

2021

Bupa Global DAC
Solvency and Financial Condition Report



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Summary (Unaudited)

INTRODUCTION

The purpose of the Solvency and Financial Condition Report (“SFCR”) is to provide the reader with a comprehensive view of the financial performance and solvency capital position at 31 December 2021 of Bupa Global DAC (“the Company” or BGDAC). The report includes information regarding the business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices. Data reported in the tables of the SFCR has primarily been rounded to one decimal place, including totals, in line with data reported in source documents.

The Company is authorised and regulated by the Central Bank of Ireland (“CBI”). The Company’s solvency is subject to Solvency II requirements.

BUSINESS AND PERFORMANCE SUMMARY

The Company is wholly owned by The British United Provident Association Limited and is part of the Bupa Group (“Bupa” or “the Group”). We’re 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. Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

The Company provides personal, corporate and small to medium enterprise health insurance, as well as travel insurance. The main segment is international private medical insurance (“IPMI”) provided for individual consumers and employees requiring cover beyond their usual country of residence. During 2021, the Company decided to exit the travel insurance market to focus exclusively on IPMI. As a result of this decision, the Company’s branch in Copenhagen will be closed by the end of 2022 by which time the existing travel insurance portfolio will have run-off. The costs associated with exiting the travel market, including closure of the branch, have been funded by the Company in 2021.

The principal operations take place in the Republic of Ireland, with branches sited in the Netherlands and Malta and a branch closed to new business in Denmark. The provision of mediation and administrative services are provided by Bupa Insurance Services Limited in the UK, Bupa Denmark Services A/S in Denmark and LifeStar Health Limited in Malta. Further analysis of Geographical splits of business can be found in section A.2.3.

SYSTEM OF GOVERNANCE SUMMARY

The Company recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure.

Performance is 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.

The Solvency II mandated key functions are embedded throughout the Company with clear responsibilities and segregation of duties. We employ a “three lines of defence” governance model to ensure that risk management is effective, appropriate decisions are made, and best practice is implemented and maintained. This includes accountability for compliance in the first line, with second line oversight and challenge, supported by an independent Internal Audit (“IA”) function.

Section B describes the system of governance in place by which the operations of the Company are overseen, directed, managed and controlled and explains compliance with the requirements of Solvency II.

RISK PROFILE SUMMARY

The Company's principal activity is the provision and administration of international health insurance. The Company serves globally mobile customers by offering IPMI and related services. These products offer domestic and international coverage, benefits and healthcare service provision.

The Company's risk management system establishes boundaries for the aggregate level and types of risk we are willing to accept in order to achieve our strategic objectives and business plans. They focus on four key areas of risk:

- The treatment of customers and employees;
- Management of financial strength;
- The sustainability of the business;
- Operational risk.

In order to support the sustainability of our business, we seek to ensure that we generate an adequate return on capital whilst abiding by risk appetite statements and overseeing remediation where necessary. In the area of financial risk, we seek exposure via responsible risk taking in areas where we identify that risk taking will be rewarded subject to remaining within a number of key boundaries namely: capital risk appetite and liquidity risk appetite.

The capital risk appetite determines the minimum level of solvency capital held to ensure that the Company can meet its obligations to policyholders as they fall due, in all but the most extreme circumstances. The Company's Solvency Capital Requirement ("SCR") is calculated using the standard formula specified in the Solvency II legislation. The distribution of the Company's quantifiable risks, as reflected in the SCR, as follows:

Analysis of the diversified SCR	2021	2020
Underwriting risk	64%	55%
Market risk	9%	16%
Credit risk	12%	8%
Operational risk	15%	21%
	100%	100%

The principal changes to the SCR profile are primarily driven by a reduction in Operational risk due to the increasing maturity of the insurance business from the commencement of trading in March 2019 and a reduction in Market risk due to a change in investment mix during the year.

Section C further describes the risks to which the Company is exposed and how we measure, monitor, manage and mitigate these risks, including any changes in the year to our risk exposures.

VALUATION FOR SOLVENCY PURPOSES SUMMARY

Solvency II requires a market consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements prepared under Irish Accounting Standards and applicable law ("GAAP"), including FRS 101 Reduced Disclosure Framework. The valuation differences are summarised as follows:

Valuation differences	2021	2020
	€m	€m
Assets		
Investments	(0.3)	(0.0)
Property, plant and equipment	(0.6)	(0.9)
Other Assets	-	-
Liabilities		
Technical provisions	0.4	(1.5)
Financial liabilities (IFRS 16)	0.3	0.4
Other payables	(0.1)	(0.0)
Total valuation differences	(0.3)	(2.0)

Section D includes information on the valuation basis adopted for each class of assets and liabilities and also provides an explanation of valuation differences arising when moving from the valuation basis used in the Company's financial statements to the Solvency II valuation basis.

CAPITAL MANAGEMENT SUMMARY

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

The Company manages its capital resources in line with the Company's Capital Management Policy and risk appetite. The Company holds eligible own funds (all Tier 1) of €41.5m (2020: €36.8m) which represents 206% of the of the SCR for the company of €20.1m (2020: €23.6m). The equivalent coverage ratio for the Minimum Capital Requirement (MCR) of €7.0m (€7.6m 2020) was 156%.

During the period, the Company made no dividend payments to its parent, Bupa Global Holdings Limited.

	2021	2020
	€m	€m
Eligible Own Funds to cover the Solvency Capital Requirement		
Eligible Own Funds	41.5	36.8
SCR	(20.1)	(23.6)
Surplus	21.4	13.2
Solvency ratio	206%	156%

The Company has maintained sufficient capital to exceed both the SCR and the Minimum Capital Requirement ("MCR") throughout the reporting period. Information on the SCR and the MCR is provided in section E.2: Solvency Capital Requirement and Minimum Capital Requirement.

Section E of this report further describes the policies and processes employed by the Group for managing its Own Funds, information on the structure of Own Funds and the calculation of SCR and MCR.

OTHER INFORMATION

In line with CBI requirements, sections D. Valuation for Solvency Purposes and E. Capital Management of the SFCR have been subject to audit by the external auditor. Sections A. Business and Performance, B. System of Governance and C. Risk Profile are unaudited.

A. Business and Performance (Unaudited)

A.1 Business

A.1.1 Company Overview

The Company provides International Private Medical Insurance (“IPMI”) to policyholders within the European Economic Area (“EEA”). The company also has a book of travel business which is closed to new business.

The Company is part of the Bupa Group, an international healthcare group. Over the past 75 years Bupa’s global footprint has grown from our origins in the UK to Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Turkey, Mexico, the US, Brazil, the Middle East and Ireland. Bupa also has associate businesses in Saudi Arabia and India. Bupa has over 38m customers and employs around 85,000 people globally. 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 Ltd is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

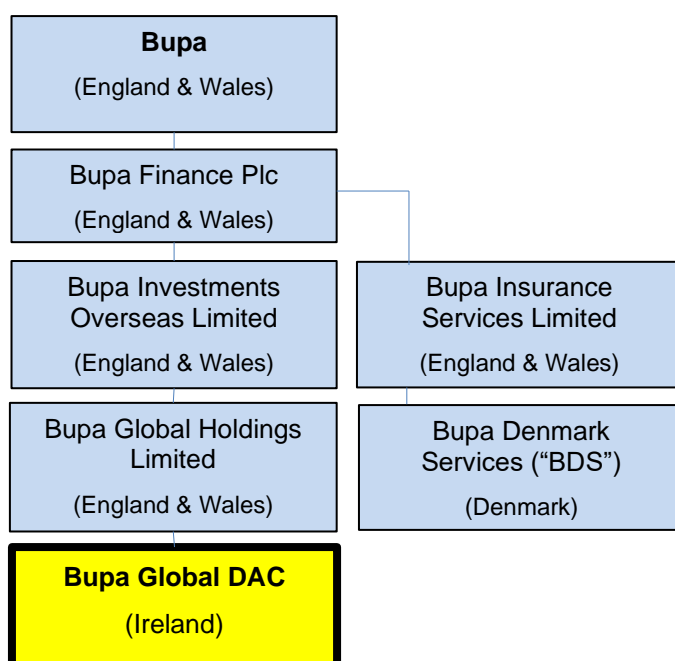
The Company is driven by Bupa’s purpose, helping people live longer, healthier, happier lives and making a better world. It defines everything we do for our customers, inspiring and motivating us to improve our performance. The Company provides personal, corporate and small to medium enterprise (SME) health insurance, as well as travel insurance.

The main segment is international private medical insurance (IPMI) provided for individual consumers and employees requiring cover beyond their usual country of residence. During 2021, the Company decided to exit the travel insurance market to focus exclusively on IPMI. As a result of this decision, the Company’s branch in Copenhagen will be closed by the end of 2022 by which time the existing travel insurance portfolio will have run-off. The costs associated with exiting the travel market, including closure of the branch, have been funded by the Company in 2021.

The principal operations take place in the Republic of Ireland, with branches sited in the Netherlands and Malta and a branch closed to new business in Denmark. The provision of mediation and administrative services are provided by Bupa Insurance Services Limited in the UK, Bupa Denmark Services A/S in Denmark and LifeStar Health Limited in Malta. . Further analysis of Geographical splits of business can be found in section A.2.3.

A.1.2 Legal structure

The simplified chart below shows the position of the Company in the Group’s legal structure as at 31 December 2021.



The Company's parent, Bupa Global Holdings Limited, is a wholly-owned subsidiary of Bupa Investments Overseas Limited. Bupa Investments Overseas Limited is a wholly-owned subsidiary of Bupa Finance PLC. Bupa Finance PLC is a wholly-owned subsidiary of Bupa. The ultimate parent of the Group is Bupa.

A.1.3 Bupa organisation structure

The Group is structured into three Market Units: Bupa Asia Pacific, Europe and Latin America, and Bupa Global and UK (BGUK). The three Market Units are comprised of a number of Business Units and are supported by Group functions.

The Company's business is distributed through and administered by the Bupa Global Business Unit within the BGUK Market Unit. The Company is supported by the Group's functions, including Finance & Regulatory Reporting, Tax, Treasury and Actuarial.

A.1.4 Significant events in the year

COVID-19

During 2021 the impact of the COVID-19 pandemic has continued to be felt around the world. The emergence of the Delta and Omicron variants leading to the reintroduction of government measures, such as lockdowns and restrictions on international travel, to protect people and public health systems whilst vaccines were rolled out. We were well placed to continue meeting the needs of our customers through the investment we made to expand and enhance our digital health services during 2020 which we have built on further in 2021.

Closure of Travel business

During 2021, the Company decided to exit the travel insurance market to focus exclusively on IPMI. As a result of this decision, the Company's branch in Copenhagen will be closed by the end of 2022 by which time the existing travel insurance portfolio will have run-off. The costs associated with exiting the travel market, including closure of the branch, have been funded by the Company in 2021.

New reinsurance arrangements

The Company entered its first reinsurance arrangement in 2021. The agreement does not have significant volumes, and BG DAC does not have any other reinsurance in force.

Director changes in the year

Taryn McHarg resigned as Non-Executive Director from the Board with effect from 31 December 2021. Gavin Beasley has subsequently been appointed as an Executive Director.

External auditors appointment

Following approval by Bupa Ltd's Association Members at the 2021 Annual General Meeting, PricewaterhouseCoopers LLP (PwC) was appointed as the Group's auditors with effect from the audit for the financial year ended 31 December 2021. PwC have also been appointed as auditors of the Company.

Significant events post year-end

We note the deeply worrying conflict in Ukraine, across Bupa we are doing everything we can to offer support to people in need. While the Company does not have significant businesses in either Ukraine or Russia, the global macro-economic risks and human consequences of the conflict are uncertain and we will continue to monitor any potential impacts on the Company's business and on the global economic growth and inflation forecasts.

A.1.5 Company information

The Company is incorporated in Ireland under the company registration number 623889. The Company is a wholly owned subsidiary of Bupa Global Holdings Limited, a company incorporated in England and Wales. The Company is a company limited by shares.

The ultimate parent undertaking of the Company is The British United Provident Association Limited ("Bupa"), a company incorporated in England and Wales. Bupa does not have shareholders. Governance over Bupa is exercised by approximately one hundred Association Members who vote at an Annual General Meeting on Director reappointments and adoption of the financial statements. These Association Members are not entitled to any of the assets or income of Bupa. No individual has 10% or more voting rights or any other mechanism of control of Bupa.

The principal operations take place in the Republic of Ireland, with branches sited in the Netherlands and Malta and a branch closed to new business in Denmark. The provision of mediation and administrative services are provided by Bupa Insurance Services Limited in the UK, Bupa Denmark Services A/S in Denmark and LifeStar Health Limited in Malta.

The Company supervisor is the Central Bank of Ireland (“CBI”), New Wapping Street, North Wall Quay, Dublin 1, D01 F7X3.

The Group supervisor is the Prudential Regulation Authority (“PRA”), Bank of England, 20 Moorgate, London, EC2R 6DA.

The Company’s external auditor is PricewaterhouseCoopers LLP (“PwC”), Chartered Accountants, One Spencer Dock, North Wall Quay, Dublin 1. PwC was appointed as the Company’s auditor with effect from the audit for the financial year ending 31 December 2021.

The Annual Report and Accounts and Solvency and Financial Condition Report (“SFCR”), for Bupa Group, are available on: www.bupa.com/corporate/our-performance

A.2 Underwriting performance

A.2.1 Overview

Presented below is the Company’s underwriting performance as reported in its financial statements.

Underwriting performance	2021	2020
	€m	€m
Premiums:		
Gross premiums written	95.5	101.1
Ceded reinsurance premiums	(0.1)	-
Change in the net provision for unearned premiums	2.4	0.8
Net insurance premiums earned	97.8	101.9
Other technical income, net of reinsurance	0.5	0.7
Total Revenue	98.3	102.7
Claims:		
Claims paid	(52.6)	(46.9)
Change in the net provision for claims	0.8	(6.2)
Net claims incurred	(51.8)	(53.1)
Net operating expenses	(43.1)	(42.2)
Total claims and expenses	(94.9)	(95.3)
Profit/(Loss) before investment income and expense and tax	3.4	7.4
Combined operating ratio	97%	94%

The Company’s profit before investment income and tax was €3.4m (2020: €7.4m).

On 3 June 2021 it was announced that the Company had made the decision to exit the global travel insurance market. From the 1 July 2021 the Company ceased writing new travel insurance policies and ceased renewing travel insurance policies from the 1 September 2021, with the exception of one large contract that renewed on 1 January 2022, placing the travel segment of the business into run-off. The last travel policy will come off risk on 31 December 2022.

A.2.2 Underwriting performance by line of business

The summary of underwriting performance below is presented in accordance with the Solvency II Quantitative Reporting Template (“QRT”) S.05.01.02 ‘Premiums, claims and expenses by line of business’ (refer to attached Annex).

Under the Solvency II definition of insurance lines of business the Company's insurance business is reported under Medical Expense and Assistance. The Assistance line of business consists primarily of travel insurance policies, however for the Company's licence application, the CBI requested that the Assistance line of business be split out between other lines in the QRTs, even though these components were not material. Following consultation with the CBI, it has been agreed from 2020 onwards the Company will no longer report these immaterial lines but simply report all business as either Medical Expense or Assistance line of business.

	Medical Expense	Assistance	Total
	€m	€m	€m
2021			
Net insurance premium earned	82.9	14.9	97.8
Net insurance claims incurred	39.0	9.9	49.0
Expenses	34.7	12.0	46.7
Underwriting profit/(loss)	9.2	(7.1)	2.1
	Medical		
	Expense	Assistance	Total
	€m	€m	€m
2020			
Net insurance premium earned	85.8	16.1	101.9
Net insurance claims incurred	42.9	6.9	49.9
Expenses	37.1	9.5	46.6
Underwriting profit/(loss)	5.8	(0.3)	5.5

Claims handling costs of €2.8m (2020: €3.2m) are included within expenses on the QRT, in compliance with Solvency II reporting requirements, but are recognised in claims in the financial statements.

Expenses

A summary of expenses is provided below:

	2021	2020
	€m	€m
Operating expenses		
Net operating expenses per financial statements	43.1	42.2
Claims handling cost	2.8	3.2
Classification differences between Solvency II and the financial statements	0.8	1.2
Underwriting expenses	46.7	46.6

A.2.3 Underwriting performance by geographical area

2021	Greece €m	Cyprus €m	Portugal €m	France €m	Romania €m	Other €m	Total €m
Net insurance premium earned	21.2	17.5	6.9	7.1	4.6	40.6	97.8
Net insurance claims incurred	10.5	7.9	2.3	3.4	1.4	23.6	49.0
Expenses	10.1	8.4	3.3	3.4	2.2	19.4	46.7
Underwriting profit/(loss)	0.6	1.2	1.3	0.3	1.0	(2.4)	2.1

2020	Denmark €m	Greece €m	Cyprus €m	France €m	Portugal €m	Other €m	Total €m
Net insurance premium earned	22.9	16.8	13.6	5.6	5.1	37.9	101.9
Net insurance claims incurred	9.8	7.8	5.7	4.5	1.8	20.3	49.9
Expenses	13.4	7.1	6.5	2.0	1.9	15.7	46.6
Underwriting profit/(loss)	(0.4)	1.9	1.4	(0.8)	1.4	1.9	5.5

The information is presented in accordance with the QRT S.05.02.01 'Premiums, claims and expenses by country'.

In 2020, all Assistance business was allocated to "Denmark" which is where the business was administered, whereas for 2021, Assistance business is being allocated based on residency of the insured. "Other" underwriting profit/(loss) includes all other geographic locations not disclosed within the QRT S.05.02.01.

A.3 Investment performance

A.3.1 Investment income

Investment income for the year, as reported in the Company's financial statements, was as follows:

	2021 €k	2020 €k
Realised foreign exchange gains	234	-
Unrealised foreign exchange gains	595	-
Expected credit loss provision movement	19	-
Total investment income	848	-

The Company has invested in a portfolio of cash and cash equivalents and European Government bonds to support short tail insurance liabilities. Investment income by Solvency II asset class is presented in the table below.

	2021 €k	2020 €k
Cash and deposits	485	-
Government bonds	363	-
Total investment income	848	-

A.3.2 Investment expenses

Investment expenses for the year, as reported in the Company's financial statements, was as follows:

	2021 €k	2020 €k
Realised foreign exchange losses	-	218
Unrealised foreign exchange losses	503	244
Expected credit loss charge	-	86
Interest expense on lease liabilities	54	63
Interest payable	545	358
Total investment expenses	1,102	969

A.3.3 Gains/losses recognised directly in equity

There were no gains/losses recognised directly in equity for the period ended 31 December 2021.

A.4 Performance from other activities

Financial expense

The Company had no financial expenses during 2021 (2020: €Nil).

Leasing arrangements

The Company had no finance leases during 2021 (2020: €Nil).

The Company's office space in Dublin is rented under an operating lease arrangement which is accounted for in the Company financial statements under IFRS 16 - Leases.

A.5 Any other information

There is no other material information to be disclosed

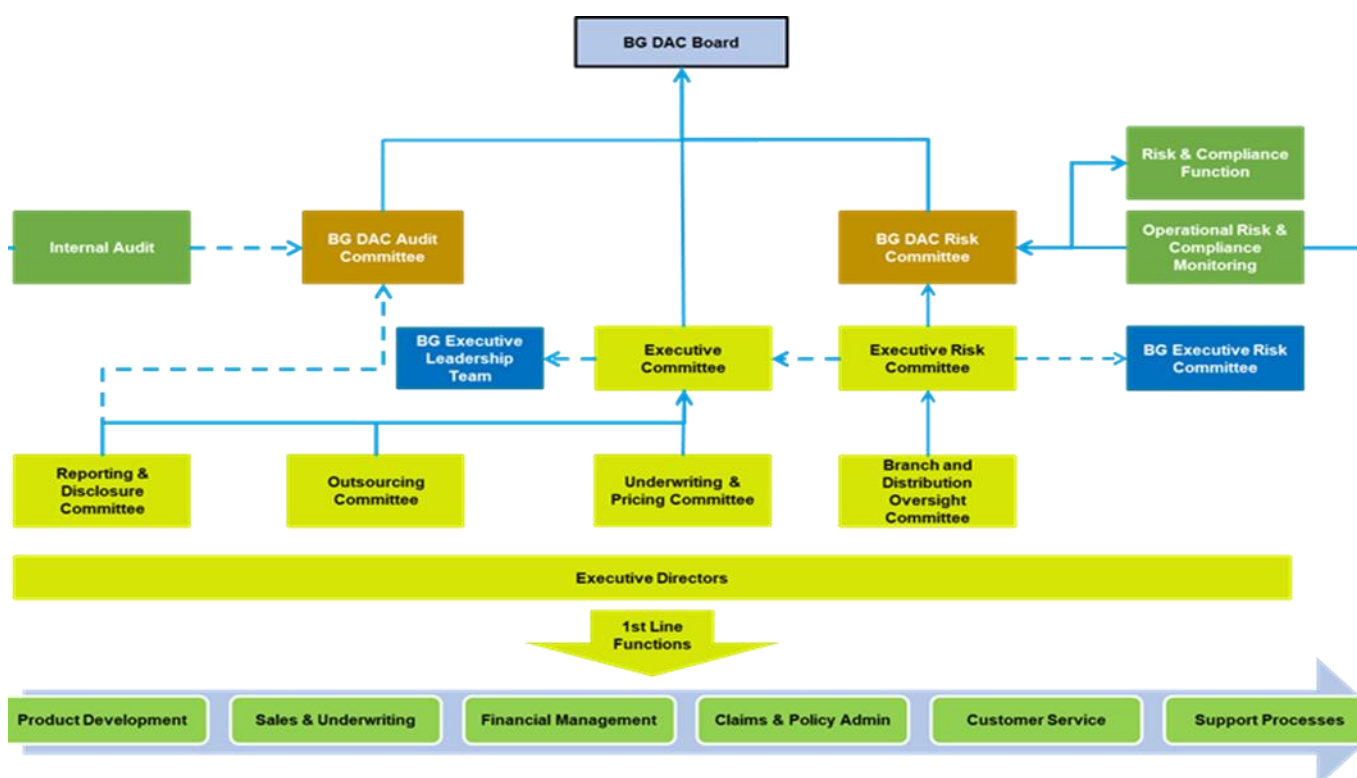
B. System of Governance (Unaudited)

B.1 General information on the system of governance

This section of the report sets out information on the System of Governance within the company including information on the structure and role of the Board, responsibilities of key functions, an overview of the Company’s risk management framework and internal controls. There have been no material changes to the Company’s System of Governance within the year.

B.1.1 Board Committee responsibilities

The Company is governed through the Board. The Board Committee structure is as follows:



Risk Committee

The principal role of the Board Risk Committee (“BRC”) is to assist the Board in articulating and developing its risk management strategy and oversight of risk and compliance across the Company. This includes overseeing the current risk exposures and risk strategy, development and monitoring the effectiveness of the risk management framework including risk appetite, risk policies, key process and controls, and the promotion of a risk awareness culture throughout the Company.

Audit Committee

The principal role of the Audit Committee is to monitor the integrity of the Company’s financial statements and the effectiveness of the systems of internal controls, including IT systems, and to monitor the effectiveness, performance and objectivity of the internal and external auditors.

All Committee Terms of Reference state the scope of delegated responsibilities and each is reviewed annually to ensure that each Committee fulfils its function and is aligned to the Company’s business strategy and operations. A review of the effectiveness of the Board, the Audit Committee and the Risk Committee is performed annually.

B.1.2 Board responsibilities

The role of the Board

As at 31 December 2021 the Board comprised a Non-Executive Chairman, a Non-Executive Director, an Executive Director and two other Independent Non-Executive Directors (“INEDs”). It normally meets at least four times a year and at other times as required. Minutes of all Board and Committee meetings are recorded and reflect the substance of the discussion, as well as the decisions made.

The Board is responsible for the oversight of the management of Bupa Global DAC, including:

- agreeing the Company’s long-term direction and objectives;
- developing and maintaining the Company’s business model and aligning the Company business model with the Group strategy, while ensuring that local regulation, legislation or market practice is also met;
- determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and setting the risk appetite;
- oversight of the Company’s operations;
- ensuring the appropriate and necessary financial and human resources are in place to meet the Company’s objectives;
- providing constructive challenge to the executive directors and senior management;
- ensuring the highest standards of governance are followed; and
- developing the Company’s culture.

The role of the Chairman

The Chairman is responsible for the leadership of the Board and is pivotal in the creation of the conditions necessary for overall Board and individual director effectiveness, both in and outside the boardroom, including:

- the leadership of the Board and ensuring its effectiveness on all aspects of its role;
- ensuring effective Board governance;
- setting agendas;
- ensuring that members of the Board receive accurate, timely and clear information;
- managing the Board to ensure sufficient time is allowed for discussion of key risks and issues;
- facilitating contributions from INEDs; and
- considering and addressing the development needs (induction, training and professional development) of individual directors and the Board as a whole.

The role of the Independent Non-Executive Directors

The role of the INEDs includes the following key elements:

- Constructively challenging and helping to develop proposals on longer term direction and strategy;
- Scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance;
- Satisfying themselves on the integrity of financial information, and that financial controls and systems of risk management are robust, effective and overseeing improvements where necessary.

The role of the Chief Executive Officer

The Chief Executive Officer (“CEO”) manages the Company in accordance with the business plans approved by the Board and in accordance with the overall Group strategy and plans. The CEO leads the setting and execution of the Company business strategy and is accountable for:

- ensuring that the Company remains legally solvent at all times and that customers are treated fairly;
- ensuring that the Company is compliant with all law and regulations affecting their businesses, their policyholders and their staff, including fulfilling all relevant obligations as required under the Senior Insurance Managers Regime;
- managing the Company’s risk profile, in line with the extent and categories of risk identified as acceptable by the Board;
- approving the apportionment and allocation of roles and responsibilities of the executive management team of the Company;
- approving capital and revenue transactions, including acquisitions and disposals, not specifically reserved to the Board; and

- embedding the Company culture in the day-to-day management of the Company.

In addition to overseeing the Company's strategy, including investment risk appetite, the Board also closely monitors developments in corporate governance and assesses how these can be applied to the Company. The Company's governance arrangements continue to be reviewed in line with developments in best practice. The Board believes the existing structure is appropriate for the size and complexity of the Company.

B.1.3 Key functions

The Solvency II mandated key functions within the system of governance are the functions relating to risk management, compliance, internal audit and the actuarial function. The roles and responsibilities of these functions are described in sections B.3 Risk management system, B.4 Internal control system, B.5 Internal audit function and B.6 Actuarial function.

B.1.4 Remuneration policy and practices

The Company applies the Bupa-wide remuneration policy to all its employees. This remuneration policy, set by the Group Remuneration Committee ("Bupa 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.

The Bupa RemCo 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. In assessing incentive outcomes, Bupa 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.

The Company's variable remuneration outcomes reward business and individual performance, including what is achieved (e.g. financial performance and project milestones), how it is achieved (e.g. behaviours, values demonstrated, risks management and conduct) and an overall assessment of risk management. This ensures employees act in line with Bupa's values, codes of conduct and risk appetite.

The Remuneration Report in the 2021 Bupa Annual Report and Accounts (pages 94-108) includes detailed information on: the remuneration policy of the Group, the components of remuneration and performance criteria on which entitlements are based. The Company's remuneration policy is consistent with the Group policy.

Remuneration in the year for the Company's Directors was as follows:

	2021	2020
	€'000	€'000
Directors' remuneration		
Emoluments	664	961
Company contributions to defined contribution pension schemes	363	87
Amounts receivable under long-term incentive schemes	102	502
Compensation for loss of office	670	-
	1,799	1,550

No Director had any material interest in any contracts with Group companies at 31 December 2021 (2020: €Nil) or at any time during the year.

B.2 Fit and proper requirements

The Company implements policies and procedures to ensure persons who effectively run the undertaking or have other key functions are fit and proper to do so. Before appointment, and on an annual basis, directors and senior managers are assessed with reference to the specific requirements of their particular role. These assessments align to the CBI's Guidance on Fitness and Probity Standards 2015. Certain individuals holding roles of significant influence are required to have received prior approval from the CBI before they can perform their role.

An individual's fitness to perform their role refers to their competence and capability including skills, knowledge and expertise applicable. Assessments of fitness are tailored to the individual's particular role, including the individual's knowledge and understanding of:

- the markets in which they operate;
- business strategy and business model;
- system of governance;
- financial and, where relevant, actuarial analysis; and
- regulatory framework and requirements.

Individuals are required to maintain their fit and proper status, which would include arranging for further professional training as necessary, so that the individual is also able to meet changing or increasing requirements of their particular responsibilities.

Assessments of fitness and propriety for new appointments are subject to background screening checks and individuals are regularly monitored to ensure that they retain a fit and proper status for their role. This includes performance management and an annual assessment of their continued fitness and propriety.

B.3 Risk management system including Own Risk and Solvency Assessment

B.3.1 Risk management framework

Our Risks

The Company characterises the risk profile from a number of complementary perspectives, acknowledging that some risks can be mitigated by holding capital while others are primarily managed through risk mitigation techniques and specific management actions.

The Company considers that the key risks and uncertainties relate to COVID-19, insurance risk, operational risk (including information security and privacy risks), investment risk, external market conditions, government and policy change, regulatory risk and climate change.

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

Further information on the Company's risk profile is provided in Section C. Risk Profile.

Risk governance

The Company adopts a three lines of defence approach for the governance of risk management which is set out in the Risk Management Framework.

The first line of defence encompasses management and staff across the business, who are responsible for the identification and management of risks. The Executive Risk Committee ("ERC") provides oversight of risk across the Company, including understanding and where appropriate optimisation of current risk exposures and future risk strategy, overall risk appetite and tolerance, risk management framework including risk policies, processes and controls, and the promotion of a risk awareness culture throughout the organisation.

The second line of defence comprises compliance and risk management professionals across the business. The Company's Risk Function is led by the Chief Risk Officer ("CRO"). Their role is to advise, challenge and oversee the first line risk management activities and to collate reports for management and the Board on their independent views on risk issues.

The third line of defence is internal audit. Internal audit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls. Information on the Company's internal audit function is provided in section B.5.

The Board Risk Committee (“BRC”) is composed entirely of NEDs to oversee the execution of the risk management framework. The BRC receives reports from the Company’s CRO and other Company executives as appropriate. The BRC is accountable for the Board’s oversight and recommends risk appetite to the Board for approval.

Risk appetite

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 set appetite on a risk by risk basis which are approved by the Board or relevant Committee and overseen by the Risk Committee. An annual assessment of compliance with the enterprise risk policies is undertaken by management, overseen by the Risk function with the results reported to the Audit and Risk Committees. The risk appetite statements are a key consideration in the Company’s business planning process and a central reference point for key decisions. There is regular reporting against risk appetite statement limits to the Executive Risk Committee and Risk Committee.

Risk appetite statements are reviewed on an annual basis, with the Risk Committee recommending any changes to the statements to the Board for approval. The Risk Committee undertakes the oversight of risk management on behalf of the Board and recommends risk appetite to the Board for approval.

Risk management framework

The Company manages risks according to a Board approved Risk Management Framework. This sets out the principles underpinning a robust and continuous risk management system across all three lines of defence. This ensures:

- current and emerging risks to the business are identified and the potential consequences of them are understood;
- there are clear and established risk appetites within which the Company should operate; and
- appropriate and effective steps are taken to mitigate and manage identified risks.

The diagram below shows the key components of the Risk Management Framework.

Key components of the Risk Management Framework



Risk management function

The Company's CRO leads the Risk and Compliance function and reports to the CEO. The CRO provides reports directly to the Board Risk Committee (BRC) and the Board and has a direct right of access to the Chairman of the BRC.

Well-established regular reporting mechanisms are in place to ensure that all relevant risks are appropriately identified and escalated and also ensure that strategies to manage and mitigate the risks to acceptable levels are identified and executed.

The Company's Enterprise Policies define the way the Company does business. The policies cover all key areas of risk and are implemented in the component Business Units, which monitor compliance against the requirements. These policies all have designated ownership at both the Company and Business Unit levels with defined roles and responsibilities. The policies are reviewed on a cyclical basis in line with the wider Group.

The effective operation of the Risk Management Framework is tested through various review mechanisms including, but not limited to, discrete assurance activities, governance reviews and the Internal Control and Risk Management Assessment ("ICRMA") which provides a mechanism to gauge how well internal control and risk management practices are embedded across the Company. This is a first line of defence self-assessment, subject to review and challenge by the second and third lines. This assessment is conducted annually and the results are presented to the Risk Committee.

The processes used to identify, measure, manage, monitor and report risks include a programme of Stress and Scenario Testing ("SST"). Specific detailed reviews on particular risks are undertaken when considered necessary. Refer to Section C.7.2 for further details.

Information on the Company's risk profile is provided in Section C. Risk Profile.

B.3.2 Own Risk and Solvency Assessment

The ORSA is the series of activities by which an insurer assesses all the risks inherent in its business and determines the corresponding capital needs. This report documents the results and conclusions of Bupa Global DAC's ORSA covering the 2022-2024 business planning period.

The Company has considered how much capital is required to support the level of business anticipated in the 2022-2024 Plan.

In the light of the projected capital requirements, the following were considered;

- the appropriateness of the Company's capital position;
- the appropriateness of the structure of the Company's capital; and
- whether there are any other actions to be taken in response to the assessment.

The outputs of the above activities are set out in papers and reports to the Board or relevant Board Committee and summarised in the annual ORSA report, which is approved by the Board. The conclusions of the ORSA are a key input to the Board strategy sessions.

The process for carrying out the ORSA is reviewed following the strategy sessions to take account of decisions made there and also to consider any other enhancements that can be made to the ORSA process. Proposed changes to the ORSA process are considered by the BRC and then subsequently incorporated into the ORSA Policy, which is approved by the Board.

The Company determines its own solvency requirements by reference to the projected Own Funds and future capital requirements reflecting the risk profile of the Company, its policy of maintaining a substantial buffer over the capital requirements, potential acquisitions and disposals which might take place over the planning horizon and the availability of management actions.

B.4 Internal control system

B.4.1 Internal control

In line with the three lines of defence governance model, internal controls are the responsibility of frontline business management. The key elements of the Internal Control Framework are summarised below.

The Internal Control Environment (“ICE”) comprises an appropriate and proportionate mix of governance, management and operational controls. These categories of internal controls are in place to:

- promote the effectiveness and efficiency of operations;
- ensure the reliability of financial reporting;
- ensure the Company operates to industry best practice and complies with applicable laws and regulations; and
- enable the Board and Risk Committee to validate that the Company is operating within its risk appetite.

As mentioned in Section B.3.1 we test the embeddedness of the internal controls systems by assessing compliance with the Enterprise Policies through our ICRMA. This is complemented by an annual ICE assessment that analyses information from across all three lines of defence in order to give an end-to-end assessment of controls effectiveness. First line control owners also undertake periodic testing over the design and operating effectiveness of key controls.

B.4.2 Compliance function

The Compliance function is a mandatory function in the Solvency II system of governance. The Compliance function operates within the second line of defence and works with the Group’s legal function to ensure that the Company is compliant with all applicable Irish and EU legislation and regulation including, but not limited to:

- Irish and EU regulatory and legal requirements;
- internal compliance standards, policies and procedures;
- the Consumer Protection Code (in respect of policyholders based in Ireland);
- the CBI Fitness and Probity Standards;
- CBI’s Corporate Governance Requirements;
- Solvency II Directive (as transposed into Irish law by S.I. 485 of 2015);
- the Insurance Acts; and
- all other prudential regulation requirements applicable to the Company.

The Compliance function is responsible for advising the BRC on regulatory compliance, assessing the impact of changes in the Irish, EU and international legal environment, identifying and assessing compliance risk; and assessing the adequacy of the measures adopted by the Company to prevent non-compliance of the areas listed above.

The Compliance function is overseen by the Company Head of Compliance who reports into the CRO and is responsible for:

- Leading the regulatory compliance and conduct risk agenda
- Providing robust challenge and oversight to all areas of the business
- Managing the CBI regulatory relationship on behalf of the Company
- Providing regular and structured reporting on regulatory developments and the compliance status of the business to senior committees and the Board as required.

B.5 Internal audit function

Internal audit is an independent and objective assurance and consulting activity that forms part of the Group’s governance and internal control systems. The Company’s internal audit function is outsourced to Group Internal Audit.

The appointment of the Group Internal Audit Director as the Company’s Head of Internal Audit allows the internal audit function to remain independent from the day-to-day front line activities within the Company. In this way, potential conflicts of interest are minimised.

In the role of “third line of defence”, internal audit assists the Company’s Board in the protection of its assets, reputation and sustainability of the organisation. It also helps to ensure risks to the customer and the Group’s businesses are appropriately managed. The Company’s Head of Internal Audit assesses whether all significant risks are identified and appropriately mitigated, in accordance with the Company’s risk appetite. They report to the Company’s Board Audit Committee on areas to improve the effectiveness of governance, risk management and internal controls.

The Company’s Head of Internal Audit submits to the Company’s Board Audit Committee an internal audit plan for review and approval on an annual basis. They also perform ad hoc internal audits upon request of the Board Audit Committee. The Head of Internal Audit’s ongoing plan is risk based and aligned against the Group’s ‘Risk Management Framework’. Internal audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company’s governance, risk management, and internal control processes in relation to both the Company’s and Group’s defined goals and objectives.

The Company’s Internal Audit activity remains free from any interference from the wider organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of independent and objective audit delivery.

The Company’s Head of Internal Audit and Group Internal Audit adheres to The Institute of Internal Auditors’ (“IIA”) mandatory Standards including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing and the UK Chartered Institute of Internal Audit’s Financial Services Code.

B.6 Actuarial function

The Actuarial function has authority to review all areas of the Company and has full, free and unrestricted access to all activities, records, property and personnel necessary to complete its work.

Key activities (including all mandatory tasks prescribed under Solvency II) are as follows:

- co-ordinating and consolidating the Company’s technical provisions (for GAAP and Solvency II reporting);
- assessing the appropriateness of technical provision methodology and assumptions used;
- setting methodologies and ensure consistency of use;
- reporting to the Board on the adequacy of technical provisions, the overall underwriting policy and adequacy of any reinsurance arrangements;
- providing an actuarial opinion to the Board in respect of the ORSA process;
- contributing into risk management activities, including review of the SCR calculation.

The Company’s Head of Actuarial Function role is outsourced to a third party provider. The appointment of an outsourced Head of Actuarial Function allows this role to remain independent from the day-to-day operations of the Company. In this way, potential conflicts of interest are minimised. An actuarial function report containing the Head of Actuarial Function’s opinions, recommendations and an account of key activities is prepared and provided to the Board annually.

B.7 Outsourcing

All key, critical or important outsourced arrangements are required to be identified and managed with additional rigour. The appointment of these arrangements must follow supplier selection criteria, with appropriate due diligence and robust contracts in place following legal terms. Contingency measures must be in place and the relationships managed by a named supplier relationship manager. The arrangements are reported to the local risk and compliance team to assess the need for regulatory notification.

The Company chooses to outsource services where it is in the best interest of the Company, it conforms to its regulatory standards and ensures the correct customer outcomes. The Company strategy is to form long-term strategic partnerships with suppliers who share the same values, focus on customer service and have an understanding of the current regulatory and risk landscape.

The Company continues to assess the need for outsourcing on an ongoing basis. Each outsourced activity is viewed on its own merits against in-house capability, activity already outsourced and activity being undertaken. This allows the Company to leverage the relevant external expertise to undertake the activity efficiently and effectively. With robust oversight (systems & controls), this ensures the correct customer outcomes are achieved with reduced risks and cost to serve.

Each outsourced supplier has a named supplier relationship manager. This individual is responsible for the oversight of the arrangement and relationships ensuring appropriate safeguards are in place, such as termination clauses, continuity plans and agreed service levels. The relationship manager is also responsible for holding regular meetings to manage the relationship.

Intra-group outsourcing

The Company outsources insurance administration and mediation activities to Bupa Insurance Services Ltd (BISL), which is incorporated in the UK, via an agreement for services. BISL outsources certain of these services to third parties, including a number of parties located outside the EEA. Where it has outsourced to third parties, BISL is responsible for the oversight and management of these relationships. BISL is required to comply with the Group's Enterprise Suppliers Policy.

The IPMI and Travel business serviced primarily in Denmark is serviced through an outsourcing arrangement with Bupa Denmark Services A/S (BDS), which is incorporated in Denmark.

The Company also outsources elements of its risk management, finance and governance, compliance, internal audit, information technology, treasury and people functions to a number of Bupa Group service companies.

External outsourcing

The Company has chosen to outsource some of its operational functions and activities to external providers, for example the Head of Actuarial Function role which has been outsourced to Milliman, 7 Grand Canal, Grand Canal Street Lower, Dublin 2, Dublin, Ireland.

B.8 Any other information

There is no other material information to be disclosed.

C. Risk Profile (Unaudited)

General information

The Company risk profile is a key driver of the SCR. The distribution of the Company's quantifiable risks, as reflected in the SCR, is as follows:

Analysis of the diversified SCR	2021	2020
Underwriting risk	64%	55%
Market risk	9%	16%
Credit risk	12%	8%
Operational risk	15%	21%
	100%	100%

Information on each of the risk categories is provided in sections C.1 to C.6 below. Information is also provided on liquidity risk in section C.4. Liquidity risk does not form part of the standard formula SCR and is therefore not included in the above table. Detailed risk analysis is completed and included as part of the company's ORSA processes, in particular the impact on future capital requirements changes to the risk profile of the Company.

Information on the calculation of the SCR is provided in section E.2 Solvency Capital Requirement and Minimum Capital Requirement.

Risk mitigation

As noted in section B.3.1 risks are managed according to a Board approved Risk Management Framework and the effectiveness of the implementation of the Risk Management Framework is tested through the ICRMA. Specific risk mitigations are identified in section C.1 to C.6 where relevant.

C.1 Underwriting risk

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

Underwriting risk refers to the potential deviation 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 and reserving risk) for insurance policies.

Pricing risk

Pricing risk arises from routine revisions to premium tariffs and from the processes to set bespoke premiums for large corporate health insurance customers. The adequacy of pricing rests on thorough actuarial analysis of past and most recent claims levels, combined with forward projections of the most recent observed trends. Pricing risk affects only future cash flows since new tariffs impact on levels of premium earned when health insurance contracts renew.

Mitigation

The Company will mainly write annually renewable health insurance contracts. The annual renewability feature permits tariff revisions to be made in response to changes in claim experience. This is a significant mitigant to pricing risk. The Company does not expect to underwrite any material business that commits it to cover risks at premiums fixed beyond a twelve month period from inception or renewal. Actuarial analysis performed on a regular basis combined with an understanding of local market dynamics are also effective risk mitigations.

Claims risk

Future adverse claims experience, for example, that which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements.

Generally, the Company's health insurance contracts contain terms and conditions that provide for the reimbursement of incurred medical expenses for treatment related to acute medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore, claims experience is necessarily underpinned by prevailing rates of illness.

Mitigation

Claims risk is managed and controlled by means of 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 conditions and practice.

Additionally, claims risk is generally mitigated by the Company's control processes to ensure that both the treatments and the consequent reimbursements are appropriate.

Reserving risk

Reserving risk is the risk that technical provisions for claims incurred prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk due to the short-term nature of claims development patterns. The short-tail nature of the Company's insurance contracts means that movements in claims development assumptions are generally not significant.

The amount of claims provision at any given time that relates to potential claims payments that have not been settled within one year is not material. In addition, it is possible to estimate with reasonable confidence the outstanding amounts for such late-settled claims.

Mitigation

The development patterns are kept under constant review to maintain the validity of the assumptions and hence, the validity of the estimation of technical provisions.

Inflation risk

Throughout 2021 there has been upwards pressure on inflation, driven in part by the return of consumer demand following COVID-19 lockdowns, along with persistent global supply chain disruption. This outlook persists into 2022. Following some optimism in early 2022, EEA economic growth and inflation forecasts are currently being revised in light of Russia's invasion of Ukraine and the impact of international sanctions. Inflation risk is being monitored and assessed as part of the 2022 SST programme.

Mitigation

The ability to review premium rates is a significant mitigant to inflation risk. The Company's dominant product being an annually renewable health insurance contract allows the Company, if necessary, to respond quickly to inflationary pressure. We also have control mechanisms in place to mitigate the risk of higher-than-expected claims costs which includes pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges.

Other risks related to underwriting health insurance business

Claims provisions are not discounted and their short-term nature means that changes in interest rates have no 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 the contracts do not in that respect give rise to interest rate risk. Going forward, the Company will be exposed to foreign currency risk through some claims which are settled in a local currency. Where possible these liabilities will be matched to assets in the relevant currency to provide an economic hedge to this exposure.

Concentrations of risk

The Company's activities are focused on single line health portfolios and travel business. The Company does not expect 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.

Mitigation

The Company is exposed to the risk that a single event occurs in a location, which would result in a large number of claims. This is mitigated by writing a diverse portfolio of business, in particular consumer policies, both within and across geographies.

Catastrophe risk

A natural disaster or a man-made disaster could potentially lead to a large number of claims and thus higher than expected claims costs.

Mitigation

In the majority of jurisdictions, the Company is not liable to such claims. Consideration of the impact from global pandemics forms part of the Company's regular stress and scenario testing.

Underwriting risk sensitivity

The SCR under Solvency II is held to protect against an instantaneous 1-in-200 year loss event. The Company's 1-in-200 year loss with respect to underwriting risk is €17.8m (undiversified), which accounts for 88% of the Company's overall SCR (after diversification).

The results of stress and scenario testing are reviewed by the BRC as part of the business planning process and are a key element of the ORSA. Within the ORSA, the impact from lower than expected growth, higher claims and claims handling expenses were tested.

C.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 by investing within a conservative, capital-based risk appetite and generating cash plus returns over the long-run.

Mitigation

The approach to investment decision making is governed by the Board. The Board determines the overall investment risk appetite for the Company which is articulated through the risk parameters contained in the Treasury Policy and its Statement of Investment Principles. The Board is responsible for setting the investment strategy and asset allocation. The day to day management of the Company's financial investments is done by the Group's Treasury function.

Currency risk

The company is exposed to two sources of currency risk: one relates to policies where premiums and claims are in different currencies; the other relates to the translation of non-euro balances into euro for reporting purposes.

Mitigation

The Company matches significant non-euro balances through regular rebalancing of cash accounts in the major corresponding currencies.

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 holds short interest rate duration European government bills (less than 1 year maturity) , it is therefore not materially exposed to this risk.

Mitigation

Short duration assets represent a natural hedge for short duration liabilities.

Market risk sensitivities

The Company currently invests in cash and cash equivalents as well as short duration European government bills and underwrites short-tail non-life insurance business. As a result, the Company's solvency position is not materially sensitive to changes in interest rates and equity prices.

C.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. As part of this, default risk on reinsurance arrangements are also considered, though the impacts are not currently material. The Group Treasury function manages the Company's credit risk under the guidance of the Board.

Mitigation

Investment exposure with external counterparties is managed by ensuring that all counterparties secure a minimum credit rating across agencies used by the Company (unless specifically approved by the Board). Risk of counterparties failing to meet obligations is considered through the Company's stress and scenario testing programme.

C.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 enjoys a strong liquidity position and adheres to a strict liquidity management policy.

Mitigation

Liquidity is managed by maintaining a liquidity buffer to meet unforeseen liquidity requirements. Liquidity risk is considered as part of the stress and scenario testing. For further details refer to Section C.7.2.

Expected profit included in future premiums

Under Solvency II, expected profit included in future premiums is included in Own Funds, recognised in the calculation of technical provisions. Expected profit included in future premiums does not form part of the liquidity position as 31 December but is taken into consideration when assessing the Company's future liquidity. Expected profit included in future premiums amounted to €7.1m at 31 December 2021 (31 December 2020: €2.8m).

C.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel, systems or external events. This includes customer risk, which is the risk that the Company's behaviour or actions result in unfair outcomes or detriment for customers.

Mitigation

The Company is committed to managing operational risk effectively. Through its risk management function, the Company implements a detailed operational risk management process to identify, manage, monitor and report operational risk, including identification of appropriate additional mitigants where necessary. The Company's robust system of governance and risk management framework provides an overall control on its operational risk exposure.

Operational Risk does not lend itself to sensitivity analysis. Operational risk scenario analysis exercises are conducted to provide an understanding of the specific risks that the Company faces on a daily basis, the likelihood of them occurring and the severity of the impact if they were to occur. This understanding allows for a more focused allocation of resources targeted at mitigating or controlling the more material exposures.

C.6 Other material risks

Strategic Risk

The Company is exposed to strategic risk, being the risk of an inability to design or implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. These risks

must also be considered in light of the Company being a newly incorporated and authorised entity. The political and economic backdrop to the Company's business is uncertain, with powerful global social trends. Populations are ageing, public health solutions are continuously evolving, governments are facing funding issues in healthcare and aged care, and competition is intense, both from traditional and non-traditional players.

Mitigation

In order to manage strategic risk effectively, the Company implements a robust three year planning process which considers the strategic risks and culminates in a three year plan approved by the Company's Board. The Company is focused on delivering great customer outcomes and long-term profitable growth. Through the identification and assessment of emerging risks the Board is able to react to issues in a timely and appropriate manner.

Other material risks are also considered within the ORSA process discussed above in section (B.3.2). The Company determines its own solvency requirements by reference to the projected Own Funds and future capital requirements reflecting the risk profile of the Company, its policy of maintaining a substantial buffer over the capital requirements, potential acquisitions and disposals which might take place over the planning horizon and the availability of management actions.

Further information of other risks relevant to Bupa may also be found in the Bupa Group SFCR.

C.7 Any other information

C.7.1 Prudent person principle

The Company operates in accordance with the prudent person principle.

The Board is responsible for setting investment strategy and asset allocation, within the risk parameters contained within the Risk Appetite Statement, Treasury Policy and the Statement of Investment Principles. The Board reviews and monitors the key risk indicators for the investments including the performance, counterparty exposures, overall credit rating exposures and liquidity levels.

C.7.2 Stress and scenario testing

A key part of the Company's risk management framework involves identifying the scenarios that could adversely impact the Company and assessing its ability to withstand them. The stress and scenario testing evaluates the impact of adverse scenarios on the Company's business plans, including an assessment of whether the Company will continue to have sufficient capital resources to cover both its own assessment of risks and regulatory capital requirements as well as the liquidity implications of the scenarios.

The Company profits and revenue are sensitive to four main drivers and these are:

- Membership volumes which impact revenue;
- Loss ratio – changes in Medical inflation or an inability to secure adequate premium increases impacts the loss ratio and claims incurred;
- Business mix and expenses ratio which impacts the overall profitability of the Company; and
- Adverse currency fluctuations.

The Company also conducts reverse stress testing which starts at the point of failure of the Company's business model and aims to identify a scenario that may result in such a failure.

The results of the stress and scenario testing are reviewed by the BRC as part of the business planning process and are a key element of the ORSA.

D. Valuation for Solvency Purposes (Audited)

Solvency II requires an economic market consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements included in the Company's Annual Report and Accounts for the period ended 31 December 2021. The financial statements are prepared under Irish GAAP (GAAP). The table below provides a summary of the Solvency II and the GAAP valuation of assets, based on the Solvency II balance sheet headings and the Solvency II approach to classifying assets and liabilities. An explanation of the Solvency II valuation methods and assumptions, including key differences to those used under GAAP, is provided in the subsequent sections.

	Section	Solvency II		GAAP		Difference	
		2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020 €m
Assets							
Deferred acquisition costs	D.1.1	-	-	3.7	4.4	(3.7)	(4.4)
Investments	D.1.2	39.8	20.0	40.1	19.9	(0.3)	0.1
Property, plant and equipment	D.1.3	2.4	2.7	3.0	3.6	(0.6)	(0.9)
Insurance and intermediaries receivables	D.1.4	5.5	4.4	15.6	16.1	(10.1)	(11.8)
Receivables (trade, not insurance)	D.1.5	0.0	0.1	0.0	0.1	-	-
Cash and cash equivalents	D.1.6	46.4	65.0	46.4	65.0	-	-
Deferred tax assets	D.1.7	0.0	0.0	0.0	0.0	-	-
Any other assets, not elsewhere shown	D.1.8	0.1	0.3	0.1	0.4	(0.0)	(0.1)
Total assets		94.2	92.4	108.9	109.5	(14.7)	(17.1)
Liabilities							
Technical provisions	D.2	34.8	39.5	45.1	48.0	10.3	8.5
Financial liabilities (IFRS 16)	D.3.1	2.4	2.6	2.7	3.0	0.3	0.4
Insurance and intermediaries payables	D.3.2	-	-	3.9	6.2	3.9	6.2
Payables (trade, not insurance)	D.3.3	4.2	3.2	4.2	3.2	-	-
Any other liabilities, not elsewhere shown	D.3.4	11.3	10.3	11.2	10.3	(0.1)	-
Total liabilities		52.7	55.6	67.2	70.7	14.5	15.1
Excess of assets over liabilities		41.5	36.8	41.8	38.8	(0.3)	(2.0)

The overall difference in the GAAP to Solvency II excess of assets over liabilities is due to the following valuation differences:

	2021 €m	2020 €m
Valuation differences		
Assets		
Investments	(0.3)	(0.0)
Property, plant and equipment	(0.6)	(0.9)
Other assets	-	-
Liabilities		
Technical provisions	0.4	(1.5)
Financial liabilities (IFRS 16)	0.3	0.4
Other payables	(0.1)	(0.0)
Total valuation differences	(0.3)	(2.0)

Other differences between the GAAP and Solvency II value of individual asset and liability classes relate to reclassifications, as noted in the respective sections below.

D.1 Assets

D.1.1 Deferred acquisition costs

Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contract revenues written during the financial year. The assets arising from the deferral of these costs are valued at €Nil within the Solvency II balance sheet as they are not a separable and saleable asset.

D.1.2 Investments

In 2021 these balances relate to short term French and German Government bonds maturing between April and August 2022. These are recognised at fair value under Solvency II. The difference between Solvency II fair value and GAAP value principally relates to the recognition of accrued interest.

In 2020 these balances related to fixed term time deposit investments which matured in October and December 2021. These deposits were recognised at GAAP valuation for Solvency II purposes.

D.1.3 Property, plant and equipment

Property held for own use include office buildings used for carrying out insurance business and normal office activities. Following the introduction of IFRS 16, lease assets and liabilities will be recognised in the GAAP balance sheet. Leased property assets are valued using cost and depreciated over the life of the lease.

For Solvency II reporting, the fair value of the lease asset and liability assumes that the asset and liability would be transferred together. The leased property asset will be valued by discounting market rent at the relevant property yield (or actual rent discounted at a property yield adjusted for the differential between actual and market rent). In circumstances where market rent is being paid, the value of the asset and the liability will be equal. Annual lease payments relating to the office space in Dublin during 2021 amounted to €0.4m. The lease inceptioned on 28 January 2019 with a 20 year term at inception and a termination clause after 10 years.

The equipment balance in the Company's balance sheet comprises furniture, fixtures and fittings which are ineligible for Solvency II reporting (as well as computer software some of which is eligible).

D.1.4 Reinsurance recoverables

Reinsurance recoverables represent the reinsurer's share of technical provisions. Refer to Section D.2 for further details on technical provisions. All material reinsurance recoverables are due within 12 months.

D.1.5 Insurance and intermediaries receivables

Under GAAP, receivables are valued at undiscounted amortised cost less any adjustment for impairment losses.

As required in the Solvency II guidance, the portion of insurance and intermediary receivables recognised as an asset on the GAAP balance sheet, that are not yet due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet.

Past due receivables remain within 'insurance and intermediaries receivables' in the Solvency II balance sheet. Given that these receivables are materially due within 12 months, the GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

D.1.6 Receivables (trade, not insurance)

Under GAAP, receivables are valued at undiscounted amortised cost. Given the short-term maturity of these assets, the GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes. All material receivables are due within 12 months.

D.1.7 Cash and cash equivalents

No valuation differences exist between GAAP and Solvency II. Cash and cash equivalents in the Solvency II balance sheet consist of deposits that can be exchanged for currency on demand at par value and are valued at their par value. Cash and cash equivalents are classified differently between GAAP and Solvency II. Under GAAP an investment

qualifies as a cash and cash equivalent only when it has a short maturity of, three months or less from the date of acquisition.

D.1.8 Deferred tax assets

All valuation differences between the GAAP and Solvency II balance sheets are considered from a tax perspective and deferred tax is calculated, where appropriate, using the tax rate applicable to these differences in accordance with IAS 12.

Deferred tax assets or liabilities are recognised on these temporary differences where it is probable that they will reverse in future periods, and in the case of deferred tax assets these are only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. When assessing future probability, the relevant asset balance is considered in relation to the current profit profile for that tax jurisdiction and where there is a risk that a shock event could impact future profits to the extent there is any doubt on the utilisation of the asset, the asset balance is not recognised.

D.1.9 Any other assets, not elsewhere shown

These balances include other assets and prepayments. Under GAAP these assets are carried at cost less any adjustment for impairment losses. Given the short-term nature of these assets, this is considered to be a close approximation to the Solvency II fair value except for prepayments that cannot be transferred to a third-party are written down to €Nil. The impact of these prepayment write-offs were negligible in 2021 (2020: €0.1m). All other material receivables are due within 12 months.

D.1.10 Assumptions and judgements

All judgements made by management in applying the Company's valuation policies that have a significant effect on the balance sheet, and estimates with a significant risk of material adjustment in subsequent periods, are set within the relevant sections above.

D.2 Technical provisions

D.2.1 Summary

The technical provisions for Solvency II purposes are an estimate of the cost at which insurance contracts could be transferred to another knowledgeable insurer in an arm's length transaction.

	Medical expense	Assistance	Total
	€m	€m	€m
2021			
Premium provision	20.3	0.9	21.2
Claim provision	9.7	2.7	12.3
Risk margin	1.2	0.1	1.3
Technical provisions	31.1	3.7	34.8

	Medical expense	Assistance	Total
	€m	€m	€m
2020			
Premium provision	23.3	2.2	25.5
Claim provision	10.9	1.5	12.4
Risk margin	1.4	0.2	1.6
Technical provisions	35.6	3.9	39.5

The technical provisions are not calculated as a whole but are calculated as the sum of the best estimate liability and a risk margin. The best estimate liability comprises a claims provision (for claims and expenses incurred prior to the valuation date) and a premium provision (for claims and expenses expected to be incurred between the valuation date

and the contract boundary). The risk margin is estimated using the Solvency II 'cost of capital' approach, which is intended to reflect the total consideration (when included with the best estimate liability) that would be required by a third-party insurer to take over the full liability.

The Company's technical provisions for medical expense insurance business calculated at 31 December 2021 were €31.1m (31 December 2020: €35.6m). The Company also wrote assistance business (writing of new business ceased during 2021), with technical provisions of €3.7m at 31 December 2021 (31 December 2020: €3.9m).

The Company actively manages its insurance claims cost for both medical expense and assistance business, the impact of which is reflected in the assumptions used to set the technical provisions. Implicitly, the effectiveness of such management actions is assumed to apply to all future claims anticipated in the technical provisions.

The technical provisions calculations do not apply the extrapolation of the risk-free rate, matching adjustment, volatility adjustment or transitional measures referred to in Articles 77 (b), (d) and 308(c), (d) of Directive 2009/138/EC.

D.2.2 Claims provision

The claims provision represents the estimated cost of claims incurred but not settled at the balance sheet date. The provision includes an allowance for claims management and claims handling expenses.

The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Pure Risk Cost methods. The key assumption for these methods is that past claims settlement patterns are an appropriate predictor of expected future claims settlement patterns. This assumption is adjusted where appropriate, using expert judgement.

The methods and data for the SII claims provision are the same as those used for the outstanding claims provision ("OCP") reported in the financial statements under GAAP.

The Company's OCP processes are subject to annual review against the Group's claims reserving standards. The year-end 2021 review concluded that the OCP was appropriate and that the processes, including documentation, met the standards in all material respects.

An explicit loading has been added to the calculation of the claims provision in order to allow for past events which are not in the historical data used (ENIDs).

D.2.3 Premium provision

The premium provision represents the estimated cost of future claims and expenses arising from current and bound insurance contracts, net of future premiums. The premium provision is the expected present value of all future cashflows relating to risk exposure after the valuation date.

Under Solvency II, GAAP balances that relate to future claims exposure are adjusted to the best estimate of future cashflows. The following adjustments are applied:

- Deferred acquisition costs are not recognised;
- Insurance and reinsurance receivables and payables not yet due are recognised as a future cashflow in technical provisions rather than as a separate asset in the balance sheet;
- The GAAP unearned premium provision and any unexpired risk provision are adjusted to remove future profits in excess of deferred acquisition costs.

The cost of future claims and expenses is estimated using actuarial projections of members covered by current insurance contracts and assumptions for expected claims and expenses incurred per member. These assumptions are based on current year experience appropriately adjusted for trends, inflation and discounting.

Where relevant, the projection of future cash flows allows for the expected lapse behaviour of members (mid-term lapses and non-renewal lapses) in the period until the contract boundary.

A pure risk cost assumption is used to project claims expected to be paid. Expected claims are derived for the claim cost per member for each homogeneous risk group and appropriately adjusted for claims inflation and any expected changes in the mix of business.

Future claims are expected to increase in line with claims inflation.

The allowance for expenses in the technical provision is on a going concern basis, indirect overhead expenses are allocated on the assumption that the entity continues writing new business and volumes continue at the same level.

Expense allowance includes:

- Claims management and handling expenses for future claims;
- Commission;
- Administrative expenses incurred in the servicing of policies; and
- Overheads.

New business costs that are incurred before the contract recognition date are excluded, e.g. general marketing, lead generation and medical underwriting costs.

Claims management expenses are expressed as a percentage of projected paid claims amounts. The percentage will be consistent with the claims provision calculation.

An explicit loading has been added to the calculation of the premium provision in order to allow for possible future events which are not in the historical data used (ENIDs).

The Board approves the key assumptions used in the premium provision calculation.

D.2.4 Reinsurance

The Company enters into reinsurance contracts in some circumstances. The value of the share of technical provisions ceded to reinsurers reported on the Irish GAAP basis is considered to be a close approximation to the Solvency II valuation basis, and as such no adjustment has been made.

D.2.5 Risk margin

The risk margin is estimated using the Solvency II 'cost of capital' approach, which is intended to reflect the total consideration (when included with the best estimate liability) that would be required by a third-party insurer to take over the full liability. This was estimated by applying a 6% cost-of-capital charge to the sum of the present value of projected unhedged SCR in each future year until the liabilities have been discharged. The rate of 6% is prescribed in the Solvency II regulations.

A risk margin is added to the best estimate provisions to allow for the inherent uncertainty of future cashflow projections. This uncertainty generally relates to the risk that past claims trends may not apply in the future, for example, as a result of changes in public healthcare provision, economic conditions or claims management procedures.

D.2.6 Methodology and assumption changes

The Company regularly reviews the methodology and assumptions used in the calculation of technical provisions. The assumptions to project future claims and expenses have been updated to reflect the current year experience together with expected changes in trends and inflation. Many of these assumptions only have minor impacts on the technical provisions reported.

The most significant assumption change for 2021 relates to the pure risk cost trends, which have been updated to consider the most recent claims experience post the claims disruption caused by Covid-19, whilst continuing to exclude the period distorted by the pandemic (April 2020 to February 2021).

Covid-19 was declared a pandemic by the World Health Organisation on 11 March 2020. For 2021 year end reporting, impact of claims bounce back has been included within the technical provisions model for both incepted and bound but not incepted business.

D.2.7 Reconciliation to financial statements

The key differences in the valuation of insurance contracts for Solvency II purposes relate to the use of best estimate assumptions compared with the use of prudent assumptions under GAAP. The Solvency II best estimate liabilities recognise future profits within the premium provision where this is not recognised under GAAP. In addition, GAAP insurance receivables are not recognised as assets under Solvency II but are instead netted off against the value of technical provisions for Solvency II purposes.

2021	Medical expense	Assistance	Total
Reconciliation to Irish GAAP financial statements	€m	€m	€m
Irish GAAP Technical provisions – net of reinsurance	41.6	3.5	45.1
Deferred acquisition costs	(3.6)	(0.1)	(3.7)
Technical provisions for financial statements – net of reinsurance and deferred acquisition cost	38.0	3.4	41.4
Reclassification:			
Insurance and reinsurance receivables and payables (not yet due)	(6.6)	0.4	(6.2)
Fair value adjustments:			
Recognition of future profit within premium provision	(1.4)	(0.3)	(1.7)
Removal of Irish GAAP prudence margin – claims provision	(0.3)	(0.1)	(0.4)
Addition of ENID - claims provision	0.3	0.1	0.4
Risk margin	1.2	0.1	1.3
Solvency II Technical provisions – net of reinsurance	31.1	3.7	34.8

2020	Medical expense	Assistance	Total
Reconciliation to Irish GAAP financial statements	€m	€m	€m
Irish GAAP Technical provisions – net of reinsurance	43.9	4.1	48.0
Deferred acquisition costs	(4.2)	(0.2)	(4.4)
Technical provisions for financial statements – net of reinsurance and deferred acquisition cost	39.7	3.9	43.6
Reclassification:			
Insurance and reinsurance receivables and payables (not yet due)	(6.3)	0.7	(5.6)
Fair value adjustments:			
Recognition of future profit within premium provision	1.1	(0.8)	0.3
Removal of Irish GAAP prudence margin – claims provision	(0.3)	(0.1)	(0.4)
Risk margin	1.4	0.2	1.6
Solvency II Technical provisions – net of reinsurance	35.6	3.9	39.5

D.2.8 Level of uncertainty

Technical provisions are calculated using actuarial models that include the use of key assumptions based on historical and current year experience. Future claims payments, related expenses and lapse rates are subject to uncertainty, which may lead to actual experience differing from that implied by these assumptions.

The inherent uncertainty of future cash flows is low, which is reflected in the level of risk margin held. This low level of uncertainty reflects the short-tailed nature of the Company's insurance business, and the relatively predictable claims pattern.

D.3 Other liabilities

D.3.1 Financial liabilities (IFRS 16)

Following the introduction of IFRS 16, lease assets and liabilities will be recognised in the GAAP balance sheet. Lease liabilities are valued at amortised cost and discounted at the incremental borrowing rate.

For Solvency II reporting, the fair value of the lease asset and liability assumes that the asset and liability would be transferred together. The lease liability will be valued by discounting actual rent at the relevant property yield. In circumstances where market rent is being paid, the value of the asset and the liability will be equal.

D.3.2 Insurance and intermediaries payables

Under GAAP, payables are valued at undiscounted amortised cost less any adjustment for impairment losses.

As required in the Solvency II guidance, the portion of insurance and intermediary payables, recognised as a liability on the GAAP balance sheet, that are not yet due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet.

Past due payables remain within 'insurance and intermediaries payables' in the Solvency II balance sheet. Given that these payables are materially due within 12 months, the GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

D.3.3 Reinsurance payables

Under Irish GAAP, reinsurance payables are valued at undiscounted amortised cost less any adjustment for impairment losses.

As required in the Solvency II guidance, the portion of reinsurance payables, recognised as a liability on the Irish GAAP balance sheet, that are not yet due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet.

Past due payables remain within 'reinsurance payables' in the Solvency II balance sheet. Given that these payables are materially due within 12 months, the Irish GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

D.3.4 Payables (trade, not insurance)

The GAAP trade payables are carried at amortised cost using the effective interest method. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value, minor differences have been retained due to adjustments applied in the financial statements not taken through the Solvency II balance sheet due to materiality. All material trade payables are due within 12 months.

D.3.5 Any other liabilities, not elsewhere shown

Any other liabilities are made up of the following items:

	2021	2020
Solvency II balance sheet	€m	€m
Accruals	4.3	2.0
Amounts owed to the Group's undertakings	5.6	6.5
Other payables	1.4	1.8
Total	11.3	10.3

Other liabilities are held at amortised cost under GAAP. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value. Therefore no material adjustments are required for Solvency II purposes, minor differences have been retained due to adjustments applied in the financial statements not taken through the Solvency II balance sheet due to materiality. All material liabilities included in this balance are due within 12 months.

D.4 Alternative methods for valuation

Alternative methods for valuation are used for certain items of Investments (D.1.2).

D.5 Any other information

The Company has no material off balance sheet liabilities.

There is no other material information to be disclosed.

E. Capital Management (Audited)

E.1 Own Funds

E.1.1 Summary of Own Funds

The Company's Own Funds represent net assets valued on a Solvency II basis, together with eligible subordinated liabilities and capital tiering restrictions.

Own Funds	Section	2021 €m	2020 €m
Assets	D.1	94.2	92.4
Liabilities	D.2/D.3	(52.7)	(55.6)
Net assets		41.5	36.8
Available Own Funds	E.1.2	41.5	36.8
Capital tiering restriction	E.1.2	-	-
Eligible Own Funds	E.1.2	41.5	36.8

Information on the valuation of assets and liabilities is provided in section D: Valuation for solvency purposes.

E.1.2 Capital structure

Capital structure		2021 €m	2020 €m
Share capital		39.6	39.6
Reconciliation reserve		1.9	(2.8)
	E.1.2.1	41.5	36.8
Available Own Funds		41.5	36.8
Capital tiering restriction		-	-
Eligible Own Funds		41.5	36.8

Solvency II distinguishes between Basic Own Funds and Ancillary Own Funds. The Company's Eligible Own Funds are all Basic Own Funds. The Reconciliation reserve principally consists of accumulated GAAP profits and Solvency II valuation adjustments.

E.1.2.1 Available own funds

Available own funds represents the excess assets over liabilities of €41.5m (2020: €36.8m) as set out in Section D. The capital consists of share capital of €39.6m (2020: €39.6m) and a reconciliation reserve of €1.9m (2020: (€2.8m)).

Own Funds by tier

Eligible Own Funds to meet the SCR of €41.5m as at 31 December 2021 comprise almost entirely (€41.5m) unrestricted Tier 1. Eligible Own Funds to meet the MCR as at 31 December 2021 are an equivalent amount. Deferred tax assets are classed as Tier 3 capital and were €nil as at 31 December 2021 (2020: €28k).

E.1.3 Comparison with GAAP equity

The following table provides an explanation of the differences between GAAP equity and the Solvency II excess of assets over liabilities, the details of which are included in section D:

	Section	2021 €m	2020 €m
Irish GAAP equity attributable to shareholders		41.8	38.8
Valuation differences:			
Assets	D.1	(14.7)	(17.1)
Liabilities	D.3	4.2	6.6
Technical provisions	D.2	10.3	8.5
Solvency II excess of assets over liabilities		41.5	36.8

E.1.4 Change in Own Funds

The movement in Own Funds during the financial year is analysed below:

	2021 €m	2020 €m
Eligible Own Funds		
At beginning of year	36.8	36.0
Capital injection on incorporation	-	-
Profit for the year as reported in the Company's financial statements	3.0	6.0
Change in the fair value of technical provisions	1.9	(1.5)
Movements in other Solvency II valuation adjustments	(0.2)	(3.7)
At end of year	41.5	36.8

E.1.5 Capital management policy and processes

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 of its customers, investors, regulators and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development. The Company maintains a prudent buffer over the SCR.

The Company manages its capital resources in line with the Company's Capital Management Policy, which is reviewed on an annual basis. The Company's capital position is kept under constant review and is reported regularly to the Board.

The Company is subject to the requirements of the Solvency II Directive and must hold sufficient capital to cover its SCR. In addition, the Company maintains a buffer in excess of this capital requirement, specified 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 regulations.

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 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 CBI at least annually.

Other than disclosed above there have been no changes to what is managed as capital or to the Company's capital management objectives, policies or procedures during the year.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the breakdown of the Company's SCR by the standard formula risk modules:

SCR by risk module	2021	2020
	€m	€m
Market risk	2.4	5.1
Health Underwriting risk	14.4	14.7
Non-Life Underwriting risk	3.4	3.1
Credit risk	3.3	2.6
Basic SCR before diversification	23.4	25.6
Diversification	(6.3)	(7.2)
Basic SCR after diversification	17.2	18.4
Operational risk	2.9	5.2
Total SCR diversified	20.1	23.6

The Company's SCR has been calculated using the standard formula specified in the Solvency II legislation.

The Company does not use simplification calculations, as allowed for under the Solvency II Directive, in determining the standard formula SCR.

Since 31 December 2020 the Company's SCR has decreased by €3.5m to €20.1m (2020: €23.6m). This is predominately driven by the reinvestment of deposits and cash into EU Treasury bonds which has reduced spread risk and concentration risk. Operational risk capital has also reduced as 24 month premium volume has reached a more steady-state.

The Company's MCR is determined as the higher of the absolute minimum floor (€3.7m) and the combined Minimum Capital Requirement (€7.0m). The combined MCR is calculated as the lower of the linear MCR (assessed as a proportion of the best estimate liabilities and written premiums net of reinsurance) and 45% of SCR.

At 31 December 2021, the MCR is calculated as the linear MCR.

	2021	2020
	€m	€m
MCR	7.0	7.6

The decrease in the MCR during the year is driven by the decreasing volumes of business written by the Company and lower best estimate liabilities.

The MCR coverage ratio at 31 December 2021 was 589% (2020: 482%), with Eligible Own Funds to meet the MCR of €41.5m (2020: €36.8m).

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

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

E.4 Differences between the standard formula and any internal model used

This section is not applicable to the Company. The SCR has been calculated using the standard formula specified in the Solvency II legislation.

E.5 Non-compliance with the Minimum Capital Requirement and Solvency Capital Requirement

The Company has maintained sufficient capital to exceed both the SCR and the MCR throughout the reporting period.

E.6 Any other information

Significant events post year-end

We note the deeply worrying conflict in Ukraine, across Bupa we are doing everything we can to offer support to people in need. While the Company does not have significant businesses in either Ukraine or Russia, the global macro-economic risks and human consequences of the conflict are uncertain and we will continue to monitor any potential impacts on the Company's business and on the global economic growth and inflation forecasts.

Glossary

Definitions

The Company	Bupa Global DAC
Bupa / the Group	The British United Provident Association Limited and subsidiaries
Solvency II Directive	Directive 2009/138/EC of the European Parliament and of the Council

Abbreviations

BDS	Bupa Denmark Services A/S
BGDAC	Bupa Global DAC
BINS	Bupa Insurance Limited
BISL	Bupa Insurance Services Limited
BRC	Board Risk Committee
CBI	Central Bank of Ireland
CEO	Chief Executive Officer
CRO	Chief Risk Officer
ECA	Economic Capital Assessment
ERC	Executive Risk Committee
ICRMA	Internal Control and Risk Management Assessment
IIA	Institute of Internal Auditors
IPMI	International Private Medical Insurance
IFRS	International Financial Reporting Standards
MCR	Minimum Capital Requirement
INED	Independent Non-Executive Director
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
QRT	Quantitative Reporting Template
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SME	Small and Medium Enterprise

Annex – Reporting Templates

The following QRTs are included within this Annex:

S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on standard formula
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

Values disclosed within the QRTs are stated in €000's

Bupa Global DAC

Solvency and Financial Condition Report

Disclosures

31 December

2021

(Monetary amounts in EUR thousands)

General information

Undertaking name	Bupa Global DAC
Undertaking identification code	549300607206UJMFL807
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	IE
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	EUR
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	2,416
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	39,764
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	39,764
R0140	<i>Government Bonds</i>	39,764
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	-5
R0280	<i>Non-life and health similar to non-life</i>	-5
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	-5
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	5,449
R0370	Reinsurance receivables	26
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	46,446
R0420	Any other assets, not elsewhere shown	85
R0500	Total assets	94,182

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	34,825
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,711
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	3,581
R0550	<i>Risk margin</i>	130
R0560	<i>Technical provisions - health (similar to non-life)</i>	31,114
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	29,962
R0590	<i>Risk margin</i>	1,152
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	3,040
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	8
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	2,358
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	4,246
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	8,231
R0900	Total liabilities	52,708
R1000	Excess of assets over liabilities	41,473

S.17.01.02

Non-Life Technical Provisions

	Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010 Technical provisions calculated as a whole	0										0						0
R0050 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
R0060 Gross	20,288										926						21,214
R0140 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-10										0						-10
R0150 Net Best Estimate of Premium Provisions	20,298										926						21,224
Claims provisions																	
R0160 Gross	9,674										2,655						12,329
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	5										0						5
R0250 Net Best Estimate of Claims Provisions	9,669										2,655						12,324
R0260 Total best estimate - gross	29,962										3,581						33,543
R0270 Total best estimate - net	29,967										3,581						33,547
R0280 Risk margin	1,152										130						1,282
Amount of the transitional on Technical Provisions																	
R0290 Technical Provisions calculated as a whole																	0
R0300 Best estimate																	0
R0310 Risk margin																	0
R0320 Technical provisions - total	31,114										3,711						34,825
R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-5										0						-5
R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	31,119										3,711						34,830

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior										0	0	0	
R0160	2012	0	0	0	0	0	0	0	0	0	0	0	0	
R0170	2013	0	0	0	0	0	0	0	0	0		0	0	
R0180	2014	0	0	0	0	0	0	0				0	0	
R0190	2015	0	0	0	0	0	0					0	0	
R0200	2016	0	0	0	0	0						0	0	
R0210	2017	0	0	0	0							0	0	
R0220	2018	0	0	0	0							0	0	
R0230	2019	8,080	5,216	220								220	13,517	
R0240	2020	38,489	9,058									9,058	47,547	
R0250	2021	40,656										40,656	40,656	
R0260												Total	49,935	101,720

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior										0	0	0
R0160	2012	0	0	0	0	0	0	0	0	0	0	0	0
R0170	2013	0	0	0	0	0	0	0	0	0		0	0
R0180	2014	0	0	0	0	0	0	0				0	0
R0190	2015	0	0	0	0	0	0					0	0
R0200	2016	0	0	0	0	0						0	0
R0210	2017	0	0	0	0							0	0
R0220	2018	0	0	0	0							0	0
R0230	2019	6,155	294	1								1	1
R0240	2020	12,398	338									338	338
R0250	2021	11,990										11,990	11,990
R0260												Total	12,329

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	2,384		
R0020 Counterparty default risk	3,252		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	14,409		
R0050 Non-life underwriting risk	3,385		
R0060 Diversification	-6,258		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	17,172		
	C0100		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	2,935		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	20,107		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	20,107		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
	LAC DT		
	C0130		
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

For life underwriting risk:
 1 - Increase in the amount of annuity benefits
 9 - None

For health underwriting risk:
 1 - Increase in the amount of annuity benefits
 2 - Standard deviation for NSLT health premium risk
 3 - Standard deviation for NSLT health gross premium risk
 4 - Adjustment factor for non-proportional reinsurance
 5 - Standard deviation for NSLT health reserve risk
 9 - None

For non-life underwriting risk:
 4 - Adjustment factor for non-proportional reinsurance
 6 - Standard deviation for non-life premium risk
 7 - Standard deviation for non-life gross premium risk
 8 - Standard deviation for non-life reserve risk
 9 - None

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

7,037

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

29,967	82,687
0	
0	
0	
0	
0	
0	
0	
0	
0	
3,581	12,660
0	
0	
0	
0	
0	

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 **Minimum Capital Requirement**

C0070

7,037
20,107
9,048
5,027
7,037
3,700
7,037