

**Bupa Insurance Limited**

**Annual Report and Accounts for the financial year ended  
31 December 2017**

**Registered Office:**

**1 Angel Court  
London  
EC2R 7HJ**

**Registered number: 3956433**

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# Strategic Report

for the financial year ended 31 December 2017

The Directors present their annual report and the financial statements of Bupa Insurance Limited (the "Company") for the financial year ended 31 December 2017.

## Principal activities

The Company is the UK's largest health insurer and a leading provider of international health insurance providing medical cover to 2.7m customers worldwide.

The Company is wholly owned by the Bupa Group (Bupa), an international healthcare group, providing insurance, treatment in clinics, dental centres and hospitals, and running care homes. Bupa has 16.0m health insurance customers, provides healthcare to over 14.5m people in its clinics and hospitals, and look after over 25.7k aged care residents, employing 78,000 people principally in Australia, the UK, Spain and Hong Kong. Bupa was established in 1947 as a company without shareholders which means it can make customers its absolute focus. Bupa reinvests its profits into providing more and better healthcare that will benefit customers now and in the future.

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

The two main health insurance segments are domestic 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 principal operations take place in the UK, with branches sited in Denmark, Cyprus, Malta and Switzerland. Operational services, including the provision of mediation and administrative services are provided by Bupa Insurance Services Limited and some smaller group companies located in Egypt and Hong Kong.

## Key performance indicators

	2017	2016
	£'m	£'m
Net premiums earned	2,275	2,250
Profit before taxation	160.5	133.5
Loss ratio	72%	73%
Combined operating ratio	94%	95%
Insured lives	2.7	2.9
Solvency II (SII) coverage ratio (estimated) <sup>1</sup>	187%	160%

<sup>1</sup>The Solvency Capital Position and related disclosures are estimated values

## Results

The Company saw a 20% rise in profit before taxation to £160.5m (2016: £133.5m) driven by an increase in revenue largely due to foreign currency movements, lower claims and a reduction in operating expenses, partly offset by lower investment returns, net of interest income due to a favourable settlement of a Danish tax tribunal.

The increase in total revenue of 1% reflects the benefit of a favourable US dollar exchange rate against the backdrop of challenging markets. UK PMI consumer sales increased compared to 2016. SME (UK PMI) revenue grew. These were offset by falling UK corporate revenue which was impacted by the trend for corporates to use Health Trusts rather than insured schemes. IPMI revenue grew overall as a result of an increase in corporate which more than offset reductions in consumer and SME. The combined ratio improved to 94% (2016: 95%), driven by favourable performance in UK PMI partially offset by increasing claims in IPMI.

## Strategic Report (continued)

for the financial year ended 31 December 2017

### Development

The economic and regulatory environments in our markets are constantly changing. Customer experience is becoming an increasingly important differentiator, with technology playing a crucial role.

The UK economy grew 1% in the first nine months of the year, the slowest rate for the January to September period since 2009. The UK Government increased the Insurance Premium Tax to 12% in June, affecting affordability for health insurance customers. Hospital price inflation is also driving up costs for customers. The Company is working to ensure the fees charged by hospitals are fair and reasonable.

Our enhanced care pathways and better healthcare cost management have improved the customer experience and claims performance. In November, the Company launched Cancer Direct Access self-referral service (UK PMI), offering customers faster access to diagnosis and treatment without needing to see their GP first. We are the first healthcare organisation in the UK to offer such a comprehensive service.

The IPMI market remains competitive, with global insurers traditionally focused on company plans increasingly looking to offer individual products.

Throughout 2017, the Company refined its IPMI market strategy and started a programme to strengthen distribution, improve customer engagement and review the products and service offering to our IPMI customers. Progress has been made in the customer service metrics and retention levels.

The Company acted quickly to manage an incident in which a portion of IPMI customer data was inappropriately copied and removed. We have brought in additional security checks and are tightening information security and data protection controls across the whole company.

### Principal risks and uncertainties

Both the business performance and operations are subject to a number of risks and uncertainties. The Directors consider that the key risks and uncertainties relate to external market conditions, insurance risk, regulatory risk and operational risk including information security risk.

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

#### *Market and competitor activity*

PMI markets are highly competitive with companies seeking to attract customers through new products and benefits. There is also demand for innovation to meet the different needs of corporate customers and individuals. The Company keeps its competitive position in each of its markets under continuous scrutiny and regularly reviews strategic and tactical objectives.

There will be operational, commercial and legal impacts for the Company from the UK's decision to leave the EU. We are putting contingency plans in place to address a range of scenarios, including changes to cross-border financial services regulation.

#### *Insurance risk*

The Company seeks to take insurance risk, in the natural course of business, within the Board's risk appetite.

There is a risk that the frequency, size or timing of claims on insurance policies varies from that expected, leading to an unexpected impact on financial returns. By virtue of being in the medical insurance business, the Company is exposed to a number of factors affecting its insurance risk, including macroeconomic trends, medical inflation, shifts in demographics, changes in population health, developments in healthcare delivery and technology, catastrophes and statistical fluctuation. Each of these factors could affect product pricing, reserving, claim risk accumulation, as well as the lapse and persistency behaviour of current and prospective customers.

Insurance risks are managed in a variety of ways. The Company's size and experience enables it to achieve stability in provider contracting for UK operations and it benefits from the geographic diversification elsewhere. The company uses its data and experience to develop actuarial models of products and pricing. In addition, the operations apply controls to underwriting and claims settlement. A significant mitigating factor is that the vast majority of business written is for short-term risks, which enable regular opportunities for re-pricing in the event of changes in claims trends. Refer to management of insurance risk in note 23.1.

#### *Government and regulatory policy change*

As part of the strategic planning process, analysis is performed of the impact of possible political change on the Company's business model. The Company seeks to maintain a constructive dialogue with governments in its main areas of operation,

## Strategic Report (continued)

for the financial year ended 31 December 2017

promoting the benefits of high-quality, private healthcare alongside public provision. This risk is also mitigated by the international diversification of its operations.

### Operational Risk

A detailed Business Continuity Plan for all businesses with dedicated specialised resource is in place to ensure appropriate operation of key processes and controls. Business continuity issues are reported to the Executive Risk Committee, with significant issues being escalated to the Board Risk Committee, which is responsible for ensuring appropriate controls are in place to mitigate potential risks.

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

The services provided by the Company are underpinned by information technology systems and infrastructure that enable the delivery of core processes and products. Failure of these systems may reduce the ability of the Company to deliver products and services to its customer base or increase the risk of information security breaches.

The Company's IT services are provided by Bupa Insurance Services Limited, which is responsible for the development, maintenance and monitoring of IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide the levels of services required by the business and adequately protect sensitive customer and business data.

A number of change programmes are underway including enhancements to information security and governance and responding to the UK's decision to leave the EU. This introduces risks in relation to the capacity and capability of staff and senior management to continue to deliver on the strategic objectives and the change programmes. The Company is focused on ensuring it has the right levels and amount of experience and succession plans to manage the business and deliver on change management, supported by a simple more automated operating model and enhanced ways of delivering training.

### 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 UK's Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), with which the Board and senior managers maintain a close supervisory relationship. The Company seeks to mitigate the risk that it may fail to meet regulatory requirements through the effective operation of the governance framework, and in particular the three lines of defence model which helps to ensure the identification and management of all relevant requirements and associated risks.

### Solvency

The Company maintains regulatory capital in line with its capital management objective as set out in note 24.

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 SII Eligible Own Funds as at 31 December 2017 were £527m (2016: £433m), well in excess of the SCR.

### Solvency II Capital position

	2017	2016
	£'m <sup>1</sup>	£'m
Eligible Own Funds	527	433
Solvency Capital Requirement	281	271
Surplus	245	162
Solvency ratio	187%	160%

<sup>1</sup>The Solvency Capital Position and related disclosures are estimated values

### Eligible Own Funds

	2017	2016
	£'m <sup>1</sup>	£'m
IFRS Equity attributable to shareholders	246	210
Valuation differences	63	54
Foreseeable dividend	-	(25)
Subordinated debt	370	384
Capital tiering restriction	(152)	(190)
<b>Solvency II Eligible Own Funds</b>	<b>527</b>	<b>433</b>

<sup>1</sup>The Solvency Capital Position and related disclosures are estimated values

## Strategic Report (continued)

for the financial year ended 31 December 2017

### Components of Own Funds

	2017	2016
	£'m <sup>1</sup>	£'m
Unrestricted Tier 1	309	238
Restricted Tier 1	77	59
Tier 2	141	136
<b>Eligible Own Funds</b>	<b>527</b>	<b>433</b>

<sup>1</sup>The Solvency Capital Position and related disclosures are estimated values

### Solvency II Capital Requirements

The SCR is calculated in accordance with the Standard Formula specified in the SII legislation. The Company has obtained approval from the Prudential Regulation Authority (PRA) to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter (USP) which reflects the Company's own loss experience.

### Analysis of the Solvency Capital Requirement

% of diversified SCR <sup>1</sup>	2017	2016
Premium & Reserve Risk	37%	38%
Operational Risk	21%	22%
Market Risk	16%	17%
Mid-term Lapse Risk	15%	16%
Counterparty Risk	8%	4%
Pandemic Risk	3%	3%
	<b>100%</b>	<b>100%</b>

<sup>1</sup>The Solvency Capital Position and related disclosures are estimated values

### Future Outlook

Looking ahead, the Company expects slower growth in the health insurance sector. Economic and political conditions will be testing. Internal controls, particularly information security, will continue to be high on our agenda. We're confident that focusing on our customers' needs, delivering high quality services and having great people will help the Company grow in a sustainable way.

Registered office:  
1 Angel Court  
London  
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6 March 2018

**F Harris**  
**Director**

## Directors' Report

for the financial year ended 31 December 2017

### Results and dividends

The profit for the financial year after taxation amounted to £109.1m (2016: £107.7m). The Directors declared three interim dividends of £25.0m, £50.0m and £5.9m during the year ended 31 December 2017 (2016: £410.5m).

### Impact of Companies (Audit, Investigations and Community Enterprise) Act 2004

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

Details of the present Directors and any other persons who served as a Director during the financial year are set out below

R A Phipps (Chairman)	
F Harris	
S Kenton	(appointed 5 April 2017)
M C Ledlie	
S J O'Connor	
A P Perry	(appointed 29 March 2017)
M Potkins	(resigned 29 March 2017)
D W Smith	(appointed 29 August 2017)
C E Thompson	

A Morrison (Company Secretary)	(appointed 1 January 2017)
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### 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.

### Employment of disabled persons

The Company is committed to providing equal opportunities to employees. The employment of disabled persons is included in this commitment and the recruitment, training, career development; and promotion of disabled persons is based on the aptitudes and abilities of the individual. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

### 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 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 People Manager Expectations clearly sets out management expectations, including the need to listen to employees needs and issues. 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.

## **Directors' Report (continued)**

for the financial year ended 31 December 2017

### **Disclosure of information to auditors**

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

- So far as that each Director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is 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.

### **Auditors**

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

Registered office:

1 Angel Court  
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6 March 2018

**F Harris**  
**Director**



## Statement of Directors' Responsibilities

for the financial year ended 31 December 2017

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the 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 and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report to the Members of Bupa Insurance

## 1. Our opinion is unmodified

We have audited the financial statements of Bupa Insurance Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the regulated entities audit committee.

We were appointed as auditor by the directors on 7 June 2000. The period of total uninterrupted engagement is for the 18 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

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Materiality: Financial statements as a whole

£8m (2016: £10.85)

5% (2016: 6%) of profit before tax

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## 2. Key audit matter: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

## Independent Auditor's Report to the Members of Bupa Insurance (continued)

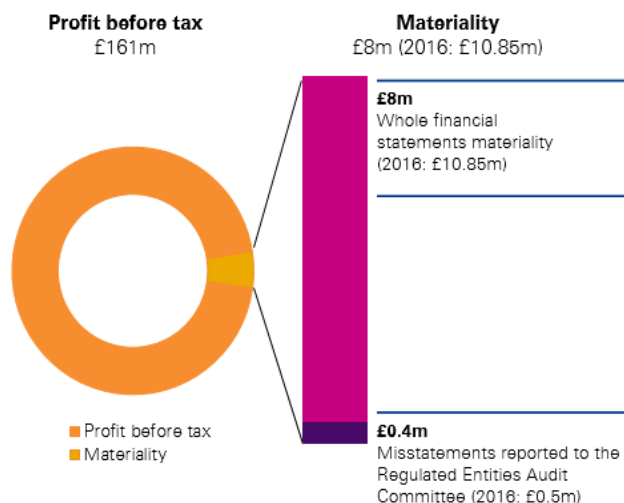
	The Risk	Our response
<b>Valuation of insurance contract liabilities</b>	<b>Subjective valuation</b>	<b>Our procedures included:</b>
(£239 million; 2016: £268 million)  <i>Refer to page 6 (Regulated Entities Audit Committee Report), page 19 (accounting policy) and page 31 (financial disclosures).</i>	The valuation of insurance contract liabilities requires significant judgement and actuarial expertise. Calculation of the actuarial best estimate and the margin over best estimate uses historical data, which is sensitive to external inputs including claims cost inflation and medical trends, and requires assumptions to be made in respect of current and future experience. Small changes in the assumptions and estimates used to value the insurance contract liabilities can have a significant impact on the overall liability valuation.	<p><b>Controls design, observation and operation:</b> testing the design, implementation and operating effectiveness of the key controls over the provisioning process, including controls over the completeness and accuracy of the data supporting key calculations, such as the data in respect of current and historical claims;</p> <p><b>Benchmarking assumptions:</b> considering the Company's reserving methodology and claims experience against industry practice.</p> <p><b>Our actuarial expertise:</b> using our own actuarial specialists, inspecting the claims reserving report and evaluating and challenging the assumptions relating to current and future experience, including cost inflation and medical trends, and margin estimates. This is done by comparing them to expectations based on the Company's historical experience, current trends and our own industry knowledge;</p> <p><b>Sensitivity analysis:</b> considering sensitivity analyses completed by the Company to assess the adequacy of liabilities in the event of severe but possible adverse deviations in key assumptions;</p> <p><b>Independent re-performance:</b> calculating our own estimate of the liability for a private medical insurance using the Company's data, and comparing to the liability calculated by the Company, and considering the impact of any significant differences.</p> <p><b>Assessing transparency:</b> assessing the Company's disclosures relating to the insurance contract liabilities, in particular in relation to key and sensitive assumptions.</p> <p><b>Our results:</b> We found the valuation of the insurance contract liabilities to be acceptable.</p>

### 3. Key audit matter: our assessment of risks of material misstatement

Materiality for the financial statements as a whole was set at £8m (2016: £10.85m), determined with reference to a benchmark of profit before tax, of which it represents 5% (2016: 6%).

We agreed to report to the Regulated Entities Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4m (2016: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Company's head office in London, Brighton and Manchester.



### 4. We have nothing to report on the strategic report and the directors' report

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### 5. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### 6. We have nothing to report on the other matters on which we are required to report by exception

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

- 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- we have nothing to report in these respects.

### 7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or

have no realistic alternative but to do so.

#### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. We identified relevant areas of laws and regulations from our sector experience, through discussion with the directors (as required by auditing standards), and from inspection of the Company's regulatory correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of regulatory capital recognising the financial and regulated nature of the Company's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

#### **8. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Ben Priestley (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants* 15 Canada Square London  
E14 5GL

**6 March 2018**

## Statement of Profit and Loss Account

for the financial year ended 31 December 2017

All profits are derived from continuing operations.

		2017	2016
	Notes	£'000	(restated <sup>1</sup> ) £'000
<b>TECHNICAL ACCOUNT</b>			
<b>Revenues</b>			
Gross premiums written	2	2,383,852	2,379,001
Outward reinsurance premiums		(103,128)	(106,588)
Premiums written, net of reinsurance	2	2,280,724	2,272,413
Change in the gross provision for unearned premiums		208	(16,503)
Reinsurers' share of change in the gross provision for unearned premiums		(5,516)	(5,940)
		(5,308)	(22,443)
<b>Net premiums earned</b>	2	2,275,416	2,249,970
Other technical income, net of reinsurance		4,615	5,014
<b>Total revenues</b>		2,280,031	2,254,984
Gross claims paid		(1,748,198)	(1,727,513)
Reinsurers' share of claims paid		83,641	92,683
<b>Gross claims paid net of reinsurance</b>		(1,664,557)	(1,634,830)
Gross change in the provision for claims		23,662	(14,334)
Reinsurers' share of change in the provision		(4,174)	(1,054)
		19,488	(15,388)
<b>Net claims incurred</b>	2	(1,645,069)	(1,650,218)
Net operating expenses	3	(490,000)	(495,192)
<b>Total claims and expenses</b>		(2,135,069)	(2,145,410)
<b>Profit before financial income and expense</b>		144,962	109,574
<b>NON-TECHNICAL ACCOUNT</b>			
Investment income	5	34,964	27,390
Unrealised gains on investments		18,134	46,307
Investment expenses	6	(29,699)	(49,759)
Unrealised losses on investments		(7,841)	(9)
<b>Net financial income</b>		15,558	23,929
<b>Profit before taxation expense</b>		160,520	133,503
Taxation on profit on ordinary activities	8	(51,381)	(25,825)
<b>Profit for the financial year</b>		109,139	107,678

<sup>1</sup>Restated, see note 27 for further details

Notes 1-27 form part of these financial statements.

## Statement of Other Comprehensive Income

for the financial year ended 31 December 2017

	For the year ended 31 December 2017	For the year ended 31 December 2016
Note	£'000	£'000
<b>Profit for the financial year</b>	<b>109,139</b>	<b>107,678</b>
<b>Other Comprehensive Income</b>		
<b>Items that will not be reclassified to the profit and loss account</b>		
Unrealised (loss)/gain on revaluation of property	-	(34)
Deferred tax released on sale of property	21	263
<b>Total items that will not be reclassified to the profit and loss account</b>	<b>8,136</b>	<b>229</b>
<b>Items that may be reclassified subsequently to the profit and loss account</b>		
Unrealised gains on available-for-sale assets	224	378
<b>Other Comprehensive Income for the year</b>	<b>8,360</b>	<b>607</b>
<b>Total Comprehensive Income for the year</b>	<b>117,499</b>	<b>108,285</b>

Notes 1-27 form part of these financial statements.

## Balance Sheet

as at 31 December 2017

		2017	2016 (restated <sup>1</sup> )
	Notes	£'000	£'000
<b>ASSETS</b>			
<b>Investments</b>			
Investment property	9	50,590	19,035
Property, plant and equipment	10	-	1,178
Investment in subsidiary undertakings	12	-	2,904
Financial investments	13	697,719	745,322
		<b>748,309</b>	<b>768,439</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	19	27,225	34,711
Claims outstanding	19	10,994	15,042
		<b>38,219</b>	<b>49,753</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations:			
Policyholders		672,588	674,954
Intermediaries		1,643	1,450
Debtors arising out of reinsurance operations		79,350	48,352
Other debtors	14	203,991	109,882
		<b>957,572</b>	<b>834,638</b>
<b>Assets held for sale</b>	11	-	68,500
<b>Cash at bank and in hand</b>	15	263,208	242,556
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	16	63,499	58,060
Other prepayments and accrued income		5,430	5,865
		<b>68,929</b>	<b>63,925</b>
<b>Total assets</b>		<b>2,076,237</b>	<b>2,027,811</b>

<sup>1</sup> Restated, see note 27 for further details

Notes 1-27 form part of these financial statements.



## Balance sheet (continued)

as at 31 December 2017

	Notes	2017 £'000	2016 (restated <sup>1</sup> ) £'000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	17	57,209	57,209
Investment revaluation reserve		602	378
Property revaluation reserve		-	22,419
Profit and loss reserve		188,580	129,748
<b>Total capital and reserves</b>		<b>246,391</b>	<b>209,754</b>
<b>Subordinated liabilities</b>	18	<b>335,877</b>	335,912
<b>Gross technical provisions</b>			
Provision for unearned premiums	19	1,012,988	1,015,127
Claims outstanding	19	239,208	268,216
		<b>1,252,196</b>	<b>1,283,343</b>
<b>Provisions for other risks</b>	20	<b>2,870</b>	4,537
<b>Deposits received from reinsurers</b>		<b>5,656</b>	5,696
<b>Creditors</b>			
Creditors arising out of direct insurance operations		5,204	9,021
Creditors arising out of reinsurance operations		57,755	34,990
Deferred taxation	21	1,118	4,862
Other creditors	22	169,170	139,696
		<b>233,247</b>	<b>188,569</b>
<b>Total liabilities</b>		<b>1,829,846</b>	<b>1,818,057</b>
<b>Total equity and liabilities</b>		<b>2,076,237</b>	<b>2,027,811</b>

<sup>1</sup>Restated, see note 27 for further details

Notes 1-27 form part of these financial statements

These financial statements were approved by the Board of Directors on 6 March 2018 and were signed on its behalf by:

F Harris  
Director

C E Thompson  
Director

**Statement of Changes in Equity**  
for the financial year ended 31 December 2017

	Share capital account £'000	Share premium account £'000	Investment revaluation reserve £'000	Property revaluation reserve £'000	Profit and loss reserve £'000	<b>Total £'000</b>
<b>For the year ended 31 December 2017</b>						
At beginning of period	57,209	-	378	22,419	129,748	209,754
Profit for the year	-	-	-	-	109,139	109,139
<b>Other Comprehensive Income / (Expense)</b>						
Realised revaluation profit on disposal of property	-	-	-	(30,555)	30,555	-
Unrealised gains on available-for-sale assets	-	-	224	-	-	224
Deferred tax released on sale of property	-	-	-	8,136	-	8,136
<b>Total Comprehensive Income for the period</b>	-	-	<b>224</b>	<b>(22,419)</b>	<b>139,694</b>	<b>117,499</b>
<b>Transactions with owners recorded directly in equity</b>						
Dividends paid	-	-	-	-	(80,862)	(80,862)
<b>At end of year</b>	<b>57,209</b>	-	<b>602</b>	-	<b>188,580</b>	<b>246,391</b>
<b>For the year ended 31 December 2016</b>						
At beginning of period	357,209	68,561	-	25,691	60,508	511,969
Profit for the year	-	-	-	-	107,678	107,678
<b>Other Comprehensive Income / (Expense)</b>						
Realised revaluation profit on disposal of property	-	-	-	(3,501)	3,501	-
Unrealised gains on available-for-sale assets	-	-	378	-	-	378
Unrealised loss on revaluation of property	-	-	-	229	-	229
<b>Total Comprehensive Income for the period</b>	-	-	<b>378</b>	<b>(3,272)</b>	<b>111,179</b>	<b>108,285</b>
<b>Transactions with owners recorded directly in equity</b>						
Capital reduction	(300,000)	(68,561)	-	-	368,561	-
Dividends paid	-	-	-	-	(410,500)	(410,500)
<b>At end of year</b>	<b>57,209</b>	-	<b>378</b>	<b>22,419</b>	<b>129,748</b>	<b>209,754</b>

Notes 1-27 form part of these financial statements

# Notes to the Financial Statements

for the financial year ended 31 December 2017

## 1 Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under the historical cost convention. The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 have no impact on the financial statements of the Company for the year ended 31 December 2017.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 FRS101 in respect of the following disclosures:

- Comparative period reconciliations for land and buildings;
- Cumulative translation differences for all foreign operations;
- Statement of cash flows and related notes;
- Related party transactions with fellow Bupa Group companies;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

Updates have been included in the accounts to enhance the presentation and disclosures within the accounts. There is no impact on Profit after tax or the Net asset position of the Company.

The following restatements have been made by the Company (refer to note 27 for further details):

- Management corrected the methodology for recognising premiums written by the overseas branches, ensuring alignment with Company's policy of recognising total premiums receivable over the whole period of cover at inception.
- Net gains/losses on foreign exchange transactions have been restated to correct the accounting treatment of non-monetary items as set out in the Company's accounting policies.
- Management corrected the assessment of the future use of the property under construction. The intention is that the property will be held to generate rental income resulting in the property being reclassified from 'Property, plant and equipment' to 'Investment property'

The following has been re-presented in the notes to the accounts (refer to note 4 for further details):

- Directors' remuneration has been re-presented to reflect the value of qualifying services provided by the directors to the Company during the year

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### 1.1 Going concern

The Directors have conducted an assessment of the Company's going concern status based on its current position and forecast results. After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Strategic Report, Directors' Report and Financial Statements.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 1.2 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. Should the functional currency of a branch be assessed as non-sterling, the assets and liabilities are translated from their functional currency into sterling at the exchange rate at the Balance sheet date. Income and expenses are translated at average rates for the period, provided that the average rate approximates the rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income. On the disposal of a foreign branch, the foreign exchange amount accumulated in reserves related to that foreign branch is reclassified to profit and loss as part of the gains or loss on disposal.

#### b) Foreign transactions

Transactions in foreign currencies other than the functional currency of the Company are translated to the respective functional currency of the Company or its foreign operations. 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 at fair value are translated using the exchange rate ruling at the date that the fair value was determined.

### 1.3 Investment properties

Investment properties are physical assets that are not occupied by the Company and are leased to 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, 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.

Any gain or loss arising from a change in the fair value is recognised in the Income Statement within financial income and expense.

Property that is being constructed or developed for future use as Investment property is classified as Investment property.

Investment property under construction is initially measured at cost less any impairment loss, and is measured at fair value upon completion.

### 1.4 Tangible fixed assets and depreciation

Fixtures and equipment are stated at historical cost less accumulated depreciation and recognised impairment losses. Depreciation on other items of property, plant and equipment is calculated using the straight line method to allocated cost less residual value over estimated useful lives as follows:

Depreciation is charged to the profit and loss on a straight line basis over its expected useful life, as follows:

Computer Equipment	3 Years
Fixtures & Fittings	3 to 8 Years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

No depreciation is charged on assets in the course of construction. Assets classified as work in progress are reviewed for impairment at each balance sheet date or when an indication of impairment arises.

Impairment reviews are undertaken where there are indicators that the carrying value may not be recoverable. An impairment loss on assets carried at cost is recognised in the Profit and Loss account to reduce the carrying value to the recoverable amount.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 1.5 Provisions and 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, and it is probable that an outflow of economic benefits will be required to settle the obligation that 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) Other technical income

Revenue from contracts entered into by the Company that do not result in the transfer of significant insurance risk to the Company is recognised as the services are provided and is presented as other technical income. These contracts mainly relate to the administration of claims funds on behalf of corporate customers.

#### b) 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, adjusted for the change in the gross provision for unearned premiums during the financial year.

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

Premiums are shown gross of commissions payable and net of insurance premium taxes that may apply in certain jurisdictions.

#### c) 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. 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.

#### d) Net 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 amount of claims provision for prior years are included in the technical account in the financial year in which the change is made.

Provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year, in respect of contracts commencing before that date, are expected to exceed the related unearned premiums, less related deferred acquisition costs. The methods used and estimates made for claims provisions are reviewed regularly.

#### e) 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 on an incurred loss basis.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### f) 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 that relate to subsequent periods are deferred and recognised in the technical account across the period in which the benefit has been recognised, on a straight line basis.

### 1.7 Taxation and deferred taxation

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

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

Deferred taxation is provided 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 exceptions:

- Provision is made for taxation on gains arising from the revaluation of property to its market value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the 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.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the Balance Sheet date, dividends have been accrued as receivable.

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 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.

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 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 receivable, realised gains on investments, changes in the fair value of items recognised at fair value through profit and 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 and loss, is recognised in the non-technical account as it accrues, using the effective interest method.

Investment expenses include interest payable on borrowings, realised losses on investments, changes in the fair value of items recognised at fair value through profit and 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 and 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 year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 1.10 Financial Investments

The Company has classified its financial investments into the following categories: available-for-sale, at fair value through profit and loss, held to maturity and loans and receivables. 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.

#### a) Available-for-sale

Available-for-sale assets are non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified in the below categories. Available-for-sale assets are measured at fair value in the balance sheet. Fair value changes on available-for-sale assets are recognised directly in equity, through other comprehensive income, except for interest and foreign exchange gains or losses which are recognised through profit and loss. The cumulative gain or loss that was recognised in equity is recognised in the profit and loss when an available-for-sale financial asset is derecognised.

#### b) Financial investment at fair value through profit and loss

Financial investments designated at fair value through profit and loss consist of investments or instruments where management makes decisions based upon their fair value.

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 period in which they arise. The fair values of quoted investments in active markets are based on current bid prices.

#### c) Loans and receivables

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost calculated using the effective interest method, less impairment losses.

#### d) Held to maturity investments

Held to maturity investments are non-derivative financial assets which are quoted on an active market, with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. This is assessed at each reporting date. Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Any discount or premium on purchase is amortised at the effective interest rate over the life of the investment through the Profit and Loss Account.

### 1.11 Derivative financial instruments

Derivative financial instruments consist of currency forward contracts and swaps. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in the profit and loss account.

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.

### 1.12 Investment in subsidiaries

Investments in subsidiary undertakings, are valued at fair value. Cost is used where this is a reasonable approximation of the fair value.

### 1.13 Debtors

Debtors, including insurance debtors are carried at amortised cost less impairment losses.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 1.14 Impairment of financial assets

Financial assets comprise financial investments and trade and other debtors. If they are not already held at fair value, financial assets are assessed at each reporting date (or when there is an indication of impairment) to determine whether there is any objective evidence that they are impaired. A financial asset is considered impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset.

An impairment loss in respect of a financial investment measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate at the date the investment was made.

Significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the profit and loss account.

### 1.15 Subordinated liabilities

Subordinated liabilities are stated at amortised cost using the effective interest method. The coupon payable on the loan is recognised as an investment expense within net financial expense.

### 1.16 Creditors

Creditors are carried at amortised cost.

### 1.17 Assets held for sale

Non-current assets are classified as held for sale where their carrying amount will be recovered principally through a sale transaction rather than continuing use, where a sale is highly probable within one year and where the asset is available for immediate sale in its present condition.

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell.

### Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires the Directors 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.

Judgements made by management in applying the Company's accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in subsequent periods, are set out below and in more detail in the related notes.

- Insurance accounting (note 19)
- Financial investments (notes 13)

## 2 Analysis of underwriting results

### (i) Analysis by class

	Premiums written £'000	Premiums earned £'000	Claims incurred £'000
<b>2017</b>			
Direct insurance: accident and health	2,106,680	2,107,871	(1,519,330)
Inward reinsurance	277,172	276,189	(205,206)
Outward reinsurance	(103,128)	(108,644)	79,467
	<b>2,280,724</b>	<b>2,275,416</b>	<b>(1,645,069)</b>
<b>2016 (restated<sup>1</sup>)</b>			
Direct insurance: accident and health	2,106,783	2,094,379	(1,565,800)
Inward reinsurance	272,218	268,119	(176,047)
Outward reinsurance	(106,588)	(112,528)	91,629
	<b>2,272,413</b>	<b>2,249,970</b>	<b>(1,650,218)</b>



## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### (ii) Analysis by type

Gross premiums written	2017 £'000	2016 (restated <sup>1</sup> ) £'000
Group	1,282,513	1,272,727
Individual	1,101,339	1,106,274
	2,383,852	2,379,001

### (iii) Segmental analysis of gross premiums written

	Gross premiums written £'000
<b>2017</b>	
UK PMI	1,546,072
IPMI	837,780
	2,383,852
<b>2016 (restated<sup>1</sup>)</b>	
UK PMI	1,583,850
IPMI	795,151
	2,379,001

### Geographic

	Gross premiums written £'000
<b>2017</b>	
United Kingdom	2,258,254
EU member states	42,875
Rest of the world	82,723
	2,383,852
<b>2016 (restated<sup>1</sup>)</b>	
United Kingdom	2,251,875
EU member states	40,626
Rest of the world	86,500
	2,379,001

Geographical analysis is based on where the business is written.

<sup>1</sup> Refer note 27 for additional details.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 3 Net Operating Expenses

	2017	2016
	£'000	(restated) <sup>1</sup>
		£'000
Commission and other acquisition costs	144,785	144,535
Changes in deferred acquisition costs	(5,439)	(2,765)
Staff costs (see note 4)	3,286	3,131
Net gain on foreign exchange transactions	(5,191)	(2,749)
Expenses payable to Bupa Group companies	347,297	348,684
Reinsurers share of expenses	(10,671)	(10,830)
Other operating expenses	15,933	15,186
	<b>490,000</b>	<b>495,192</b>

<sup>1</sup> Refer note 27 for additional details.

### 4 Staff costs and Directors' remuneration

All of the Company's employees work in our Copenhagen office. All other staff are remunerated and employed through the Company's service company, Bupa Insurance Services Limited and recharged to Bupa Insurance Limited.

#### (i) Staff costs

The average number of employees was as follows:

	2017	2016
Employees	48	47

	2017	2016
Administration	44	44
Sales	4	3
	<b>48</b>	<b>47</b>

	2017	2016
	£'000	£'000
Wages and salaries	2,592	2,528
Social security costs	395	360
Pension costs	299	243
	<b>3,286</b>	<b>3,131</b>

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### (ii) Directors' remuneration

	2017 £'000	2016 £'000
Emoluments	1,126	1,001
Company contributions to defined contribution pension schemes	11	9
Amounts receivable under long-term incentive schemes	82	291
	<b>1,219</b>	<b>1,301</b>

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

There is One director who is a member of a Bupa defined benefit pension scheme (2016: One).

The remuneration of the highest paid Director was:

	2017 £'000	2016 £'000
Emoluments	300	293
Company contributions to defined contribution pension schemes	6	-
Amounts receivable under long-term incentive schemes	22	177
	<b>328</b>	<b>470</b>

### 5 Investment income

	2017 £'000	2016 £'000
Income from Bupa Group undertakings:		
Interest receivable	113	1,699
Rental income	5,119	5,772
Income from deposits with credit institutions	4,332	6,863
Realised capital gains on investments <sup>1</sup>	6,937	5,355
Interest receivable on overseas tax refunds	14,339	-
Realised foreign exchange gains	4,124	7,701
	<b>34,964</b>	<b>27,390</b>

<sup>1</sup> Includes profit on sale of subsidiary, see note 12 for further details

### 6 Investment expenses

	2017 £'000	2016 £'000
Interest payable to Bupa Group undertakings	20,624	20,641
Realised foreign exchange losses	4,480	25,074
Realised losses on other investments	894	387
Investment management expenses payable to Bupa Group undertakings	1,011	1,128
Other interest payable	2,690	2,529
	<b>29,699</b>	<b>49,759</b>

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 7 Expenses and auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's auditors for the audit services	759	646
Non-audit assurance services	95	400
	<b>854</b>	<b>1,046</b>

Fees for the audit of the Company represent the amount payable to the Company's auditors.

### 8 Taxation on profit on ordinary activities

#### (i) Analysis of taxation charge in the financial year

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation taxation on profit for the financial year	29,824	27,040
Double taxation relief	(3,705)	(2,877)
Foreign taxation on income for the financial year	3,705	2,877
Adjustments in respect of prior periods	17,165	(54)
<b>Total current taxation</b>	<b>46,989</b>	<b>26,986</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	4,392	(706)
Changes in taxation rate	-	85
Adjustments in respect of prior periods	-	(540)
<b>Total deferred taxation</b>	<b>4,392</b>	<b>(1,161)</b>
<b>Total taxation on profit on ordinary activities</b>	<b>51,381</b>	<b>25,825</b>

The total taxation expense recognised in the profit and loss account of £51,381k (2016: £25,825k) represents a headline effective tax rate of 32.0% (2016: 19.3%) against a statutory UK prevailing tax rate of 19.25% (2016: 20.00%).

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### (ii) 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:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	160,520	133,503
Taxation on profit on ordinary activities at standard UK corporation taxation rate of 19.25% (2016: 20.00%)	30,895	26,700
Effects of:		
Non-taxable income	(1,245)	(412)
Expenses not deductible for taxation purposes	406	
Transfer pricing adjustment	(90)	(79)
Deferred taxation adjustments in respect of prior periods	-	(540)
Unwind of deferred tax on the disposal of a property	4,813	-
Changes in taxation rate	(562)	210
Adjustments in respect of Group Relief not paid for in previous years	42,040	-
Adjustments in respect of current income tax of previous years	2,825	(54)
Overseas tax refunds	(27,701)	
<b>Total current taxation charge for the year</b>	<b>51,381</b>	<b>25,825</b>

As at 31 December 2017, the company had deductible temporary differences relating to unrelieved foreign tax of £2,312k (2016: £2,575k) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

### 9 Investment properties

	2017 £'000	2016 (restated <sup>1</sup> ) £'000
At 1 January	19,035	500
Additions	31,555	18,535
<b>At 31 December</b>	<b>50,590</b>	<b>19,035</b>

<sup>1</sup> Refer note 27 for additional details.

### 10 Property, plant and equipment

2017	Equipment £'000	Total £'000
<b>Cost or valuation</b>		
At beginning of period	3,059	3,059
Disposal	(3,059)	(3,059)
<b>At end of year</b>	<b>-</b>	<b>-</b>
<b>Depreciation</b>		
At beginning of period	1,881	1,881
Charge for the year	(318)	(318)
Disposal	(1,563)	(1,563)
<b>At end of year</b>	<b>-</b>	<b>-</b>
<b>Net book value at end of year</b>	<b>-</b>	<b>-</b>
Net book value at beginning of year (restated <sup>1</sup> )	1,178	1,178

<sup>1</sup> Refer note 27 for additional details.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 11 Assets held for sale

	2017 £'000	2016 £'000
Transfer from property, plant and equipment	-	69,000
Costs to sell	-	(500)
	-	68,500

On 22 December 2017, assets previously classified as held for sale were sold. Due to additional costs to sell, profit on disposal was nil.

### 12 Investment in subsidiary undertakings

Cash proceeds of £8.8m were received on the sale of Bupa Insurance (Bolivia) SA, which completed on 15 December 2017, with a net gain on disposal of £5.9m, recognised in investment income (note 5).

The investment in subsidiary undertaking related solely to Bupa Insurance (Bolivia) S.A, an insurance company incorporated in Bolivia, in which the Company held a 100% investment in ordinary shares, registered office Santa Cruz - AV. San Martin No 1800, Equipetrol, Bolivia.

### 13 Financial investments

	Carrying value 2017 £'000	Fair value 2017 £'000	Carrying value 2016 £'000	Fair value 2016 £'000
<b>Non-current</b>				
Available-for-sale				
Corporate debt securities	171,024	171,024	133,006	133,006
Designated at fair value through the profit and loss				
Corporate debt securities and secured loans	183,709	183,709	172,190	172,190
Government debt securities	28,651	28,651	23,618	23,618
Pooled investment funds	85,081	85,081	81,269	81,269
Held to maturity				
Corporate debt securities	12,919	12,993	12,916	13,043
Loans and receivables				
Deposits with credit institutions	65,423	66,269	100,511	102,584
<b>Total non-current</b>	<b>546,807</b>	<b>547,727</b>	<b>523,510</b>	<b>525,710</b>
<b>Current</b>				
Available-for-sale				
Corporate debt securities	27,575	27,575	-	-
Designated at fair value through the profit and loss				
Pooled investment funds	40,020	40,020	39,841	39,841
Held to maturity				
Corporate debt securities	-	-	60,302	60,388
Loans and receivables				
Deposits with credit institutions	83,317	83,430	121,669	122,178
<b>Total current</b>	<b>150,912</b>	<b>151,025</b>	<b>221,812</b>	<b>222,407</b>
<b>Total</b>	<b>697,719</b>	<b>698,752</b>	<b>745,322</b>	<b>748,117</b>

Financial investments are held at fair value aside from corporate debt securities held to maturity and loans and receivables which are held at amortised cost. The fair value of these are shown in the table above.

Available-for-sale assets are held at fair value, changes in the fair value are recognised directly in equity.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 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 value of the Company's financial instruments are calculated based on quoted prices at the balance sheet date, or discounted expected future principal and interest cash flows.

Financial instruments carried at fair value are measured using different valuation methods categorised into a 3 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 1 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)

An analysis is as follows:

	Level 1 £'000	Level 2 £'000	Total £'000
<b>At 31 December 2017</b>			
Available-for-sale			
Corporate debt securities	198,599	-	198,599
Designated at fair value through the profit and loss			
Corporate debt securities and secured loans	-	183,709	183,709
Government debt securities	-	28,651	28,651
Pooled investment funds	125,101	-	125,101
Held to maturity			
Corporate debt securities	12,993	-	12,993
Loans and receivables			
Deposits with credit institutions	-	149,699	149,699
	<b>336,693</b>	<b>362,059</b>	<b>698,752</b>
<b>At 31 December 2016</b>			
Available-for-sale			
Corporate debt securities	133,006	-	133,006
Designated at fair value through the profit and loss			
Corporate debt securities and secured loans	-	172,190	172,190
Government debt securities	-	23,618	23,618
Pooled investment funds	121,110	-	121,110
Held to maturity			
Corporate debt securities	73,431	-	73,431
Loans and receivables			
Deposits with credit institutions	-	224,762	224,762
	<b>327,547</b>	<b>420,570</b>	<b>748,117</b>

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 14 Other debtors

	2017 £'000	2016 £'000
Amounts owed by Bupa Group undertakings	120,139	59,011
Corporation tax receivable	58,908	38,232
Derivative assets	3,111	3,508
Trade debtors	57	57
Other debtors	21,776	9,074
<b>Total</b>	<b>203,991</b>	<b>109,882</b>

The carrying value of debtors is a reasonable approximation of the fair value.

All derivatives are disclosed as level two in the three level hierarchy. The Company holds foreign currency forward contracts to mitigate the Company's currency exposure. Please refer to note 23.2 Foreign exchange risk for more details

### 15 Cash at bank and in hand

	2017 £'000	2016 £'000
Cash at bank and in hand	262,155	242,112
Restricted access deposits	1,053	444
	<b>263,208</b>	<b>242,556</b>

The restricted access deposits of £1,053k (2016: £444k) 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 £187,486k (2016: £125,337k) of cash equivalents.

### 16 Deferred acquisition costs

The movement in deferred acquisition costs is as follows:

	2017 £'000	2016 £'000
At the beginning of the year	58,060	54,975
Acquisition costs deferred	86,523	84,703
Acquisition costs released to Income Statement	(81,084)	(81,618)
<b>At end of year</b>	<b>63,499</b>	<b>58,060</b>

### 17 Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid 57,208,702 ordinary shares of £1 each (2016: 57,208,702 ordinary shares of £1 each)	57,209	57,209



## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 18 Subordinated debt

	2017 £'000	2016 £'000
Subordinated loan	335,877	335,912

The Company has a £330.0m subordinated loan from Bupa Finance plc (the Lender). The loan has no fixed repayment date but is callable on 16 September 2020. Interest is payable at the following rates:

- At 6.250% p.a. to the first call date of 16 September 2020.
- Subsequently at a rate per annum which is determined by the Lender to be the aggregate of 2.725% and the gross redemption yield of the benchmark gilt in respect of that reset interest calculation period.

In the event of the winding up of the Company, the claims of the Lender are subordinated in right of payment to the claims of the other creditors of the Company.

The fair value of the subordinated loan is £361,818k (2016: £350,769k).

### 19 Gross Technical provisions

2017	Gross £'000	Reinsurance £'000	Net £'000
<b>Analysis of movement in provision for unearned premiums</b>			
At beginning of year	1,015,127	(34,711)	980,416
Written premiums in respect of future periods	2,383,852	(103,128)	2,280,724
Earned in the year	(2,385,991)	110,614	(2,275,377)
<b>At end of year</b>	<b>1,012,988</b>	<b>(27,225)</b>	<b>985,763</b>

<b>Analysis of movement in provision for claims</b>			
At beginning of year	268,216	(15,042)	253,174
Cash paid to settle claims	(1,748,198)	83,641	(1,664,557)
Decrease for prior years' claims	(6,930)	2,325	(4,605)
Increase for current year claims	1,732,479	(82,805)	1,649,674
Foreign exchange	(6,359)	887	(5,472)
<b>At end of year</b>	<b>239,208</b>	<b>(10,994)</b>	<b>228,214</b>

2016 (restated <sup>1</sup> )	Gross £'000	Reinsurance £'000	Net £'000
<b>Analysis of movement in provision for unearned premiums</b>			
At beginning of year	994,481	(35,903)	958,578
Written premiums in respect of future periods	2,379,001	(106,588)	2,272,413
Earned in the year	(2,360,873)	107,780	(2,253,093)
Transfer from fellow Group undertaking	2,518	-	2,518
<b>At end of year</b>	<b>1,015,127</b>	<b>(34,711)</b>	<b>980,416</b>

<b>Analysis of movement in provision for claims</b>			
At beginning of year	235,395	(11,665)	223,730
Cash paid to settle claims	(1,686,061)	33,982	(1,652,079)
Decrease for prior years' claims	-	1,650	1,650
Increase for current year claims	1,700,395	(34,578)	1,665,817
Transfer	2,529	(2,529)	-
Foreign exchange	15,958	(1,902)	14,056
<b>At end of year</b>	<b>268,216</b>	<b>(15,042)</b>	<b>253,174</b>

<sup>1</sup>Restated, see note 27 for further details.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### Assumptions for general insurance business

The process of recognising liabilities arising from general insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing whether additional provisions for unexpired risk are required. 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
- 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 best estimates. Actual experience of claims costs and/or administrative expenses may well vary from that anticipated in the reserving estimates.

### 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. Such a deficiency would be immediately recognised in the Profit and Loss Account.

## 20 Provisions for other risks

	Regulatory	Other	Total
2017	£'000	£'000	£'000
At beginning of year	369	4,168	4,537
Transfer from general accruals	2,089	-	2,089
Charged to profit and loss account	4,360	4	4,364
Utilisation of the provision	(6,449)	(831)	(7,280)
Released in the year	(42)	(794)	(836)
Foreign exchange	-	(4)	(4)
<b>At end of year</b>	<b>327</b>	<b>2,543</b>	<b>2,870</b>

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 possible insurance premium tax (IPT) payments and legal, contract and customer remediation provisions.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

The provision for possible IPT payments of £1,548k (2016: £1,981k) relates to countries where there is a potential IPT exposure but the regulations in the country do not oblige the Company to pay IPT, therefore uncertainty exists around the timing of potential payments.

### 21 Deferred taxation

	2017	2016
	£'000	£'000
At beginning of year- net deferred taxation liability	4,862	6,286
Charged/(credited) to profit and loss account	4,392	(1,161)
Recognised in Other Comprehensive Income	(8,136)	(263)
<b>At end of year- net deferred taxation liability</b>	<b>1,118</b>	<b>4,862</b>

Net deferred taxation liability is analysed as follows:

	2017	2016
	£'000	£'000
Accelerated capital allowances	(68)	(68)
Revaluation of property to fair value	1,238	4,982
Provisions	(52)	(52)
<b>Total</b>	<b>1,118</b>	<b>4,862</b>

### 22 Other creditors

	2017	2016
	£'000	£'000
Insurance premium taxation payable	49,366	43,407
Amounts owed to Bupa Group undertakings	59,843	44,029
Accruals and deferred income	37,855	32,857
Derivative liabilities	1,058	41
Trade creditors	2,832	3,991
Other creditors	18,216	15,371
	<b>169,170</b>	<b>139,696</b>

### 23 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 model;

1. Business management is responsible for the identification and assessment of risks and controls;
2. Risk functions provide support 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 appropriateness and effectiveness of internal controls.

The principal significant risks of the Company and how they are mitigated are described on pages 3 to 4.

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 Investment Committee reviews and monitors any significant investment and market 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

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 23.1 Insurance risk

#### Underwriting risk

Underwriting risk affects future cash flows of the Company. It can be subdivided into claims risk and pricing risk which represent the risk of adverse variances in claims outflows and premium inflows respectively.

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

The Company mainly writes annually renewable health insurance contract. The annual renewability feature permits tariff revisions to be made in response to changes in claim experience. This is a significant mitigant to pricing risk. The Company underwrites no material business that commits it to cover risks at premiums fixed beyond a twelve month period from inception or renewal.

Claims risk is managed and controlled by means of pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges.

Specific claims management processes vary across the Company depending on local conditions and practice.

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

Generally, the Company's health insurance contracts contain terms and conditions that provide for the reimbursement of incurred medical expenses for treatment related to acute medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore claims experience is necessarily underpinned by prevailing rates of illness. Additionally, claims risk is generally mitigated by the Company's control processes to ensure that both the treatments and the consequent reimbursements are appropriate.

#### Reserving risk

Reserving risk is the risk that technical provisions for claims incurred prove to be insufficient. There is a relatively low exposure to reserving risk due to the short-term nature of claims development patterns. The short-tail nature of the Company's insurance contracts means that movements in claims development assumptions are generally not significant. The development patterns are kept under constant review to maintain the validity of the assumptions and hence, the validity of the estimation of technical provisions.

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

#### Other risks relating to underwriting health

Claims provisions are not discounted. The premium provisions are discounted but 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 not affected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical cost inflation affect the value of future claims outflows.

None of the Company's insurance contracts contain embedded derivatives so the contracts do not in that respect give rise to interest rate risk. The Company is exposed to foreign currency risk through some claims 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 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. Reinsurance contracts give rise to credit risk as disclosed in note 23.3.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### 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 large number of claims and thus higher than expected claims costs. In the majority of jurisdictions the Company is not liable to such claims. Where the Company is liable, these risks are further reduced by excess of loss cover by Bupa and external providers. Bupa's Centre Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements.

### 23.2 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 price 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 absolute return assets (principally bonds), the Company uses a value at risk analysis (VaR95) to quantify risk, taking account of asset volatility and correlation between asset classes. This portfolio was £305,386k at 31 December 2017 (2016: £293,554k) and the 1 year VaR figure attributable to the portfolio is £32,352k at 31 December 2017 (2016: £24,500k).

### Foreign exchange risk

The Company is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities and investments in overseas operations. The Company is exposed to both transaction and translation risk.

Transactional exposures arise as a result of differences between the currency of local revenues and costs. Key exposures are to the US dollar, United Arab Emirates dirham, Hong Kong dollar, Singapore dollar, Euro, Danish krone, Swiss franc and Australian dollar. Programmes are in place to hedge a significant proportion of forecast foreign currency exposure of Economic Balance sheet through forward foreign exchange contracts for the coming year. These contracts are not designated hedges. The remaining currency exposures are deemed to be acceptable but are kept under review by management.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

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

<b>2017</b>	<b>Net currency exposure</b>	<b>Currency forward contracts £'000</b>	<b>Net currency exposure including hedges £'000</b>
US dollar	(41,045)	(214,286)	<b>(255,331)</b>
United Arab dirham	-	95,774	<b>95,774</b>
Hong Kong dollar	3,432	25,725	<b>29,157</b>
Singapore dollar	-	27,939	<b>27,939</b>
Other	109	6,076	<b>6,185</b>
Euro	64,863	(69,339)	<b>(4,476)</b>
Danish krone	1,867	(5,887)	<b>(4,020)</b>
Swiss franc	(2,965)	-	<b>(2,965)</b>
Australian dollars	(419)	-	<b>(419)</b>
<b>Total foreign currency denominated net assets</b>	<b>25,842</b>	<b>(133,998)</b>	<b>(108,156)</b>

<b>2016</b>	<b>Net currency exposure</b>	<b>Currency forward contracts £'000</b>	<b>Net currency exposure including hedges £'000</b>
US dollar	(35,206)	(177,035)	(212,241)
United Arab dirham	-	-	-
Hong Kong dollar	(1,614)	18,648	17,034
Singapore dollar	-	20,997	20,997
Other	-	-	-
Euro	43,447	(67,999)	(24,552)
Danish krone	1,139	(9,565)	(8,426)
Swiss franc	(6,622)	-	(6,622)
Australian dollars	(310)	-	(310)
<b>Total foreign currency denominated net assets</b>	<b>834</b>	<b>(214,954)</b>	<b>(214,120)</b>

A programme is in place to hedge a significant proportion of material currency exposures using forward foreign exchange contracts. These contracts are not designated hedges, but reduce the impact of foreign exchange volatility on the Company's economic balance sheet and corresponding Solvency II capital position.

The remaining currency exposures are deemed to be acceptable but are kept under review by management.

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

	<b>Average rate</b>		<b>Closing rate</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
US dollar	1.2887	1.3547	1.3524	1.2345
United Arab dirham	4.7490	4.9866	4.9669	4.5320
Hong Kong dollar	10.0432	10.5167	10.5655	9.5722
Singapore dollar	1.7782	1.8696	1.8075	1.7860
Euro	1.1414	1.2234	1.1249	1.1703
Danish krone	8.4902	9.1092	8.3740	8.7032
Swiss franc	1.2682	1.3339	1.3166	1.2557
Australian dollars	1.6807	1.8234	1.7312	1.7106

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

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 reserves by the amounts shown below:

	<b>Strengthening 10% (Losses)/gains included in profit and loss account £'000</b>	<b>Weakening 10% Gains/(losses) included in profit and loss account £'000</b>
<b>2017</b>		
US dollar	17,639	(21,558)
United Arab dirham	(8,707)	10,642
Danish krone	(4,879)	5,964
Hong Kong dollar	(2,651)	3,240
Singapore dollar	(2,540)	3,104
Other	(463)	566
Euro	11	(13)
<b>Total sensitivity</b>	<b>(1,590)</b>	<b>1,945</b>
<b>2016</b>		
US dollar	24,375	(29,791)
United Arab dirham	-	-
Danish krone	586	(716)
Hong Kong dollar	(1,549)	1,893
Singapore dollar	(1,909)	2,333
Other	413	(505)
Euro	1,176	(1,437)
<b>Total sensitivity</b>	<b>23,092</b>	<b>(28,223)</b>

### Interest rate risk

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

The Company is exposed to interest rate risk arising from fluctuations in market rates. This affects the return on floating rate assets, the cost of floating rate liabilities and the balance sheet value of its investment in fixed rate bonds. Floating rate assets represent a natural hedge for floating rate liabilities. The net balance on which the Company was exposed as at 31 December 2017 was £752,228k (2016: £826,502k).

The Company's sole interest bearing financial liability is the £330.0m subordinated debt (see note 18). This is a fixed interest liability which has no repayment date, however the interest rate is due to be reset in 2020.

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 £3,538k (2016: increase £1,730k). 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.

### 23.3 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 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).

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

The investment profile at 31 December is as follows:

	2017 £'000	2016 £'000
Investment grade counterparties	821,827	875,878
Non-investment grade counterparties	139,100	112,000
<b>Total</b>	<b>960,927</b>	<b>987,878</b>

Investment grade counterparties include cash at bank and in hand of £263,208k (2016: £242,556k). 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 ageing of financial investments, assets arising from insurance operations, and the value of the impairment made against these assets, is provided below:

2017	Neither past due or impaired £'000	0-3 months £'000	3-6 months £'000	6 months - 1 year £'000	Impairment £'000	Total carrying value £'000
Debt securities and other loans	423,878	-	-	-	-	423,878
Pooled investment funds	125,101	-	-	-	-	125,101
Deposits with credit institutions	148,740	-	-	-	-	148,740
Reinsurers' share of insurance provisions	38,219	-	-	-	-	38,219
Debtors arising out of insurance operations <sup>2</sup>	664,826	46,331	16,123	28,082	(1,781)	753,581
Other debtors	203,991	-	-	-	-	203,991
<b>Total</b>	<b>1,604,755</b>	<b>46,331</b>	<b>16,123</b>	<b>28,082</b>	<b>(1,781)</b>	<b>1,693,510</b>

2016 (restated <sup>1</sup> )	Neither past due or impaired £'000	0-3 months £'000	3-6 months £'000	6 months - 1 year £'000	Impairment £'000	Total carrying value £'000
Debt securities and other loans	402,032	-	-	-	-	402,032
Pooled investment funds	121,110	-	-	-	-	121,110
Deposits with credit institutions	222,180	-	-	-	-	222,180
Reinsurers' share of insurance provisions	49,753	-	-	-	-	49,753
Debtors arising out of insurance operations <sup>2</sup>	609,066	91,687	9,219	16,955	(2,171)	724,756
Other debtors	109,882	-	-	-	-	109,882
<b>Total</b>	<b>1,514,023</b>	<b>91,687</b>	<b>9,219</b>	<b>16,955</b>	<b>(2,171)</b>	<b>1,629,713</b>

<sup>1</sup>Restated, see note 27 for further details.

<sup>2</sup>Comprises debtors arising out of policyholder and intermediary insurance operations and reinsurance operations.

The carrying amount of the financial investments and assets arising from insurance operations shown above of £1,693,510k (2016: £1,629,713k) included on the Balance Sheet, represents the maximum credit exposure.

The movement in the allowance for impairment in respect of financial investments and assets arising from insurance operations during the year was as follows:

	2017 £'000	2016 £'000
At beginning of year	2,171	1,879
Impairment loss recognised in year	347	455
Bad debt provision released in year	(740)	(58)
Foreign exchange	3	(105)
<b>Total</b>	<b>1,781</b>	<b>2,171</b>



## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### Offsetting Financial Assets and Financial Liabilities

#### a) Financial assets

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets/ Liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
	£'000	£'000	£'000	Financial instruments	Cash collateral received	
As at 31 December 2017						
Derivative financial assets	3,111	-	3,111	923	3,252	(1,064)
Derivative financial liabilities	(1,058)	-	(1,058)	(923)	-	(135)
Cash and cash equivalents	291,569	(28,361)	263,208	-	-	263,208
Other debtors	200,880	-	200,880	-	-	200,880
Other payables	(168,112)	-	(168,112)	-	(3,252)	(164,860)
<b>Total</b>	<b>326,390</b>	<b>(28,361)</b>	<b>298,029</b>	<b>-</b>	<b>-</b>	<b>298,029</b>

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets/ Liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
	£'000	£'000	£'000	Financial instruments	Cash collateral received	
As at 31 December 2016						
Derivative financial assets	3,508	-	3,508	84	-	3,424
Derivative financial liabilities	-	(41)	(41)	(84)	-	43
Cash and cash equivalents	273,548	(30,992)	242,556	-	-	242,556
Other debtors	106,374	-	106,374	-	-	106,374
Other payables	(139,655)	-	(139,655)	-	-	(139,655)
<b>Total</b>	<b>243,775</b>	<b>(31,033)</b>	<b>212,742</b>	<b>-</b>	<b>-</b>	<b>212,742</b>

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities with both elect to settle on 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.

#### 23.4 Liquidity risk

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities when they fall due.

The Company enjoys a strong liquidity position and adheres to strict liquidity management policies as set by its Investment Committee.

Liquidity is managed by currency and by considering the segregation of accounts required for regulatory purposes.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

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:

<b>2017</b>	<b>Subordinated liabilities £'000</b>	<b>Provision under insurance contracts issued £'000</b>	<b>Creditors arising out of insurance and reinsurance operations £'000</b>	<b>Other creditors £'000</b>	<b>Derivative liabilities £'000</b>	<b>Total £'000</b>
2018	20,625	1,252,196	5,656	168,112	1,058	1,447,647
2019	20,625	-	-	-	-	20,625
2020	350,625	-	-	-	-	350,625
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-
After 2027	-	-	-	-	-	-
<b>Total</b>	<b>391,875</b>	<b>1,252,196</b>	<b>5,656</b>	<b>168,112</b>	<b>1,058</b>	<b>1,818,897</b>
<b>Carrying value</b>	<b>335,877</b>	<b>1,252,196</b>	<b>5,656</b>	<b>168,112</b>	<b>1,058</b>	<b>1,762,899</b>

<b>2016 (restated<sup>1</sup>)</b>	<b>Subordinated liabilities £'000</b>	<b>Provision under insurance contracts issued £'000</b>	<b>Creditors arising out of insurance and reinsurance operations £'000</b>	<b>Other creditors £'000</b>	<b>Derivative liabilities £'000</b>	<b>Total £'000</b>
2017	20,625	1,283,342	44,011	139,655	41	1,487,674
2018	20,625	-	-	-	-	20,625
2019	20,625	-	-	-	-	20,625
2020	350,625	-	-	-	-	350,625
2021	-	-	-	-	-	-
2022-2026	-	-	-	-	-	-
After 2026	-	-	-	-	-	-
<b>Total</b>	<b>412,500</b>	<b>1,283,342</b>	<b>44,011</b>	<b>139,655</b>	<b>41</b>	<b>1,879,549</b>
<b>Carrying value</b>	<b>335,912</b>	<b>1,283,342</b>	<b>44,011</b>	<b>139,655</b>	<b>41</b>	<b>1,802,961</b>

<sup>1</sup>Restated, see note 27 for further details

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

The Company manages investment liquidity against a target benchmark of four months' duration for deposits with financial institutions and takes actions around this target based on future market expectations. The maturity profile of financial assets at 31 December is as follows:

2017	Cash at bank and hand £'000	Deposits with credit institutions £'000	Government debt securities £'000	Corporate debt securities and other loans £'000	Pooled investment funds £'000	Total £'000
2018	263,208	83,317	-	27,575	40,020	414,120
2019	-	65,423	-	83,365	-	148,788
2020	-	-	-	96,492	-	96,492
2021	-	-	-	45,211	-	45,211
2022	-	-	-	119,320	-	119,320
2023-2027	-	-	-	-	85,081	85,081
After 2027	-	-	28,651	23,264	-	51,915
<b>Total</b>	<b>263,208</b>	<b>148,740</b>	<b>28,651</b>	<b>395,227</b>	<b>125,101</b>	<b>960,927</b>

2016	Cash at bank and hand £'000	Deposits with credit institutions £'000	Government debt securities £'000	Corporate debt securities and other loans £'000	Pooled investment funds £'000	Total £'000
2017	242,556	121,669	-	60,302	39,841	464,368
2018	-	35,085	-	112,482	81,269	228,836
2019	-	65,426	-	163,164	-	228,590
2020	-	-	-	-	-	-
2021	-	-	-	14,916	-	14,916
2022-2026	-	-	23,618	27,550	-	51,168
After 2026	-	-	-	-	-	-
<b>Total</b>	<b>242,556</b>	<b>222,180</b>	<b>23,618</b>	<b>378,414</b>	<b>121,110</b>	<b>987,878</b>

### 24 Capital management

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

The Company manages its capital resources in line with the Group's Capital Management Policy, which is reviewed on an annual basis.

The Company has issued a £330.0m (2016: £330.0m) callable subordinated perpetual loan. This loan is accounted for as a liability in these financial statements but is, to the extent that it is eligible, treated as solvency capital for regulatory and management purposes.

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

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

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

The ECA forms part of the 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 at least annually.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

The Company's Eligible Own Funds, determined in accordance with the SII valuation rules, were £527m<sup>1</sup> (2016: £433m) which was in excess of the estimated SCR of £281m<sup>1</sup> (2016: £271m). This represented a solvency coverage ratio of 187%<sup>1</sup> (2016: 160%). This increase in coverage is due to profit after tax during the period

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.

<sup>1</sup>The Solvency Capital Position and related disclosures are estimated values.

### 25 Contingent liabilities, guarantees and other financial commitments

#### (i) Contingent liabilities

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

The Company has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, from which it is anticipated that the likelihood of any material unprovided liabilities arising is remote.

#### (ii) Guarantees

On 15 December 2004, Bupa Finance plc issued £330.0m callable subordinated perpetual guaranteed bonds on the London Stock Exchange. Bupa Insurance Limited acted as the guarantor in the issue, irrevocably guaranteeing the bond on a subordinated basis. Were the Company to repay part or all of the guaranteed bonds, the amount would be deducted from balances owed to Bupa Finance plc. The guarantee has been designated as an insurance contract.

#### (iii) Financial commitments

The Company had no financial commitments at the Balance Sheet date.

### 26 Immediate and ultimate parent company

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

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

### 27 Prior year adjustments

The following restatements have been made by the Company:

- Management corrected the methodology for recognising premiums written by the overseas branches, ensuring alignment with Company's policy of recognising total premiums receivable over the whole period of cover at inception. The correction resulted in: an increase in 'Gross premiums written' of £656k with no impact on 'Net premiums earned;' and an increase in 'Debtors arising out of direct insurance operations: Policyholders' with a corresponding increase in the 'Provision for unearned premiums.'
- Net gains/losses on foreign exchange transactions have been restated to correct the accounting treatment of non-monetary items as set out in the Company's accounting policies. The correction resulted in: a decrease in 'Change in the gross provision for unearned premiums' of £26,697k with a corresponding decrease in 'Net operating expenses.'
- Management corrected the assessment of the future use of the property under construction. The intention is that the property will be held to generate rental income resulting in the property being reclassified from 'Property, plant and equipment' to 'Investment property.' The adjustment amounted to £19,035k.

The restatements have a no impact on Profit after tax and no impact on the Company's Net asset position. The tables below reflect the impact of the restatements on the financial statement line items affected.

## Notes to the Financial Statements (continued)

for the financial year ended 31 December 2017

### Statement of Profit and Loss Account (extract)

for the financial year ended 31 December 2016

	2016	Adjustment	2016 (restated <sup>1</sup> )
	£'000	£'000	£'000
<b>TECHNICAL ACCOUNT</b>			
<b>Revenues</b>			
Gross premiums written	2,378,345	656	<b>2,379,001</b>
Outward reinsurance premiums	(106,588)	-	<b>(106,588)</b>
Premiums written, net of reinsurance	2,271,757	656	<b>2,272,413</b>
Change in the gross provision for unearned premiums	10,850	(27,353)	<b>(16,503)</b>
Reinsurers' share of change in the gross provision for unearned premiums	(5,940)	-	<b>(5,940)</b>
	4,910	(27,353)	<b>(22,443)</b>
<b>Net premiums earned</b>	<b>2,276,667</b>	<b>(26,697)</b>	<b>2,249,970</b>
<b>Total revenues</b>	<b>2,281,681</b>	<b>(26,697)</b>	<b>2,254,984</b>
<b>Net claims incurred</b>	<b>(1,650,218)</b>	<b>-</b>	<b>(1,650,218)</b>
Net operating expenses	(521,889)	26,697	<b>(495,192)</b>
<b>Total claims and expenses</b>	<b>(2,172,107)</b>	<b>26,697</b>	<b>(2,145,410)</b>
<b>Profit for the financial year</b>	<b>107,678</b>	<b>-</b>	<b>107,678</b>

### Balance Sheet (extract)

as at 31 December 2016

	2016	Adjustment	2016 (restated <sup>1</sup> )
		£'000	£'000
<b>ASSETS</b>			
<b>Investments</b>			
Investment property	-	19,035	19,035
Property, plant and equipment	20,213	(19,035)	1,178
Investment in subsidiary undertakings	2,904	-	2,904
Financial investments	745,322	-	745,322
	768,439	-	768,439
<b>Debtors</b>			
Debtors arising out of direct insurance operations:			
Policyholders	668,244	6,710	674,954
Intermediaries	1,450	-	1,450
Debtors arising out of reinsurance operations			
Other debtors	48,352	-	48,352
	109,882	-	109,882
	827,928	6,710	834,638
<b>Total assets</b>	<b>2,021,101</b>	<b>6,710</b>	<b>2,027,811</b>
<b>LIABILITIES</b>			
<b>Gross technical provisions</b>			
Provision for unearned premiums	1,008,417	6,710	1,015,127
Claims outstanding	268,216	-	268,216
	1,276,633	6,710	1,283,343
<b>Total liabilities</b>	<b>1,811,347</b>	<b>6,710</b>	<b>1,818,057</b>
<b>Net Assets</b>	<b>2,021,101</b>	<b>6,710</b>	<b>2,027,811</b>