Bupa Insurance Limited

Annual Report and Accounts for the financial year ended 31 December 2022

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Annual Report and Financial Statements

Officers and Professional Advisers

Directors

P J Evans	
F Harris	
S J O'Connor	
A P Perry	
R A Phipps (Chair)	
D W Smith	
A F Cabrelli	(appointed 31 May 2022)
R K Thakrar	(appointed 1 July 2022)

Company Secretary

Bupa Secretaries Limited (Company Secretary)

Registered Office

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London,
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Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountant and Statutory Auditors
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The Directors present their annual report and the audited financial statements of Bupa Insurance Limited (the “Company”) for the financial year ended 31 December 2022. The ultimate parent of the Company is The British United Provident Association Limited (“Bupa” and together with its subsidiaries “Bupa Group”).

Principal activities

The Company is the UK’s largest health insurer and a leading provider of international health insurance providing medical cover to 2,798k customers worldwide.

The Company is part of the Bupa Group, an international healthcare group. Over the past 75 years Bupa Group’s global footprint has grown from our origins in the UK to Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Türkiye, Mexico, the US, Brazil, the Middle East and Ireland. Bupa Group also has associate businesses in Saudi Arabia and India. Bupa Group has over 43m customers and employs around 82,000[1] people globally. Bupa was established in 1947 when 17 British provident associations and other UK funding organisations such as hospital contributory schemes came together. Their aim was to enable people to fund high-quality healthcare. Bupa 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 health insurance to personal, corporate and small to medium enterprise (“SME”) customers, as well as inward reinsurance and a small number of ancillary insurance products, such as cash plans and dental 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, Cyprus and Malta. The Denmark, Cyprus and Malta branches will be removed once the formal closure is complete.

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

Key performance indicators

	2022	2021
Insured customer lives (thousands)	**2,798**	2,556
Net premiums earned (£'000)	**2,507,941**	2,208,489
Profit before taxation, financial income and expense (£'000)	**164,332**	92,640
Net financial income and expense (£'000)	**(15,583)**	7,444
Profit before taxation (£'000)	**148,749**	100,084
Loss ratio[1]	**69.1%**	70.9%
Combined operating ratio[2]	**93.9%**	97.0%
Solvency II (SII) coverage ratio (estimated)[3]	**191%**	175%

[1] Loss ratio is calculated as the ratio of claims incurred as a percentage of net premiums earned.
[2] Combined operating ratio is the ratio of total claims and expenses as a percentage of net premiums earned.
[3] The Solvency Capital Position and related disclosures are estimated values and are unaudited at the time of approval of the financial statements.

Results

Profit before tax increased by £48,665k to £148,749k (2021: £100,084k) driven by increased revenue due to strong customer growth across all UK PMI segments and improved performance in our IPMI business. This is partially offset by a net financial expense, compared to a net income in 2021, as a result of mark to market losses on our return seeking asset portfolio due to persistent inflation leading central banks to increase interest rates, economic uncertainty in the aftermath of the pandemic and the war in Ukraine impacting yields and spreads.

Customer numbers grew significantly by 242k to 2,798k driven by strong performance in UK PMI, Dental and Cash Plan product lines supported by new propositions and improved access to diagnostics and treatments. Earned premiums increased by £299,452k with growth in our UK PMI business as a result of increased customer volumes. Our IPMI business also delivered strong growth and retention.

[1] Based on average number of employees during the year.

We hold a return of premium provision of £58,901k (2021: £71,202k) to reflect our April 2020 commitment to pass back any exceptional financial benefit ultimately arising from COVID-19 to eligible customers. We were the first major insurer to act on this promise and made a payment of £125m[2] to customers starting in April 2021. The provision represents the best estimate of exceptional financial benefits occurring from 23 March 2020 to 31 December 2021 and is calculated as net disruption to UK PMI claims during this period owing to the impact of COVID-19, including deduction of related costs and impacts to profit, deferred claims from this period that we expect to rebound in the future and payments we have already made to these customers. The provision was closed to further accrual of benefit at the end of 2021. The reduction in the provision reflects a higher than anticipated rebound of claims during 2022. A decision on any possible further rebate payment will be made once the full impact of deferred claims is clearer and we are able to finally calculate the exceptional financial benefit. We expect this to happen in 2023.

The return of premium provision has a net positive effect on earned premiums when compared to 2021 when the provision was increased, reducing revenue. This impact is offset by deferred claims.

Net financial income decreased by £23,027k to a £15,583k net financial expense (2021: £7,444k) due to mark to market losses on the investment portfolio as a result of economic uncertainty caused by persistent rising inflation. This has resulted in central banks increasing interest rates, leading to increasing and more volatile bond yields.

Ambition KPIs

A key focus in 2022 was driving progress towards Bupa's ambition to be the world's most customer-centric healthcare company. Bupa's three headline elements of the strategy are the Ambition KPIs:

1. 40% of our customer care touchpoints will be owned by Bupa
2. 60% of customers will actively interact with Bupa on our digital platforms
3. 80 will be our Net Promoter Score ("NPS"), measuring our global customer loyalty

We put this into practice in a number of different ways across our business, which includes continued investment in our digital services and capability to improve overall experience. More customers are now engaging with us through our digital channels, including Bupa Touch and Member's world to access policy information and make claims online. We have improved NPS across our UK PMI and IPMI businesses by focusing improvements on high volume touchpoints which will continue to be a priority in 2023.

Development

Customer proposition

We continued to invest in digital services, new propositions and growth. In the UK, we continued to expand our digital services with the launch of Blua, our new digital healthcare platform which provides customers with 24/7 access to primary care services. We launched new propositions, including 'Inclusive Health' for corporate customers across a range of health needs, including women's health, sexual health and neurodiversity. We launched a new specialist centre for prostate cancer within the Bupa Cromwell Hospital and increased the number of specialist centres for breast and bowel cancers. We now have over 750k customers registered with a digital account and access to Bupa Touch, our online portal, which makes it easier for customers to manage their health cover online.

In our IPMI business, we continued to develop our customer propositions, delivering product variants that respond to the distinct local needs. We also implemented new claims adjudication and healthcare management systems to help our customers access high quality, good value care.

People

We provided additional support to help our people with the rising cost of living with targeted extra salary increases for many roles, a one-off cash payment for everyone below senior management level, and developed financial tools and resources to help those in need. We have continued with our hybrid working model to provide our people with more flexibility to work in ways that work for them while still servicing customer needs effectively. Group-wide Bupa has taken the decision to extend health benefits to all employees. In the UK our service company's employees already have access to health insurance through the company's health trust. Through this programme of work an alternative option has been introduced with employees now having the option of choosing between the health trust or a new primary care service that offers access to a remote GP, counselling, physio support, and access to health advice and support. The benefit-in-kind tax on this will be paid for by Bupa so this will be a more affordable option for our employees who do not want the full health trust product.

[2]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.

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

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

When making decisions, the Board considers:

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

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

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

Customers

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

The Board receives regular reports, such as the CEO's Report and Performance Dashboard and the Conduct Risk Dashboard, which track key customer metrics, such as NPS, complaints and customer research, to track how we are performing for our customers.

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

The Board has received regular updates during 2022 on the progress against the three ambition KPIs and the Board and Risk Committee continued to focus on customers through reporting on, including but not limited to, pricing fairness, product reviews and fair value assessments. In addition, in 2022 preparations commenced for the Financial Conduct Authority's Consumer Duty regulations which will take effect in July 2023 and creates a new Consumer Principle that require firms to act to deliver good outcomes for retail customers. The Board and Risk Committee have been receiving regular updates on progress towards implementation and the Board appointed a Consumer Duty Champion from amongst its Non-Executive Directors.

People

Our people are at the heart of our business, supporting our customers every day. We want our people to feel engaged and empowered to deliver great outcomes for our customers, to feel that Bupa is a great place to work and grow and to be healthier and happier themselves. People issues are reported to the Board through regular reports from the CEO and the People Director. These included the ongoing impacts of the COVID-19 pandemic on our people and actions taken to support them and more recently the action taken to support colleagues with the rising cost of living. In addition, the People Director provides updates during the year on progress of the people strategy, inclusion and diversity, talent, succession, and reward and benefit arrangements including reporting against the gender pay gap. The Audit Committee reports to the Board on issues raised through the Speak Up whistleblowing service and the Conduct Risk Dashboard, which is presented to the Risk Committee, and includes key metrics to track how we are performing in relation to culture and people.

The Board discusses the results of the global employee survey 'People Pulse' twice a year. Through the People Pulse, every colleague has the opportunity to participate and share their feedback openly. In our most recent survey in November 2022, 85% of colleagues from the Company's service company shared their views on how they find working at Bupa. Our people left 5,952 comments with overall sentiment trending positively. This provided insights to allow the prioritisation of actions in support of key business drivers. The engagement score increased to 78 (June 2022: 73) just below the global benchmark for the top 10% most engaged organisations in the world, which is 80. Many of our key drivers were above benchmark, with all drivers showing positive improvement.

The Board has focussed on supporting colleagues by considering their physical and mental wellbeing needs during the period of time that our people have been working from home. Following the lifting of lockdown, policies and procedures were put in place to ensure that colleagues could operate and remain safe in a flexible hybrid working model. All colleagues in our service company have access to health insurance as part of their benefits package. Colleagues who opt out of health insurance will now have access to an alternative option; a new primary care service that offers access to a remote GP, counselling, physio support, and access to health advice and support at no cost.

Shareholder

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

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

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

Regulators

The Company operates in a highly regulated environment. The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by both the Financial Conduct Authority ("FCA") and the PRA. Regulators ultimately aim to protect customers and ensure that they receive good outcomes and are treated fairly. There has been an increased focus on the need for products and services to provide value and for firms to ensure that they provide appropriate support to customers in financial difficulty particularly against the backdrop of the cost of living crisis. This clearly aligns with our strategy to put our customers front and centre of everything we do. The Company is also actively engaged in planning for the implementation of the FCA's Consumer Duty which takes effect in July 2023.

Regulators expectations include:

- maintaining sufficient capital;
- having robust and effective processes and controls in place to mitigate risks to protect our customers;
- providing a high-quality experience of our services; and
- ensuring we operate in a sustainable way.

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

Suppliers

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

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

Communities and Environment

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

In 2022, the Bupa Global & UK Market Unit, of which the Company is part and whom our service companies share offices with, reduced its direct emissions (scopes 1-2) by 18% vs its 2019 baseline and by 13% vs 2021. All UK offices continue to run on renewable electricity and we have plans to decarbonise our offices and further reduce energy consumption. For example, at our service company's office in Staines, energy efficiency measures implemented in H2 2022 saved 268,794 kWh of natural gas, a 43% energy saving vs H2 2021. As we work towards net zero, we continue to offset any emissions by investing in One Carbon World's reforestation and renewable energy projects, which contribute to the United Nation's Climate Neutral Now initiative.

We are also focused on how we can reduce greenhouse gas emissions resulting from customer claims. This includes growing our at-home care offer (such as virtual GP services) and engaging with health providers and suppliers to align with our goal to reach net zero by 2040.

We have made good progress in reducing the amount of paper our service companies use. In the UK, customer insurance documents are now available digitally in Bupa Touch and about 50% of Bupa Global customer membership documents are now digital.

For the second year in a row Bupa Group ran Eco-Disruptive, a global talent and innovation programme that empowers our people to collaborate with innovative start-ups to tackle some of the biggest sustainability challenges and reduce the impact of healthcare on the environment. Some of these innovations are now being trialled across the business to further develop the solutions with the potential to share expertise in the health and care industry.

Bupa is committed to investing some of its profits back into supporting people's wellbeing in our local communities, particularly helping the most vulnerable in society. In 2022, the Bupa Foundation and Bupa Global & UK Market Unit invested £2.1m in charitable causes.

Bupa colleagues play an active part in community work through the Bupa Foundation Community Committees and volunteering. In May, Bupa's 1MillionMinutes initiative saw colleagues donate over 1.2 million minutes to support community initiatives including foodbanks, litter-picking and gardening. This unlocked a donation of £250k from Bupa to Trees for Cities to support its planting healthier air for schools initiative, and to UNICEF to support its relief efforts in Ukraine.

Bupa people also volunteered for the Bupa Foundation's Wellbeing for Educators programme, which has provided wellbeing support to more than 69,000 teachers and charities, and over 40 colleagues mentored a young person via Bupa's partnership with the charity Career Ready. As part of this partnership, Bupa also offered paid summer internships to students, workplace visits and career insight sessions.

Key decisions and their impact on stakeholders

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

Board Decision	How we took stakeholders into account	Long-term implications
Setting our 3 Year Plan	**Customers, Regulators and Shareholder Action** The Board approved the annual budget and base operating plan for the following three years. The Board monitors performance delivery against this Plan, taking action and engaging further where necessary. **Stakeholder considerations** The Board chose a three-year assessment period because it ties in with our internal strategic planning process. Our planning considers all important financial and regulatory measures over the period and stresses the key risks facing the Company. Following the implementation of a new strategy by Bupa, in 2021, the Board reviewed and updated its strategy to further enhance its focus on customers, growth, transformation 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. The Board regularly monitors the progress of the business against its strategy and the Plan. Stress and scenario testing was performed on the Plan and reviewed by the Board to ensure the Company	The Plan aims to: – deliver outstanding experiences and outcomes for our customers, whilst ensuring that they continue to receive good outcomes from their products; – ensure our business is sustainable and grows in the long-term; – retain our competitive advantage by providing high quality products and services; and – limiting our impact on the environment

	would remain solvent and financially robust under adverse conditions.	
Providing good outcomes to customers and response to COVID-19	**Customers, Regulators and People** **Action** Since the outbreak of COVID-19 in 2020, the Board has continued to review the impact on customers and employees to ensure that appropriate measures could be taken to support them throughout the pandemic and beyond. The Board continues to focus on ensuring good value for customers and planning for the implementation of new regulations such as the Consumer Duty. **Stakeholder considerations** **Customers:** The Board received regular updates to ensure that customer value continued to be assessed and provided across our product lines during 2022. There remains a provision at year end 2022 of £58,901k in respect of the April 2020 commitment to our UK PMI customers to return any exceptional financial benefit experienced by our UK PMI business line ultimately arising as a result of the COVID-19 pandemic. Once the full impact is clear and we can calculate the exceptional financial benefit, we expect the remaining provision to be distributed to our eligible UK PMI customers. **Regulators:** The Board ensured that it had oversight of the impact of the post COVID-19 economic environment and claims trends on the Company's finances. It was provided with the results of scenario stress tests and best estimate forecasts to ensure that the Company had sufficient solvency in accordance with the agreed regulatory thresholds. The Board had oversight of the Company's resilience and business continuity measures and continues to honour the commitment made to fully insured UK PMI customers. The Board had oversight of claims modelling to ensure our Undertaking Specific Parameter ("USP") continued to appropriately reflect the Company's own loss experience.	The impact of the COVID-19 pandemic on the global economy and ways of life has been profound. The successful rollout of vaccines and lifting of lockdowns have enabled a move to more normal conditions, supporting economic recovery, however conditions remain uncertain as the world learns to live with COVID-19 with different regions at different stages of recovery. The Company has remained resilient and well capitalised while also giving consideration to the value customers have been able to derive from our products and services.
Rising cost of Living and inflation	**Customers, People and Regulators** **Action** The Board has been presented with regular updates regarding the macro-economic environment, rising cost of living and war in Ukraine. **Stakeholder considerations** The Board continually reviews the value that customers receive and is planning for the implementation of the new Consumer Duty regulation. In 2022, the Board agreed to support our people with targeted extra salary increases for many roles, and a one-off payment to help with rising costs.	The cost of living rises are a global crisis with inflation rates high in many countries. The Board will continue to monitor the macro-economic conditions that impact the business to ensure appropriate responses can be made to support our customers and people as necessary.
Investing in Digitisation and Information Technology	**Customers, People and Suppliers** **Action** We are investing significant amounts in information technology and cyber-security to protect our customers' privacy, digitise our customers' experience and ensure our suppliers meet appropriate standards for services provided to our customers. In 2022, the roll out of Blua app commenced which offers customers virtual consultations with a choice of Pharmacists, General Practitioners, Physiotherapists, Advanced Nurse Practitioners and Mental Health Practitioners.	Cyber-crimes such as ransomware attacks are an ever-present threat that constantly evolves and we need to invest to protect our customers' data and maintain their trust in the Company. Investing in digitisation will help the Company meet changing customer expectations to interact with us more digitally and make processes more efficient, in turn helping us to provide affordable services.

	Stakeholder considerations The Board considered this investment to be critical to the Company's future success and agreed that capital should be allocated to this activity in priority over investment in other initiatives. Customers' needs and preferences are evolving rapidly as consumers become increasingly engaged with their own health and expect more from service providers in all aspects of their lives whilst also receiving value for money. This includes accessing healthcare services digitally where appropriate. Blua aims to meet this need and keep Bupa competitive. The speed of delivery of this service is being balanced with the need to maintain appropriate controls and governance, particularly around our customers' data so that trust in our products and data security remains high. This also benefits our people by making their jobs easier and enabling them to spend more time on value-adding activities.	Blua aims to deliver access to primary and specialist virtual care, virtual health coaching and prevention services, and homecare and remote monitoring, particularly for chronic conditions. This should make access to healthcare quicker and more personalised for our customers whilst also delivering efficiencies for the Company in the long-term.
Dividends	**Customers, Regulators and Shareholder** **Action** In 2022 the directors declared two interim dividends totalling £110,000k which were paid to its immediate parent company. **Stakeholder considerations** The Board considered the necessary investment in business operations along with the financial strength of the Company, such as liquidity, solvency and capital, including under stressed conditions, before approving the payment of dividends.	Prudent financial management supports the long-term success of the Company and its ultimate shareholder, Bupa, and motivates management to deliver strong and sustainable business performance aligned with Bupa's purpose: helping people live longer, healthier, happier lives and make a better world.

Principal risks and uncertainties

Both the business performance and operations are subject to a number of risks and uncertainties. Significant uncertainties persist through the post COVID-19 period and more general economic challenges such as inflation, workforce and supply chain resilience. Additionally, the shift to a lower carbon economy and the potential impacts of climate change are now coming into sharper focus. Taking these macro-level conditions and the sector specific risks around competition and demand into account, there is a large range of potential outcomes that might impact the Company, our customer segments and our supply network. The Directors consider that the key risks and uncertainties relate to economic risk, insurance risk, operational risk (including information security and privacy risks and workforce risks), investment risk, external market conditions, government and policy change, regulatory risk, and climate change.

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

Economic risk

The Company operates in an external environment which continues to be highly uncertain and volatile with interconnected challenges simultaneously impacting business operating conditions. The Company's response will balance delivery of the Plan and the medium to long-term strategic goals, through effective coordination and clear accountabilities across the business. Continued robust Stress and Scenario Testing ("SST") will be key to informing decision making.

Highly uncertain growth and inflation rates are affecting Central Bank judgements on fiscal policy responses. The SST exercise, which assesses the impact on the Company's Plan, this year considered sustained high inflation driving higher wage demands and impacting consumer confidence and spending power. The scenario assumed healthcare providers are challenged by continued claims costs inflation which creates downward pressure on health insurance demand for individuals as well as corporate and SME (through an increasing risk of business failure and pressure to manage operating costs). It was considered that these difficult business conditions could also translate into operational resilience challenges through heightened supplier failure risk. The SST exercise demonstrates that through the use of key management actions the Company can maintain sufficient liquidity and capital coverage over the Plan period to withstand a variety of severe scenarios and stresses of this nature.

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

Insurance risk

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

As we emerge from the pandemic, we continue to experience claims uncertainty despite the availability of provision returning to full capacity. This has been accompanied by changes in demand from customers in terms of the type of treatments sought and a shift to digital services. However, the average cost of claims that have been deferred could increase, as a consequence of the delay in treating progressive illnesses.

The Company's size and experience enables it to achieve stability in provider contracting for UK operations and it benefits from geographic diversification elsewhere. Claims uncertainty heightens the risk of inadequate pricing and/or underwriting of insurance policies, and of claims experience being materially adverse to expectations. The Company uses its data and experience to develop products that meet customers' needs and are priced competitively and fairly. In addition, the Company applies controls to underwriting and claims settlement. A significant mitigating factor is that the vast majority of business written is for short-term risks, which enables regular opportunities for re-pricing in the event of changes in claims trends or market conditions. Refer to the insurance risk section in note 22.

Operational Risk

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

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

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

The Company's IT services are provided by teams within the wider Bupa Group which are overseen by the Company's Chief Information Officer and team. These IT teams are responsible for the development, maintenance and monitoring of IT services. The Company ensures the continued development and enhancement of all IT services to keep pace with the evolving technology risk landscape and to provide and maintain the level of services required by the business and adequately protect sensitive customer and business data. 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 colleagues has been assessed and appropriate support and checks have been put in place for our people. We have also rolled out remote services such as Digital GP and consultant appointments and diagnostics from home.

Workforce expectations are changing and the Company is tackling workforce and skills availability in the context of a cost of living crisis, high inflation and labour shortages. The Company's ability to attract and retain highly engaged employees to maintain an inclusive and resilient workforce capable of serving its customers on a sustainable basis remains a key area of focus for senior management. Actions taken in 2022 include investment in base pay, one off cost of living payments, improved family policies and benefits and investments in learning and development and wellbeing. The Company will continue to enhance both financial and non-financial elements of its employee proposition to continue to address changing workforce expectations to maintain its competitiveness in the market in the medium term to ensure that workforce and skills availability do not affect its operations, strategic and growth ambitions and ability to deliver good customer outcomes.

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

Investment risk

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

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

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

Market and competitor activity

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

Government and policy change

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

Regulatory Risk

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

Climate change

Climate change is one of the major challenges we face as a society and has the potential to heighten and accelerate the Company's existing risk profile. The Company assesses how its risk profile may be driven by the physical and transition risks associated with climate change. The Company has minimal direct investment and insurance exposures in respect of the physical risks associated with climate change. However, the Company may be impacted by adverse economic outcomes from the transition to a lower-carbon economy if its products become 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 Own Risk and Solvency Assessment process, through emerging risk horizon scanning and SST. Although not formally part of the PRA's Climate Biennial Exploratory Scenario (CBES) exercise, Bupa has and continues to undertake assessments in line with the Late Action and No Additional Action scenarios set out by the PRA. This allows analysis of both physical and transition risk exposures and it has highlighted that while the more severe physical environmental impacts may not be felt immediately, the transitional commercial implications are likely to materialise more quickly as individuals, corporates and governments increase their understanding of climate risks and react. Exercises of this nature will continue to shape the development of our climate change risk management approach.

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

Solvency

The Company maintains regulatory capital in line with its capital management objective as set out in note 23. The Company is subject to the requirements of the SII Directive and must hold sufficient Eligible Own Funds to cover its Solvency Capital Requirement ("SCR"). The Solvency II Eligible Own Funds as at 31 December 2022 were £541,359k (2021: £497,900k), well in excess of the SCR.

Solvency II Capital position[3]

	2022 £'000	2021 £'000
Eligible Own Funds	**541,359**	497,900
Solvency Capital Requirement	**283,755**	283,780
Surplus	**257,604**	214,120
Solvency ratio	**191%**	175%

Solvency II Eligible Own Funds[2]

	2022 £'000	2021 £'000
IFRS Equity attributable to shareholders	**445,192**	431,251
Valuation differences	**96,167**	66,649
Solvency II Eligible Own Funds	**541,359**	497,900

Solvency II Capital Requirements

The SCR is calculated in accordance with the Standard Formula specified in the Solvency II legislation. The Company has obtained approval from the PRA to substitute the insurance premium risk parameter in the formula with an USP which reflects the Company's own loss experience.

Analysis of the Solvency Capital Requirement[2]

% of diversified SCR	**2022**	2021
Premium & Reserve Risk	**40.0%**	40.0%
Operational Risk	**23.0%**	22.0%
Market Risk	**15.0%**	21.0%
Lapse Risk	**18.0%**	14.0%
Counterparty Risk	**2.0%**	2.0%
Catastrophe Risk	**2.0%**	1.0%
Total	**100.0%**	100.0%

Future Outlook

The world economies are challenged in the wake of the pandemic and the war in Ukraine which have led to significant inflation levels and a rising cost of living. While inflation has been slowing in key markets like the UK it still remains high and well above target levels. While the Company does not have business in Ukraine or Russia, the global macro-economic risks and human consequences of the conflict are uncertain and we will continue to monitor any potential impact on the business.

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

Following the pandemic, an increased focus on health has developed which has increased demand for independent healthcare. The Company will continue to invest in digital offerings to improve customer experience and accessibility of services. The Company is focussed on growth, with new propositions to address affordability challenges and investment in distribution and customer experience. Alongside its growth agenda, the Company will focus on sustainability and improving healthcare coordination to reduce waste in the system.

The Company will continue to support customers and our people where appropriate as we navigate the high-inflationary environment.

27 February 2023

F Harris

Director

Directors' Report
for the year ended 31 December 2022

Results and dividends

The profit for the financial year after taxation amounted to £123,941k (2021: £82,843k). The Directors declared two interim dividends totalling £110,000k during the year ended 31 December 2022 (2021: £130,000k).

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company.

Directors

The directors of the Company who were in office during the year and up to the date of signing the annual report and accounts are shown on page 1. The directors who served for part of the year are given below:

M C Ledlie	(resigned 17 April 2022)
A F Cabrelli	(appointed 31 May 2022)
R K Thakrar	(appointed 1 July 2022)

Insurance and indemnities

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

These cover all losses arising out of, or in connection with, the execution of their powers, duties, and responsibilities, as Directors of the Company or of any of its subsidiaries. These have been in place throughout 2022 and to the date of this Annual Report. There are no other qualifying third-party indemnity provisions or pension indemnity provisions in place.

Employees

Details of the number of persons employed and gross remuneration are contained in note 4 to the financial statements. Every effort is made by the Directors and management to inform, consult and encourage the full involvement of staff on matters concerning them as employees and affecting the Company's performance. A summary of how the directors have engaged with employees and taken account of their interests is included in the Section 172 statement in the Strategic Report.

Inclusion and Diversity

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

Employment policy

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

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

Stakeholders

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

Streamlined energy and Carbon reporting

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

Corporate governance arrangements applied by the Company

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

The table below sets out how the Principles of the Code have been applied within the Company's system of governance during 2022.

Principle	How we apply the Principle
1. Board Leadership and Company Purpose	
A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is responsible for the long-term sustainable success of the Company for the benefit of its customers and wider stakeholders, now and in the future. The Board works to achieve this by: – providing clear leadership in setting the Company's strategy, culture and risk appetite to achieve its purpose; – overseeing management's implementation of strategy within a prudent and effective governance structure using a three lines of defence model; – receiving regular management information on customers and their views of the Company and our products; and – reviewing the results of employee surveys.
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The schedule of matters reserved to the Board includes: – Setting the overall direction of the business having regard to long-term objectives, business strategy, purpose, values, standards and culture; and – Reviewing performance in the light of the Company's strategy, objectives, business plan and budgets and ensuring that any necessary resources are in place in order to meet these objectives. The Board holds regular strategy meetings throughout the year with updates on progress and deep dives. The Risk Committee and Board receive regular updates on culture and conduct throughout the year.
C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board annually approves the Company's Plan, ensuring that sufficient resources are available to achieve the Company's objectives. The Board retains ultimate responsibility for risk management and internal controls, with delegated oversight carried out by the Audit and Risk Committees. On the recommendation of the Risk Committee, the Board sets the Company's Risk Appetite and Risk Management Framework. These set out the principal risks facing the Company and the nature and extent of risk the Board is willing for the Company to take in order to achieve its strategic objectives. The Company's enterprise risk policies are approved by the Board or relevant committee and overseen by the Risk Committee.
D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	We are a customer-focused business reliant on our people to deliver a great service. The Board receives regular management information and considers the impact of decisions on relevant stakeholders. There is a programme of engagement with our key stakeholders: customers, our people, our shareholder and our regulators.
E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concerns.	The values of the Company are driven from the top by the Bupa Group through the Bupa Code, which all employees must adhere to and complete mandatory training on an annual basis. For the regulated business, employees in the Conduct Rules population must also adhere to the regulatory Conduct Rules. Directors' statutory duties are also set out in the Board's Corporate Governance Manual. The Risk Committee, through the Conduct Risk Dashboard, receives detailed quarterly management information which includes metrics on people and culture issues. A 'Speak Up' programme enables employees to raise any issues confidentially if they feel unable to discuss them with their manager. The Board receives biannual reports on the issues raised under the Speak Up

	Policy. The Board also receives the results of the People Pulse surveys twice a year which provide an indication of the levels of employee engagement and any key issues which need to be elevated to the Board's attention.
2. Division of Responsibilities	
F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	The Chair leads the Board in an open and transparent manner, encouraging debate and challenge. The Chair plays a pivotal role in fostering the effectiveness of the Board and the individual directors both in and outside the Boardroom. The Chair works with the Company Secretary to ensure that sufficient time is available to discuss the agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.
G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	The Board comprises the Chief Executive Officer, Chief Financial Officer, Managing Director of Bupa Global, the Chair (who was independent on appointment), and four independent Non-Executive Directors (one of whom sits on the Bupa Board). The roles of the Chair and Chief Executive Officer are separate with distinct accountabilities set out in their role profiles and Statements of Responsibility required under the Senior Managers & Certification Regime. The Chief Executive Officer is responsible for the day-to-day leadership and management of the business, in line with the risk appetite and annual and long-term objectives approved by the Board. The Chief Executive Officer cascades their authority through a delegated authority framework. The Non-Executive Directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Company's system of governance and the risk appetite set by the Board.
H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Prior to their appointment as a director (and on any subsequent re-appointment for a further term), the Nomination Committee considers whether each Non-Executive Director has sufficient time to devote to their role with the Company. This is re-assessed by the Board annually and in light of any changes to a Non-Executive Director's external commitments during the year.
I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Company Secretary advises the Board on company law and corporate governance matters. The Company Secretary works with the Chair and Committee chairs to ensure that the right matters are escalated to the Board and Committees at the appropriate time and that sufficient time is devoted to strategic matters. The Company Secretary works with management to ensure that the Board receives papers of a high quality in a timely manner. The Company Secretary arranges Directors' induction and ongoing training and supports the succession planning for Non-Executive Directors and the recruitment of new Non-Executive Directors. The Company Secretary is responsible for ensuring compliance with the Group's Subsidiary Governance Enterprise Risk Policy which sets minimum standards of corporate governance across the Bupa Group. The appointment and removal of the Company Secretary is a matter reserved to the Board.
3. Composition, Succession and Evaluation	
J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Nomination Committee reviews the balance, structure and composition of the Board and its Committees and leads the process for appointments to the Board. It considers Board succession planning, together with planning for executive senior management succession All Board recruitment takes into account the Board Diversity Policy.

K.	The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	The Nomination Committee reviews the balance, composition and structure of the Board, including reviewing the skills of each Non-Executive Director. In considering succession plans for the Board, the Nomination Committee also keeps the length of service of each Board member under review, recommends the re-appointment of the Non-Executive Directors and any extensions to their term and ensures that Board recruitment is commenced in a timely manner to regularly refresh the membership of the Board.
L.	Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	The annual board evaluation considers the composition and diversity of the Board and how effectively members work together. In 2022, an external Board evaluation was carried out by Deloitte which assessed the effectiveness of the Board and its Committees. The Chair separately led an evaluation of each Director, with the Senior Independent Director leading the evaluation of the Chair.
	4. Audit, Risk and Internal Control	
M.	The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board delegates detailed oversight of the internal audit function and the external auditors to the Audit Committee, together with oversight of the Company's system of internal controls over the integrity of the Annual Report and Accounts. On the recommendation of the Audit Committee, the Board reviewed and approved the 2022 Annual Report and Accounts. The Audit Committee leads the annual processes for assessing the effectiveness of the internal and external audit functions.
N.	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee reviewed the 2022 Annual Report and Accounts in early 2023 and was satisfied that it presents a fair, balanced and understandable assessment of the Company's position and prospects. It reported its findings to the Board.
O.	The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	An annual assessment of compliance with the enterprise risk policies is undertaken by management, overseen by the Risk function and reported to the Audit and Risk Committees. The Risk and Audit Committees monitor the Company's risk management and internal control systems on behalf of the Board on a continuous basis and the Risk Committee reviews the Company's principal risks and recommends any changes to risk appetite to the Board.
	5. Remuneration	
P.	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	The Company applies the Bupa-wide remuneration policy to all its employees. This remuneration policy, set by the Group Remuneration Committee ("Group RemCo"), is designed to deliver market-competitive remuneration to promote the long-term success of Bupa and link reward to Bupa's strategic goals and purpose while promoting a prudent approach to risk. In assessing incentive outcomes, the Company's Remuneration Committee and the Group RemCo take into account actions and recommendations from executive and non-executive channels for the year to determine whether appropriate risk events have been recognised and dealt with accordingly.
Q.	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	The Company's Remuneration Committee provides its view, informed by considerations including their oversight of the Company, regulatory requirements and their knowledge of best practice, to the Group RemCo regarding the on-going appropriateness and relevance of the Bupa-wide remuneration policy, which the Group RemCo will take into account when considering amendments to the remuneration policy. No Director is involved in deciding their own remuneration outcome.
R.	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Company's Remuneration Committee governs the remuneration of key executives and considers if results have been achieved in a way that aligns with Bupa's values and with sustainable underlying business performance. The Company's Remuneration Committee is comprised of independent non-executive directors and there is cross-membership between the Company's Risk Committee and the Remuneration Committee. The Company's Remuneration Committee has robust discussions on remuneration outcomes for the key executives, taking into account all relevant internal and external factors to ensure that any exercise of the Committee's discretion is suitable and justifiable.

Disclosure of information to auditors

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

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

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

External Auditors Appointment

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

27 February 2023

F Harris

Director

Statement of Directors’ Responsibilities
for the year ended 31 December 2022

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Report on the audit of the financial statements

Opinion

In our opinion, Bupa Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2022; Profit and Loss Account and Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 8, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Context

Bupa Insurance Limited is the UK's largest health insurer and a provider of international health insurance. The company is part of the Bupa Group, an international healthcare group. The company has two main health insurance segments being domestic private medical insurance predominantly in the UK market ("UK PMI"), and international private medical insurance ("IPMI") provided for individual consumers and employees requiring cover beyond their usual country of residence. The year-ended 31 December 2022 is our second year as the external auditors of the company. We have utilised our understanding of the entity gained from the year ended December 2021 audit cycle along with our 2022 risk assessment procedures to inform our view of the audit risks and as part of developing our planned audit approach to address those risks. Given the locations of the activities of the company, our team has been UK-based.

Overview

Audit scope

- The company has two core reportable segments, UK PMI and IPMI, which operate through eleven separate components.
- We conducted audit testing over six components. These were selected based on our assessment of inherent risk and their financial significance to the company. Three components were subject to an audit of their complete financial information.

Specific audit procedures were then performed on certain balances and transactions for three further components. Analytical procedures were performed over the remaining five components.
- Our audit scope provided coverage of 99.6% of gross premiums written, 97.0% of profit before taxation expense and 98.8% of total assets.

Key audit matters

- Appropriateness of methodologies and assumptions used in the valuation of IBNR (claims incurred but not reported) reserves

Materiality

- Overall materiality: £6,905,000 (2021: £5,633,800) based on 5% of Profit before tax (3 year average).
- Performance materiality: £5,178,000 (2021: £4,225,350).

The scope of our audit

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

Key audit matters

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

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

Return of Premium, which was a key audit matter last year, is no longer included because of our conclusion that for the year ended 31 December 2022 the level of estimation uncertainty and judgement involved in the provision calculation has reduced considerably from that as at the year ended 31 December 2021. The provision was closed to further accrual of benefit from 31 December 2021. Thus, we no longer consider the provision to be a key audit matter.

Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Appropriateness of methodologies and assumptions used in the valuation of IBNR (claims incurred but not reported) reserves	
Refer to note 1.15 'Accounting estimates and judgements and note 17 'Gross technical provisions'. The Bupa liabilities are short-term in nature. Consistent with prior years, management has valued technical provisions using its actuarial reserving methodology and has included a margin over the best estimate. The key assumptions used by management include claims development patterns, claims cost inflation, seasonality and expected loss ratios, with an additional assessment of the margin of prudence. Given this complexity and the judgemental nature of the methodology and assumptions used to value IBNR reserves we have defined this as a key audit matter.	We engaged our actuarial specialists to perform an independent reprojection of the UK PMI and IPMI IBNR reserves as at 31 December 2022. In performing their independent reprojection of the estimate, our actuarial specialists have made expert judgements in the selection of their reserving assumptions in respect of: ● the claims development patterns; ● claims cost inflation; ● seasonality; and ● expected loss ratios. Individual reprojections were performed on selected classes of business within both the UK PMI and IPMI portfolios. In totality, reprojections were performed on 99% of UK PMI and 99% of the IPMI reserves. Key indicator testing was performed on the remaining 1% in each portfolio. We compared our independent estimates to those of management, and investigated differences. We have assessed management's recorded technical provisions to determine whether they represent a reasonable estimate of future loss experience as well as the methodologies, assumptions, and processes underlying the technical provisions. More broadly for technical provisions (but inclusive of the IBNR portion), we have tested key inputs of paid, incurred and reported claims in the actuarial modelling to the source data in the policy administration systems. We have reconciled the model outputs to the financial statements. We have considered significant adjustments to the modelled best estimate in more detail and challenged how

	these are determined and calculated an independent estimate where appropriate. Through the procedures detailed above and having considered the specific nature and circumstances of the company's business, we have concluded that management's assumptions and methodologies used in the valuation of insurance liabilities is appropriate.

How we tailored the audit scope

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

Based on the output of our risk assessment, along with our understanding of the company, we identified 3 components for which a full scope audit of their financial information has been performed. This was determined by assessing those components considered to be financially significant and those components that we otherwise deem to pose a significant risk, which are the UK PMI component, IPMI component and asset management component. The UK PMI component is based in Manchester and sells private medical insurance predominantly in the UK market. The IPMI component is centrally managed from Brighton and sells international private medical insurance to individual consumers and employees requiring cover beyond their usual country of residence. The asset management component is centrally managed by the group-wide treasury and asset management function, located in London. We engaged our central Bupa Group Audit team as component auditors to perform work over the asset management component.

We identified three further components where specific audit procedures were performed on certain balances and transactions to provide sufficient and appropriate audit coverage over individual financial statement line items.

There are 5 further components, deemed non-significant, for which analytical procedures have been performed.

The components where we performed audit procedures covered 99.6% of gross premiums written, 97.0% of profit before taxation expense and 98.8% of total assets.

As the UK company audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as company auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued instructions outlining areas requiring additional audit focus, including the key audit matters included above;
- Maintained an active dialogue with the reporting component audit team throughout the year; and
- Reviewed component team detailed working papers, where relevant.

The impact of climate risk on our audit

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

Materiality

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

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

Overall company materiality	£6,905,000 (2021: £5,633,800)
How we determined it	5% of Profit before tax (3 year average)
Rationale for benchmark applied	In determining our materiality we have considered financial metrics and benchmarks which we believe to be relevant to the primary users of the financial statements. Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £5,178,000 (2021: £4,225,350) for the company financial statements.

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

We agreed with the Regulated Entities Audit Committee that we would report to them misstatements identified during our audit above £345,000 (2021: £281,960) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to appropriateness of methodologies and assumptions used in the valuation of IBNR reserves. Audit procedures performed by the engagement team 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 Regulated Entities' Audit Committee and the Regulated Entities' Reporting and Disclosure Committee;
- Reviewing data regarding policyholder complaints and the company's register of litigations and claims in so far they related to non-compliance with laws and regulations and fraud;
- Procedures relating to the valuation of IBNR reserves described in the related key audit matter above; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by infrequent users, or posted with descriptions indicating a higher level of risk.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations.

We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Regulated Entities Audit Committee, we were appointed by the directors on 6 July 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2021 to 31 December 2022.

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2023

Profit and Loss Account and Statement of Comprehensive Income

for the year ended 31 December 2022

TECHNICAL ACCOUNT	Note	2022 £'000	2021 £'000
Revenues			
Gross premiums written	2	**2,752,821**	2,383,215
Outward reinsurance premiums		**(127,404)**	(104,866)
Premiums written, net of reinsurance	2	**2,625,417**	2,278,349
Change in the gross provision for unearned premiums		**(120,092)**	(71,090)
Reinsurers' share of change in the gross provision for unearned premiums		**2,616**	1,230
		(117,476)	(69,860)
Net premiums earned	2	**2,507,941**	2,208,489
Other technical income, net of reinsurance		**10,322**	11,273
Total revenues		**2,518,263**	2,219,762
Gross claims paid		**(1,788,939)**	(1,635,125)
Reinsurers' share of claims paid		**87,771**	77,953
Gross claims paid net of reinsurance		**(1,701,168)**	(1,557,172)
Gross change in the provision for claims		**(31,287)**	(11,175)
Reinsurers' share of change in the provision		**(162)**	2,082
		(31,449)	(9,093)
Net claims incurred	2	**(1,732,617)**	(1,566,265)
Net operating expenses	3	**(621,314)**	(576,301)
Total claims and expenses		**(2,353,931)**	(2,142,566)
Other income	5	**-**	15,444
Balance on the technical account for general business		**164,332**	92,640
NON-TECHNICAL ACCOUNT			
Investment income	6	**17,243**	18,264
Unrealised gains on investments		**33,575**	23,791
Investment expenses	7	**(10,308)**	(5,249)
Unrealised losses on investments		**(56,093)**	(29,362)
Net financial income		**(15,583)**	7,444
Profit before taxation expense		**148,749**	100,084
Taxation on profit on ordinary activities	9	**(24,808)**	(17,241)
Profit for the financial year		**123,941**	82,843
Total comprehensive income for the year		**123,941**	82,843

All profits are derived from continuing operations.

Notes 1-25 form part of these financial statements.

Balance Sheet
as at 31 December 2022

ASSETS	Note	2022 £'000	2021 £'000
Investments			
Investment property	10	**48,750**	55,150
Land and buildings	11	**17,480**	17,833
Financial investments	12	**961,125**	896,385
		1,027,355	969,368
Reinsurers' share of technical provisions			
Provision for unearned premiums	17	**35,761**	31,108
Claims outstanding	17	**12,056**	11,323
		47,817	42,431
Debtors			
Debtors arising from direct insurance operations:			
Policyholders		**668,674**	588,455
Intermediaries		**-**	23
Debtors arising from reinsurance operations		**183,053**	145,655
Other debtors	13	**83,846**	45,940
		935,573	780,073
Cash at bank and in hand	14	**129,996**	158,194
Prepayments and accrued income			
Deferred acquisition costs	15	**96,171**	81,571
Other prepayments and accrued income		**2,743**	2,253
		98,914	83,824
Total assets		**2,239,655**	2,033,890

Notes 1-25 form part of these financial statements

Balance Sheet (continued)
as at 31 December 2022

EQUITY AND LIABILITIES	Note	2022 £'000	2021 £'000
Equity			
Called-up share capital	16	**187,209**	187,209
Profit and loss reserve		**257,983**	244,042
Total equity		**445,192**	431,251
Gross technical provisions			
Provisions for unearned premiums	17	**1,235,420**	1,126,994
Claims outstanding	17	**267,888**	227,076
		1,503,308	1,354,070
Provisions for other risks	18	**4,011**	5,810
Deposits received from reinsurers		**8,474**	7,939
Creditors			
Creditors arising from direct insurance operations		**17,043**	16,370
Creditors arising from reinsurance operations		**70,495**	58,597
Deferred taxation	19	**978**	3,993
Deferred reinsurance commission		**2,099**	1,460
Other creditors	20	**170,568**	136,670
Lease creditors	21	**17,487**	17,730
		278,670	234,820
Total liabilities		**1,794,463**	1,602,639
Total equity and liabilities		**2,239,655**	2,033,890

Notes 1-25 form part of these financial statements

These financial statements were approved by the Board of Directors on 27 February 2023 and were signed on its behalf by:

F Harris
Director

R K Thakrar
Director

Statement of Changes in Equity
for the year ended 31 December 2022

	Share capital	Profit and loss reserve	Total
	£'000	**£'000**	**£'000**
Balance as at 1 January 2022	**187,209**	**244,042**	**431,251**
Profit for the year	**-**	**123,941**	**123,941**
Transactions with owners recorded directly in equity			
Dividends paid	**-**	**(110,000)**	**(110,000)**
As at 31 December 2022	**187,209**	**257,983**	**445,192**

	Share capital	Profit and loss reserve	Total
	£'000	£'000	£'000
Balance as at 1 January 2021	187,209	291,199	478,408
Profit for the year	-	82,843	82,843
Transactions with owners recorded directly in equity			
Dividends paid	-	(130,000)	(130,000)
As at 31 December 2021	187,209	244,042	431,251

Notes 1-25 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2022

1 Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and the provisions of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) relating to insurance companies, and applicable accounting standards in the United Kingdom. The Company has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (Bupa), a company registered in England and Wales, which publishes consolidated accounts, the Company has not included details of transactions with other Bupa Group companies which are subsidiary undertakings of Bupa.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of cash flows and related notes;
- Related party transactions with fellow Bupa Group companies;
- The effects of new but not yet effective International Financial Reporting Standards (IFRSs); and
- Disclosures in respect of the compensation of key management personnel.

From 1 January 2023, there will be a change in accounting framework and the financial statements will be prepared in accordance with UK-adopted International Financial Reporting Standards. This is not a change in accounting policy and is required due to a change in the definition of a qualifying entity for FRS 101. The impact of this change will be an increase in disclosure in the areas where exemptions are currently taken. There are no changes to the value of assets and liabilities for the Company as a result of changing the accounting framework.

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

1.1 Changes in accounting policies

The Company has consistently applied the accounting policies to all years presented in these financial statements.

(a) Changes in financial reporting requirements

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

1.2 Going concern

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

The going concern assessment has been made with consideration to the principal impacts and risks posed to the Company, including the prolonged level of heightened inflation as result of the Ukraine war. As part of their assessment of the Company's ability to continue as a going concern the Directors looked at the financial performance, capital management, cash flow, solvency and future outlook of the Company, including under a number of reasonably plausible severe scenarios and severe and concurrent risks as part of stress testing and reverse stress testing. Scenarios considered included a heightened inflation environment. Under such scenarios, significant short-term reductions in profitability arise, however the Company would still remain within its risk appetites for regulatory solvency and liquidity. Additional management actions would allow the downside impact to be further mitigated by reducing expenditure, reducing dividends to the Company's parent or divesting investments.

As part of their assessment, the Directors have given due regard to the liquidity, regulatory capital and the ability of the company to meet obligations over a three-year time horizon in line with our planning cycle and reflective of the short-tail nature of our business. The Company is well capitalised with a strong liquidity position and investment grade credit rating, with £802,780k of liquid assets available at 31 December and a Solvency II capital ratio of 191%[4]. The Directors have a reasonable expectation that the Company is expected to remain well-capitalised over the Company's three-year planning horizon.

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

1.3 Foreign currencies

a) Foreign branches

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

b) Foreign transactions

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

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

1.4 Investment properties

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

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

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

Any gain or loss arising from a change in the fair value is recognised in the profit and loss account within financial income or expense, as appropriate.

1.5 Provisions for other risks

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

1.6 Basis of accounting for underwriting activities

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

a) Gross premiums written

Gross premiums written represent the total premiums receivable for the whole period of cover of policies incepted during the reporting year. Premiums are recognised on the commencement date of the policy. Premiums are shown gross of commissions payable and net of insurance premium taxes that may apply in certain jurisdictions.

b) Outward reinsurance premiums

Outward reinsurance premiums represent the reinsurance premiums payable for contracts entered into that relate to risk mitigation for the reported financial year. These comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for unearned premiums.

In cases where the Company cedes reinsurance for the purpose of limiting its net loss potential, the arrangements do not relieve the Company of its direct obligations under insurance policies written.

Premiums, losses and other amounts relating to reinsurance treaties are recognised over the period from inception of a treaty to expiration of the related business on a straight-line basis. The actual profit and loss is therefore recognised not at inception but as such profit and loss emerges. Any initial reinsurance commission is recognised on the same basis as the acquisition costs incurred.

c) Net premiums earned

Net premiums earned represent the premiums earned relating to risk exposure for the reported financial year. They comprise gross premiums written, net of reinsurance and expected lapses, adjusted for the change in the net provision for unearned premiums during the financial year. Premiums include any adjustments arising in the reporting year for premiums receivable in respect of business written in prior reporting years.

The provision for unearned premium represents the proportion of premiums written in the reported financial year that relate to periods of risk in future accounting years.

In circumstances where a return of premiums is likely to be due to policyholders, a provision for the return of premium is established within the provision for unearned premiums based on the best estimate of future cash flows. The return premium is treated as an adjustment to the initial premium, reducing gross premium income. Further detail regarding the provision for return of premium is presented in note 17.

d) Other technical income

Other technical income relates to outward reinsurance commission income received by the Company.

e) Gross claims incurred

The gross technical provision for claims represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses.

The gross technical provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events. Adjustments to the provision for claims for prior years are included in the technical account in the financial year in which the change is made.

A provision is recorded for unexpired risks when a liability adequacy test determines that unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and administrative expenses. The expected claims are calculated having regard only to contracts commencing prior to the balance sheet date. The methods used, and estimates made for claims provisions are reviewed regularly. Any identified deficiency is charged to the Profit and Loss Account, initially by writing off deferred acquisition costs, and subsequently by establishing an unexpired risk provision for losses arising in excess of deferred acquisition costs.

f) Reinsurers' share of claims

Reinsurers' share of claims incurred represents recoveries from reinsurers on claims paid, adjusted for the reinsurers' share of the change in the gross technical provision for claims. The recoverable balances due from reinsurers are assessed for impairment at each balance sheet date. Impairments are accounted for within the technical account of the profit and loss account on an incurred loss basis.

g) Acquisition costs

Acquisition costs included within net operating expenses represent commissions payable and other direct expenses related to the acquisition of insurance contract revenues written during the financial year. Acquisition costs that have been paid are deferred and recognised in the technical account of the profit and loss account in the year in which the benefit has been recognised, on a straight-line basis.

1.7 Current and deferred taxation

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

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

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

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

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

1.8 Related party transactions

As the Company is a wholly owned subsidiary undertaking of Bupa, a company registered in England and Wales, which publishes consolidated accounts, the Company has not included details of transactions with other Bupa Group companies which are subsidiary undertakings of Bupa.

FRS 101 also exempts entities from disclosure of compensation for key management personnel as required by IAS 24. There were no other related party transactions.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Bupa Group, the Company designates these as insurance arrangements, and accounts for them as such. In this respect, provision for expected claims is made on an incurred basis.

1.9 Investment income and expenses

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

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

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

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

1.10 Financial Investments

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

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

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

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

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

1.11 Derivative financial instruments

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

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

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

1.12 Debtors

Insurance debtors are carried at amortised cost net of provision for impairment losses. Non-insurance debtors are carried at amortised cost net of lifetime ECL.

Where appropriate, a provision matrix is used to estimate ECL. Under a provision matrix, receivables are grouped into customer segments and further divided into categories by age. Historical credit loss experience and any relevant forward-looking information is then used to establish the ECL provision for each category. Based on this methodology, non-insurance debtors ECL provisions have been assessed as £nil (2021: £nil).

Debtors arising from reinsurance operations includes inwards reinsurance premiums receivable and outwards reinsurance recoveries.

1.13 Creditors

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

1.14 Leases of property

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

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

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

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

1.15 Accounting estimates and judgements

The preparation of financial statements to conform with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Company's accounting policies. The estimates and assumptions are based on historical experience and other related variables, updated to reflect current trading performance. The estimates and assumptions are reviewed on an ongoing basis and are considered to be appropriate but actual results may differ from these estimates.

Key estimates by management in applying the Company's accounting policies that have a significant effect on the financial statements, and have a significant risk of material adjustment to the carrying value of assets and liabilities in subsequent years, are set out below and in more detail in the related notes.

- Outstanding claims provision: The key assumptions used in the calculation of the outstanding claims provision include claims development, margin of prudence, claims cost inflation and seasonality (Gross technical provisions, see note 17).
- Return of premium provision: The key assumption in the calculation of the return of premium provision is the estimated cost of deferred claims expected to rebound (see note 17).
- Provision for unexpired risks: The key assumption used in the liability adequacy test is the projection of future expected claims cashflows including associated claims management expenses (see note 17).
- Investment property: The key assumption is the property yield (see note 10).

2. Analysis of underwriting results

(i) Analysis by class

	Net written premiums £'000	**Premiums earned £'000**	**Claims incurred £'000**
2022			
Direct insurance: accident and health	**2,367,127**	**2,268,712**	**(1,482,047)**
Inward reinsurance	**385,694**	**364,016**	**(338,178)**
Outward reinsurance	**(127,404)**	**(124,787)**	**87,608**
Total	**2,625,417**	**2,507,941**	**(1,732,617)**

	Net written premiums £'000	Premiums earned £'000	Claims incurred £'000
2021			
Direct insurance: accident and health	2,078,979	2,029,497	(1,333,038)
Inward reinsurance	304,236	282,628	(313,262)
Outward reinsurance	(104,866)	(103,636)	80,035
Total	2,278,349	2,208,489	(1,566,265)

(ii) Segmental analysis of gross premiums written

	2022 £'000	2021 £'000
UK PMI	**1,907,177**	1,684,944
IPMI	**845,644**	698,271
Total	**2,752,821**	2,383,215

Geographic	**2022 £'000**	2021 £'000
United Kingdom	**2,699,765**	2,301,114
EU member states[1]	**(63)**	34,256
Rest of the world	**53,119**	47,845
Total	**2,752,821**	2,383,215

[1]The negative premium is related to an adjustment for a prior year's profit share agreement in the Denmark branch which is now closed to new business

Geographical analysis is based on where the business is written.

3. Net operating expenses

	2022 £'000	2021 £'000
Commission and other acquisition costs	**222,034**	190,397
Changes in deferred acquisition costs	**(14,593)**	(2,185)
Staff costs (see note 4)	**566**	473
Net gain on foreign exchange transactions	**(7,742)**	(2,706)
Expenses payable to Bupa Group companies	**417,043**	383,070
Reinsurers' share of expenses	**(5,874)**	(6,677)
Other operating expenses	**9,880**	13,929
Total	**621,314**	576,301

4. Staff costs and Directors' remuneration

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 costs are recharged to the Company.

(i) Staff costs

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

	2022	2021
Employees	**2**	2

	2022	2021
Administration	**2**	2
Total	**2**	2

	2022 £'000	2021 £'000
Wages and salaries	**495**	388
Social security costs	**18**	23
Pension costs	**53**	62
Total	**566**	473

(ii) Directors' remuneration

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

	2022 £'000	2021 £'000
Emoluments	**1,584**	1,430
Company contributions to defined contribution pension schemes	**11**	6
Amounts receivable under long-term incentive schemes	**-**	548
Total	**1,595**	1,984

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

There are no Directors who are members of a Bupa Group defined benefit pension scheme (2021: None).
The remuneration of the highest paid Director was:

	2022 £'000	2021 £'000
Emoluments	**563**	522
Company contributions to defined contribution pension schemes	**3**	3
Amounts receivable under long-term incentive schemes	**-**	282
Total	**566**	807

5. Other income

Other income of £nil (2021: £15,444k) represents the gain on net assets acquired from CS Healthcare.

6. Investment income

	2022 £'000	2021 £'000
Income from Bupa Group undertakings:		
Interest receivable	**70**	1,038
Rental income on investment property	**3,768**	3,766
Income from investments held at amortised cost	**13,405**	5,957
Realised foreign exchange gains	**-**	7,503
Total	**17,243**	18,264

7. Investment expenses

	2022 £'000	2021 £'000
Interest payable to Bupa Group undertakings	**2,071**	-
Realised foreign exchange losses	**4,828**	-
Investment management expenses payable to Bupa Group undertakings	**1,095**	1,103
Investment management expense[1]	**658**	734
Other interest payable	**1,596**	3,412
Net impairment loss on financial assets	**60**	-
Total	**10,308**	5,249

[1]Investment management expense in the prior year was included within other interest payable.

8. Expenses and auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditors for the audit services	**1,146**	1,009
Non-audit assurance services	**180**	164
Total	**1,326**	1,173

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

9. Taxation on profit on ordinary activities

Analysis of taxation charge in the financial year	**2022 £'000**	2021 £'000
Change to Current taxation expense		
UK taxation on income for the year	**28,058**	16,211
UK taxation adjustments in respect of prior years	**(235)**	(18)
Total UK current taxation expense	**27,823**	16,193
Double taxation relief	**(1,441)**	(2,003)
Foreign taxation on income for the year	**1,441**	1,358
Foreign taxation adjustments in respect of prior years	**-**	645
Total foreign current taxation expense	**1,441**	2,003
Total current taxation expense	**27,823**	16,193
Deferred taxation (income)/expense		
Origination and reversal of temporary differences	**(1,934)**	250
Adjustments in respect of prior year	**(470)**	(115)
Changes in taxation rates	**(611)**	913
Total deferred taxation (income)/expense	**(3,015)**	1,048
Taxation expense	**24,808**	17,241

The UK corporation taxation rate will increase from 19% to 25% with effect from 1 April 2023. Deferred taxation on temporary differences expected to reverse after this date are recognised at 25%. The revaluation of UK deferred taxation balances following the change in the enacted UK taxation rate from 19% to 25% (which applies from 1 April 2023), did not have a material impact on the effective taxation rate for the year.

The total taxation expense recognised in the Profit and Loss Account of £24,808k (2021: £17,241k) represents a headline effective tax rate of 16.7% (2021: 17.2%) against a statutory UK prevailing tax rate of 19.0% (2021: 19.0%).

Reconciliation of effective tax rate

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

	2022 £'000	2021 £'000
Profit before taxation expense	**148,749**	100,084
UK corporation taxation rate	**19.0%**	19.0%
Taxation at the UK corporation taxation rate	**28,262**	19,016
Effects of the recurring taxation reconciliation items:		
Deductions not allowable for taxation purposes	**-**	246
Non-assessable income	**(1,923)**	(2,749)
Changes in taxation rates	**(723)**	959
Transfer pricing adjustments	**(103)**	(98)
	(2,749)	(1,642)
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior years	**(705)**	(133)
Taxation expense at the effective rate of 16.7% (2021: 17.2%)	**24,808**	17,241

As at 31 December 2022, the Company had deductible temporary differences relating to unrelieved foreign taxation of £2,677k (2021: £2,541k) for which no deferred taxation asset was recognised due to uncertainty over the utilisation of those temporary differences.

10. Investment property

	2022 £'000	2021 £'000
At beginning of year	**55,150**	54,956
Assets acquired	**-**	1,200
Decrease in fair value	**(6,400)**	-
Increase in fair value	**-**	194
Disposals	**-**	(1,200)
At end of year	**48,750**	55,150

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

Investment property held is classified as level three in the fair value hierarchy. In an active market, the portfolio is valued annually by an independent valuer, holding a recognised and relevant professional qualification, and with recent experience in the location and category of investment property being valued. For Bupa Place a net initial yield of 6.00% (2021: 5.30%) is used by the independent valuer and reflects the investment characteristics of the property including building quality, location, tenant and lease term. A change in the yield of value (0.25) would result in a change in fair value of plus £2,100k or minus £1,950k (2021: plus £2,750k or minus £2,450k). The historical cost of investment property is £54,572k (2021: £54,572k).

Following an independent valuation, the investment property value has been reduced by £6,400k due to the uncertainty experienced in the commercial property market. The devaluation has been recognised in the profit and loss account as an unrealised loss on investments.

11. Land and buildings

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

Cost or valuation	**£'000**
At 1 January 2022	18,773
At 31 December 2022	**18,773**
Accumulated depreciation	
At 1 January 2022	(940)
Charge for the year	(353)
At 31 December 2022	**(1,293)**
Net book value at 31 December 2022	**17,480**
Net book value at 31 December 2021	17,833

12. Financial investments

	2022		2021	
	Carrying Value £'000	**Fair Value £'000**	Carrying Value £'000	Fair Value £'000
Fair value through profit or loss:				
Corporate debt securities and secured loans	**279,863**	**279,863**	311,128	311,128
Government debt securities	**19,464**	**19,464**	16,681	16,681
Pooled investment funds	**57,500**	**57,500**	37,454	37,454
Amortised cost:				
Corporate debt securities and secured loans	**418,608**	**419,196**	298,588	298,871
Deposits with credit institutions	**185,690**	**185,749**	232,534	232,549
Total financial investments	**961,125**	**961,772**	896,385	896,683
Non-current	**367,886**	**367,886**	450,074	450,073
Current	**593,239**	**593,886**	446,311	446,610

Fair value of financial investments

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

The fair value of financial instruments are determined using different valuation inputs categorised into the three levels within the fair value hierarchy as described in Note 1.10.

An analysis is as follows:

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
2022				
Fair value through profit or loss:				
Corporate debt securities and secured loans	**-**	**279,863**	**-**	**279,863**
Government debt securities	**-**	**19,464**	**-**	**19,464**
Pooled investment funds	**57,500**	**-**	**-**	**57,500**
Amortised cost:				
Corporate debt securities and secured loans	**163,127**	**256,069**	**-**	**419,196**
Deposits with credit institutions	**-**	**185,749**	**-**	**185,749**
Total financial investments	**220,627**	**741,145**	**-**	**961,772**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2021				
Fair value through profit or loss:				
Corporate debt securities and secured loans	12,755	298,289	84	311,128
Government debt securities	-	16,681	-	16,681
Pooled investment funds	37,454	-	-	37,454
Amortised cost:				
Corporate debt securities and secured loans	195,867	103,004	-	298,871
Deposits with credit institutions	-	232,549	-	232,549
Total financial investments	246,076	650,523	84	896,683

There are no level 3 investments in 2022. In the prior year the level 3 investments in corporate debt securities and secured loans of £84k consisted of common bonds held within the Ashmore fund.

13. Other debtors

	2022 £'000	2021 £'000
Amounts owed by Bupa Group undertakings[1]	**13,374**	12,478
Corporation taxation receivable	**26,896**	21,815
Derivative assets	**22,287**	4,566
Other debtors	**21,289**	7,081
Total	**83,846**	45,940

[1]Included within amounts owed by Bupa Group undertakings is £2,203k (2021: £2,272k) relating to intragroup reinsurance debtors.

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

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

14. Cash at bank and in hand

	2022 £'000	2021 £'000
Cash at bank and in hand	**128,996**	157,734
Restricted cash deposits	**1,000**	460
Total	**129,996**	158,194

The restricted cash deposits of £1,000k (2021: £460k) relate to claims funds held on behalf of corporate customers. These amounts may be used only to discharge those obligations and potential liabilities if and when they crystallise.

Cash at bank and in hand includes £114,274k (2021: £107,707k) of cash equivalents.

15. Deferred acquisition costs

The movement in deferred acquisition costs is as follows:

	2022 £'000	2021 £'000
At the beginning of the year	**81,571**	79,336
Acquisition costs deferred	**216,152**	153,641
Acquisition costs released to Profit and Loss Account	**(201,552)**	(151,406)
At end of the year	**96,171**	81,571

16. Called-up share capital

	2022 £'000	2021 £'000
Allotted, called-up and fully paid		
187,208,702 ordinary shares of £1 each (2021: 187,208,702 ordinary shares of £1 each)	**187,209**	187,209

17. Gross technical provisions

Analysis of movement in provision for unearned premium

2022	**Gross £'000**	**Reinsurance £'000**	**Net £'000**
At beginning of year	**1,126,994**	**(31,108)**	**1,095,886**
Return of premium provision movement[1]	**(12,301)**	**-**	**(12,301)**
Written premiums in respect of future years	**2,752,821**	**(127,404)**	**2,625,417**
Earned in the year	**(2,632,094)**	**122,751**	**(2,509,343)**
At end of year	**1,235,420**	**(35,761)**	**1,199,659**

[1]The movements in the return of premium provision are analysed in the following table.

Analysis of movement in return of premium provision

	2022 £'000	2021 £'000
At beginning of year	**71,202**	145,157
Rebate payments made	**-**	(109,998)
Charged to Profit and Loss Account	**-**	36,043
Released to Profit and Loss Account	**(12,301)**	-
	(12,301)	(73,955)
At end of year	**58,901**	71,202

Analysis of movement in provision for claims

2022	**Gross £'000**	**Reinsurance £'000**	**Net £'000**
At beginning of year	**227,076**	**(11,323)**	**215,753**
Increase for current year claims	**1,826,533**	**(88,093)**	**1,738,440**
Cash paid to settle claims	**(1,788,939)**	**87,771**	**(1,701,168)**
Decrease for prior year claims	**(6,307)**	**484**	**(5,823)**
Foreign exchange	**9,525**	**(895)**	**8,630**
At end of year	**267,888**	**(12,056)**	**255,832**

Analysis of movement in provision for unearned premium

2021	Gross £'000	Reinsurance £'000	Net £'000
At beginning of year	1,119,660	(29,754)	1,089,906
Liabilities acquired	9,804	-	9,804
Return of premium provision movement[1]	(73,955)	-	(73,955)
Written premiums in respect of future years	2,383,215	(104,867)	2,278,348
Earned in the year	(2,311,730)	103,513	(2,208,217)
At end of year	1,126,994	(31,108)	1,095,886

Analysis of movement in provision for claims

2021	Gross £'000	Reinsurance £'000	Net £'000
At beginning of year	213,157	(9,162)	203,995
Liabilities acquired	2,582	-	2,582
Increase for current year claims	1,666,741	(79,220)	1,587,521
Cash paid to settle claims	(1,635,125)	77,953	(1,557,172)
Decrease for prior year claims	(20,441)	(815)	(21,256)
Foreign exchange	162	(79)	83
At end of year	227,076	(11,323)	215,753

Assumptions for general insurance business

Unearned premiums

The unearned premium provision represents premiums written that relate to periods of risk in future accounting years. It is calculated using time apportionment, which is not materially different from a calculation based on the pattern of incidence of risk.

In circumstances where a return of premiums is likely to be due to policyholders, a provision for the return of premium is established within the provision for unearned premiums. The return of premium is treated as an adjustment to the initial premium, reducing gross premium income.

A provision for return of premiums was established in 2020 following the commitment to pass back to eligible customers any exceptional financial benefit experienced by the UK PMI business line that ultimately arose as a result of the COVID-19 pandemic. At 31 December 2022, the return of premium provision is estimated to be £58,901k (2021: £71,202k). The reduction in the provision reflects a decrease in the best estimate of the exceptional financial benefit to be returned to eligible customers due to a higher rebound of claims. The provision closed to future accrual of benefit from 31 December 2021. The return of premium provided for excludes associated insurance premium tax (IPT). The amount paid to customers will be inclusive of IPT which will then be recovered from HMRC by the Company.

The provision reflects the best estimate of exceptional financial benefit ultimately arising from COVID-19 during the period 23 March 2020 to 31 December 2021. It is calculated by estimating the net reduction in claims costs of £193,319k (2021: £242,440k) and deducting the estimated costs of deferred claims expected to rebound after the reporting date and COVID-19 related claims inflation expected to be incurred of £24,420k (2021: £61,240k) and rebate payments made in 2021 of £109,998k. The net reduction in claims cost is calculated as the disruption caused by COVID-19 adjusted to take account of deferred claims that have already rebounded and incremental costs and profit impacts, attributable to COVID-19.

The key assumption in determining the return of premium provision is the costs of deferred claims expected to rebound and COVID-19 related claims inflation expected to be incurred. It is expected that deferred claims will be incurred over 2023. The assumed level of deferred claims within the rebate is sensitive to the cost of healthcare and customer behaviour. The level of uncertainty in estimation of the costs of deferred claims has reduced since 2021.

The following table shows the impact on the return of premium provision and profit before taxation expense of reasonable variations in the deferred claims assumption:

2022	Return of premium provision £'000	Profit before taxation expense £'000
Increase in estimated deferred claims rebound due to 2.5% increase in new claim journeys per month in Q4 2022 and a 10% higher average deferred claims cost	(7,498)	7,498
Decrease in estimated deferred claims rebound due to 2.5% reduction in new claim journeys per month in Q4 2022 and a 10% lower average deferred claims cost	7,807	(7,807)

The sensitivity reflects a possible range of deferred claims rebound by varying the final observed view of new claim journeys in Q4 2022 and the average cost of deferred claims settling in 2023. It illustrates that an increase in new claim journeys of 2.5% per month during Q4 2022 and a 10% higher average cost of deferred claims would result in a £7,498k increase in estimated deferred claims. This would reduce the return of premium provision at 31 December 2022 by the same amount. The release of the return of premium provision would result in £7,498k additional profit before taxation expense in 2022 which would be fully offset by the impact of higher future customer claims incurred as the deferred claims rebound. Conversely, if new journeys decreased by 2.5% per month in Q4 2022 and the average cost of deferred claims reduced 10%, a £7,807k decrease in the estimate of deferred claims rebound would arise and result in an equivalent increase in the return of premium provision and reduction in profit before taxation expense at 31 December 2022. Changes in the duration over which deferred claims may extend beyond 2023 and changes to COVID related inflation costs are not considered in this scenario.

Provision for claims

The process of recognising liabilities arising from general insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses. The principal assumptions in the estimation of the liability relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends. The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made. The resulting provisions for outstanding claims incorporate a margin for adverse deviation, over and above the best estimate liability, the quantum of which reflects the level of this uncertainty.

Estimation techniques are used in the calculation of the claims outstanding which are valued at a point estimate. The claims outstanding comprises the estimated costs of claims and claims handling expense for the two claims components as follows:

- Claims reported but not paid; and
- Claims incurred but not reported (IBNR).

Claims reported but not paid are computed from direct data extraction from claims administration and accounting systems. For IBNR the method of computation is based upon the development of previously settled claims and the extrapolation of payments to date for each prior month.

Claims development patterns are analysed. Where distinct sub-portfolios with different claims cost and development characteristics exist, further analysis is undertaken to derive assumptions for reserving that are appropriate and can be applied to relatively homogeneous groups of policies. Such sub-portfolios may be defined by product line, risk profile, geography or market sector. Various established reserving methods for general insurance are considered, typically basic chain ladder, Bornhuetter-Ferguson and pure risk cost methods. Additional consideration is given to the treatment of large claims, claim seasonality, claims inflation and currency effects, for which appropriate adjustments to assumptions and methods are made.

While there is some diversity in the development profile of health insurance claims across the Company, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which the benefit is claimed. Medical expenses claims are typically, substantially fully-settled within just a few months. Claims management practices such as pre-authorisation of the claim with the insured, electronic claims settlement and effective network provider arrangements can reduce the development period to four to six months.

Insurance provisions are inevitably estimates. Actual experience of claims costs and/or administrative expenses may vary from that anticipated in the reserving estimates.

The following table shows the impact on profit before taxation of reasonably possible variations in assumptions in the carrying value of insurance contract liabilities at the end of the reporting year:

	Increase in claims £'000	**Increase in expenses £'000**
2022		
Change in variable	**5%**	**10%**
Reduction in profit net of reinsurance before taxation	**11,907**	**1,067**
2021		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation	10,054	988

Since premium provisions include profit margins, variances from expectations can be absorbed by these margins.

Liability adequacy testing

Liability adequacy tests are performed for all insurance portfolios. For short-duration contracts, a premium deficiency is recognised if the sum of expected costs of future claims and claim adjustment expenses, capitalised deferred acquisition costs, and maintenance expenses exceeds the corresponding unearned premiums, while considering anticipated investment income. Any identified deficiency is charged to the Profit and Loss Account, initially by writing off deferred acquisition costs, and subsequently by establishing an unexpired risk provision within the unearned premium provision for losses arising in excess of deferred acquisition costs. At 31 December 2022 the liability adequacy tests showed no deficiencies and any scenario that would lead to a deficiency is considered to be remote.

18. Provisions for other risks

2022	Regulatory £'000	Other £'000	Total £'000
At beginning of year	**-**	**5,810**	**5,810**
Charged for the year	**8,757**	**4,292**	**13,049**
Utilisation in the year	**(8,757)**	**(666)**	**(9,423)**
Released in the year	**-**	**(5,446)**	**(5,446)**
Foreign exchange	**-**	**21**	**21**
At end of year	**-**	**4,011**	**4,011**

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

Other provisions relate principally to customer remediation provisions

- Customer remediation provision of £3,921k (2021: £4,371k) to provide for the costs of compensation where necessary to ensure that we deliver good customer outcomes. Due to the nature of the customer remediation provisions, the timing and potential cost is uncertain.

19. Deferred taxation

	2022 £'000	2021 £'000
At the beginning of the year – net deferred taxation liability	**3,993**	2,945
Credited/(charged) to Profit and Loss Account	**(3,015)**	1,048
Foreign exchange	**-**	-
At the end of the year – net deferred taxation liability	**978**	3,993

Net deferred taxation liability is analysed as follows:

	2022 £'000	2021 £'000
Accelerated capital allowances	**978**	1,972
Investment property	**-**	2,021
Total	**978**	3,993

20. Other creditors

	2022 £'000	2021 £'000
Insurance premium taxation payable	**61,868**	53,370
Amounts owed to Bupa Group undertakings[1]	**45,093**	44,745
Accruals and deferred income	**15,714**	17,428
Derivative liabilities	**21,054**	3,203
Trade creditors	**1,119**	574
Other creditors	**25,720**	17,350
Total	**170,568**	136,670

[1]Included within amounts owed to Bupa Group undertakings is £13,685k (2021: £11,123k) relating to intragroup reinsurance creditors.

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

21. Lease creditors

	2022 £'000	2021 £'000
At the beginning of the year	**17,730**	15,477
Remeasurement	**-**	2,376
Repayments	**(744)**	(768)
Interest on lease liabilities	**501**	645
Total lease liabilities	**17,487**	17,730
Falling due within one year	**253**	341
Falling due after more than one year	**17,234**	17,389

22. Risk management

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

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

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

The principal significant risks of the Company and how they are mitigated are described on pages 10 to 13.

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

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

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

22.1 Insurance risk

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

Underwriting risk

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

Pricing risk

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

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

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

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

Claims risk

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

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

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

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

Reserving risk

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

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

In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in independent 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. A best estimate of the proportion of UK PMI claims that have been delayed and are likely to return in future periods forms part of the return of premium provision calculation (note 17) related to the commitment to UK PMI customers. As with any estimate of this nature there is inherent uncertainty in the key judgements which may impact the return of premium.

Other risks relating to underwriting health insurance business

Claims provisions are not discounted and their short-term nature means that changes in interest rates have no impact on reserving risk. In addition, the future premium income and claims outflows of health insurance premium liabilities are largely unaffected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical cost inflation affect the value of future claims outflows.

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

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

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

- Product diversity between domestic and expatriate, and individual and corporate health insurance; and

- A variety of claims type exposures across diverse medical providers: consultants, nursing staff, clinics, individual hospitals and hospital groups.

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

Geographical concentrations of risk

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

Catastrophe risk

A natural disaster or a man-made disaster could potentially lead to a larger than expected number of claims being received over a short period of time resulting in higher-than-expected claims costs. 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 reinsurance provided by third-party reinsurers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements. Consideration of pandemics forms part of our regular stress and scenario testing.

22.2 Market risk

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

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

Where the Company has moved away from money market investments and invested in a limited portfolio of return seeking assets (principally bonds), the Company uses a value at risk analysis (VaR) to quantify risk, taking account of asset volatility and correlation between asset classes. The VaR is measured at the 93.3rd percentile (i.e.1-in-15 year probability) over a 1 year horizon. The return seeking asset portfolio was £357,337k at 31 December 2022 (2021: £365,263k) and the 1-year VaR93.3 figure attributable to the portfolio is £33,700k at 31 December 2022 (2021: £30,100k).

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

Foreign exchange risk

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

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

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

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2022

2022	Net currency exposure £'000	Currency contracts £'000	Net currency exposure including hedges £'000
US dollar	**(91,344)**	**(225,794)**	**(317,138)**
United Arab dirham	**-**	**123,387**	**123,387**
Hong Kong dollar	**(98)**	**49,267**	**49,169**
Singapore dollar	**141**	**39,583**	**39,724**
Euro	**55,460**	**(65,532)**	**(10,072)**
Danish krone	**(5,769)**	**-**	**(5,769)**
Swiss franc	**(3,854)**	**-**	**(3,854)**
Australian dollars	**57**	**-**	**57**
Other	**(35)**	**4,139**	**4,104**
Total foreign currency denominated net assets	**(45,442)**	**(74,950)**	**(120,392)**

2021	Net currency exposure £'000	Currency contracts £'000	Net currency exposure including hedges £'000
US dollar	(87,810)	(221,845)	(309,655)
United Arab dirham	-	108,644	108,644
Hong Kong dollar	(1,687)	37,536	35,849
Singapore dollar	-	30,155	30,155
Euro	62,679	(68,777)	(6,098)
Danish krone	(6,543)	-	(6,543)
Swiss franc	(1,719)	-	(1,719)
Australian dollars	-	-	-
Other	108	3,942	4,050
Total foreign currency denominated net assets	(34,972)	(110,345)	(145,317)

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

	Average rate		**Closing rate**	
	2022	2021	**2022**	2021
US dollar	**1.2365**	1.3757	**1.2071**	1.3532
United Arab dirham	**4.5418**	5.0532	**4.4332**	4.9704
Hong Kong dollar	**9.6818**	10.6930	**9.4181**	10.5500
Singapore dollar	**1.7032**	1.8485	**1.6169**	1.8239
Euro	**1.1727**	1.1632	**1.1284**	1.1888
Danish krone	**8.7275**	8.6524	**8.3914**	8.8405
Swiss franc	**1.1793**	1.2577	**1.1162**	1.2338
Australian dollars	**1.7791**	1.8320	**1.7731**	1.8611

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

2022	**Gain/(loss) included in Profit and Loss, strengthening 10% £'000**	**(Loss)/gain included in Profit and Loss, weakening 10% £'000**
US dollar	**30,339**	**(37,081)**
United Arab dirham	**(11,217)**	**13,710**
Hong Kong dollar	**(4,607)**	**5,631**
Singapore dollar	**(3,611)**	**4,452**
Euro	**469**	**(573)**
Danish krone	**291**	**(356)**
Other	**(699)**	**816**
Total sensitivity	**10,965**	**(13,401)**

2021	Gain/(loss) included in Profit and Loss, strengthening 10% £'000	(Loss)/gain included in Profit and Loss, weakening 10% £'000
US dollar	29,348	(35,870)
United Arab dirham	(9,877)	12,072
Hong Kong dollar	(3,273)	4,000
Singapore dollar	(2,741)	3,351
Euro	872	(1,065)
Danish krone	532	(650)
Other	(456)	557
Total sensitivity	14,405	(17,605)

Interest rate risk

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

The Company is exposed to interest rate risk arising from fluctuations in market rates. This affects the return on variable rate assets, the cost of variable rate liabilities, the balance sheet value of its investment in fixed rate bonds and the balance sheet value of fixed rate debt issued. Variable rate assets represent a natural hedge for variable rate liabilities. The net balance on which the Company was exposed as at 31 December 2022 was £891,338k (2021: £837,232k).

The impact of a hypothetical rise of 100 bps in interest rates at the reporting date, on an annualised basis, would have decreased profit and reserves by £4,819k (2021: £6,326k). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

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

22.3 Credit risk

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

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

The investment profile at 31 December is as follows:

	2022 £'000	2021 £'000
Investment grade counterparties	**972,597**	934,393
Non-investment grade counterparties	**118,653**	120,255
Total	**1,091,250**	1,054,648

Investment grade counterparties include cash at bank and in hand of £128,996k (2021: £157,734k). The investments which are held with non-investment grade counterparties are classed as debt securities and loans. Non-investment grade counterparties are those rated below BBB- / Baa3.

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

2022	Corporate debt securities and secured loans £’000	Deposits with credit institutions £’000	Restricted Assets £’000	Cash and cash Equivalents £’000	Total £’000
AAA	**162,679**	**-**	**-**	**2,017**	**164,696**
AA- to AA+	**161,173**	**120,226**	**-**	**16,603**	**298,002**
A- to A+	**94,765**	**65,584**	**1,000**	**108,710**	**270,059**
BBB- to BBB+	**-**	**-**	**-**	**920**	**920**
Below BBB- (below investment grade)	**-**	**-**	**-**	**746**	**746**
Total	**418,617**	**185,810**	**1,000**	**128,996**	**734,423**
ECL	**(9)**	**(120)**	**-**	**-**	**(129)**
Carrying amount	**418,608**	**185,690**	**1,000**	**128,996**	**734,294**

2021	Corporate debt securities and secured loans £’000	Deposits with credit institutions £’000	Restricted Assets £’000	Cash and cash Equivalents £’000	Total £’000
AAA	195,494	-	-	43,030	238,524
AA- to AA+	-	164,076	-	24,967	189,043
A- to A+	103,094	68,527	460	89,308	261,389
BBB- to BBB+	-	-	-	381	381
Below BBB- (below investment grade)	-	-	-	48	48
Total	298,588	232,603	460	157,734	689,385
ECL	-	(69)	-	-	(69)
Carrying amount	298,588	232,534	460	157,734	689,316

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

2022	Not past due or impaired £'000	0-3 months £'000	3-6 months £'000	6 months to 1 year £'000	Greater than 1 year £'000
Insurance debtors gross value	**774,374**	**53,324**	**20,046**	**10,629**	**969**
Provision for bad debt - insurance debtors - direct	**(9)**	**(689)**	**(563)**	**(5,707)**	**(647)**
Insurance debtors net value	**774,365**	**52,635**	**19,483**	**4,922**	**322**
Trade and other debtors	**2,970**	**120**	**2**	**-**	**-**
ECL provision	**-**	**-**	**-**	**-**	**-**
Trade and other debtors net value	**2,970**	**120**	**2**	**-**	**-**

2021	Not past due or impaired £'000	0-3 months £'000	3-6 months £'000	6 months to 1 year £'000	Greater than 1 year £'000
Insurance debtors gross value	686,719	30,935	18,060	7,163	954
Provision for bad debt - insurance debtors - direct	(5)	(1,202)	(4,868)	(3,409)	(215)
Insurance debtors net value	686,714	29,733	13,192	3,754	739
Trade and other debtors	3,263	2,709	4	77	82
ECL provision	-	-	-	-	-
Trade and other debtors net value	3,263	2,709	4	77	82

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

	Government debt securities	Corporate debt securities and secured loans		Pooled Investments Funds	Deposits with credit institutions		Trade and other receivables	Other insurance debtors		Restricted assets	Cash and cash equivalents
	Gross	Gross	ECL	Gross	Gross	ECL	Gross	Gross	ECL	Gross	Gross
2022	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At beginning of year	**16,681**	**609,716**	**-**	**37,454**	**232,603**	**(69)**	**6,135**	**743,832**	**(9,699)**	**460**	**157,734**
Recognition and settlement	**799**	**87,140**	**(9)**	**20,046**	**(46,793)**	**(51)**	**(2,983)**	**93,972**	**2,824**	**540**	**(32,363)**
Write offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and other movements	**1,984**	**1,624**	**-**	**-**	**-**	**-**	**(60)**	**21,537**	**(740)**	**-**	**3,625**
At end of year	**19,464**	**698,480**	**(9)**	**57,500**	**185,810**	**(120)**	**3,092**	**859,341**	**(7,615)**	**1,000**	**128,996**

	Government debt securities	Corporate debt securities and secured loans		Pooled Investments Funds	Deposits with credit institutions		Trade and other receivables	Other insurance debtors		Restricted assets	Cash and cash equivalents
	Gross	Gross	ECL	Gross	Gross	ECL	Gross	Gross	ECL	Gross	Gross
2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	16,735	507,659	(11)	37,978	382,098	(750)	4,874	734,124	(11,084)	290	185,106
Recognition and settlement	(247)	101,870	11	(524)	(149,495)	681	1,287	8,518	1,417	170	(26,984)
Write offs	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange and other movements	193	187	-	-	-	-	(26)	1,190	(32)	-	(388)
At end of year	16,681	609,716	-	37,454	232,603	(69)	6,135	743,832	(9,699)	460	157,734

Offsetting financial assets and financial liabilities

a) Financial assets

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

	Gross amounts of recognised financial assets £'000	**Gross amounts of recognised financial liabilities set off in the balance sheet £'000**	**Net amounts of financial assets/labilities presented in the balance sheet £'000**	**Related amounts not set off in the balance sheet**		**Net amount £'000**
				Financial instruments £'000	**Cash collateral received £'000**	
As at 31 December 2022						
Derivative financial assets	**22,287**	**-**	**22,287**	**(2,442)**	**(16,576)**	**3,269**
Derivative financial liabilities	**(21,054)**	**-**	**(21,054)**	**2,442**	**16,197**	**(2,415)**
Cash at bank and in hand	**174,922**	**(45,926)**	**128,996**	**-**	**-**	**128,996**
Other debtors	**61,559**	**-**	**61,559**	**-**	**(16,197)**	**45,362**
Other creditors	**(149,515)**	**-**	**(149,515)**	**-**	**16,576**	**(132,939)**
Total	**88,199**	**(45,926)**	**42,273**	**-**	**-**	**42,273**

	Gross amounts of recognised financial assets £'000	Gross amounts of recognised financial liabilities set off in the balance sheet £'000	Net amounts of financial assets/labilities presented in the balance sheet £'000	Related amounts not set off in the balance sheet		Net amount £'000
				Financial instruments £'000	Cash collateral received £'000	
As at 31 December 2021						
Derivative financial assets	4,566	-	4,566	(1,231)	-	3,335
Derivative financial liabilities	(3,203)	-	(3,203)	1,231	3,241	1,269
Cash at bank and in hand	189,883	(32,149)	157,734	-	-	157,734
Other debtors	41,374	-	41,374	-	(3,241)	38,133
Other creditors	(133,467)	-	(133,467)	-	-	(133,467)
Total	99,153	(32,149)	67,004	-	-	67,004

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

22.4 Liquidity risk

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

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

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

	Insurance contract liabilities £'000	**Other liabilities under insurance contracts issued £'000**	**Trade and other creditors £'000**	**Lease liabilities £'000**	**Derivative liabilities £'000**	**Total £'000**
As at 31 December 2022						
2023	**1,503,308**	**89,637**	**149,514**	**673**	**21,054**	**1,764,186**
2024	**-**	**-**	**-**	**673**	**-**	**673**
2025	**-**	**-**	**-**	**673**	**-**	**673**
2026	**-**	**-**	**-**	**673**	**-**	**673**
2027	**-**	**-**	**-**	**673**	**-**	**673**
2028-2032	**-**	**-**	**-**	**3,365**	**-**	**3,365**
After 2032	**-**	**-**	**-**	**15,427**	**-**	**15,427**
Total	**1,503,308**	**89,637**	**149,514**	**22,157**	**21,054**	**1,785,670**
Carrying value	**1,503,308**	**89,637**	**149,514**	**17,487**	**21,054**	**1,781,000**

	Insurance contract liabilities £'000	Other liabilities under insurance contracts issued £'000	Trade and other creditors £'000	Lease labilities £'000	Derivative liabilities £'000	Total £'000
As at 31 December 2021						
2022	1,354,070	76,426	133,467	769	3,203	1,567,935
2023	-	-	-	673	-	673
2024	-	-	-	673	-	673
2025	-	-	-	673	-	673
2026	-	-	-	673	-	673
2027-2031	-	-	-	3,365	-	3,365
After 2031	-	-	-	16,100	-	16,100
Total	1,354,070	76,426	133,467	22,926	3,203	1,590,092
Carrying value	1,354,070	76,426	133,467	17,730	3,203	1,584,896

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

	Cash at bank and in hand £'000	**Deposits with credit institutions £'000**	**Government debt securities £'000**	**Corporate debt securities and secured loans £'000**	**Pooled investment funds £'000**	**Total £'000**
As at 31 December 2022						
2023	**128,996**	**185,810**	**378**	**349,680**	**57,500**	**722,364**
2024	**-**	**-**	**755**	**52,433**	**-**	**53,188**
2025	**-**	**-**	**1,394**	**75,195**	**-**	**76,589**
2026	**-**	**-**	**848**	**113,152**	**-**	**114,000**
2027	**-**	**-**	**2,554**	**40,514**	**-**	**43,068**
2028-2032	**-**	**-**	**2,718**	**54,413**	**-**	**57,131**
After 2032	**-**	**-**	**10,817**	**13,093**	**-**	**23,910**
Total	**128,996**	**185,810**	**19,464**	**698,480**	**57,500**	**1,090,250**

	Cash at bank and in hand £'000	Deposits with credit institutions £'000	Government debt securities £'000	Corporate debt securities and secured loans £'000	Pooled investment funds £'000	Total £'000
As at 31 December 2021						
2022	157,734	232,603	397	175,927	37,454	604,115
2023	-	-	636	107,427	-	108,063
2024	-	-	914	55,061	-	55,975
2025	-	-	246	68,282	-	68,528
2026	-	-	663	110,045	-	110,708
2027-2031	-	-	2,262	69,599	-	71,861
After 2031	-	-	11,563	23,375	-	34,938
Total	157,734	232,603	16,681	609,716	37,454	1,054,188

23. Capital management

The Solvency II framework, which governs industry regulation and prudential capital requirements within the European Union and the UK, became effective from 1 January 2016. The Company has prepared its reporting in line with the requirements of the SII framework, as enacted in the UK following the UK's exit from the European Union.

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

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

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

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

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

The Company's Eligible Own Funds, determined in accordance with the SII valuation rules, were £541,359k[1] (2021: £497,900k) which was in excess of the estimated SCR of £283,755k[1] (2021: £283,779k). This represented a Solvency coverage ratio of 191% (2021: 175%). [This increase is due to increase in eligible own funds driven by 2022 company profit partially offset by dividends paid in excess of capital generated.]

The Company uses a variety of metrics to monitor its capital position including UK Generally Accepted Accounting Practice capital and reserves, which are £445,192k as at 31 December 2022 (2021: £431,251k).

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

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

24. Contingent liabilities, guarantees and other financial commitments

(i) Contingent liabilities

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

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

(ii) Guarantees

The Company had issued no guarantees at the balance sheet date.

(iii) Financial commitments

The Company had no financial commitments at the balance sheet date.

25. Immediate and ultimate parent company

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

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

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