carrying amount of the related portfolio of the insurance contract issued. Deferred acquisition costs relating to groups of contracts within their coverage period and insurance receivables are included within the LFRC.

For groups of contracts where all contracts have a coverage period of one year or less, the Company has taken the policy decision available to expense insurance acquisition cash flows as incurred. Where the contracts within a group have a coverage period that is greater than one year, this policy choice is not available and these amounts are deferred.

Under the PAA, a risk adjustment is recognised on all LFIC balances and on LFRC balances for onerous contracts issued. The Company has taken the decision to use a confidence level technique to estimate the risk adjustment.

Discounting

Discounting is optional for the LFRC carrying amount if the time between providing each part of the coverage and the related premium due date is one year or less and is optional for the LFIC if claims are expected to be paid in one year or less from the date the claims are incurred.

The Company has applied discounting to the international PMI portfolio LFIC as a proportion of claims are settled in a period in excess of one year. Where discounting is applied, the Company policy is to use Prudential Regulation Authority ("PRA") specified discount rates.

Onerous contracts

To identify potentially onerous contracts, the Company has considered information reviewed by senior management in monitoring financial performance. The Company assumes that no PAA contracts are onerous at initial recognition.

Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed. The loss component is valued by comparing the carrying amount of the LFRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach. In subsequent periods, the loss component is reassessed and any movements are recognised within the Income Statement.

Key estimation uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

Insurance service expenses

Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore included within insurance service expenses. The Company classifies the majority of expenses incurred within insurance service expenses, except for those not directly attributable to insurance contracts.

Return of exceptional financial benefit arising from COVID-19

In April 2020 the Company made a commitment to eligible UK PMI policyholders that it would pass back any exceptional financial benefit ultimately arising from COVID-19. Under IFRS 4 a liability was recognised in the unearned premium reserve at the point the Company formally announced the commitment and gross written premium recognised within the Income Statement was reduced accordingly. The brought forward liability relates to prior policy periods and under IFRS 17 is now classified in the opening liability for incurred claims. As a result of a step-change in claims observed in 2023, the estimate for delayed claims rebounding has been reassessed and has resulted in the return of premium provision being released in full during the first half of 2023 such that there is no liability remaining at 31 December 2023 (FY 2022: £59m). The release of the provision reduced the insurance service expense.

Restatements

The Company's net assets at transition on 1 January 2022 were reduced by £55m. The primary adjustments impacting net assets were:
- the write off of deferred acquisition costs ("DAC") assets and the associated tax impact;
- the recognition of the loss component on onerous contracts; and,
- the associated tax impact of these adjustments.

Other adjustments include changes to foreign exchange loss as a result of IFRS 17 deeming all components of an insurance contract to be monetary items and the recognition of the risk adjustment. Taxation has been restated to reflect the taxation impact of the above adjustments. Any deferred taxation assets recognised on the adoption of IFRS 17 should unwind through the Income Statement in future periods, as and when taxation deductions are taken, alongside the associated impact to current taxation.

1 January 2022	**Total £m**
Net Assets under IFRS 4	**431**
Derecognition of DAC	**(64)**
Recognition of Loss Component for onerous contracts	**(4)**
Other adjustments	**(4)**
Taxation adjustments	**17**
Net assets under IFRS 17	**376**

1 January 2022	As published £m	Reclassification £m	Measurement £m	Restated £m
Assets arising from insurance business	860	(796)	(64)	—
Deferred tax assets	—	—	13	13
Reinsurance contract assets	—	25	—	25
Trade and other receivables	19	(4)	—	15
Deferred taxation liabilities	(4)	—	4	—
Provisions arising from insurance contracts	(1,354)	1,354	—	—
Provision for liabilities and charges	(6)	5	—	(1)
Insurance contract liabilities	—	(739)	(8)	(747)
Other liabilities arising from insurance business	(95)	95	—	—
Trade and other payables	(90)	60	—	(30)
Total net asset restatement	(670)	—	(55)	(725)

The 31 December 2022 comparatives have also been restated for the impact of applying IFRS 17. The impact on profit for the period and net assets are set out in the tables below.

31 December 2022	Total £m
Profit after tax under IFRS 4	124
Derecognition of DAC	(10)
Recognition of Loss Component for onerous contracts	3
Other adjustments	2
Taxation adjustments	1
Profit after tax under IFRS 17	120

31 December 2022	As published £m	Reclassification £m	Measurement £m	Restated £m
Assets arising from insurance business	999	(925)	(74)	—
Deferred tax assets	—	—	17	17
Reinsurance contract assets	—	27	—	27
Trade and other receivables	33	(3)	1	31
Deferred taxation liabilities	(1)	—	1	—
Provisions arising from insurance contracts	(1,503)	1,503	—	—
Provision for liabilities and charges	(4)	3	—	(1)
Insurance contract liabilities	—	(783)	(4)	(787)
Other liabilities arising from insurance business	(112)	112	—	—
Trade and other payables	(104)	66	—	(38)
Total net asset restatement	(692)	—	(59)	(751)

b) IAS 1 amendments

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments aim to help improve accounting policy disclosures for the primary users of financial statements. Entities must disclose material accounting policies, rather than the previous requirement to disclose significant accounting policies, and the concept of materiality in the context of accounting policies is further defined. The accounting policy disclosures provided for IFRS 17 above are in line with the new requirements and all material accounting policies will be disclosed in the annual financial statements for the year ended 31 December 2023.

***c)* IAS 8 amendments**

The Company has adopted Definition of Accounting Estimates (Amendments to IAS 8) from 1 January 2023. The amendments introduce the definition of accounting estimates and include further amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. On adoption there was no impact on the Company. Any future changes in accounting estimate or changes in accounting policy will be assessed under the new requirements.

d) IAS 12 amendments

The Company has adopted International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) from 1 January 2023. Pillar Two seeks to establish a 15% global minimum tax rate for multinational enterprises. On 20 June 2023, Finance (No.2) Bill 2023, which implements a domestic top-up tax and a multinational top-up tax in the UK effective for accounting periods starting on or after 31 December 2023, was substantively enacted. The tax rate applicable to the Company is 23.5% in 2023, rising to 25% in 2024, so the top-up tax is not expected to impact the Company.

e) Other

A number of amended standards and interpretations became applicable for the current reporting year. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

1.5 Forthcoming financial reporting requirements

(a) Other

A number of other amendments to standards and interpretations have been issued and are not yet effective for the year ended 31 December 2023. None of these is expected to have a material impact on the Company.

1.6 Accounting policies

a) Foreign currencies

The activities of the foreign branches are carried out as an extension of the Company. All foreign branches have a sterling functional currency.

Transactions in foreign currencies are translated to the functional currency of the Company (sterling). Realised exchange differences arising on transactions of foreign currency amounts are recorded in the Income Statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the reporting date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities and then it is presented in financial income or expense as appropriate. Non-monetary assets and liabilities denominated in a foreign currency at historic cost are translated using the exchange rate at the date of the transaction; no exchange differences therefore arise. Non-monetary assets and liabilities denominated in a foreign currency which are held at fair value are translated using the exchange rate ruling at the date that the fair value was determined.

b) Investment properties

Investment properties are physical assets that are not occupied by the Company and are leased to Bupa Group companies to generate rental income or held by the Company for capital appreciation or both.

Investment properties are measured at fair value, determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

In an active market, investment properties are valued annually by an independent valuer, holding a recognised and relevant professional qualification, and with recent experience in the location and category of investment property being valued.

Any gain or loss arising from a change in the fair value is recognised in the Income Statement within other income and charges, as appropriate.

c) Provisions for other risks

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event(s), it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Although provisions are made where payments can be reliably estimated, the amounts provided are based upon a number of assumptions that are inherently uncertain and therefore the amount that is ultimately paid could differ from the amount recorded.

d) Basis of accounting for insurance and reinsurance contracts

Underwriting activities are accounted for on an annual accident year basis.

i. Insurance revenue

The Company recognises insurance revenue based on the passage of time over the coverage period of the group of contracts. Insurance revenues are shown gross of commissions payable and net of insurance premium taxes that may apply in certain jurisdictions.

ii. Reinsurance contracts held

The Company releases ceded insurance premiums on the pattern of time basis over the coverage period. Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums.

iii. Insurance service expense

Insurance service expenses comprise expenses directly attributable to fulfilling a group of insurance contracts. Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore included within insurance service expenses. The Company classifies the majority of expenses incurred within insurance service expenses, except for those not directly attributable to insurance contracts.

Insurance claims are amounts payable under insurance contracts arising from the occurrence of an insured claims episode. A claims episode is an insured medical service that the Company has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs.

Incurred claims comprise insurance claims paid during the year together with related handling costs and the movement in the gross provision for claims in the period. See Note 19.1 for details of the liability for incurred claims.

Acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company's policy is to expense acquisition costs as they are incurred where the coverage period of each contract in the group is no more than one year. The remaining acquisition costs are allocated to the relevant portfolio of insurance contracts and reduce the LFRC. The allocated acquisition costs are amortised consistently with the pattern of insurance revenue recognition.

Changes in the risk adjustment for non-financial risk are presented in the insurance service result and not disaggregated into an insurance service component and an insurance finance component.

iv. Amounts recoverable from reinsurers for incurred claims

All directly attributable reinsurance expenses, including claims handling costs, are expensed as incurred.

v. Unit of account

A portfolio of insurance contracts is defined as insurance contracts subject to similar risks and managed together. The Company sells domestic and international private medical insurance ("IPMI"), dental insurance and cash plans. For each of these product lines, cash flows are generally expected to respond similarly in direction and timing to changes in assumptions. The Company manages its insurance business through the UK and Bupa Global 'Business Units'. The Company has defined portfolios as these product lines. Portfolios are further divided into groups of contracts for the identification of onerous contracts.

Each portfolio is subsequently disaggregated into groups of contracts:
- that are onerous at initial recognition;
- that have no significant possibility of becoming onerous subsequently; and
- all remaining contracts.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. An assessment is made whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company assesses the profitability of a set of contracts at which it has reasonable and supportable information annually. The insurance contracts remain within the same group from initial recognition until they are derecognised.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Company's policy is that for reinsurance contracts held, each individual reinsurance contract is considered a group.

vi. Recognition and derecognition

Groups of insurance and reinsurance contracts are initially recognised from the earliest of the beginning of the coverage period; the date when the first payment from a policyholder in the group becomes due; and when the group of contracts or the underlying insurance contract becomes onerous.

However, for proportionate reinsurance, recognition is delayed to the later of the date that any underlying insurance contract is initially recognised or the beginning of the coverage period of the group of reinsurance contracts held.

A group of insurance contracts or reinsurance contracts are derecognised when all rights and obligations are extinguished, or a contract modification meaning the contract is no longer eligible for the PAA occurs.

vii. Contract boundary and fulfilment cash flows

Cash flows are within the boundary of an insurance or reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period. For insurance contracts, the Company has a substantive right when it can compel the policyholder to pay the premiums or a substantive obligation when it has to provide the policyholder with insurance contract services. For reinsurance contracts held, the substantive right is to receive reinsurance services and the substantive obligation is to pay amounts to the reinsurer.

Cash flows within the contract boundary relate directly to the fulfilment of the contract and include cash flows relating to the collection of premiums and pay out for claims, benefits and expenses.

Cash flows are outside of the contract boundary of an insurance contract when the Company's substantive rights and obligations end. This mainly occurs when the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks.

Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

viii. Premium allocation approach eligibility

The Company applies the PAA for the measurement of the insurance contracts. The majority of the Company's contracts automatically qualify as the coverage period of each contract in the group is one year or less. As a result, the Company has taken the available policy choice to apply the PAA to these contracts. The Company also has a small number of policy groups with a coverage period of greater than a year. For these groups of contracts, the Company assesses annually whether the measurement of the liability for remaining coverage ("LFRC") under the PAA is expected to differ materially from that under the GMM. This requires the use of GMM and materiality thresholds determined by management for these policies, as well as the selection of reasonably expected scenarios against which eligibility is assessed. As a result of this assessment, these remaining contracts are also eligible for the PAA measurement model.

ix. Measurement

Liability for remaining coverage

On initial recognition of each group of insurance contracts, the carrying amount of the LFRC is based on the premiums received less any directly attributable acquisition costs deferred. In subsequent periods, the LFRC is increased for any additional premiums received and decreased for the recognition of insurance revenue and insurance acquisition cash flows that are released on a straight line basis over the coverage period. The Company's default policy is not to adjust the LFRC to reflect the time value of money and the effect of financial risk, as the Company expects on initial recognition of each group of contracts that the time between providing each part of the services and the related premium due date is no more than one year.

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. It includes external and internal costs and incremental direct and indirect costs.

The Company’s policy is to expense acquisition costs as they are incurred where the coverage period of a contract in the group is no more than one year. For the remaining contracts, with a longer coverage period, insurance acquisition costs are allocated to the relevant portfolio of insurance contracts and reduce the LFRC. The allocated acquisition costs are amortised consistently with the pattern of insurance revenue recognition.

Onerous contracts

If facts and circumstances indicate that a group of contracts is onerous, detailed testing is performed. The loss component is valued by comparing the carrying amount of the LFRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach. The loss component is recognised as an increase to the LFRC and an expense in the Income Statement. Subsequently, the loss component is reassessed with any movements in the loss component adjusting the LFRC and being recognised within the Income Statement.

Liability for incurred claims

The LFIC represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid. A claims episode is an insured medical service that the Company has an obligation to fund which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. The liability includes an allowance for claims management and handling expenses.

The Company recognises the LFIC of a group of insurance contracts as the present value of the expected cash flows required to settle the obligation with an adjustment for non-financial risk. The Company does not adjust the future cash flows either for the time value of money or for the effect of financial risk for portfolios in which incurred claims are expected to be paid within one year of occurrence except in exceptional circumstances, as described in the ‘Discounting’ section below.

The LFIC is set in line with Bupa’s Claims Reserving standards, at a level to achieve an appropriate probability of sufficiency and is estimated based on current information. The ultimate liability may vary as a result of subsequent information and events. Adjustments to the claims estimates for prior years are included in the Income Statement in the financial year in which the change is made. The methods used and estimates made for the LFIC are reviewed regularly.

Risk adjustment

The risk adjustment reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The Company has estimated the risk adjustment using a confidence level approach at the 75th percentile (FY 2022: 75th percentile) and any movements in the risk adjustment are recognised in full within the insurance service result.

Reinsurance contracts held

For reinsurance contracts held, the Company applies the PAA for the majority of reinsurance contracts as the coverage period is one year or less. For the remaining contracts, the Company applies the PAA as it reasonably expects that the resulting measurement would not differ materially from the result of applying the requirements in the GMM for reinsurance contracts held.

The Company measures the asset for remaining coverage ("AFRC") on initial recognition for reinsurance held as the amount of ceding premiums paid. Subsequently the remaining coverage is increased for ceding premiums paid and decreased for amounts of ceding premiums recognised as insurance expenses for the services received in the period. The Company releases ceded reinsurance premiums on the pattern of time basis over the coverage period. The Company does not adjust the AFRC for the time value of money as the time between providing the coverage and the related underlying premium is one year or less.

The carrying amount of a group of reinsurance contracts held also includes coverage of the incurred claims as an asset for incurred claims ("AFIC"), comprising the fulfilment cash flows related to the past service allocated to the group. The Company does not adjust the AFIC for the time value of money as recoveries are expected to be paid within one year of occurrence.

The remaining coverage for reinsurance contracts is not adjusted for the time value of money as the Company expects on initial recognition that the time between providing each part of the services and the underlying contract’s premium due date and payment of incurred claims is expected to be no more than one year.

The estimates for future cash flows of the reinsurance should allow for the risk of non-performance by reinsurers, which is the probability weighted expected value of the effect of reinsurance counterparty failure to fulfil contractual obligations. Bupa's policy is to set the non-performance risk to zero as there are restrictions in place on the credit quality and amount of reinsurance ceded to individual counterparties and Bupa uses reinsurance only to a limited extent mitigate insurance risks.

Net gain on reinsurance contracts held

Onerous contracts assessment is not applicable for reinsurance contracts held under IFRS 17 as an insurer expects either to incur a net cost of purchasing the reinsurance, or sometimes, to make a net gain from purchasing the reinsurance if claim events occur. If facts and circumstances indicate that a group of reinsurance contracts has been purchased at a net gain, detailed testing is performed. A loss-recovery component is valued by comparing the carrying amount of the AFRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach. The loss-recovery component is recognised as an increase to the AFRC and revenue in the Income Statement. Subsequently, the loss-recovery component is reassessed with any movements in the loss-recovery component adjusting the AFRC and being recognised within the Income Statement.

Discounting

The Company does not apply discounting to the majority of policies. However, the Company has applied discounting to the LFIC for certain groups of contracts as a proportion of the claims are settled over a period that is greater than one year. Where discounting is applied, the Company policy is to use Prudential Regulation Authority ("PRA") specified discount rates. When facts and circumstances change, the Company reassesses whether the exceptional use of discounting remains appropriate.

Return of exceptional financial benefit arising from COVID-19

In circumstances where a return of premiums is due to policyholders, a provision is established within the LFIC. An insurance provision for a return of premiums was established in 2020 in respect of the Company's commitment to pass back to eligible customers any exceptional financial benefit experienced by the UK PMI business that ultimately arose as a result of the COVID-19 pandemic. As a result of a step-change in claims, the estimate for delayed claims rebounding has been reassessed and has resulted in the return of premium provision being released in full during 2023 such that there is no provision remaining at 31 December 2023 (FY 2022: £59m). The release of the provision reduced the insurance service expense.

e) Current and deferred taxation

The taxation expense on the profit for the year comprises current and deferred taxation.

Current taxation comprises the expected taxation payable or receivable on the taxable profit or loss for the year using taxation rates enacted or substantively enacted at the reporting date, and any adjustments to the taxation payable or receivable in respect of previous years.

Deferred taxation is recognised in full on all timing differences that have originated, but not reversed, at the reporting date which result in an obligation to pay more, or a right to pay less or to receive more taxation benefits, with the following exceptions:

- Provision is made for taxation on gains arising from the revaluation of property to its market value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the reporting date there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the reporting date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- No deferred taxation is recognised in respect of Pillar Two top-up tax.

Deferred taxation assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

f) Related party transactions

Related party transactions are transactions between the Company and related individuals or entities by nature of influence or control. The Company has such relationships with its key management personnel and fellow group companies. The disclosure of transactions with these parties enables readers to form a view of the impact of related party relationships on the Company.

All transactions with related parties are conducted on an arm's-length basis. There were material transactions during the year with fellow group insurers and insurance service companies and with key management personnel.

The key management personnel are the Company's Directors which includes the general managers of the two main business units through which the company operates.

g) Financial income and expense

Financial income comprises interest income, realised gains on investments, changes in the fair value of items recognised at fair value through profit or loss, changes in the fair value of derivatives and foreign exchange gains and losses. Interest income except in relation to assets classified as fair value through profit or loss, is recognised in financial income as it accrues, using the effective interest method.

Financial expense include interest payable, realised losses on investments, changes in the fair value of items recognised at fair value through profit or loss, changes in the fair value of derivatives and other investment expenses.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Changes in the value of financial assets designated as at fair value through profit or loss are recognised within financial income or expense as an unrealised gain or loss while the asset is held. This represents the difference between the carrying value at the balance sheet date and the carrying value at the previous reporting date or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments (including money market funds) with original maturities of three months or less which are subject to an insignificant risk of change in value.

i) Financial Investments

The Company has classified its financial investments into the following categories: fair value through profit or loss and amortised cost. The Directors determine the classification of all financial investments at initial recognition. Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Company has transferred substantially all risks and rewards of ownership.

Measurement	Criteria and treatment
Fair value through profit or loss	Debt and equity instruments where performance is managed and evaluated on a fair value basis and the objective is to realise cash flows through the sale of the assets. The investments are carried at fair value, with gains and losses arising from changes in this value recognised in the Income Statement in the year in which they arise.
Amortised cost	Non-derivative debt instruments where the contractual characteristics of the financial assets represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows over its life. Any disposals are expected to be infrequent or insignificant. The investments are measured at amortised cost using the effective interest method, less any impairment losses. Any discount or premium on purchase is amortised over the life of the investment in the Income Statement.

Impairment provisions on financial investments held at amortised costs are based on expected credit losses ("ECL"). This is calculated based on either 12-month or life-time ECL depending on whether there has been a significant increase in credit risk since initial recognition. An assumption can be made that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date, for example, investment grade. As all the financial assets at amortised cost are either investment grade or short-term, a 12-month ECL is applied. For financial investments, an option pricing probability model is used as the basis for assessing ECL. An analysis of ECL provisions is provided in note 22.3.

Financial investments carried at fair value are measured using different valuation inputs categorised into a three-level hierarchy. The different levels have been defined by reference to the lowest level input that is significant to the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

j) Derivative financial instruments

Derivative financial instruments consist of currency forward contracts and swaps. Derivatives are initially recognised and subsequently measured at fair value; with attributable transaction costs recognised in the Income Statement when incurred.

The fair value of currency forward contracts, swaps and options is determined using forward exchange rates derived from market sourced data at the reporting date, with the resulting value discounted back to present value.

All derivative contracts are subject to a credit support annex with variation margin receivable included within other receivables and variation margin payable included within other payables.

k) Receivables

Insurance and inwards reinsurance receivables are carried at amortised cost net of provision for impairment losses and are included within the LFRC. Non-insurance receivables are carried at amortised cost net of lifetime ECL.

Where appropriate, a provision matrix is used to estimate ECL. Under a provision matrix, receivables are grouped into customer segments and further divided into categories by age. Historical credit loss experience and any relevant forward-looking information is then used to establish the ECL provision for each category. Based on this methodology, non-insurance receivables ECL provisions have been assessed as £nil (2022: £nil).

Recoverable amounts from reinsurance contracts held are included within AFRC.

l) Payables

Payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

m) Leases of property

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate taking into account the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Either a change in rate or index could result in the remeasurement of lease liability. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or reassessment of an extension or termination option. The leases currently held by the Company do not contain any extension or terminations options.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restoration costs, is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the contractual lease term where occupancy of the property is expected to be longer than the existing contract.

The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£4,000 or less). Lease payments associated with these leases are expensed on a straight-line basis over the lease term within the Income Statement.

2. Insurance service result

Insurance service expense

	2023	2022
	£m	£m
Incurred claims and other expenses[1]	**2,829**	2,457
Losses on onerous contracts and reversals of those losses	**1**	(3)
Changes to liabilities for incurred claims relating to past service	**(78)**	(21)
Total insurance service expenses	**2,752**	2,433

[1] Includes claims incurred of £2,106m (2022: £1,826m) comprising claims paid, claims management expenses and changes in provisions for claims.

Reinsurance contracts held

	2023	2022
	£m	£m
Premiums ceded to reinsurers	**141**	125
Reinsurance commission income	**(19)**	(16)
Total allocation of reinsurance premiums	**122**	109
Amount recoverable for incurred claims and other expenses	**121**	88
Changes to amounts recoverable for incurred claims relating to past service	**1**	—
Total amount recoverable from reinsurers for incurred claims	**122**	88
Net expenses from reinsurance contracts held	**—**	21

3. Other revenue

Other income of £4m (2022: £4m) primarily represents income from leasing the Company's investment property to a fellow Bupa Group company.

4. Other operating expenses

	2023	2022
	£m	£m
Other operating expenses	**3**	3
Total	**3**	3

5. Staff costs

The Company has one employee in the Switzerland office. All other staff are remunerated and employed through the Company's service company, Bupa Insurance Services Limited and costs are recharged to the Company. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of Bupa Insurance Services Limited, which acts as a service company to a number of Bupa subsidiaries.

The average number of employees during the year was as follows:

	2023	2022
Employees	1.5	2.0

	2023	2022
Sales and general administration	**1.5**	2.0
Total	**1.5**	2.0

	2023	2022
	£m	£m
Wages and salaries	**0.3**	0.5
Social security costs	**0.1**	—
Pension costs	**—**	0.1
Total	**0.4**	0.6

6. Auditor's remuneration

	2023	2022
	£m	£m
Fees payable to the Company's auditors for the audit services	**1.77**	1.15
Non-audit assurance services	**0.19**	0.18
Total	**1.96**	1.33

Fees payable to the Company's auditors represent the amount for the audit of the Company's annual accounts and are exclusive of VAT.

7. Other income and charges

Other income and charges loss of £11m (2022: £7m) primarily represents a reduction in fair value of the Company's Investment Property.

8. Financial income and financial expense

Financial income

	2023	2022 restated[1]
	£m	£m
Interest income:		
Investments at fair value through profit or loss	**2**	1
Investments at amortised cost	**41**	12
Net movement in fair value:		
Investments at fair value through profit or loss	**20**	(24)
Net foreign exchange translation gain	**5**	5
Other finance Income	**13**	—
Total financial income	**81**	(6)

Financial expense

	2023	2022 restated[1]
	£m	£m
Interest expense on financial liabilities at amortised cost	**(2)**	(3)
Finance charges in respect of leases and restoration provisions	**—**	(1)
Other financial expense	**(2)**	(1)
Total financial expense	**(4)**	(5)

[1] Balances have been restated for the adoption of IFRS 17

9. Taxation expense

	2023	2022
Analysis of taxation charge in the financial year	£m	£m
Change to Current taxation expense		
UK taxation on income for the year	**34**	28
UK taxation adjustments in respect of prior years	**1**	—
Total UK current taxation expense	**35**	28
Double taxation relief	**(1)**	(1)
Foreign taxation on income for the year	**1**	1
Total foreign current taxation expense	**1**	1
Total current taxation expense	**35**	28
Deferred taxation expense/ (income)		
Origination and reversal of temporary differences	**18**	(3)
Changes in taxation rates	**—**	(1)
Total deferred taxation expense/(income)	**18**	(4)
Taxation expense	**53**	24

The UK corporation taxation rate increased from 19% to 25% with effect from 1 April 2023. Deferred taxation on temporary differences expected to reverse after the Balance Sheet date are recognised at 25%.

The total taxation expense recognised in the Income Statement of £53m (2022: £24m) represents a headline effective tax rate of 25.3% (2022: 16.5%) against a statutory UK prevailing tax rate of 23.5% (2022: 19.0%).

Reconciliation of effective tax rate

The differences between the total current taxation charge shown above and the amount calculated by applying the standard rate of UK corporation taxation to the profit before taxation is as follows:

	2023	2022
	£m	£m
Profit before taxation expense	**210**	144
UK corporation taxation rate	**23.5 %**	19.0 %
Taxation at the UK corporation taxation rate	**49**	27
Effects of the recurring taxation reconciliation items:		
Deductions not allowable for taxation purposes	**3**	—
Non-assessable income	**—**	(1)
Changes in taxation rates	**—**	(1)
	3	(2)
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior years	**1**	(1)
Taxation expense at the effective rate of 25.3% (2022: 16.5%)	**53**	24

As at 31 December 2023, the Company had deductible temporary differences relating to unrelieved foreign taxation of £1.4m (2022: £1.4m) for which no deferred taxation asset was recognised due to uncertainty over the utilisation of those temporary differences.

10. Property, plant and equipment

The Company's property comprise two car parks leases recognised as right-of-use assets.

	2023	2022
Cost or valuation	**£m**	£m
At 1 January	**19**	19
At 31 December	**19**	19
Accumulated depreciation		
At 1 January	**(2)**	(1)
Charge for the year	**—**	(1)
At 31 December	**(2)**	(2)
Net book value at 31 December	**17**	17

11. Investment property

	2023	2022
	£m	£m
At beginning of year	**49**	55
Decrease in fair value	**(11)**	(6)
At end of year	**38**	49

Investment property is measured at fair value, determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location and factoring in an appropriate yield. The Company holds an investment property which is an office building, Bupa Place, leased to another Bupa Group company.

Investment property held is classified as level three in the fair value hierarchy. In an active market, the portfolio is valued annually by an independent valuer, holding a recognised and relevant professional qualification, and with recent experience in the location and category of investment property being valued. For Bupa Place a net initial yield of 7.75% (2022: 6.00%) is used by the independent valuer and reflects the investment characteristics of the property including building quality, location, tenant and lease term. A change in the yield of value (0.25) would result in a change in fair value of plus £1.3m or minus £1.2m (2022: plus £2.1m or minus £1.9m). The historical cost of investment property is £55m (2022: £55m).

Following an independent valuation, the investment property value has been reduced by £11m due to the uncertainty experienced in the commercial property market driven by higher costs of borrowing for investors which have resulted in an outward yield shift. The devaluation has been recognised in the Income Statement as an unrealised loss on investment property.

12. Restricted assets

	2023	2022
	£m	£m
Restricted cash deposits	**2**	1
Total	**2**	1

The restricted cash deposits of £2m (2022: £1m) relate to claims funds held on behalf of corporate customers. These amounts may be used only to discharge those obligations and potential liabilities if and when they crystallise.

13. Financial investments

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	£m	**£m**	£m	£m
Fair value through profit or loss:				
Corporate debt securities and secured loans	**302**	**302**	280	280
Government debt securities	**21**	**21**	19	19
Pooled investment funds	**63**	**63**	58	58
Amortised cost:				
Corporate debt securities and secured loans	**385**	**388**	418	419
Deposits with credit institutions	**143**	**143**	186	186
Total financial investments	**914**	**917**	961	962
Non-current	**488**	**491**	368	368
Current	**426**	**426**	593	594

Fair value of financial investments

The fair value of a financial instrument is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. The fair values of quoted investments in active markets are based on current bid prices. The fair values for all other financial investments for which there is no active market are determined through discounted cash flow valuation techniques using observable inputs or are sourced from multiple independent third parties.

The fair value of financial instruments are determined using different valuation inputs categorised into the three levels within the fair value hierarchy as described in Note 1.

An analysis is as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
2023				
Fair value through profit or loss:				
Corporate debt securities and secured loans	**—**	**302**	**—**	**302**
Government debt securities	**—**	**21**	**—**	**21**
Pooled investment funds	**63**	**—**	**—**	**63**
Amortised cost:				
Corporate debt securities and secured loans	**186**	**202**	**—**	**388**
Deposits with credit institutions	**—**	**143**	**—**	**143**
Total financial investments	**249**	**668**	**—**	**917**

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
2022				
Fair value through profit or loss:				
Corporate debt securities and secured loans	—	280	—	280
Government debt securities	—	19	—	19
Pooled investment funds	58	—	—	58
Amortised cost:				
Corporate debt securities and secured loans	163	256	—	419
Deposits with credit institutions	—	186	—	186
Total financial investments	221	741	—	962

There are no level 3 investments in 2023 (2022: nil).

14. Other receivables and derivative assets

14.1 Other receivables

	2023	2022
	£m	£m
Amounts owed by Bupa Group undertakings	**12**	12
Other receivables	**5**	19
Total other receivables	**17**	31

Other receivables are carried at amortised cost net of provisions for ECLs. Information regarding the ageing of other receivables is shown in note 22. All other receivables are classified as receivables under IFRS 15, as a receivable is an entity's right to consideration that is unconditional i.e., only the passage of time is required before payment is due.

14.2 Derivative assets

	2023	2022
	£m	£m
Derivative assets	**11**	22

All derivatives are categorised as level two in the fair value hierarchy. The Company holds foreign currency forward and swaps contracts to mitigate the Company's currency exposure. Please refer to note 22.2 Foreign exchange risk for more details.

15. Cash and cash equivalents

	2023	2022
	£m	£m
Cash at bank and in hand	**282**	129
Total	**282**	129

Cash at bank and in hand includes £187m (2022: £114m) of cash equivalents.

16. Lease liabilities

The Company's leases comprise two car parks leases.

	2023	2022
	£m	£m
At the beginning of the year	**17**	18
Repayments	**(1)**	(1)
Interest on lease liabilities	**1**	—
Total lease liabilities	**17**	17
Current	**1**	1
Non-current	**16**	16

Maturity analysis of lease liabilities is presented in Note 22.4

Information on right-of-use assets is reported in Note 10 . Interest on lease liabilities is reported within financial expenses (see Note 8).

17. Deferred taxation

	2023	2022 restated[1]
	£m	£m
At the beginning of the year – net deferred taxation asset/(liability)	**16.6**	12.5
(Charged)/credited to the Income Statement	**(18.1)**	4.1
At the end of the year – net deferred taxation asset/(liability)	**(1.5)**	16.6

Net deferred taxation asset/(liability) is analysed as follows:

	2023	2022 restated[1]
	£m	£m
Accelerated capital allowances	**(1)**	(1)
Provisions	**—**	13
Taxation value of losses carried forward	**(1)**	—
Other	**—**	5
Total	**(2)**	17

[1] Balances have been restated for the adoption of IFRS 17

18. Provisions for liabilities and charges

	Regulatory	Other	Total
2023	**£m**	**£m**	**£m**
At beginning of year	**—**	**1**	**1**
Charged for the year	**6**	**—**	**6**
Utilisation in the year	**(6)**	**—**	**(6)**
At end of year	—	1	1

Regulatory provisions relate to levies payable to the PRA and the FCA. Such levies are generally determined on a capped percentage of revenues basis. Payments are normally made annually, although the frequency may be increased or decreased at the discretion of the regulatory body. The provision is a best estimate of the forthcoming payments considering the likely liability and expected business performance.

Other provisions relate principally to customer remediation provisions

- Customer remediation provision of £1m (2022: £1m) to provide for the costs of compensation where necessary to ensure that we deliver good customer outcomes. Due to the nature of the customer remediation provisions, the timing of payments and potential cost is uncertain.

19. Insurance and reinsurance contracts

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m
Insurance contracts						
Non-current	—	—	**(21)**	**(24)**	**(21)**	**(24)**
Current	—	—	**(781)**	**(763)**	**(781)**	**(763)**
Total insurance contract liabilities	—	—	**(802)**	**(787)**	**(802)**	**(787)**
Reinsurance contracts						
Non-current	**1**	**1**	—	—	**1**	**1**
Current	**37**	**26**	—	—	**37**	**26**
Total reinsurance contract assets	**38**	**27**	—	—	**38**	**27**

19.1 Insurance contracts roll forward

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	**Loss component**	**Estimates of present value of future cash flows**	**Risk adjustment**	**Total**
For year ended 31 December 2023	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities at 1 January	**428**	**1**	**349**	**9**	**787**
Insurance revenue	**(2,901)**	**—**	**—**	**—**	**(2,901)**
Insurance service expenses	**—**	**1**	**2,751**	**—**	**2,752**
Incurred claims and other expenses	**—**	**—**	**2,823**	**6**	**2,829**
Losses on onerous contracts and reversals of those losses	**—**	**1**	**—**	**—**	**1**
Changes to liabilities for incurred claims relating to past service	**—**	**—**	**(72)**	**(6)**	**(78)**
Insurance service result	**(2,901)**	**1**	**2,751**	**—**	**(149)**
Foreign exchange	**(4)**	**—**	**(6)**	**—**	**(10)**
Finance (income)/expense from insurance contracts held	**—**	**—**	**6**	**—**	**6**
Total changes in statement of comprehensive income	**(2,905)**	**1**	**2,751**	**—**	**(153)**
Cash flows					
Premiums received	**2,933**	**—**	**—**	**—**	**2,933**
Claims and other expenses paid	**—**	**—**	**(2,765)**	**—**	**(2,765)**
Total cash flows	**2,933**	**—**	**(2,765)**	**—**	**168**
Insurance contract liabilities at 31 December	**456**	**2**	**335**	**9**	**802**

An insurance provision for a return of premiums was established in 2020 in respect of the Company's commitment to pass back to eligible customers any exceptional financial benefit experienced by the UK PMI business that ultimately arose as a result of the COVID-19 pandemic. Upon transition to IFRS 17 the return of premium provision was classified in the liability for incurred claims. As a result of a step-change in claims, the estimate for delayed claims rebounding has been reassessed and has resulted in the return of premium provision being released in full during 2023 such that there is no provision remaining at 31 December 2023 (FY 2022: £59m). The release of the provision reduced the incurred claims and other expenses within insurance service expenses.

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	**Loss component**	**Estimates of present value of future cash flows**	**Risk adjustment**	**Total**
For year ended 31 December 2022	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities at 1 January	411	4	325	7	747
Insurance revenue	(2,616)	—	—	—	(2,616)
Insurance service expenses	—	(3)	2,434	2	2,433
Incurred claims and other expenses	—	—	2,451	6	2,457
Losses on onerous contracts and reversals of those losses	—	(3)	—	—	(3)
Changes to liabilities for incurred claims relating to past service	—	—	(17)	(4)	(21)
Insurance service result	(2,616)	(3)	2,434	2	(183)
Foreign exchange	8	—	11	—	19
Finance (income)/expense from insurance contracts held	—	—	1	—	1
Total changes in statement of comprehensive income	(2,608)	(3)	2,446	2	(163)
Cash flows					
Premiums received	2,625	—	—	—	2,625
Claims and other expenses paid	—	—	(2,422)	—	(2,422)
Total cash flows	2,625	—	(2,422)	—	203
Insurance contract liabilities at 31 December	428	1	349	9	787

19.2 Reinsurance contracts roll forward

	Asset for remaining coverage	Amount recoverable on incurred claims	
	Excluding loss recovery	Estimates of present value of future cash flows	Total
For year ended 31 December 2023	**£m**	**£m**	**£m**
Reinsurance contract assets at 1 January	**(9)**	**36**	**27**
Allocation of reinsurance premiums	**(122)**	**—**	**(122)**
Amounts recoverable from reinsurers for	**—**	**122**	**122**
Amounts recoverable for incurred claims and expenses	**—**	**121**	**121**
Changes to amounts recoverable for incurred claims relating to past service	**—**	**1**	**1**
Net expense from reinsurance contracts	**(122)**	**122**	**—**
Foreign exchange	**—**	**(1)**	**(1)**
Cash flows			
Premiums paid	**122**	**—**	**122**
Recoveries from reinsurance	**—**	**(110)**	**(110)**
Total cash flows	**122**	**(110)**	**12**
Reinsurance contract assets at 31 December	**(9)**	**47**	**38**

A risk adjustment is estimated on the amount recoverable on incurred claims using a confidence level approach at the 75th percentile (FY 2022: 75th percentile).

	Asset for remaining coverage	Amount recoverable on incurred claims	
	Excluding loss recovery	Estimates of present value of future cash flows	Total
For year ended 31 December 2022	**£m**	**£m**	**£m**
Reinsurance contract assets at 1 January	(10)	35	25
Allocation of reinsurance premiums	(109)	—	(109)
Amounts recoverable from reinsurers for	—	88	88
Amounts recoverable for incurred claims and expenses	—	88	88
Net expense from reinsurance contracts	(109)	88	(21)
Foreign exchange	—	1	1
Cash flows			
Premiums paid	110	—	110
Recoveries from reinsurance	—	(88)	(88)
Total cash flows	110	(88)	22
Reinsurance contract assets at 31 December	(9)	36	27

Assumptions for general insurance business

The process of recognising liabilities arising from general insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing the extent to which any groups of contracts have become onerous.

The principal assumptions in the estimation of the liability for incurred claims relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends. The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made.

Claims development patterns are analysed. Various established reserving methods for general insurance are considered, typically basic chain ladder, Bornhuetter-Ferguson and pure risk cost methods. Additional consideration is given to the treatment of large claims, claim seasonality, claims inflation and currency effects, for which appropriate adjustments to assumptions and methods are made.

While there is some diversity in the development profile of health insurance claims across the Company, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which benefit is claimed. Medical expense claims are, typically, substantially fully-settled within just a few months.

Key estimation uncertainty exists in determining a loss component, where facts and circumstances are identified that may indicate an onerous contract exists. A loss component is measured by comparing the current estimates of the fulfilment cash flows that relate to the remaining coverage to the carrying amount of the LFRC. Uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims and any other expenses, based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

Insurance provisions are inevitably estimates. Actual experience or losses incurred may vary from that anticipated in the reserving estimates.

The following table shows the impact on profit before taxation of reasonably possible variations in the key assumptions in the carrying value of insurance contract liabilities at the end of the reporting period, while holding all other assumptions constant. In practice, it is likely that variations for some of the assumptions may be correlated.

	Increase in claims	Increase in expenses
2023		
Change in variable	5%	10%
Reduction in profit before taxation	5	1
Net impact on profit before taxation	5	1
2022		
Change in variable	5%	10%
Reduction in profit before taxation	4	1
Net impact on profit before taxation	4	1

Loss components recognised for onerous contracts:		
2023		
Variable	Increase in claims	Increase in expenses
Change in variable	5%	10%
Reduction in profit before taxation	1.7	0.6
Net impact on profit before taxation	1.7	0.6
2022		
Change in variable	5%	10%
Reduction in profit before taxation	0.5	0.3
Net impact on profit before taxation	0.5	0.3

20. Other payables and derivative liabilities

20.1 Other payables

	2023	2022
	£m	£m
Amounts owed to Bupa Group undertakings[1]	**41**	31
Accruals and deferred income	**27**	20
Other payables	**8**	20
Total	**76**	71

[1] Balances have been restated for the adoption of IFRS 17

20.2 Derivative liabilities

	2023	2022
	£m	£m
Derivative liabilities	**9**	21

All derivatives are categorised as level two in the fair value hierarchy. The Company holds foreign currency forward contracts to mitigate the Company's currency exposure. Please refer to note 22.2 Foreign exchange risk for more details.

21. Share capital

	2023	2022
	£m	£m
Allotted, called-up and fully paid		
187,208,702 ordinary shares of £1 each (2022: 187,208,702 ordinary shares of £1 each)	**187**	187

22. Risk management

The Directors are responsible for identifying, evaluating and managing risks faced by the Company and consider the acceptable level of risk, the likelihood of these risks materialising, how to reduce the risk and the cost of operating particular controls relative to the benefit from managing the related risks.

The Company operates the ‘three lines of defence’ approach to the governance of risk management:

1. Business management is responsible for the identification and assessment of risks and controls;
2. Risk and Compliance functions provide oversight and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans; and
3. Internal audit provides independent and objective assurance on the robustness of the risk management framework, and the effectiveness of internal controls.

The principal significant risks of the Company and how they are mitigated are described on pages 9 to 12.

The Company has adopted a risk management strategy that endeavours to mitigate these risks, which is approved by the Board. In managing these exposures, the Company’s Risk Committee reviews and monitors any significant risks and recommends changes to the management of insurance and investment risks.

The Company has exposure to a number of risks from its use of financial instruments and risks associated with its insurance business. These have been categorised into the following types of risk, and details of the nature, extent and how the Company has managed these risks is described below:

1. Insurance risk
2. Market risk
3. Credit risk
4. Liquidity risk

22.1 Insurance risk

Insurance risk consists of underwriting and pricing risks which relate to inadequate pricing of insurance products (potential inadequacy of insurance premiums) as well as reserving risk which relates to the potential inadequacy of claims provision.

Underwriting risk

Underwriting risk refers to the potential deviation of claims experience from the actuarial assumptions used for setting insurance premium rates which could lead to premium inadequacy. Underwriting risk is therefore concerned with both the setting of adequate premiums rates (pricing risk) and the management of claims (claims risk) for insurance policies.

Pricing risk

Pricing risk relates to the setting of adequate premium rates taking into consideration the volume and characteristics of the insurance policies issued, such as future claim projections. External influences on pricing risk include (but are not limited to) competitors’ pricing and product design initiatives, and economic and regulatory environments. The level of influence from these external factors can vary significantly between regions and largely depend on the maturity of health insurance markets and the role of the regulator. Actuarial analysis performed on a regular basis combined with an understanding of local market dynamics and the ability to change premium rates when necessary are effective risk mitigations. This is particularly relevant in the current inflationary environment and premium rates reflect the latest outlook on medical inflation.

The direct impacts of climate change on health are unclear but these impacts are likely to emerge over time and the short-tailed nature of our products allows us to respond to these developments, although this can be limited by pricing controls in some markets.

The Company’s dominant product is an annually renewable health insurance contract. This permits insurance premium rate revisions to respond quickly to changes in customer risk profiles, claims experience and market considerations.

The ability to review premium rates is a significant mitigant to pricing risk. The Company does not underwrite material insurance business that commits it to cover risks at premiums fixed beyond a 12-month period from inception or renewal.

Claims risk

Claims risk is the risk of claims exceeding the amounts assumed in the premium rates. This can be driven by an adverse fluctuation in the amount and incidence of claims incurred and external factors such as medical inflation greater than that included in the premium rates.

Claims risk is managed and controlled by means such as pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges. Specific claims management processes vary across the Company depending on local requirements, market environment and practice.

Adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements. Recent claims experience is reflected in these financial statements in claims paid and in the movement in the claims provisions.

Generally, the Company's health insurance contracts provide for the reimbursement of incurred medical expenses, typically in-hospital for treatment related to acute, rather than chronic, medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore, claims experience is necessarily underpinned by prevailing rates of illness giving rise to hospitalisations. Claims risk is generally mitigated by the Company having processes to ensure that both the treatments and the consequent reimbursements are appropriate.

Reserving risk

Reserving risk is the risk that provisions made for claims incurred prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk compared to underwriting risk due to the very short-term nature of our claims development patterns. The short-term nature of the Company's insurance contracts means that movements in claims development assumptions are generally not significant. The development claims settlement patterns are kept under constant review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised insurance liabilities.

The amount of claims provision at any given time that relate to potential claims payments that have not been resolved within one year is not material to the Company. The small provisions that relate to longer than one year can be calculated with reasonable confidence.

Other risks relating to underwriting health insurance business

The short-term nature of claims provisions means that changes in interest rates are not expected to have a significant impact on reserving risk. In addition, the future premium income and claims outflows of health insurance premium liabilities are largely unaffected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical cost inflation affect the value of future claims outflows.

None of the Company's insurance contracts contain embedded derivatives so there are no additional financial risks, including interest rate risk, arising from the contracts.

The Company is exposed to foreign currency risk through some of the insurance liabilities which are settled in a local currency. Where possible these liabilities are matched to assets in the relevant currency to provide an economic hedge to this exposure.

The majority of the Company's insurance activities are single-line health portfolios. Even though only one line of business is involved, the Company does not have significant concentrations of insurance risk for the following reasons:

- Product diversity between domestic and expatriate, and individual and corporate health insurance; and
- A variety of claims type exposures across diverse medical providers: consultants, nursing staff, clinics, individual hospitals and hospital groups.

Only in select circumstances does the Company use reinsurance. The reinsurance used does not give rise to a material counterparty default credit risk exposure for the Company. Restrictions are in place on the credit quality and amount of reinsurance ceded to individual counterparties.

Geographical concentrations of risk

The Company is exposed to the risk that a single event occurs in a location which would result in a large number of claims arising under a group risk policy. This is mitigated by diversifying the Company's portfolio of risk across several countries.

Catastrophe risk

A natural disaster or a man-made disaster could potentially lead to a larger than expected number of claims being received over a short period of time, resulting in higher than expected claims costs. In the majority of jurisdictions, the Company is not contractually liable for such claims. Risks are reduced to a limited extent by excess of loss reinsurance provided by third-party reinsurers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements. Consideration of pandemics forms part of our regular stress and scenario testing.

22.2 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates, commodity prices, credit spread and equity prices. The focus of the Company's long-term financial strategy is to facilitate growth without undue balance sheet risk.

The Company actively manages market risk by ensuring that the majority of its cash and investments are held with highly rated credit institutions.

Where the Company has moved away from money market investments and invested in a limited portfolio of return seeking assets (principally bonds), the Company uses a value at risk analysis ("VaR") to quantify risk, taking account of asset volatility and correlation between asset classes. The VaR is measured at the 93.3rd percentile (i.e.1-in-15 year probability) over a 1 year horizon. The return seeking asset portfolio was £388m at 31 December 2023 (2022: £357m) and the 1-year VaR93.3 figure attributable to the portfolio is £36m at 31 December 2023 (2022: £34m).

In addition to local VaR analysis, the Company's overall cash and investment portfolio is managed by limiting the contribution of the combined investment risk charge to the Company's SCR.

Foreign exchange risk

The Company is exposed to transactional foreign exchange risks arising from commercial transactions and translational foreign exchange risk arising from the Company's net exposure to foreign currency assets and liabilities.

Transactional exposures arise as a result of differences between the currency of local revenues (mainly GBP, USD and EUR) and costs (various currencies) with key exposures to the US dollar, United Arab Emirates dirham, Hong Kong dollar, Singapore dollar, Euro, Danish krone and Swiss franc.

The SII Economic Balance Sheet ("EBS") is exposed to both foreign currency transactional and translational exposures. A program is in place to reduce the foreign exchange exposures and manage the foreign exchange charge within the SII SCR. The program aims to hedge a significant proportion of the forecast foreign currency exposure through forward foreign exchange contracts for the coming year. The remaining currency exposures are deemed to be acceptable but are kept under review by management.

The table below presents the net currency exposure of the Company's IFRS net assets which drive translational foreign exchange risk. The currency contracts present the open foreign currency hedges, entered into as part of the SII EBS hedging program, which aim to mitigate forecast foreign currency transactional exposures. These derivative contracts are not designated hedges. Net currency exposures including hedges presents the summation of the IFRS net currency exposure at year end and open SII EBS hedges. As the balances are unrelated, no balance sheet offset is expected.

The carrying value of net assets categorised by currency is as follows:

2023	**Net currency exposure £m**	**Currency contracts £m**	**Net currency exposure including hedges £m**
US dollar	**(108)**	**(272)**	**(380)**
United Arab dirham	**—**	**128**	**128**
Hong Kong dollar	**—**	**47**	**47**
Singapore dollar	**5**	**44**	**49**
Euro	**60**	**(76)**	**(16)**
Danish krone	**(6)**	**—**	**(6)**
Swiss franc	**(4)**	**—**	**(4)**
Other	**—**	**4**	**4**
Total foreign currency denominated net assets	**(53)**	**(125)**	**(178)**

2022	Net currency exposure £m	Currency contracts £m	Net currency exposure including hedges £m
US dollar	**(101)**	**(226)**	**(327)**
United Arab dirham	**—**	**123**	**123**
Hong Kong dollar	**—**	**49**	**49**
Singapore dollar	**—**	**40**	**40**
Euro	**55**	**(66)**	**(11)**
Danish krone	**(6)**	**—**	**(6)**
Swiss franc	**(4)**	**—**	**(4)**
Other	**—**	**4**	**4**
Total foreign currency denominated net assets	**(56)**	**(76)**	**(132)**

The rates used by the Company were the same as those applied across the Bupa Group and the following exchange rates applied during the financial year:

	Average rate		Closing rate	
	2023	2022	**2023**	2022
US dollar	**1.2439**	**1.2400**	**1.2747**	**1.2100**
United Arab dirham	**4.5700**	**4.5400**	**4.6800**	**4.4300**
Hong Kong dollar	**9.7382**	**9.6800**	**9.9543**	**9.4200**
Singapore dollar	**1.6700**	**1.7000**	**1.6800**	**1.6200**
Euro	**1.1498**	**1.1700**	**1.1543**	**1.1300**
Danish krone	**8.5685**	**8.7300**	**8.6057**	**8.3900**
Swiss franc	**1.1200**	**1.1800**	**1.0700**	**1.1200**
Australian dollars	**1.8735**	**1.7800**	**1.8711**	**1.7700**

The impact of a hypothetical 10% strengthening and weakening of sterling against the currencies below, with all other variables constant, would have increased/(decreased) profit before taxation and equity by the amounts shown below:

2023	**Gain/(loss) included in Income Statement, strengthening 10%**	**(Loss)/gain included in Income Statement, weakening 10%**
	£m	**£m**
US dollar	**29**	**(35)**
United Arab dirham	**(12)**	**14**
Hong Kong dollar	**(5)**	**6**
Singapore dollar	**(4)**	**6**
Euro	**2**	**(2)**
Swiss franc	**(1)**	**1**
Total sensitivity	**9**	**(10)**

2022	Gain/(loss) included in Income Statement, strengthening 10%	(Loss)/gain included in Income Statement, weakening 10%
	£m	£m
US dollar	**32**	**(39)**
United Arab dirham	**(11)**	**14**
Hong Kong dollar	**(5)**	**6**
Singapore dollar	**(4)**	**4**
Euro	**1**	**(1)**
Swiss franc	**(1)**	**1**
Total sensitivity	12	(15)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk arising from fluctuations in market rates. This affects the return on variable rate assets, the cost of variable rate liabilities, the balance sheet value of its investment in fixed rate bonds and the balance sheet value of fixed rate debt issued. Variable rate assets represent a natural hedge for variable rate liabilities. The net balance on which the Company was exposed as at 31 December 2023 was £1,040m (2022: £891m).

The impact of a hypothetical rise of 100 bps in interest rates at the reporting date, on an annualised basis, would have decreased profit and reserves by £4m (2022: £5m). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The impact of a hypothetical fall of 100 bps in interest rates on an annualised basis would have the inverse effect to that stated in the previous paragraph.

22.3 Credit risk

Credit risk is the risk that the Company will suffer a financial loss as a result of a counterparty failing to meet all or part of their contractual obligations. Bupa Group Treasury manages the Company's credit risk under the guidance of the Investment Committee.

Investment exposure with external counterparties is managed by ensuring there is a sufficient spread of investments and that all cash and investment counterparties are rated at least 'A' by two of the three key rating agencies used by the Company (unless specifically approved by the Investment Committee).

The investment profile at 31 December is as follows:

	2023	2022
	£m	£m
Investment grade counterparties	**1,085**	971
Non-investment grade counterparties	**111**	119
Total	**1,196**	1,090

Investment grade counterparties include cash at bank and in hand of £282m (2022: £129m). The investments which are held with non-investment grade counterparties are classed as debt securities and loans. Non-investment grade counterparties are those rated below BBB- / Baa3.

Information regarding the credit rating of financial assets held at amortised cost is provided below:

	Corporate debt securities and secured loans	**Deposits with credit institutions**	**Restricted Assets**	**Cash and cash Equivalents**	**Reinsurance contract assets**	**Total**
2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
AAA	**184**	**—**	**—**	**3**	**5**	**192**
AA- to AA+	**165**	**61**	**—**	**96**	**20**	**342**
A- to A+	**36**	**82**	**2**	**183**	**—**	**303**
BBB- to BBB+	**—**	**—**	**—**	**—**	**13**	**13**
Total	**385**	**143**	**2**	**282**	**38**	**850**
Carrying amount	**385**	**143**	**2**	**282**	**38**	**850**

	Corporate debt securities and secured loans	Deposits with credit institutions	Restricted Assets	Cash and cash Equivalents	Reinsurance contract assets	Restated Total
2022	£m	£m	£m	£m	£m	£m
AAA	163	—	—	2	2	167
AA- to AA+	161	120	—	17	11	309
A- to A+	94	66	1	108	14	283
BBB- to BBB+	—	—	—	1	—	1
Below BBB- (below investment grade)	—	—	—	1	—	1
Total	418	186	1	129	27	761
Carrying amount	418	186	1	129	27	761

Information regarding the ageing of receivables arising from insurance operations, and the value of the impairment made against these assets, is provided below:

	Not past due or impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than 1 year**
2023	**£m**	**£m**	**£m**	**£m**	**£m**
Trade and other receivables	**4**	**1**	**—**	**—**	**—**
Trade and other receivables net value	**4**	**1**	**—**	**—**	**—**

	Not past due or impaired	0-3 months	3-6 months	6 months to 1 year	Greater than 1 year
2022	£m	£m	£m	£m	£m
Trade and other receivables	19	—	—	—	—
Trade and other receivables net value	19	—	—	—	—

Information regarding the Expected Credit Loss provision by class of financial investments at amortised cost and fair value through profit or loss is shown below. Where an asset class has no ECL provision due to being held at fair value, no ECL column is presented.

	Government debt securities	Corporate debt securities and secured loans		Pooled Investments Funds	Deposits with credit institutions		Trade and other receivables	Restricted assets	Cash and cash equivalents
	Gross	**Gross**	**ECL**	**Gross**	**Gross**	**ECL**	**Gross**	**Gross**	**Gross**
2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At beginning of year	**19**	**698**	**—**	**58**	**186**	**—**	**19**	**1**	**129**
Recognition and settlement	**3**	**(10)**	**—**	**5**	**(43)**	**—**	**(14)**	**1**	**154**
Foreign exchange and other movements	**(1)**	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**
At end of year	**21**	**687**	**—**	**63**	**143**	**—**	**5**	**2**	**282**

	Government debt securities	Corporate debt securities and secured loans		Pooled Investments Funds	Deposits with credit institutions		Trade and other receivables	Restricted assets	Cash and cash equivalents
	Gross	Gross	ECL	Gross	Gross	ECL	Gross	Gross	Gross
2022	£m	£m	£m	£m	£m	£m	£m	£m	£m
At beginning of year	17	610	—	37	233	—	5	—	158
Recognition and settlement	1	87	—	21	(47)	—	14	1	(32)
Foreign exchange and other movements	1	1	—	—	—	—	—	—	3
At end of year	19	698	—	58	186	—	19	1	129

Offsetting financial assets and financial liabilities

a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		
				Financial instruments	**Cash collateral received**	**Net amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
As at 31 December 2023						
Derivative financial assets	**11**	**—**	**11**	**(4)**	**(4)**	**3**
Derivative financial liabilities	**(9)**	**—**	**(9)**	**4**	**3**	**(2)**
Cash at bank and in hand	**297**	**(15)**	**282**	**—**	**—**	**282**
Other receivables	**17**	**—**	**17**	**—**	**(3)**	**14**
Other payables	**(76)**	**—**	**(76)**	**—**	**4**	**(72)**
Total	**240**	**(15)**	**225**	**—**	**—**	**225**

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets/liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
	£m	£m	£m	£m	£m	£m
As at 31 December 2022						
Derivative financial assets	22	—	22	(2)	(17)	3
Derivative financial liabilities	(21)	—	(21)	2	17	(2)
Cash at bank and in hand	175	(46)	129	—	—	129
Other receivables	31	—	31	—	(17)	14
Other payables	(71)	—	(71)	—	17	(54)
Total	136	(46)	90	—	—	90

The Company also mitigates credit risk in derivative contracts by entering into collateral agreements where appropriate. The amount of collateral received or posted is shown in the above table.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Bupa Group and the counterparty allows for net settlement of the relevant financial assets and liabilities with both electing to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

22.4 Liquidity risk

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities when they fall due. The Company follows a prudent approach to manage its liquidity risk by holding adequate liquid assets and adheres to strict liquidity management policies as set by its Investment Committee.

A Liquidity Risk Appetite is in place to ensure that the Company has adequate liquid resources to cover potential liquidity requirements for a range of severe stress scenarios. When managing liquidity, due consideration is given to the currency of assets and liabilities, and accounts are segregated where required for regulatory purposes.

The contractual maturities of financial liabilities and the expected maturities of other liabilities including estimated interest payments of the Company as at 31 December are as follows:

	Insurance contract liabilities	**Trade and other payables**	**Lease liabilities**	**Derivative liabilities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
As at 31 December 2023					
2024	**(781)**	**(76)**	**(1)**	**(9)**	**(867)**
2025	**(18)**	**—**	**(1)**	**—**	**(19)**
2026	**(3)**	**—**	**(1)**	**—**	**(4)**
2027	**—**	**—**	**(1)**	**—**	**(1)**
2028	**—**	**—**	**(1)**	**—**	**(1)**
2029-2033	**—**	**—**	**(3)**	**—**	**(3)**
After 2033	**—**	**—**	**(85)**	**—**	**(85)**
Total	**(802)**	**(76)**	**(93)**	**(9)**	**(980)**

	Insurance contract liabilities	**Trade and other payables creditors**	**Lease liabilities (restated)[1]**	**Derivative liabilities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
As at 31 December 2022					
2023	(763)	(71)	(1)	(21)	(856)
2024	(21)	—	(1)	—	(22)
2025	(3)	—	(1)	—	(4)
2026	—	—	(1)	—	(1)
2027	—	—	(1)	—	(1)
2028-2032	—	—	(3)	—	(3)
After 2032	—	—	(86)	—	(86)
Total	(787)	(71)	(94)	(21)	(973)

[1] The maturity profile of lease liabilities has been updated to correct for an error in the prior period. The liabilities maturing after 2032 and the total have been increased by £70m for payments omitted in error from the disclosure. There was no impact on the carrying amount of the right of use asset or lease liability.

The Company manages cash and cash equivalent assets either internally with high credit quality financial institutions, or externally via AAA rated Money Market Funds. The Company also maintains externally managed portfolios of longer-term debt securities. Due to the credit quality and marketability of these debt instruments, from a liquidity perspective the vast majority could be sold within days if necessary. The maturity profile of financial assets (excluding ECLs) at 31 December is as follows:

	Cash at bank and in hand	**Deposits with credit institutions**	**Government debt securities**	**Corporate debt securities and secured loans**	**Pooled investment funds**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
As at 31 December 2023						
2024	**282**	**143**	**1**	**219**	**63**	**708**
2025	**—**	**—**	**1**	**53**	**—**	**54**
2026	**—**	**—**	**1**	**150**	**—**	**151**
2027	**—**	**—**	**3**	**68**	**—**	**71**
2028	**—**	**—**	**1**	**136**	**—**	**137**
2029-2033	**—**	**—**	**4**	**43**	**—**	**47**
After 2033	**—**	**—**	**10**	**18**	**—**	**28**
Total	**282**	**143**	**21**	**687**	**63**	**1,196**

	Cash at bank and in hand	Deposits with credit institutions	Government debt securities	Corporate debt securities and secured loans	Pooled investment funds	Total
	£m	£m	£m	£m	£m	£m
As at 31 December 2022						
2023	129	186	—	349	58	**722**
2024	—	—	1	52	—	**53**
2025	—	—	1	75	—	**76**
2026	—	—	1	114	—	**115**
2027	—	—	3	41	—	**44**
2028-2032	—	—	3	54	—	**57**
After 2032	—	—	10	13	—	**23**
Total	129	186	19	698	58	1,090

23. Capital management

The Company is subject to the requirements of the Solvency II framework, as enacted in the UK.

The Company's capital management objective is to maintain sufficient capital to safeguard the Company's ability to continue as a going concern and to protect the interests of all its customers, regulator and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development.

The Company must hold sufficient capital to cover its SCR. In addition, the Company maintains a buffer in excess of this capital requirement, calibrated in line with the capital risk appetite set by the Board. The SCR is calculated in accordance with the Standard Formula specified in the Solvency II framework. The Company has obtained approval from the PRA to substitute the premium risk parameter in the formula with an USP, which reflects the Company's own loss experience.

The Company's capital position is kept under constant review and is reported quarterly to the Board.

At least annually, the Company carries out an Economic Capital Assessment ("ECA") in which it makes its own quantification of how much capital is required to support its risks. The ECA is used to assess how well the Standard Formula SCR reflects the Company's actual risk profile.

The ECA forms part of the Own Risk and Solvency Assessment ("ORSA") which comprises all the activities by which the Company establishes the level of capital required to meet its solvency needs over the planning period given the Company's strategy and risk appetite. The conclusions from these activities are summarised in the ORSA report, which is reviewed by the Risk Committee, approved by the Board and submitted to the PRA annually.

24. Related party transactions

Related party transactions are transactions between the Company and related individuals or entities by nature of influence or control. The Company has such relationships with its key management personnel and fellow group companies.

All transactions with related parties are conducted on an arm's-length basis. There were material transactions during the year with fellow group insurers and insurance service companies and with key management personnel.

(i) Transactions with key management personnel

The key management personnel are the Company's Directors which includes the general managers of the two main business units through which the company operates.

The Directors split their time between the Company and Bupa Insurance Services Limited. Therefore, emoluments are disclosed in both companies.

	2023	2022
	£m	£m
Emoluments	**1.81**	1.58
Company contributions to defined contribution pension schemes	**0.02**	0.01
Total	**1.83**	1.59

The emoluments of the Directors are borne entirely by other Bupa Group companies. The table above reflects the value of the qualifying services provided by the Directors to the Company during the year.

There are no Directors who are members of a Bupa Group defined benefit pension scheme (2022: None).

The remuneration of the highest paid Director was:

	2023	2022
	£m	£m
Emoluments	**0.58**	0.56
Company contributions to defined contribution pension schemes	**0.01**	—
Total	**0.59**	0.56

(ii) Transactions with other group companies

		2023	2022
	Related party	**£m**	£m
Insurance revenue	Fellow subsidiaries	**84**	79
Insurance service expense	Fellow subsidiaries	**(780)**	(715)
Insurance service result before reinsurance		**(696)**	(636)
Net income/(expense) from reinsurance contracts held	Fellow subsidiaries	**(4)**	(10)
Insurance service result		**(700)**	(646)
Other Revenue	Fellow subsidiaries	**4**	4
Other Operating expenses	Fellow subsidiaries	**(4)**	(4)
Amount recoverable on incurred claims		**(700)**	(646)
Reinsurance contract assets	Fellow subsidiaries	**13**	14
Trade and other receivables	Fellow subsidiaries	**11**	11
Total Assets		**24**	25
Insurance contract liabilities	Fellow subsidiaries	**(59)**	(57)
Trade and other payables	Fellow subsidiaries	**(41)**	(31)
Total liabilities		**(100)**	(88)

25. Commitments, guarantees and contingencies

(i) Contingent liabilities

Under a Bupa Group registration, the Company is jointly and severally liable for Value Added Tax ("VAT") due by certain other Bupa Group Companies.

Contingent liabilities can arise in the ordinary course of business, including losses which might arise from litigation, disputes, regulatory compliance (including data protection) and interpretation of tax law. It is not considered that the ultimate outcome of any contingent liabilities will have a significant adverse impact on the financial condition of the Company.

(ii) Guarantees

The Company had issued no guarantees at the reporting date.

(iii) Financial commitments

The Company had no financial commitments at the reporting date.

26. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Bupa Finance plc, a company incorporated in England and Wales, the registered office of which is, 1 Angel Court, London, EC2R 7HJ.

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is The British United Provident Association Limited ("Bupa"), a company incorporated in England and Wales, the registered office of which is, 1 Angel Court, London, EC2R 7HJ. The consolidated financial statements of Bupa are prepared in accordance with UK-adopted International Financial Reporting Standards and are available to the public. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance plc.

Copies of the accounts of both companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.