2021

Bupa Insurance Limited

Solvency and Financial Condition Report

Contents

Summary....3
A. Business and Performance....6
A.1 Business....6
A.2 Underwriting Performance....9
A.3 Investment Performance....11
A.4 Performance of other activities....12
A.5 Any other information....12
B. System of Governance....13
B.1 General information on the system of governance....13
B.2 Fit and proper requirements....16
B.3 Risk management system including the own risk and solvency assessment....17
B.4 Internal control system....20
B.5 Internal audit function....20
B.6 Actuarial function....21
B.7 Outsourcing....22
B.8 Any other information....23
C. Risk Profile....24
General information....24
C.1 Underwriting risk....24
C.2 Market risk....27
C.3 Credit risk....28
C.4 Liquidity risk....29
C.5 Operational risk....29
C.6 Other material risks....30
C.7 Any other information....32
D. Valuation for Solvency Purposes....34
D.1 Assets....35
D.2 Technical provisions....37
D.3 Other liabilities....41
D.4 Alternative methods for valuation....42
D.5 Any other information....42
E. Capital Management....43
E.1 Own Funds....43
E.2 Solvency Capital Requirement and Minimum Capital Requirement....45
E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement....46
E.4 Differences between the standard formula and any internal model used....46
E.5 Non-compliance with the Minimum Capital Requirement and Solvency Capital Requirement....46
E.6 Any other information....46
Directors' Responsibility Statement....47
Audit opinion....48
Annex – Reporting Templates....52

Summary
(Unaudited)

INTRODUCTION

The purpose of the Solvency and Financial Condition Report (“SFCR”) is to provide information about the capital position as at 31 December 2021 of Bupa Insurance Limited (“the Company”) based on Solvency II requirements.

The report includes information regarding the business and performance, system of governance, risk profile, valuation methods used for solvency purposes and capital management practices.

BUSINESS AND PERFORMANCE SUMMARY

The Company is the UK’s largest health insurer and a leading provider of international health insurance providing medical cover to over 2.5 million customers worldwide. The Company is a wholly owned subsidiary of Bupa Finance Plc and is part of the Bupa Group (“Bupa” or “the Group”), an international healthcare group. We are driven by Bupa’s purpose, helping people live longer, healthier, happier lives and making a better world. It defines everything we do for our customers, inspiring and motivating us to improve our performance.

The Company provides personal, corporate and small to medium enterprise health insurance, as well as inward reinsurance and a small number of ancillary health insurance products. The two main health insurance segments are private medical insurance (“PMI”) predominantly in the UK market and international private medical insurance (“IPMI”) provided for individual consumers and employees requiring cover beyond their usual country of residence. Under the Solvency II definition of insurance lines of business these are reported under Medical Expense.

The threat of COVID-19 to economies and health systems remains with the emergence of new variants, most recently Omicron, and varying levels of vaccination across the globe. The world is slowly learning to live with COVID-19 and in the UK, our key market, the vaccine roll out has been considered a success with limited measures in place to help control the virus. We are focusing on growth, transformation and sustainability ensuring that we are continuing to adapt and innovate by investing in and developing products and services to support growth as well as initiatives to improve efficiency and provide value for our customers.

Profit before tax decreased by £65m to £100m (2020: £165m) due to the impact of COVID-19 disrupting claims in 2020, higher claims inflation experienced in our international business in 2021, partially offset by a gain on transfer of Civil Services Healthcare Society Limited’s (“CS Healthcare”) customers of £15m in 2021.

Section A sets out further details about the Company’s business structure, key operations, financial performance and the underwriting performance by geographical area over the reporting period.

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.

Both the business performance and operations are subject to a number of risks and uncertainties. Performance and risk is monitored by the Board and senior management using operational, financial and other data. The Company 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 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 Directors are responsible for identifying, evaluating and managing risks faced by the Company and consider the acceptable level of risk, the likelihood of these risks materialising, how to reduce the risk and the cost of operating particular controls relative to the benefit from managing the related risks.

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

The Directors consider 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, inflation risk, government and policy change, regulatory risk, post-Brexit environment and climate change.

The Company's Solvency Capital Requirement ("SCR") is calculated in accordance with the standard formula specified in the Solvency II legislation. The Company has obtained approval from the Prudential Regulation Authority ("PRA") to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter ("USP") which reflects the Company's own loss experience. A data adjustment was applied in the calculation of 2020 loss experience in light of the exceptional volatility in claims experienced as a result of COVID-19. The adjustment methodology has been approved by the PRA. 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	**55%**	49%
Market risk	**21%**	25%
Operational risk	**22%**	23%
Counterparty default risk	**2%**	3%
	100%	100%

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. Section E.2 provides a further breakdown of the SCR by risk type compared to the prior year.

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 UK GAAP financial statements prepared under UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. The valuation differences are summarised as follows:

Valuation differences	**2021** **£m**	2020 £m
Technical provisions	**85**	42
Deferred tax liabilities	**(16)**	(8)
Other	**(2)**	-
Total valuation differences	**67**	34

Section D includes information on the valuation basis adopted for each class of assets and liabilities, and provides an explanation of valuation differences arising when moving from the valuation basis used in the Company's UK GAAP 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 Group's Capital Management Policy and the Company's risk appetite. At 31 December 2021, the Company's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £498m (2020: £512m) which was in excess of the estimated SCR of £284m (2020: £240m). This represented a solvency coverage ratio of 175% (2020: 213%). The decrease in the solvency coverage ratio is primarily attributable to a dividend distribution of £130m in 2021. The Company holds sufficient capital to cover its SCR and maintains a buffer in excess of this capital requirement, specified in line with the capital risk appetite set by the Board. Refer to Section E for further details on the Capital Management Policy.

Eligible Own Funds to cover the Solvency Capital Requirement	**2021** **£m**	2020 £m
Unrestricted Tier 1	**498**	512
Eligible Own Funds	**498**	512
SCR	**(284)**	(240)
Surplus	**214**	272
Solvency ratio	**175%**	213%

The Company's Minimum Capital Requirement ("MCR") at 31 December 2021 was £128m (2020: £108m). The MCR coverage ratio at 31 December 2021 was 390% (2020: 474%), with eligible Own Funds to meet the MCR of £498m (2020: £512m) all comprised of Tier 1 Unrestricted Eligible Own Funds. The Company has maintained sufficient capital to exceed both the SCR and the MCR throughout the reporting period.

Section E of this report further describes the policies and processes employed by the Company for managing its Own Funds. The section also covers information on the structure of Own Funds and the calculation of SCR and MCR.

OTHER INFORMATION

In line with PRA 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 is the UK's largest health insurer and a leading provider of international health insurance providing medical cover to over 2.5 million customers worldwide.

The ultimate parent undertaking of the Company is The British United Provident Association Limited ("Bupa"), 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 SAR, Turkey, Mexico, the US, Brazil, the Middle East and Ireland. Bupa also has associate businesses in Saudi Arabia and India. Bupa has over 38 million customers and employs around 84,000 people globally. Bupa was established in 1947 when 17 British provident associates and other UK funding organisations such as hospital contributory schemes came together. Their aim was to enable people to fund high-quality healthcare. Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

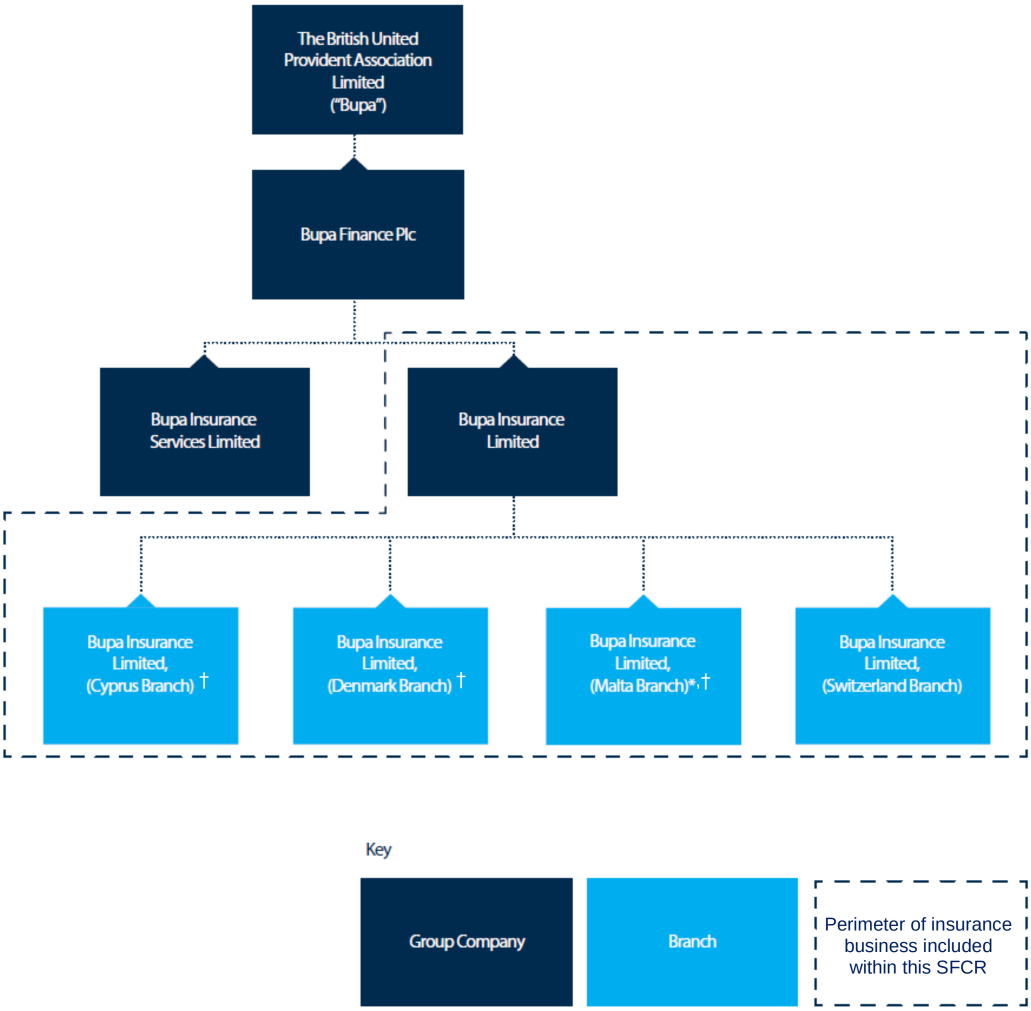
We are driven by Bupa's purpose, helping people live longer, healthier, happier lives and making a better world. It defines everything we do for our customers, inspiring and motivating us to improve our performance. The Company provides personal, corporate and small to medium enterprise health insurance,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

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

Our principal operations take place in the UK, with a branch sited in Switzerland and branches closed to new business in Denmark and Cyprus and Malta. The Denmark, Cyprus and Malta branches are expected to be formally removed in 2022. Operational services, including the provision of mediation and administrative services are provided by Bupa Insurance Services Limited and some smaller group companies located in Egypt and Hong Kong SAR.

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.



*This regulatory branch was established on a freedom of establishment basis through an agency relationship.
† The Denmark, Cyprus and Malta branches are expected to be formally removed in 2022.

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. The three Market Units are comprised of a number of Business Units and are supported by Group functions.

The Company's UK PMI business line operates through the Bupa UK Insurance Business Unit. The Company's IPMI business line operates through the Bupa Global Business Unit and Bupa Global Latin America Business Unit ("ELA-BINS"). UK Insurance and Bupa Global are included in the Bupa Global and UK Market Unit, ELA-BINS is included in the Europe and Latin America Market Unit. ELA-BINS directly underwrites business which is ceded to Bupa Insurance Company and reinsures business from fellow Group companies.

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 variant led 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. The independent hospital sector was still available to our customers, and we were well placed to continue meeting their needs through the investment we made to expand and enhance our digital health services during 2020 which we have built on further in 2021.

To support customers we have continued to expand our digital offer with almost 400,000 customers registered on BupaTouch, giving them online access to details on their cover and benefits and easy access to care. Over 70% of our business clients have also signed up to Bupa Connect, our online platform for intermediaries and business customers. We are providing over 8,000 digital GP appointments each week for our customers.

Despite the UK government announcing a new lockdown in January 2021, with a gradual easing of restrictions concluding in July, the independent hospital sector was available to our customers without significant restrictions during 2021. This is in contrast to the first UK lockdown in 2020 when some treatments in independent hospitals were delayed as they supported the NHS. We encouraged our customers to seek the healthcare they needed, however, we continued to see a lower than normal level of claims in the UK despite higher claims for some conditions. We expect delayed treatments will give rise to future claims rebound that will increase claims in 2022 and 2023.

In March 2021 we announced that we were delivering on our pledge to UK PMI customers to pass back any exceptional financial benefit ultimately arising as a result of COVID-19 by making rebate payments to eligible customers totalling £125m, approximately equivalent to one month's premium for most customers. The £125m payment to customers comprised £110m of rebate payments under our pledge and £15m related to COVID-19 impacts within contractual payments under risk and profit share arrangements. We continue to hold a return of premium provision of £71m which reflects the lower claims experienced in 2020 and 2021 compared to expected levels.

We have continued to support our people through the impacts of COVID-19 and have moved to a hybrid working model to provide them with more flexibility and allow them to work in the way and location that works best for them and us.

New strategy

Following the implementation of a new strategy by Bupa, the Board reviewed and updated its strategy to further enhance its focus on customers, growth, transformation and sustainability. Climate change is one of the major risks we face as a society and the new strategy reflects our deep commitment to Environmental, Social and Governance issues and sustainability.

All of these areas are to be supported by the digitalisation of the customer journey, an increased use of data to develop products that meet customers' needs and a move to a more agile culture to drive the transformation of the business and also fulfil Bupa's purpose to help people live longer, healthier, happier lives and making a better world.

Dividends

The Board considered the necessary investment in business operations along with the financial strength of the Company, such as liquidity, solvency and capital, including under stressed conditions, before approving the payment of dividends. In 2021 the directors declared two interim dividends totalling £130m (2020: £nil), which were paid to the sole shareholder.

Acquisition of Civil Service Healthcare Society Limited ("CS Healthcare")

We completed the transfer of CS Healthcare's 17,300 customers on 1 January 2021, offering reassurance over the sustainability of their health insurance, enhanced policy benefits and greater access to health and wellbeing benefits to support their physical and mental health. The transaction resulted in a gain on transfer of £15m which is recorded in other income with the portfolio contributing positively to profit. The net impact on Solvency II net assets was an increase of £15m.

Director changes in the year

Sheldon Kenton was appointed as an executive director on 27 January 2021 and resigned on 1 October 2021.

External Auditors Appointment

Following approval by Bupa Ltd's Association Members at the 2021 Annual General Meeting, PwC was appointed as the Company's auditors with effect from the audit for the financial year ended 31 December 2021, by way of an ordinary shareholder's written resolution passed by the Company's sole shareholder on 7 July 2021.

Significant events post year-end

We note the deeply worrying conflict in Ukraine. Across Bupa, we're 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 UK economic growth and inflation forecasts. We have decided that in addition to complying with applicable sanctions we will end any existing relationships with businesses in Russia, or Russian-controlled entities globally, as soon as possible, and we will not renew existing contracts with these businesses.

A.1.5 Company information

The Company is incorporated in England and Wales under the company registration number 3956433. The Company is a wholly owned subsidiary of Bupa Finance Plc, a company incorporated in England and Wales. The ultimate parent undertaking of the Company is The British United Provident Association Limited, a company incorporated in England and Wales.

Bupa does not have shareholders. Governance over Bupa is exercised by Association Members who exercise oversight normally provided by shareholders and vote at an Annual General Meeting on Director reappointments and adoption of the UK GAAP financial statements. These Association Members have no equity holding in Bupa and consequently no right to dividends. No individual has 10% or more voting rights or any other mechanism of control of Bupa.

The Company supervisor is the Prudential Regulatory Authority ("PRA"), Bank of England, 20 Moorgate, London, EC2R 6DA. The Company's supervisor is also the supervisor for the Group.

The Company's external auditor is PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT. PricewaterhouseCoopers LLP was appointed as the Company's auditor with effect from the audit for the financial year ended 31 December 2021. A resolution to re-appoint PricewaterhouseCoopers LLP as External Auditor will be put to the forthcoming AGM of the Company.

The Annual Report and Accounts and Solvency and Financial Condition Report ("SFCR"), for both the Company and Bupa Group, are available on: https://www.bupa.com/financials

A.2 Underwriting Performance

A.2.1 Overview

Presented below is the Company's underwriting performance as reported in its UK GAAP financial statements.

Underwriting performance	**2021 £m**	2020 £m
Premiums:		
Gross premiums written	**2,383**	2,158
Outward reinsurance premiums	**(105)**	(107)
Premiums written, net of reinsurance	**2,278**	2,051
Change in the net provision for unearned premiums	**(70)**	29
Net insurance premiums earned	**2,208**	2,080
Other technical income, net of reinsurance	**12**	8
Total Revenue	**2,220**	2,088
Claims:		
Gross claims paid	**(1,635)**	(1,401)

Reinsurers' share of claims paid	**78**	61
Change in the net provision for claims	**(9)**	3
Net claims incurred	**(1,566)**	(1,337)
Net operating expenses	**(576)**	(586)
Total claims and expenses	**(2,142)**	(1,923)
Other income	**15**	-
Profit before taxation, financial income and expense	**93**	165
Combined operating ratio	**97%**	92%

The Company's Profit before taxation, financial income and expense decreased to £93m (2020: £165m). The decrease is driven by the impact of COVID-19 disrupting claims in 2020, higher claims inflation experienced in our international business in 2021, partially offset by a gain on transfer of CS Healthcare's customers of £15m in 2021.

Earned premiums increased by £128m, of which £72m is due to the significant proportion of the return of premium for UK PMI customers being provided for in 2020. The remaining increase in earned premiums is due to the growth in the UK including the impact of the portfolio transfer of CS Healthcare.

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. The Assistance line of business is immaterial, and it is reported as part of Medical Expense line of business in 2021.

2021	**2021 £m**	2020 £m
Net insurance premiums earned	**2,208**	2,080
Net insurance claims incurred	**(1,482)**	(1,253)
Expenses	**(655)**	(664)
Underwriting profit	**71**	163

Claims handling costs of £84m (2020: £84m) are included within expenses on the QRT, in compliance with Solvency II reporting requirements, but are included within claims in the UK GAAP financial statements.

The Solvency II underwriting profit of £71m differs from the UK GAAP profit before taxation, financial income and expense of £93m owing to the inclusion of the gain on net assets acquired from CS Healthcare (£15m) and other differences (£7m) in the classification of technical revenues and expenses.

Expenses

A summary of expenses is provided below:

Operating expenses	**2021 £m**	2020 £m
Net operating expenses per UK GAAP financial statements	**(576)**	(586)
Claims handling costs	**(84)**	(84)
Classification differences between Solvency II and UK GAAP	**5**	6
Underwriting expenses	**(655)**	(664)

The following information is presented in accordance with the QRT S.05.02.01 'Premiums, claims and expenses by country'. 'Others' underwriting profit includes all other geographic locations not disclosed within the QRT S.05.02.01.

A.2.3 Underwriting performance by geographical area

2021	**UK £m**	**United Arab Emirates £m**	**Hong Kong SAR £m**	**Singapore £m**	**Kenya £m**	**Others £m**	**Total £m**
Net premium earned	**1,654**	**135**	**48**	**35**	**31**	**305**	**2,208**
Net claims incurred	**(1,127)**	**(119)**	**(35)**	**(26)**	**(14)**	**(161)**	**(1,482)**
Expenses	**(421)**	**(26)**	**(10)**	**(8)**	**(19)**	**(170)**	**(655)**
Underwriting profit/(loss)	**106**	**(10)**	**3**	**1**	**(2)**	**(26)**	**71**

2020	UK £m	United Arab Emirates £m	Hong Kong SAR £m	Singapore £m	Kenya £m	Others £m	Total £m
Net premium earned	1,493	143	63	38	26	317	2,080
Net claims incurred	(922)	(105)	(37)	(24)	(12)	(153)	(1,253)
Expenses	(427)	(22)	(11)	(9)	(17)	(178)	(664)
Underwriting profit/(loss)	144	16	15	5	(3)	(14)	163

UK and top five countries are presented based on net premiums earned, consistent with S.05.02 Premiums, claims and expenses by country.

A.3 Investment Performance

A.3.1 Investment income

The Company's investments are primarily held in corporate bonds, cash and cash equivalents, deposits other than cash equivalents and collective investment undertakings. Hedging instruments are used to manage the foreign exchange risks from non-sterling investments.

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

Investment income	**2021 £m**	2020 £m
Rental income from Group undertakings	**4**	4
Income from investments	**7**	4
Realised foreign exchange gains	**7**	-
Investment income as reported in the Company's profit and loss account	**18**	8
Unrealised gains on investments (including foreign exchange)	**24**	39
Unrealised losses on investments (including foreign exchange)	**(29)**	(23)
Total investment income	**13**	24

Investment income by Solvency II asset class is presented in the table below.

Investment income by asset class	**2021 £m**	2020 £m
Government bonds	**-**	(3)
Corporate bonds	**-**	11
Collective investment undertakings	**(1)**	2
Cash and deposits	**2**	2
Mortgages and loans	**2**	5
Property	**4**	-
Hedging instruments	**4**	(1)
Total investment income	**11**	16

The variance in investment income between the UK GAAP financial statements and Solvency II investment income by asset class is mainly due to hedging costs included in Solvency II but not in the UK GAAP financial statements income.

A.3.2 Investment expenses

Investment expenses in the year amounted to £1m (2020: £1m), covering investment management fees payable to Bupa Group undertakings.

A.3.3 Recognised gains/losses

For the year ended 31 December 2021, there were investment and foreign exchange gains which amounted to £7m during the year (2020: loss of £5m).

A.4 Performance of other activities

Financial expense

Interest on borrowings in the year amounted to £5m (2020: £18m), comprising other interest payable of £4m (2020: £2m) and investment management fees of £1m (2020: £1m). The 2020 financial expense included £15m payable to Bupa Finance Plc in respect of the subordinated liabilities which were redeemed in September 2020.

Leasing arrangements

Information on leasing arrangements is included at Section D.1.2 Investments.

A.5 Any other information

There is no other material information to be disclosed.

B. System of Governance (Unaudited)

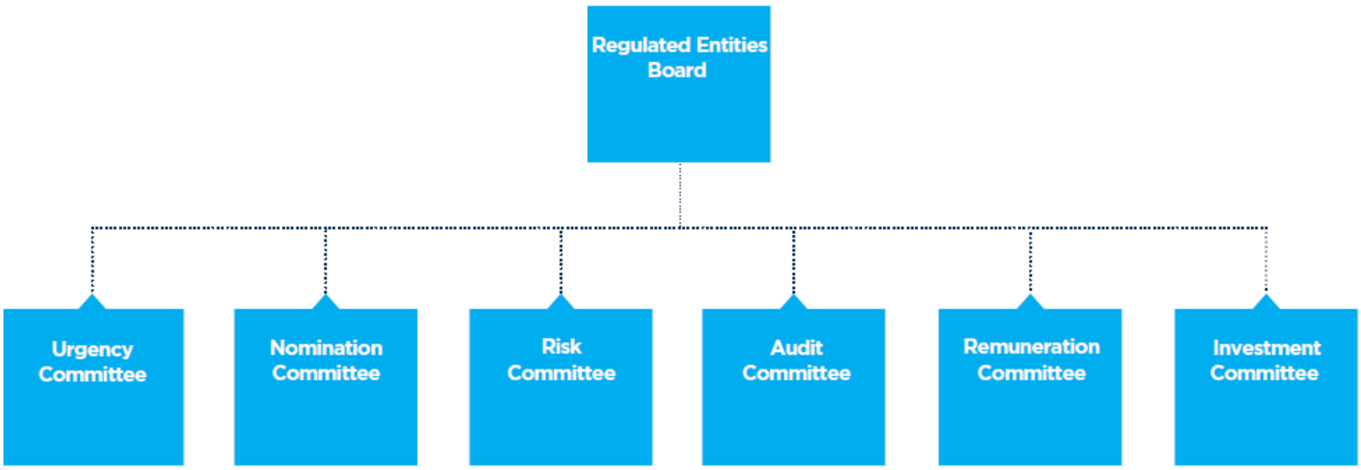
B.1 General information on the system of governance

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 Regulated Entities Board ("the Board"). As well as the Company, the Board has oversight over Bupa Insurance Services Limited, a fellow group company regulated by the Financial Conduct Authority ("FCA") which provides operational services such as insurance distribution and administrative services. Bupa Insurance Services Limited is not an insurance company and it is not regulated by the PRA. The Company and Bupa Insurance Services Limited are collectively referred to as the "Regulated Entities".

The Board Committee structure is as follows:



Urgency Committee

The principal role of the Urgency Committee is to act on behalf of the Board between its regular meetings except with respect to those matters reserved to the Board.

Nomination Committee

The principal role of the Nomination Committee is: (i) to give consideration to succession planning for Independent Non-Executive Directors (ii) nominate Independent Non-Executive Directors for appointment to the Board and (iii) to consider on an annual basis the membership of the Board and its Committees.

Risk Committee

The principal role of the Risk Committee is to assist the Board in articulating and developing its risk management strategy and oversight of risk and compliance controls across the Regulated Entities. This includes overseeing the current and future risk exposures and risk strategy, risk assessment and reporting including reviewing and recommending the Own Risk and Solvency Assessment ("ORSA") report to the Board, development and monitoring the effectiveness of the risk management framework including risk appetite, risk policies, key processes and internal controls, and the promotion of a risk awareness culture throughout the Regulated Entities.

Audit Committee
The principal role of the Audit Committee is to monitor the integrity of the UK GAAP financial statements and the effectiveness of the systems of internal controls, and to monitor the effectiveness, performance, independence and objectivity of the internal and external auditors. The Committee also reviews regulatory reporting and external disclosure requirements including the SFCR and annual QRTs.

Remuneration Committee
The principal role of the Remuneration Committee, in consultation with the Bupa Remuneration Committee ("Bupa RemCo"), is to consider remuneration matters, including payments relating to the Management Bonus Scheme and Group Performance Plan (or alternative Long Term Incentive Plan) for Designated Individuals which includes the BINS/BISL Executive Team and the UK Insurance and Bupa Global Executive Teams. Designated Individuals who are in functional roles on Market Unit Executive Teams that have broader responsibilities than the Regulated Entities will be governed by the Bupa RemCo.

Investment Committee
The principal role of the Committee is to set, monitor and report on the investment policy within the parameters set by the Board. The Committee manages the investment strategy in line with the Solvency II Prudent Person Principle.

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, and all of its Committees is performed annually, and the Subsidiary Governance Policy requires that, an external evaluation should be carried out once every three years.

B.1.2 Board responsibilities

The role of the Board
The Board comprises the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Managing Director of Bupa Global, the Chair (who was independent on appointment) and four independent non-executive directors which includes the Senior Independent Director and a serving Bupa Board non-executive director.

The Board is responsible for the long-term sustainable success of the Company for the benefit of its customers and wider stakeholders, now and in the future.

The Board works to achieve this by:

- providing clear leadership in setting the Company's strategy, culture and risk appetite to achieve its purpose;
- overseeing management's implementation of strategy within a prudent and effective governance structure using a three lines of defence model;
- receiving regular management information on customers and their views of the Company and our products; and
- reviewing the results of employee surveys.

The role of the Chair
The Chair leads the Board in an open and transparent manner, encouraging debate and challenge. The Chair plays a pivotal role in fostering the effectiveness of the Board and the individual directors both in and outside the Boardroom. The Chair works with the Company Secretary to ensure that sufficient time is available to discuss the agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.

The role of the Non-Executive Directors
The role of the non-executive directors ("NEDs") is to participate fully in the functioning of the Board; advising, supporting and constructively challenging management, in addition to being trusted intermediaries to the immediate and ultimate shareholders.

Key aspects of the NED role include:

- providing an independent view to assist the Chair;
- bringing independent judgement and scrutiny to issues relating to strategy, performance, resources, key appointments, standards of conduct and progress towards the achievement of objectives; and
- taking reasonable steps to ensure the fulfilment of their regulatory responsibilities and ensuring that their role complies with the relevant requirements and standards of the regulatory system.

The role of Senior Independent Director
The role of the Senior Independent Director includes the following key elements:

- acting as a sounding board for the Chair and the CEO on Board and shareholder matters;
- being available to the ultimate shareholder if they have concerns which contact through the normal channels of Chair or Regulated Entities' CEO has failed to resolve or for which such contact is inappropriate;
- chairing meetings of the Board and General Meetings of the Company when the Chair is unavailable;
- chairing the Nomination Committee and Board when it is considering succession to the role of Chair of the Board;
- being a conduit, as required, for views by other non-executive directors on the performance of the Chair, and chair a formal annual session of the Nomination Committee and Board members (excluding the Chair) to agree the Chair's objectives and review the Chair's performance;
- conducting the Chair's annual performance appraisal; and
- considering the initial fee proposals for the Chair for the Bupa RemCo to consider and approve.

The role of the Chief Executive Officer
The CEO is responsible for the leadership and management of the Regulated Entities in line with the risk appetite and annual and long-term objectives approved by the Board. The CEO cascades its authority through a delegated authority framework, ensuring decisions are made within risk appetites and meet regulatory standards. This includes apportioning responsibilities clearly to individual senior managers and overseeing the establishment of effective risk management and control systems. This also includes recruiting, developing, retaining and appropriately reviewing the performance of the Regulated Entities' Executive Team, recommending to the Board significant operational changes and major expenditures beyond the CEOs delegated authority.

The CEO is also responsible for developing the Regulated Entities' strategy in consultation with the Board, and overseeing its implementation. This includes communicating, throughout the Regulated Entities, the strategic objectives and values of Bupa as agreed with the Board and putting plans in place to ensure that these are achieved in practice.

The roles of the Chair and CEO are separate with distinct accountabilities set out in their role profiles and Statements of Responsibility required under the Senior Managers & Certification Regime.

The Board believes the existing governance 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 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 Company's Remuneration Committee provides its view to the Bupa RemCo regarding the on-going appropriateness and relevance of the Bupa-wide remuneration policy, which the Bupa RemCo will consider when considering amendments to the remuneration policy. No Director is involved in deciding their own remuneration outcome.

The Company's Remuneration Committee governs the remuneration of key executives, and considers if results have been achieved in a way that aligns with Bupa's values and with sustainable underlying business performance. The Company's Remuneration Committee is comprised of independent NEDs and there is cross-membership between the Risk Committee and the Remuneration Committee. The Remuneration Committee has robust discussions on remuneration outcomes for the key executives, taking into account all relevant internal and external factors to ensure that any exercise of the Committee's discretion is suitable and justifiable.

In assessing incentive outcomes, the Company's Remuneration Committee and the 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 Company has two employees in the Switzerland office. All other staff are remunerated and employed through the Company's service company, Bupa Insurance Services Limited and recharged to the Company.

The Remuneration Report included in the 2021 Bupa Annual Report and Accounts from page 94 to page 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. The Directors split their time between the Company and Bupa Insurance Services Limited. Remuneration in the year for the Company's Directors was as follows:

Directors' remuneration	**2021 £'000**	2020 £'000
Emoluments	**1,430**	1,294
Company contributions to defined contribution pension schemes	**6**	16
Amounts receivable under long-term incentive schemes	**548**	552
	1,984	1,862

No Director had any material interest in any contracts with Group companies at 31 December 2021 (2020: no Director) 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 perform 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. Directors and senior managers required to perform senior management functions for regulated undertakings are required to have received prior regulatory approval from the PRA and/or FCA before commencement in their role. Individuals holding key functions are also separately notified to the PRA.

An individual's fitness to perform their role refers to their competence and capability including skills, knowledge and expertise. 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 the 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, post-Brexit environment 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 Board retains ultimate responsibility for risk management and internal controls, with detailed oversight carried out by the Audit and Risk Committees.

The Company operates the 'three lines of defence' approach to the governance of risk management which is set out within 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. In each component Business Unit of the Regulated Entities, an Executive Risk Committee scrutinises the risk profile and generates mitigating actions where necessary. This process culminates in the Company's CEO chairing an executive committee, the Executive Risk Committee, which provides Company-wide oversight.

The second line of defence comprises compliance and risk management professionals across the business. The Company's Risk & Compliance Function is led by the 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 the effectiveness of risk management.

The third line of defence is Internal Audit ("IA"). IA provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls. An Internal Audit Charter is in place setting out the function's role, authority and independence. The function operates in accordance with the Global Institute of Internal Auditors' international standards. Information on the Company's IA function is provided in Section B.5.

The Risk Committee is composed entirely of independent NEDs and oversees the execution of the Risk Management Framework. The Risk Committee receives reports from the Company's CRO and other Company executives as appropriate. The Risk Committee undertakes the oversight of risk management on behalf of the Board 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.

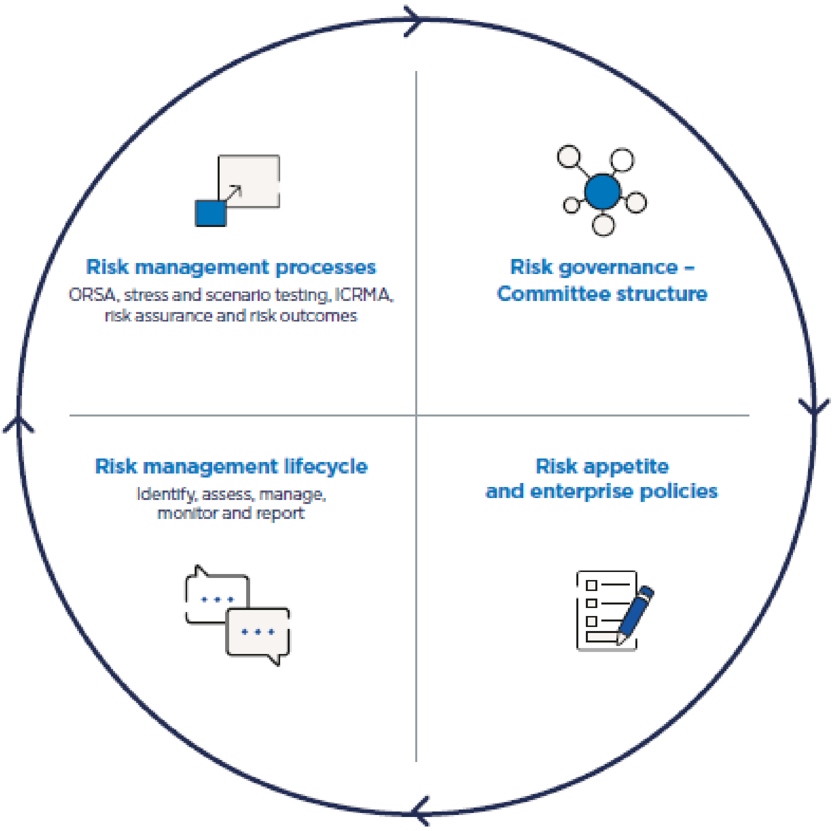
Risk Management Framework

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



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.

Risk management function
The Company's CRO leads the Risk and Compliance function and reports to the CEO and the Bupa Group CRO on a day-to-day basis. The CRO provides reports directly to the Risk Committee and the Board and has a direct right of access to the Chair of the Board and the Chair of the Risk Committee. The CRO also attends the Audit Committee by invitation.

B.3.2 Own Risk and Solvency Assessment

The Company's Own Risk and Solvency Assessment comprises the series of activities by which it assesses all the risks inherent in its business, which supports strategic decision making and determines solvency adequacy for its business. It includes the following activities:

- the projection of Own Funds and future capital requirements, as part of the three-year business plan presented to the Board for approval annually;
- the Economic Capital Assessment ("ECA"), in which the Company 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 Solvency Capital Requirement ("SCR") reflects the Company's actual risk profile. The ECA is presented to the Risk Committee for approval annually;
- the annual review of risk appetite, which is approved by the Risk Committee;
- regular Company risk profile and risk appetite reporting, as part of the CRO report to the Risk Committee; and
- SST and reverse stress testing, which include a COVID-19 scenario and a climate change related scenario, is performed monthly and reported to the Risk Committee and Board. This demonstrates the extent of the disruption to independent healthcare services, the impact of the pandemic on the Company's three-year plan and the potential financial and operational impacts of climate change.

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 and planning sessions to take account of decisions made and also to consider any further process enhancements. Proposed changes to the ORSA process are considered by the Risk Committee and 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; changes to the business which might take place over the planning horizon; its credit rating 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 CRO leads the Risk and Compliance Function and reports to the Risk Committee.

The Compliance function operates within the second line of defence and is concerned with financial services regulatory requirements and expectations, including:

- advising on customer outcome standards, e.g. the fair treatment of customers, pre-sale, point of sale and post-sale requirements, and training and competence;
- advising on high level controls, e.g. governance, skills and competency, systems and controls, fitness and propriety, conflicts of interest, regulatory relationships, record keeping, complaints management, market conduct;
- identifying external developments in Solvency and capital (UK and individual territory prudential requirements) to enable second line risk and other experts to assess and advise on; and
- advising on regulatory processes, e.g. authorisations and licensing, individual approvals, supervisory and enforcement matters, breach management.
- maintaining and developing an open, transparent relationship with the regulators including ensuring regulatory reports (PRA, FCA and overseas) are submitted on time.

B.5 Internal audit function

Internal Audit provides independent and objective assurance over the effectiveness of the Company's system of governance, risk management and internal control by establishing, undertaking and reporting on an approved assurance plan each year, as well as any other projects that may be delegated by the Audit Committee to Internal Audit from time to time. This helps the Company accomplish its purpose and protect its assets, reputation and sustainability, and ensure that risks to its customers and businesses are managed appropriately, in line with the risk appetite set by the Board.

To maintain the function's independence and objectivity, the primary reporting line for the Director of Internal Audit is to the Chair of the Audit Committee, who has responsibility for approving the appointment (and removal) of the Internal Audit Director. The Internal Audit Director liaises with the Regulated Entities CEO on day-to-day operations, and attends Chief Executive's Committee meetings. For administrative purposes, the Internal Audit Director reports to the Bupa Group Chief Audit Officer.

Internal Audit has no direct operational responsibility or authority over any of the business activities, risks and associated internal controls that it assesses. Internal Audit maintains policies and procedures to ensure that potential conflicts of interest of audit staff are managed appropriately to maintain Group Internal Audit ("GIA") independence. GIA is primarily staffed internally, but co-source arrangements are in place with external providers to access specialist audit capability when that is deemed necessary.

Internal Audit undertakes assurance work in accordance with an assurance plan approved by the Audit Committee. The Internal Audit Director regularly reports to the Committee on assurance work completed and key findings, management's progress in addressing findings, and on the performance of the function overall. All Internal Audit reports are available to Audit Committee members.

The Internal Audit Director regularly attends Risk Committee meetings, and other executive committee forums in order to ensure Internal Audit's work is adequately informed, supported and communicated. The Internal Audit Director also provides an annual opinion on the Regulated Entities systems of governance, risk and internal controls. The annual opinion enables the Board and its Committees to assess the systems of risk management and control in a comprehensive and consistent way, and to consider relative strengths, weaknesses and future improvement opportunities. The annual opinion also provides the basis on which the Board reports on the Regulated Entities compliance with the Code.

An Internal Audit Charter is in place setting out the function's role, authority and independence. Internal Audit operates in line with the Global Institute of Internal Auditors' international standards, the UK Chartered Institute of Internal Auditors Financial Services Code, all mandatory elements of the International Professional Practices Framework, and Internal Audit methodology. The Internal Audit Charter, which is reviewed annually, was approved by the Audit Committee in December 2021.

Internal Audit maintains a quality assurance and improvement programme which includes: continuous external quality assurance activity undertaken by a third party; internal quality control monitoring; and annual self-evaluation against the UK Internal Audit Code of Practice and Financial Services Code. Quality assurance and improvement feedback is also gathered via stakeholder and employee engagement surveys.

Internal Audit's overall performance is also measured against a balanced scorecard with target measures, approved by the Audit Committee, encompassing Internal Audit service delivery, functional development, stakeholder management and audit resource management. This is reviewed annually by the Audit Committee.

B.6 Actuarial function

The Company's actuarial function activities are conducted by qualified actuaries, under the leadership of the Chief Actuary. 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:

- coordinating and consolidating UK PMI and IPMI technical provisions (for UK GAAP and Solvency II reporting);
- setting out internal methodology related to technical provisions and the solvency capital requirement;
- assessing the appropriateness of calculations and assumptions used;
- ensuring that data quality and information technology systems meet the required standards;
- reporting to the Risk Committee and Audit Committee on the adequacy of technical provisions, the overall underwriting policy and adequacy of reinsurance arrangements;

- contributing to risk management activities by undertaking the SCR calculation, periodic monitoring and annual calculation of the USP for premium risk and validation of standard formula appropriateness through development of the ECA;
- contributing to the SST and capital planning by calculating the projected technical provisions and SCR under the base and stressed projections for ORSA;
- overseeing the management of insurance risk in the Company, including monitoring policy compliance for underwriting, reserving and reinsurance arrangements in line with Group methodology and Technical Actuarial Standards; and
- coordinating actuarial community development activity such as leading and sharing actuarial best practices and contributing to risk management practices.

An actuarial function report containing the Chief Actuary's opinions, recommendations and an account of key activities is prepared and provided to the Risk Committee annually.

B.7 Outsourcing

The Company has an Enterprise Suppliers Policy. The purpose of this policy is to ensure that the Company has effective processes for the selection, contracting and management of all suppliers, allowing the risks posed by suppliers to be managed throughout the supplier relationship lifecycle. The policy is based on four main principles; knowing our suppliers, selecting our suppliers, contracting with suppliers and managing our suppliers. The policy applies to the suppliers of intra-group outsourcing arrangements as well as to suppliers who are external to the Group.

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 supports 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. Outsourcing decisions consider the nature of the specific activity being undertaken, in-house capability and related activities already outsourced. This allows the Company to leverage the relevant external expertise to undertake the activity efficiently and effectively. With robust oversight (systems and controls) this ensures the correct customer outcomes are achieved with reduced risks and cost to serve.

Each outsourced supplier has a named accountable executive supported by a Supplier Relationship Manager. The Supplier Relationship Manager works with the accountable executive to provide 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. Comprehensive dashboards have been created to manage the outsourced suppliers.

Intra-group outsourcing

The Company outsources customer-facing insurance administration and distribution activities to Bupa Insurance Services Limited via an Intra-Group Services Agreement. All non-customer facing insurance administration and distribution activities are resourced from Bupa Insurance Services Limited pursuant to a resourcing agreement. Bupa Insurance Services Limited outsources certain elements of the resourced services to external third parties, including claims processing to a provider located in India and to other Group companies in Hong Kong SAR, Egypt and Denmark. Where it has outsourced to third parties, while the Company is still accountable, Bupa Insurance Services Limited is responsible for the oversight and management of these relationships. Bupa Insurance Services

Limited is required to comply with the Group's Enterprise Suppliers Policy, which is also the basis of the Company policy.

Bupa Insurance Services Limited services all UK PMI and a large proportion of the IPMI contracts that are written by the Company.

The Latin America book of business is serviced through outsourcing arrangements with Bupa Worldwide Corporation, USA Medical Services Corporation, Bupa Insurance Services Limited, Bupa Denmark Services A/S, Bupa Egypt Services and Bupa International Limited.

The Company also resources elements of its risk management, finance and governance, compliance, Internal Audit, information technology, actuarial, treasury and people functions to fellow Group companies.

External outsourcing
The Company has chosen to outsource some of its operational functions and activities to external providers. These include IT services such as application support, data hosting, document management and development and support of customer facing systems as well as operational services including claims processing, call centre support, procurement, recruitment and employee onboarding services. The majority of the IT service providers are based in the UK with other providers based in a range of jurisdictions including Denmark, France, Germany, Ireland, India and the USA. The providers of other operations are also predominantly UK based while two providers are based in India.

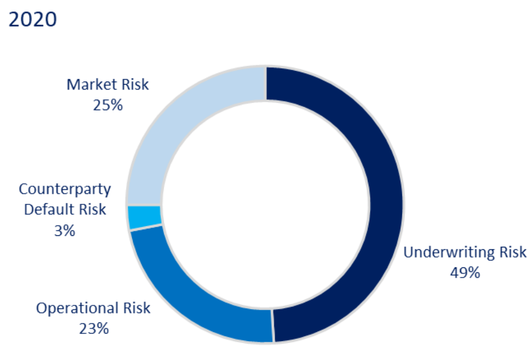
B.8 Any other information

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:



The increase in underwriting risk is due to an increase in the value of the Undertaking Specific Parameter ("USP") used to quantify health premium risk and an increase in lapse risk due to higher expected bound profits. Refer to Section E.2.1 for further details.

As underwriting risk predominately drives the increase in the SCR over the period this has resulted in an increase in the underwriting risk percentage allocation and a decrease in the percentage allocation of the other risk modules, in particular market risk, which has not materially changed in absolute terms over the period.

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

Information on the risks encountered by the Company, including those modelled within the SCR, are included in the following sections: C.1 Underwriting risk, C.2 Market risk, C.3 Counterparty default risk, C.4 Liquidity risk, C.5 Operational risk and C.6 Other material risks.

Risk mitigation
Specific risk mitigations are identified in Section C.1 to C.6 where relevant. As addressed 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 various review mechanisms including, but not limited to, discrete assurance activities and governance reviews.

COVID-19 Risk
The impact of COVID-19 on the Company continues to pose financial, operational and reputational risk including risks to operational resilience. Consideration of the risks relating to COVID-19 are included throughout Section C below.

C.1 Underwriting risk

C.1.1 Pricing and Claims Risk

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 risk) for insurance policies underwritten by the Company.

Pricing risk
Pricing risk relates to the setting of adequate premium rates taking into consideration the volume and characteristics of the insurance policies issued, such as future claim projections. External influences on pricing risk include (but are not limited to) competitors' pricing and product design initiatives, and regulatory environments. The level of influence from these external factors can vary significantly between regions and largely depends on the maturity of health insurance markets and the role of the regulator.

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

The ability to review premium rates is a significant mitigant to pricing risk. The Company does not underwrite material insurance business that commits it to cover risks at premiums fixed beyond a 12-month period from inception or renewal. Actuarial analysis performed on a regular basis combined with an understanding of local market dynamics and the ability to change premium rates when necessary are effective risk mitigations.

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

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

The COVID-19 pandemic continues to impact the amount and incidence of claims from customers. It has also affected the level of claims inflation reflected in our providers' procuring of equipment and services.

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

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

An adjustment has been made to the premium provision to allow for the estimated impact of deferred claims expected to rebound following disruption caused by the COVID-19 pandemic (for further details refer to Section D.2.3).

C.1.2 Reserving risk
Reserving risk is the risk that provisions made for claims incurred prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk compared to underwriting risk due to the very short-term nature of our claims development patterns. The short-term nature of the Company's insurance contracts means that movements in claims development assumptions are generally not significant.

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

In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. A proportion of the resultant shortfall in claims is expected to rebound after the reporting date and this could result in the cost of claims increasing in the long run, due to the deferred costs of treating undiagnosed or under-treated illnesses. A specific reserve is not held for deferred treatments as they have not yet occurred.

Mitigation
The development of claims settlement patterns are kept under constant review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised insurance liabilities.

A best estimate of the proportion of UK PMI claims that have been delayed and are likely to return 2022 forms part of the premium provision calculation (for further details refer to Section D.2.3) related to the commitment to UK PMI customers. As with any provision of this nature there is inherent uncertainty in the key judgements, which may impact the residual return of premium provision.

C.1.3 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 negligible 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.

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, UK 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.

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

The Company is exposed to foreign currency risk through some of the insurance liabilities which are settled in local currencies.

Only in select circumstances does the Company use reinsurance. The reinsurance used does not give rise to a material counterparty default exposure for the Company.

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.

Where possible, insurance liabilities are matched to assets in the relevant currency to provide an economic hedge to the exposure of currency risk.

Restrictions are in place on the credit quality and amount of reinsurance ceded to individual counterparties.

C.1.4 Catastrophe risk

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

Mitigation
The impact is deemed immaterial as the Travel portfolio is in run-off. In the majority of jurisdictions, the Company is not contractually liable for such claims. Risks are further reduced by excess of loss cover by Bupa and external

providers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements. Consideration of pandemics forms part of our regular SST.

C.1.5 Concentrations of risk

The majority of the Company's activities are single line health portfolios providing individual and corporate health insurance.

Mitigation

The Company mitigates concentrations of insurance risk by diversifying across:

- Products - domestic and expatriate, and individual and corporate health insurance; and
- Medical providers – claim exposures are split across multiple providers, including consultants, nursing staff, clinics, individual hospitals and hospital groups.

Underwriting risk sensitivity

For the year ended 31 December 2021 a 1% increase in the loss ratio would result in a reduction in the solvency coverage ratio from 175% to 168% and a reduction in Own Funds of £22m.

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 investment risk. The majority of the Company's investment portfolio is held in highly liquid cash and cash equivalents with highly rated counterparties, matching the short-term nature of the insurance liabilities. The Company also maintains a limited Return-Seeking Assets portfolio comprised of bonds and loans to generate long term performance at an acceptable level of risk.

Mitigation

The approach to investment decision making is governed by the Board and its Investment Committee. 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.

Investment risk is managed using a framework of prudent risk appetites and exposure limits. A value-at-risk based limit constrains the overall level of investment risk and the investment risk charge contribution to the Company's Solvency Capital Requirement ("SCR").

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

C.2.1 Currency risk

Currency risk arises from changes in the level or volatility of foreign exchange rates impacting on cash flows and assets held in currencies other than sterling.

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

Transactional exposures arise as a result of differences between the currency of local revenues and costs with key exposures to the US dollar, United Arab Emirates dirham, Hong Kong dollar, Singapore dollar, Euro, Danish krone and Swiss franc. Translation risk arises where foreign currency assets and liabilities are held within overseas operations. The assets and liabilities are translated into sterling at the exchange rate at the balance sheet date. The Solvency II Economic Balance Sheet is exposed to both foreign currency transactional and translational exposures.

Mitigation

A programme is in place to reduce the foreign exchange exposures and minimise the foreign exchange charge within the Solvency II SCR. The programme aims to hedge a significant proportion of the forecast foreign currency exposure through forward foreign exchange contracts for the coming year. The remaining currency exposures are deemed to be acceptable but are kept under review by management.

C.2.2 Interest rate risk

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

The Company is exposed to interest rate risk arising from fluctuations in market rates. This affects the return on floating rate assets, the cost of floating rate liabilities, the balance sheet value of its investment in fixed rate bonds, and the balance sheet value of fixed rate debt issued.

Mitigation

The Company largely mitigates this risk through holding variable rate assets and variable rate liabilities.

C.2.3 Market risk sensitivities

The following analysis shows the relative sensitivities of the Company's solvency coverage ratio as at 31 December 2021 to a variety of market conditions. These sensitivities are all independent stresses to a single risk and do not take into account management actions.

Sensitivity analysis	**Coverage ratio post stress**
FY 2021 Solvency Coverage Ratio	175%
Equities market -20%	175%
Property values -10%	173%
Interest rate +100bps	170%
Credit spreads +100bps	168%
Sterling depreciates by 20%	164%

Sterling depreciating by 20%, Credit spreads widening by 100bps and interest rate yield curves increasing by 100bps are the most sensitive stresses for the Company.

The impact of the sensitivities on the solvency coverage ratio reflects the strong matching of assets and liabilities, currency hedging and the fact that investments are held with highly rated credit institutions.

Equities markets falling by 20% have no impact on the solvency coverage ratio, since the Company holds no equities.

Note the above sensitivity analysis demonstrates the impact of a change in one assumption while other assumptions remain unchanged. It should also be noted that these sensitivities are non-linear.

The Company has a range of management actions that it can utilise to mitigate these risks.

C.3 Credit risk

Credit risk is the risk that those that are in debt to the Company default on their obligation and the Company will suffer a financial loss as a result of the counterparty failing to meet all or part of their contractual obligations. Examples of credit risk would be non-payment of a trade receivable or a corporate bond failing to repay the capital sum and related interest.

Mitigation

Bupa Group Treasury manages the Company's credit risk under the guidance of the Investment Committee. Investment exposure with external counterparties is managed by ensuring there is a sufficient spread of investments and that all counterparties are rated at least 'A' by two of the three key rating agencies used by the Company (unless specifically approved by the Investment Committee). Counterparty exposure limits are also used to reduce credit risk.

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 strict liquidity management policies as set by its Investment Committee.

Mitigation

The Company maintains a highly liquid buffer in line with the liquidity risk appetite approved by the Board annually to mitigate against liquidity risk. Liquidity is managed by currency and by considering the segregation of accounts required for regulatory purposes. Liquidity risk is considered as part of the SST to assess the adequacy of liquid resources in stress scenarios. For further details refer to Section C.7.2.

Expected profit included in future premiums ("EPIFP")

Under Solvency II, expected profit relating to future premiums is recognised in the calculation of technical provisions and therefore it is included in Own Funds. Expected profit included in future premiums does not form part of the liquidity position at 31 December 2021 but is taken into consideration when assessing the Company's future liquidity. Expected profit included in future premiums amounted to £132m at 31 December 2021 (31 December 2020: £56m). The increase is mainly driven by the reduction in future expected claims rebound and the increase in business volumes and price.

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 conduct risk which is the risk that the Company's behaviour or actions result in unfair outcomes or detriment for customers.

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

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

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

The Company's IT services are provided by teams within the wider Bupa Group which are overseen by the Company's Chief Information Officer and their team. These IT teams are responsible for the development, maintenance and monitoring of IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide and maintain the level of services required by the business and adequately protect sensitive customer and business data.

In response to COVID-19, our office-based staff now work in a hybrid model mixing office and home working, enabled by technology to ensure that we continue to serve our customers and work together effectively. The longer-term impact of hybrid working on our employees has been assessed and appropriate support and checks have been put in place for our people.

Mitigation

The Company is committed to managing operational risk effectively and proportionally. This includes continued management of regulatory risk and proactive engagement with regulators. Maintenance of robust internal control processes and governance frameworks, the embedding of risk policies, and the assessment of compliance against these help mitigate this risk. The Internal Control Framework sets out the approach to mitigating operational risk through the design and operation of key controls. Risk transfer is also employed through the Group Insurance Programme where such transfer is deemed proportional and prudent.

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

Sensitivity analysis

Operational risk does not readily lend itself to sensitivity analysis. SST, reverse stress testing, as well as 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

COVID-19 Risk

The impact of COVID-19 continues to pose financial, operational and reputational risk including risks to operational resilience. The SST exercise, which assesses the impact on the Company's three-year plan, this year considered long, slow economic recovery from COVID-19 caused by a number of vaccine-resistant variants and delays to both vaccinations and the achievement of herd immunity. The prospective solvency positions are regularly monitored, and management actions are identified where required to ensure the Company remains within risk appetite.

The typical patterns of PMI demand continue to be disrupted as the effect of COVID-19 alters customer demand. Increased global economic instability affects consumer and corporate affordability and company employee numbers, whilst the value of PMI in the event of a health crisis has potential to rise as an alternative way to access services if there are backlogs in public health systems caused by the pandemic. The Financial Management Committee established in 2020 continues to provide advice and oversight of all key financial decisions affecting our customers, healthcare providers and business planning.

The Company has pledged to its UK PMI customers a commitment to pass back any exceptional financial benefit ultimately arising as a result of COVID-19, by rebate or other appropriate means. A return of premium of £110m was paid to fully insured UK PMI customers in 2021.

We have confirmed that any further rebate payment would be made once the impact of deferred claims is clearer and we are able to finally calculate the exceptional financial benefit arising to 31 December 2021, with any further rebate being impacted by COVID-19 claims experience and inflation. At 31 December 2021, the Return of Premium Provision held is £71m (2020: £145m). Refer to Section D.2.3 for further detail.

While we do not anticipate future significant disruption in 2022, in the event that access to hospitals is materially impacted, customers will be advised how this will be treated at the time.

Strategic Risk

The Company is also exposed to strategic risk, which is the risk that we are unable to design or implement appropriate business plans and strategies, to make decisions, to allocate resources, or to adapt to changes in the business environment. This includes the risks associated with acquisitions and disposals and their implementation. Through the identification and assessment of emerging risks, we can react to issues in a timely and appropriate manner.

Climate change

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

The Company monitors and assesses the potential financial and operational impacts of climate change as part of its ORSA process, through emerging risk horizon scanning and SST. The SST this year considered 'worst ever' flooding events occurring in consecutive years. The flooding scenario is climate change related and envisages an extreme flash flood occurring in two consecutive years, causing disruption to the provision of medical services and/or operational and customer servicing disruptions.

A Bupa Group-led programme is in place supported by suitable governance structures to manage the risks associated with climate change and to ensure compliance with regulatory requirements in relation to the risk management framework, disclosure and SST. The Company's CRO is responsible for overseeing the identification and management of climate change risk, and is accountable for reporting to the Board under the Senior Managers Regime. The Company is committed to being a responsible and sustainable business and actively promotes positive environmental practices.

Market and competitor activity

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

Government and policy change

As part of the strategic planning process, analysis is performed on the impact of possible political change on the Company's business model, such as changes in Insurance Premium Tax in the UK. The impacts of any post-Brexit residual risks, such as the latent threat of a UK-EU trade war, are managed within the relevant functional and business unit Risk Committees. The impact of COVID-19 on public finances has increased government pressures for additional tax revenue. The Company continues to engage with policymakers and seeks to maintain a constructive dialogue with governments in its main areas of operation, promoting the benefits of high-quality, private healthcare alongside public provision.

Regulatory Risk

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

C.7 Any other information

C.7.1 Prudent person principle

The Company operates in accordance with the prudent person principle. The Company's approach to investment decision-making is as follows:

- the Board is responsible for setting the overall investment risk appetite for the Company, to be articulated through investment risk limits and other metrics identified in the Treasury Policy;
- the Board approves the Treasury Policy document on at least an annual basis;
- the Board approves the expected investment return as part of the annual operating plan process and monitors investment performance against plan on a monthly basis;
- the Investment Committee reviews and monitors against key risk indicators; and
- the Board delegate responsibility for treasury activities through the Group level Authorisation Matrix.

The Company fulfils its obligation to invest all assets in accordance with the prudent person principle through the following governance processes:

The Investment Committee: reviews and monitors against key risk indicators including the performance against targets, the value at risk, counterparty exposures, overall credit rating exposures and liquidity levels. The investment Committee is responsible for setting investment strategy and asset allocation, within the Board approved risk parameters contained within the Treasury Policy and the Statement of Investment Principles.

Credit Risk: counterparty credit risk limits are approved annually by the Investment Committee in line with the Treasury Policy and Statement of Investment Principles. The limits are set to avoid excessive exposure to a single counterparty and ensure that assets are diversified among highly rated counterparties. Credit default swap levels, bank solvency levels and counterparty specific news are also considered, as appropriate. All credit rating movements are monitored by Group Treasury and reported to the Investment Committee.

Group Treasury function: performs the day-to-day management of financial investments for which there is a formal investment management agreement in place. The Group's Treasury function is segregated between the investment and execution function, monitoring function and recording function.

External fund managers: are used for managing return seeking assets. The Investment Committee is responsible for appointing the external fund managers and approving the individual investment management agreements.

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 annual SST exercise evaluates the impact of adverse scenarios on the Company's the three-year plan, including an assessment as to whether the Company will continue to have sufficient capital resources to cover its own assessment of risks and regulatory capital requirements and the liquidity implications of the adverse scenarios.

The results of the SST exercise are reviewed by the Risk Committee as part of the business planning process and are a key element of the ORSA. SST assumptions and impacts are quantified and fed into the ORSA which, amongst other things, assesses the ability of the Company under current plans to withstand adverse scenarios and still have sufficient capital resources to cover both its own assessment of risks and regulatory minimum capital requirements. The Board have regard to SST and the ORSA when recommending distribution of a dividend to the Group.

The Company's SST programme typically considers a number of scenarios based on regulatory, reputational and political impacts on the business. The prospective solvency positions are regularly monitored, and management actions are identified where required to ensure the Company remains within risk appetite.

This year the SST exercise considered two scenarios: a 'local' climate scenario based on an extreme flooding event and a 'worldwide' economic scenario based on a long, slow recovery from COVID-19. Under both scenarios tested, the Company continues to remain profitable, have a surplus of capital in excess of its SCR and there are no concerns with available liquidity over the business planning period.

In addition, the Reverse Stress Testing ("RST") exercise, developed to understand how the Company could reach a position of non-viability according to the internal definition of business plan failure, was based on a new viral pandemic that is made possible due to factors resulting from climate change. Although the probability of the Company becoming non-viable or insolvent is remote, the combination of a highly unpredictable virus and government action which temporarily restricts private provision of healthcare represents an extreme position that could result in the potential 'non-viability' of the Company without management action.

We continue to develop the SST programme to respond to emerging risks and regulatory requirements, and provide timely risk assessments to the Board for decision-making. In particular, our SST programme continues to include stress and scenario tests which inform strategic planning and the management of financial risks relating to climate change, both over the short and long term.

In June 2021 the PRA published the Climate Biennial Exploratory Scenario to explore the financial risks posed by climate change for the largest UK banks and insurers. The 'Late Action' scenario was performed to test the resilience of the Company's 2020 year-end economic balance sheet to climate related financial risks at different points in time over a 30-year horizon. The analysis did not identify any material concentrations of climate risk exposure in BINS' financial asset portfolio which would require any assets to be sold.

D. Valuation for Solvency Purposes (Audited)

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 UK GAAP financial statements included in the Company's Annual Report and Accounts for the year ended 31 December 2021. The financial statements are prepared under UK GAAP. The Company applies UK Financial Reporting Standard 101, under which the measurement requirements of International Financial Reporting Standards, as adopted by the EU, are applied. The table below summarises the Solvency II and the UK 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 UK GAAP, is provided in the subsequent sections.

		Solvency II		**UK GAAP**		**Difference**	
		2021	2020	**2021**	2020	**2021**	2020
Assets	Section	**£m**	£m	**£m**	£m	**£m**	£m
Deferred acquisition costs	D.1.1	**-**	-	**82**	79	**(82)**	(79)
Investments	D.1.2	**1,024**	1,098	**1,007**	1,091	**17**	7
Loans and mortgages	D.1.3	**76**	79	**94**	89	**(18)**	(10)
Reinsurance recoverables	D.1.4	**17**	19	**42**	39	**(25)**	(20)
Insurance and intermediaries receivables	D.1.5	**54**	95	**735**	719	**(681)**	(624)
Reinsurance receivables	D.1.5	**5**	6	**11**	13	**(6)**	(7)
Receivables (trade, not insurance)	D.1.6	**23**	18	**23**	17	**-**	1
Cash and cash equivalents	D.1.7	**38**	55	**35**	51	**3**	4
Any other assets, not elsewhere shown	D.1.8	**5**	9	**8**	10	**(3)**	(1)
Total assets		**1,242**	1,379	**2,037**	2,108	**(795)**	(729)
Liabilities							
Technical provisions	D.2	**561**	656	**1,354**	1,333	**(793)**	(677)
Provisions other than technical provisions		**6**	3	**6**	3	**-**	-
Deposits from reinsurers		**8**	8	**8**	8	**-**	-
Deferred tax liabilities	D.3.1	**20**	11	**4**	3	**16**	8
Derivatives (liabilities)	D.3.2	**4**	27	**3**	25	**1**	2
Insurance and intermediaries payables	D.3.3	**15**	30	**79**	106	**(64)**	(76)
Reinsurance payables	D.3.4	**1**	3	**23**	22	**(22)**	(19)
Payables (trade, not insurance)	D.3.5	**53**	47	**53**	47	**-**	-
Financial Liabilities	D.3.6	**18**	16	**18**	16	**-**	-
Any other liabilities, not elsewhere shown	D.3.7	**58**	66	**58**	67	**-**	(1)
Total liabilities		**744**	867	**1,606**	1,630	**(862)**	(763)
Excess of assets over liabilities		**498**	512	**431**	478	**67**	34

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

	2021	2020
Valuation differences	**£m**	£m
Technical provisions	**85**	42
Deferred tax liabilities	**(16)**	(8)
Other	**(2)**	-
Total valuation differences	**67**	34

Other differences between the UK 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. Refer to Section D.2.3 for inclusion of the deferred acquisition costs in the premium provision.

D.1.2 Investments

The Company generates cash from its underwriting, trading and financing activities and invests surplus cash in financial investments. These include investment property, government bonds, corporate bonds, pooled investment funds and deposits with credit institutions.

Investments – Solvency II values	**2021 £m**	2020[1] £m
Property (other than own use)	**73**	70
Government bonds	**19**	18
Corporate bonds[1]	**516**	410
Collective investments undertakings	**156**	180
Deposits other than cash equivalents[1]	**253**	383
Derivative assets	**7**	37
Total Investments	**1,024**	1,098

(1) The Company's certificates of deposits of £169m at 31 December 2020 have been reclassified from deposits other than cash equivalents to corporate bonds.

Investment Classification

Classification differences exist between UK GAAP and Solvency II for certain investment balances. Investments packaged as funds (including derivative assets and liabilities) are classified differently between UK GAAP and Solvency II. Under UK GAAP investments packaged as funds are presented as a single line within the balance sheet whereas under Solvency II they are presented separately as assets and liabilities.

Cash and cash equivalents are classified differently between UK GAAP and Solvency II. Under UK GAAP an investment is classified as a cash and cash equivalent when it has a short-term maturity of three months or less from the date of acquisition whereas under Solvency II it is only classified as such when it is available on demand. Money market funds and deposits less than 90 days are classified as cash and cash equivalents under UK GAAP; however, they are classified as collective investments undertakings and deposits other than cash equivalents respectively for Solvency II.

Following an internal review of financial asset classification, as at 31 December 2020, £169m of certificates of deposits have been restated from deposits other than cash equivalents to corporate bonds for both UK GAAP and Solvency II reporting. This restatement has no impact on the 2020 Solvency II excess of assets over liabilities.

Investments Valuation

Property

Under UK GAAP, investment properties are measured at fair value (see Note 10 in UK GAAP financial statements for further details) and no adjustments are made for Solvency II. The Company holds an investment property which is an office building, "Bupa Place", leased to another Bupa Group company.

The Company recognises right-of-use assets for two car parks which it sub-leases to another Bupa group company. Under Solvency II, the fair value model is used and the contractual cashflows are discounted using the relevant property yield adjusted for any off-market rents.

Leasing arrangements
The Company holds an investment property which is an office building, "Bupa Place", leased to another Bupa Group company. Annual lease payments relating to this lease during 2021 were £3m and future lease rentals payable are £37m. The lease incepted on 1 March 2019 with a 180 month duration at inception.

The Company also recognises right-of-use assets for two car parks which it sub-leases to another Bupa Group company.

Government and corporate bonds, collective investment undertakings and deposits other than cash equivalents
Under UK GAAP, the Company has classified its financial investments into the following two categories: fair value through profit or loss and amortised cost. Financial investments are recognised under Solvency II at fair value.

For financial investments classified at fair value through profit and loss under UK GAAP, the UK GAAP fair value measurement principles are considered to be consistent with Solvency II requirements and therefore no adjustments are made for Solvency II.

Financial investments classified at amortised cost under UK GAAP are measured using the effective interest method, less any impairment losses. Under Solvency II, the carrying value of these assets is adjusted to fair value. Fair value is calculated as contractual cash flows of the instrument discounted by the risk-free rate and market calculated credit spread at valuation date.

Refer to note 12 Financial Investments within the 2021 UK GAAP financial statements for further details on which investments are held at fair value through profit and loss and at amortised cost.

Fair values are calculated for Solvency II purposes as follows:

- debt securities: quoted price if available (or alternatively quoted prices of similar assets) or discounted expected future principal and interest cash flows based on observable data in active markets; and
- derivatives: obtained from market observable pricing information including interest rate yield curves.

The fair values of quoted investments in active markets are based on current bid prices. A market is considered active when there are listed prices publicly available at which trades can be made without significant delay and when transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Derivatives
Derivative financial instruments consist of currency forward contracts and swaps. Derivative assets and liabilities are measured at fair value under UK GAAP which is consistent with Solvency II requirements and therefore no adjustment is made. Fair values have been calculated for each type of derivative as follows:

- the fair value of currency forward contracts, swaps and options is determined as the present value of the estimated future cash flows based on forward exchange rates derived from market sourced data at the balance sheet date; and
- the fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

D.1.3 Loans and mortgages
Under UK GAAP, loans to Bupa group companies and external parties are measured at fair value which is in line with Solvency II fair value requirements. The fair value of loans is established by discounting expected future principal and interest cash flows using market rates adjusted for credit risk. The Company holds no investments in mortgages.

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, reinsurance receivables

Under UK 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 and reinsurance receivables recognised as an asset on the UK 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 the short-term nature of insurance and intermediaries receivables, the UK GAAP valuation policy (at amortised cost) 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 UK GAAP, receivables are valued at undiscounted amortised cost net of provisions for expected credit losses. Given the short-term maturity of these assets, the UK 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 UK GAAP and Solvency II both of which require cash and cash equivalents to be valued at par. Cash and cash equivalents in the Solvency II balance sheet consist of deposits that can be exchanged for currency on demand at par value. Cash and cash equivalents are classified differently between UK GAAP and Solvency II. Refer to D.1.2 for additional information.

D.1.8 Any other assets, not elsewhere shown

These balances include other assets and prepayments. Under UK 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, which are written down to nil. All material other receivables are due within 12 months.

D.1.9 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.

	2021			2020		
Technical provisions	**Gross**	**Re-insurance**	**Net**	**Gross**	**Re-insurance**	**Net**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Claims provision	238	(11)	227	224	(9)	215
Premium provision	309	(6)	303	420	(10)	410
Risk margin	14	-	14	12	-	12
Technical provisions	**561**	**(17)**	**544**	**656**	**(19)**	**637**

The Company's gross technical provisions for medical expense insurance business calculated at 31 December 2021 were £561m (2020: £656m). The Company's technical provisions have been disclosed under the medical expense line of business. There are immaterial amounts of other non-life insurance written which are included as part of the medical expense line of business.

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, net of future premiums). 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 medical expenses business comprises both direct insurance and proportional reinsurance accepted from other Bupa entities and local insurance partners.

The Company actively manages its health insurance claims cost, 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.

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, Bornhuetter-Ferguson 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 claims provision are the same as those used for the Outstanding Claims Provision ("OCP") reported in the financial statements under UK GAAP, with a small difference arising from the inclusion of reinsurance payables not past due and the exclusion of a prudence margin. Under UK GAAP, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The Solvency II claims provision is also undiscounted. Almost all outstanding claims are settled within a year, hence the impact of discounting would be immaterial.

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 for both IFRS and Solvency II purposes.

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, UK GAAP technical provision balances that relate to future 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; and
- the UK GAAP unearned premium provision and any unexpired risk provision are adjusted such that future profits in excess of deferred acquisition costs are released.

During 2021, as in the previous year, an adjustment has been made to the premium provision to allow for estimated deferred claims expected to rebound from service disruption caused by the COVID-19 pandemic. The future premium receipts are net of the Return of Premium Provision established in 2020 due to the commitment to UK PMI customers to pass back any exceptional financial benefit experienced by the UK PMI business line ultimately arising as a result of COVID-19. At 31 December 2021, the Return of Premium Provision held is £71m (2020: £145m). The net reduction in the provision includes rebate payments to eligible customers (£110m) partly offset by an increase in the best estimate of exceptional financial benefit during the year (£36m). Separate to the Return of Premium Provision, a further £15m was paid to risk and profit share customers due to COVID-19 impacts on their contractual payments.

The key assumption in determining the Return of Premium Provision is the value of deferred claims expected to rebound. The assumed level of deferred claims within the rebate is sensitive to the cost of healthcare and customer behaviour. To calculate the best estimate Return of Premium Provision we have selected a deferred claim assumption from the lower end of the range of reasonable estimates.

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. For further detail on the assumptions used, please refer to Note 17 Gross technical provisions within the 2021 UK GAAP financial statements.

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

Expense allowance includes:

- claims management and handling expenses for future claims;
- commission;
- administrative expenses incurred in the servicing of policies; and
- overheads.

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

D.2.4 Reinsurance recoverables

The Company has a portfolio transfer reinsurance contract with Bupa Insurance Company, domiciled in Florida. Under this arrangement, 100% of the insurance risk relating to a closed book of the Latin American business is transferred to Bupa Insurance Company. The value of the reinsurance share of technical provisions ceded to Bupa Insurance Company reported on the Solvency II basis is taken to be the same as the value on the UK GAAP basis, as any difference would not be material. Bupa Insurance Company accounts for approximately 30% of the total reinsurance by written premiums.

The Company also enters into corporate pooling and captive reinsurance arrangements relating to UK PMI and IPMI products in select circumstances. The calculation of these reinsurance recoverable assets is consistent with the calculation of the gross best estimate liability described above.

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 calculated 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.

During 2021, assumptions have been updated regarding the amount and timing of deferred claims expected to arise, and the Return of Premium Provision, as a result of COVID-19 disruption. Refer to Section D.2.3 for further details.

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 UK GAAP. In addition, UK 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.

Reconciliation to UK GAAP financial statements	**2021** **£m**	2020 £m
UK GAAP Technical provisions – net of reinsurance	**1,312**	1,294
Deferred acquisition costs	**(82)**	(79)
Technical provisions for UK GAAP financial statements – net of reinsurance and deferred acquisition cost	**1,230**	1,215
Reclassification:		
Insurance and reinsurance receivables and payables (not yet due)	**(601)**	(536)
Fair value adjustments:		
Recognition of future profit within premium provision	**(94)**	(49)
Removal of UK GAAP prudence margin – claims provision	**(5)**	(5)
Risk margin	**14**	12
Solvency II Technical provisions – net of reinsurance	**544**	637

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 typically 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. However, during 2021 the COVID-19 pandemic has continued to create a risk around the level of the deferred claims in the future cashflows. The uncertainty is hedged in the Company as a consequence of the Return of Premium Provision being linked to the value of the deferred claims. As the Return of Premium

Provision is paid out to customers, the extent of this hedge will be reduced. For further detail please refer to Note 17 Gross technical provisions within the 2021 UK GAAP financial statements.

D.3 Other liabilities

D.3.1 Deferred tax liabilities

All valuation differences between the UK 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.3.2 Derivatives

The UK GAAP valuation for Derivative liabilities makes no allowance for the Company's own credit standing and therefore is consistent with Solvency II requirements. For further information on Derivatives see D.1.2 Investments.

D.3.3 Insurance and intermediaries payables

Under UK GAAP, payables are valued at undiscounted amortised cost.

As required in the Solvency II guidance, the portion of insurance and intermediary payables, recognised as a liability on the UK 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 UK 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 Reinsurance payables

Under UK 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 UK 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 UK 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.3.5 Payables (trade, not insurance)

The UK 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. Therefore no adjustment is required from UK GAAP to Solvency II. All material trade payables are due within 12 months.

D.3.6 Financial Liabilities

Financial liabilities show the Company's lease liability amount following implementation of IFRS 16 from 1 January 2019. In the UK GAAP balance sheet, a lease liability is recognised for all leases, reflecting the present value of the lease payments discounted using the company's incremental borrowing rate. The lease liability is measured at amortised cost and settled over the life of the lease. A corresponding right-of-use asset is also recognised and depreciated over the life of the lease. For Solvency II reporting, lease liabilities are valued at fair value by discounting actual rent at the relevant property yield. As at 31 December 2021 the Solvency II fair value of the lease liability was £18m (2020: £16m).

Information on leasing arrangements is provided in Section A.4.

D.3.7 Any other liabilities, not elsewhere shown

Any other liabilities are made up of the following items:

Solvency II balance sheet	**2021 £m**	2020 £m
Accruals	**7**	2
Amounts owed to Bupa Group undertakings	**34**	44
Other payables	**17**	20
Total	**58**	66

Other liabilities are measured at amortised cost using the effective interest rate method under UK GAAP. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value. Therefore no adjustment is required for Solvency II purposes. All material liabilities included in this balance are due within 12 months. ‘Amounts owed to Bupa Group undertakings’ excludes intragroup reinsurance creditors as these are included within ‘Reinsurance payables’ (see D.3.4).

D.3.8 Contingent and off balance sheet liabilities

In the UK GAAP balance sheet, contingent liabilities are not recognised unless it is more probable than not that there will be an outflow of economic benefits, in which case a provision is recognised.

In the Solvency II balance sheet, contingent liabilities are recognised when they are material. They are measured at fair value, using probability-weighted cash flow calculations and discounted where the impact of discounting would be material.

At 31 December 2021 the Company did not have any material contingent liabilities or any other off balance sheet liabilities.

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

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. The Company does not hold eligible subordinated liabilities and its capital held is below the capital tiering restrictions.

Own Funds	Section	**2021 £m**	2020 £m
Assets	D.1	**1,242**	1,379
Liabilities	D.3	**(744)**	(867)
Excess of assets over liabilities		**498**	512
Comprising:			
Ordinary share capital	E.1.2.1	**187**	187
Reconciliation reserve	E.1.2.1	**311**	325
Unrestricted Tier 1	E.1.2	**498**	512
Other tiers of capital		**-**	-
Total Eligible Own Funds to meet the SCR	E.1.2	**498**	512

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

Solvency II distinguishes between basic Own Funds and ancillary Own Funds. The Company does not recognise any additional ancillary Own Funds and hence eligible Own Funds are all basic Own Funds.

E.1.2 Capital structure

E.1.2.1 Unrestricted Tier 1

The Unrestricted Tier 1 capital represents the excess assets over liabilities of £498m (2020: £512m) as set out in Section D. The Unrestricted Tier 1 capital consists of share capital of £187m (2020: £187m) and a reconciliation reserve of £311m (2020: £325m).

E.1.2.2 Capital tiering restriction

The Company has no tiering restrictions in place at 31 December 2021 (2020: £nil) following the repayment of the subordinated debt during the previous year. The Solvency II rules restrict the extent to which subordinated liabilities are recognised as eligible Own Funds.

E.1.2.3 Own Funds by tier

Eligible Own Funds to meet the SCR of £498m as at 31 December 2021 comprise only the unrestricted Tier 1 Own Funds. Eligible Own Funds to meet the Minimum Capital Requirement ("MCR") are subject to further restrictions which did not impact the Company as at 31 December 2021. Eligible Own Funds to meet the MCR of £128m as at 31 December 2021 comprises only the unrestricted Tier 1 Own Funds of £498m.

E.1.3 Comparison with UK GAAP equity

The following table provides an explanation of the differences between UK GAAP equity and the Solvency II excess of assets over liabilities:

	Section	**2021 £m**	2020 £m
UK GAAP equity attributable to shareholders		**431**	478
Valuation differences:			
Technical provisions	D.2	**85**	42
Deferred tax liabilities	D.3.1	**(16)**	(8)
Other		**(2)**	-

Solvency II excess of assets over liabilities	**498**	512

The valuation differences at 31 December 2021 are summarised as follows:

- Technical provisions: under UK GAAP technical provisions include an outstanding claims provision, an unearned premium provision, and, if required, an unexpired risk provision. 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. The technical provisions are not calculated as a whole but are calculated as the sum of the best estimate liability (comprising the claims provision and premium provision) and a risk margin. The net impact of applying the different bases is a decrease in technical provisions of £85m, see section D.2 for details.
- Deferred tax liabilities: deferred tax is calculated on the temporary differences between tax base values and UK GAAP balances. Adjustments from UK GAAP to Solvency II give rise to a £16m increase in deferred tax liabilities.

E.1.4 Change in Own Funds

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

Eligible Own Funds	**2021 £m**	2020 £m
At beginning of year	**512**	452
Profit for the year as reported in the Company's UK GAAP financial statements	**83**	133
Issue of share capital	**-**	130
Increase in the fair value adjustment of technical provisions	**43**	(18)
Increase in fair value adjustment of subordinated liabilities	**-**	8
Movements in other Solvency II valuation adjustments	**(10)**	3
Dividends paid relating to the period	**(130)**	-
Repayment of subordinated liabilities	**-**	(344)
Decrease/(increase) in tiering adjustment	**-**	148
At end of year	**498**	512

There has been a £14m decrease in Own Funds during the year. This is due to the distribution of dividends and movements in other Solvency II valuation adjustments, offset by underlying capital generation.

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 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 Group's Capital Management Policy, which is reviewed on an annual basis. The Company's capital position is kept under regular review, and it is reported quarterly to the Board.

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

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 PRA at least annually.

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement

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

SCR by risk module	2021 £m	2020 £m
Market risk	**106**	104
Underwriting risk	**196**	160
Counterparty default risk	**16**	19
Basic SCR before diversification	**318**	283
Diversification	**(67)**	(66)
Basic SCR after diversification	**251**	217
Operational risk	**69**	65
Loss absorbency of deferred tax	**(36)**	(42)
Total SCR diversified	**284**	240

The Company's SCR has been calculated using the standard formula specified in the Solvency II legislation, modified by a USP for determining premium risk SCR. The Company has obtained approval from the PRA to substitute the insurance premium risk parameter in the formula with a USP which reflects the Company's own loss experience. The application of the USP has reduced the SCR by £194m in 2021 (2020: £207m). A data adjustment was applied in the calculation of 2020 loss experience in light of the exceptional volatility in claims experienced as a result of COVID-19. The adjustment methodology has been approved by the PRA.

The Solvency II SCR is held to protect against an instantaneous 1-in-200 years loss. In the same way that a large profit typically creates a tax liability, a large loss could potentially create a tax asset. In the context of Solvency II, this is called a notional deferred tax asset, which can be used to reduce the SCR. The reduction to the SCR arising from the recognition of this notional deferred tax asset is referred to as Loss Absorbency of Deferred Tax ("LADT"). At present, the Company recognises an amount relating to the deferred tax liabilities on the Solvency II balance sheet and the amount of paid taxes that can be recovered from carrying back losses. However, no allowance is made for the notional amount of deferred tax assets relating to losses that can be carried forward and offset against future profits. The LADT amount of £36m has been recognised on the basis of £20m being available for use against deferred tax liabilities within basic own funds and £16m arising from the ability to carry losses back to previous years.

The Company does not use simplification calculations, as allowed for under the Solvency II Directive, in determining the standard formula SCR except for calculating the lapse risk charge under Health Non-similar to Life Techniques ("NSLT") risk module. For calculating the Health NSLT lapse risk SCR, the Company uses a simplification calculation using grouped policies instead of a per-policy calculation.

Since 31 December 2020 the Company's SCR has increased by £44m to £284m (2020: £240m). This is predominantly driven by the increase in underwriting risk due to the inclusion of the adjusted 2020 accident year data in the USP calculation for health premium risk and an increase in lapse risk due to higher expected bound profits.

E.2.2 Minimum Capital Requirement

The Company's MCR is determined as the higher of the absolute minimum floor (£3m) and the combined MCR (£128m) (2020: £108m). 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, and consistent with previous periods, the MCR is calculated as 45% of the Company's SCR.

The increase in the MCR during the year is driven by the increase in the SCR. The MCR coverage ratio at 31 December 2021 was 390% (2020: 474%), with eligible Own Funds to meet the MCR of £498m (2020: £512m) all comprised of Tier 1 Unrestricted Eligible Own Funds.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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, modified by a USP for determining premium risk SCR.

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

There is no other material information to be disclosed.

Directors' Responsibility Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that to the best of our knowledge:
a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to the Company; and
b) it is reasonable to believe that the Company has continued to so comply subsequently and will continue to so comply in future.

F.Harris

Director

5 April 2022

Audit opinion

Report of the external independent auditors to the Directors of Bupa Insurance Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2021, ('**the Narrative Disclosures subject to audit**'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S.05.01.02, S.05.02.01 and S.19.01.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, and as supplemented by supervisory approvals.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- Obtaining, evaluating and challenging management's going concern assessment specifically covering current and projected capital and liquidity positions using our knowledge of the company's business performance and review of regulatory correspondence;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and
- Inquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including reviewing attendance of all Audit Committee meetings during the year.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate. However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been supplemented by the approvals made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed at section E.1.5 Capital management policy and processes below:

- The Company has obtained approval from the PRA to substitute the insurance premium risk parameter in the standard formula with an undertaking specific parameter (USP), which reflects the Company's own loss experience.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.
Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

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

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the UK Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as the PRA rulebook applicable to Solvency II firms. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journals and management bias in significant accounting estimates, such as in valuation of technical provisions. Audit procedures performed included:

- Discussions with the Audit Committee, management, senior management involved in the company's Risk and Compliance functions and legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Audit Committee;
- Attendance at the Audit Committee and the Regulated Entities' Reporting and Disclosure Committee;
- Reviewing data regarding policyholder complaints, the company's register of litigations and claims, and compliance reports in so far they related to non-compliance with laws and regulations and fraud;
- Examining the appropriateness and consistency of underlying methodologies and assumptions with current solvency II regulations in relation to the technical provisions;
- Assessing the impact of COVID-19 on the inherent risk of fraud, including potential opportunities for fraud with remote working;
- Identifying and testing journal entries, which included journal entries posted by unexpected or unusual users and unusual account combinations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to insurance contract liabilities; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

Chartered Accountants

London

5 April 2022

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

S.02.01.02 - Balance Sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**1,023,831**
Property (other than for own use)	R0080	73,314
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*535,044*
Government Bonds	R0140	19,193
Corporate Bonds	R0150	515,851
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	155,533
Derivatives	R0190	7,411
Deposits other than cash equivalents	R0200	252,530
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	**75,554**
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	75,554
Reinsurance recoverables from:	**R0270**	**17,321**
Non-life and health similar to non-life	R0280	17,321
Non-life excluding health	R0290	
Health similar to non-life	R0300	17,321
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	54,259
Reinsurance receivables	R0370	5,060
Receivables (trade, not insurance)	R0380	22,600
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	37,894
Any other assets, not elsewhere shown	R0420	5,750
Total assets	**R0500**	**1,242,268**

Liabilities

Technical provisions - non-life	**R0510**	**561,205**
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	**561,205**
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	547,344
Risk margin	R0590	13,862
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	5,810
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	7,938
Deferred tax liabilities	R0780	19,850
Derivatives	R0790	3,859
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	17,960
Insurance & intermediaries payables	R0820	14,989
Reinsurance payables	R0830	1,181
Payables (trade, not insurance)	R0840	52,998
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	58,578
Total liabilities	**R0900**	**744,368**

Excess of assets over liabilities	**R1000**	**497,900**

S.05.01.02 - Premiums, claims and expenses by line of business

		Medical expense insurance C0010	Total C0200
Premiums written			
Gross - Direct Business	R0110	2,078,979	**2,078,979**
Gross - Proportional reinsurance accepted	R0120	304,236	**304,236**
Gross - Non-proportional reinsurance accepted	R0130		**0**
Reinsurers' share	R0140	104,867	**104,867**
Net	**R0200**	**2,278,349**	**2,278,349**
Premiums earned			
Gross - Direct Business	R0210	2,029,497	**2,029,497**
Gross - Proportional reinsurance accepted	R0220	282,629	**282,629**
Gross - Non-proportional reinsurance accepted	R0230		**0**
Reinsurers' share	R0240	103,637	**103,637**
Net	**R0300**	**2,208,488**	**2,208,488**
Claims incurred			
Gross - Direct Business	R0310	1,332,974	**1,332,974**
Gross - Proportional reinsurance accepted	R0320	229,386	**229,386**
Gross - Non-proportional reinsurance accepted	R0330		**0**
Reinsurers' share	R0340	80,035	**80,035**
Net	**R0400**	**1,482,326**	**1,482,326**
Changes in other technical provisions			
Gross - Direct Business	R0410		**0**
Gross - Proportional reinsurance accepted	R0420		**0**
Gross - Non-proportional reinsurance accepted	R0430		**0**
Reinsurers' share	R0440		**0**
Net	**R0500**		**0**
Expenses incurred	**R0550**	**654,803**	**654,803**
Other expenses	R1200		
Total expenses	**R1300**		**654,803**

S.05.02.01 - Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		AE	HK	SG	KE	CN	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	1,761,603	862	14,190	13,879	28,535	3,288	1,822,357
Gross - Proportional reinsurance accepted	R0120	-42	140,149	57,432	24,711		17,733	239,983
Gross - Non-proportional reinsurance accepted	R0130							0
Reinsurers' share	R0140	44,053	12,268	1,822	444		2,377	60,964
Net	**R0200**	**1,717,508**	**128,743**	**69,800**	**38,146**	**28,535**	**18,644**	**2,001,376**
Premiums earned								
Gross - Direct Business	R0210	1,698,271	782	12,330	14,142	31,597	3,469	1,760,590
Gross - Proportional reinsurance accepted	R0220	49	145,255	37,257	21,618		15,557	219,736
Gross - Non-proportional reinsurance accepted	R0230							0
Reinsurers' share	R0240	44,739	11,084	1,646	402		2,307	60,177
Net	**R0300**	**1,653,580**	**134,953**	**47,941**	**35,358**	**31,597**	**16,719**	**1,920,149**
Claims incurred								
Gross - Direct Business	R0310	1,162,926	561	11,515	10,948	13,998	2,823	1,202,771
Gross - Proportional reinsurance accepted	R0320	1,804	124,646	27,083	16,379		11,616	181,529
Gross - Non-proportional reinsurance accepted	R0330							0
Reinsurers' share	R0340	37,384	6,591	3,248	944		1,350	49,518
Net	**R0400**	**1,127,346**	**118,616**	**35,351**	**26,383**	**13,998**	**13,089**	**1,334,782**
Changes in other technical provisions								
Gross - Direct Business	R0410							0
Gross - Proportional reinsurance accepted	R0420							0
Gross - Non-proportional reinsurance accepted	R0430							0
Reinsurers' share	R0440							0
Net	**R0500**							**0**
Expenses incurred	**R0550**	421,102	26,396	9,541	8,462	19,414	2,657	487,573
Other expenses	**R1200**							
Total expenses	**R1300**							**487,573**

S.17.01.02 - Non - life Technical Provisions

		Direct business and accepted proportional reinsurance	Total Non-Life obligations
		Medical expense insurance	
		C0020	C0180
Technical provisions calculated as a whole	**R0010**		**0**
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	**R0050**		**0**
Technical Provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	R0060	**308,801**	**308,801**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	5,997	**5,997**
Net Best Estimate of Premium Provisions	R0150	**302,803**	**302,803**
Claims provisions			
Gross	R0160	**238,543**	**238,543**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	11,323	**11,323**
Net Best Estimate of Claims Provisions	R0250	**227,219**	**227,219**
Total Best estimate - gross	**R0260**	**547,344**	**547,344**
Total Best estimate - net	**R0270**	**530,023**	**530,023**
Risk margin	**R0280**	13,862	**13,862**
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0290		**0**
Best estimate	R0300		**0**
Risk margin	R0310	0	**0**
Technical provisions - total			
Technical provisions - total	**R0320**	**561,205**	**561,205**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**17,321**	**17,321**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**543,885**	**543,885**

S.19.01.21 - Non-life Insurance Claims Information

Gross Claims Paid (non-cumulative)

		Development year													In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +				
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100													R0100		
2012	R0160													R0160		
2013	R0170													R0170		
2014	R0180													R0180		
2015	R0190													R0190		
2016	R0200													R0200		
2017	R0210													R0210		
2018	R0220	1,374,788	203,977	5,682	1,093									R0220	1,093	1,585,541
2019	R0230	1,407,857	186,903	9,437										R0230	9,437	1,604,197
2020	R0240	1,108,312	167,081											R0240	167,081	1,275,393
2021	R0250	1,377,044												R0250	1,377,044	1,377,044
													Total	R0260	**1,554,655**	**5,842,175**

Gross undiscounted Best Estimate Claims Provisions

		Development year													Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											0		R0100	0
2012	R0160													R0160	
2013	R0170													R0170	
2014	R0180													R0180	
2015	R0190													R0190	
2016	R0200													R0200	
2017	R0210													R0210	
2018	R0220	230,077	8,369	2,293	1,093									R0220	1,093
2019	R0230	205,330	12,655	5,414										R0230	5,414
2020	R0240	195,677	12,114											R0240	12,114
2021	R0250	207,717												R0250	207,717
													Total	R0260	**226,337**

S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**187,209**	187,209			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**310,691**	310,691			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**497,900**	**497,900**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						

Total available own funds to meet the SCR	R0500	497,900	497,900			
Total available own funds to meet the MCR	R0510	497,900	497,900			
Total eligible own funds to meet the SCR	R0540	497,900	497,900			
Total eligible own funds to meet the MCR	R0550	497,900	497,900			
SCR	**R0580**	**283,779**				
MCR	**R0600**	**127,701**				
Ratio of Eligible own funds to SCR	**R0620**	**175.45%**				
Ratio of Eligible own funds to MCR	**R0640**	**389.90%**				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	**497,900**	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	**187,209**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	**R0760**	**310,691**	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	131,849	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**131,849**	

S.25.01.21 Solvency Capital Requirement – for undertakings on standard formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	106,141		
Counterparty default risk	R0020	15,528		
Life underwriting risk	R0030			
Health underwriting risk	R0040	196,149		
Non-life underwriting risk	R0050			
Diversification	R0060	-67,342		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**250,476**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	69,364
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-36,060
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	283,779
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	283,779
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.28.01.01 Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

MCR calculation Non Life		Non-life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	530,023	2,278,349
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	131,993	
MCRL Result	R0200		

Overall MCR calculation

		C0070
Linear MCR	R0300	131,993
SCR	R0310	283,779
MCR cap	R0320	127,701
MCR floor	R0330	70,945
Combined MCR	R0340	127,701
Absolute floor of the MCR	R0350	3,126

		C0070
Minimum Capital Requirement	**R0400**	**127,701**