Our 2019 results reflect tough market conditions and operational challenges in some of our key markets, especially Australia and UK dental, and our continued significant investment in technology to enable long term sustainable growth.

At CER, Group revenue grew by 5% to £12.3bn and underlying profit declined 31% year-on-year. The statutory loss before tax of £78m at AER includes non-cash items of £443m, notably goodwill impairments in our UK dental business (£226m) and Australian aged care business (£177m).

The principal drivers of underlying performance were:
- Lower profits in Health Insurance and losses in Aged Care in Australia. In health insurance, while revenue was stable, underlying profit decreased due to claims inflation, which was greater than the government-approved rate increase. We are focused on improving and optimising our propositions and controlling costs, as well as advocating for sector reforms. We remain a leading health insurer in Australia with improved customer satisfaction and retention. In aged care, we are investing to address compliance and service issues which, together with lower occupancy and sector funding issues, significantly affected performance. We have a new management team and have made significant improvements.
- Investment in technology capabilities. This is the largest multi-year investment programme in the Group and impacted profits across all Market Units. It is further enhancing security and privacy, as well as digitalising the customer experience, improving the service we provide to customers.
- Trading conditions in our UK dental business. While we grew our market position through acquisitions, underlying profit fell due to issues with the availability of dental staff across the sector. We are confident in the steps we’re taking to address these pressures and in the longer term contribution of this business.
- Trading conditions in Bupa Chile, due to the sector-wide delay in the Government’s approval of the premium rate increase as well as the broader impact of social unrest. Our solvency capital position is unaffected by the goodwill impairments and remains solid through good operational capital generation. Our senior debt ratings remain unchanged.

In September, we launched our new Five-Year Vision across Bupa and refreshed our Strategic Framework. This sets out our global priorities across three pillars: customers, people and performance. We have defined clear goals and measures to achieve our vision of being the most trusted health insurer and provider. It sets out clear ambitions which shape our decision-making and direct our planning for the next phase of Bupa’s growth. As announced at the half year, we simplified our organisation structure moving from four to three Market Units, improving effectiveness and efficiency. This is working well.

We increased insurance customers from 15.7m to 17.5m and provision customers from 14.3m to 15.8m. We continue to focus on improving customer experience through applying the Bupa Customer Excellence Framework - our tailored version of the Net Promoter System. We invested in training and in technology to increase insight into the drivers of customer satisfaction, with improvements in key NPS scores across Bupa.

In Australia, our health services business grew. In July, we initiated the contract to provide health services to 85,000 personnel in the Australian Defence Force.

In Spain, our health insurance business, Sanitas Seguros, renewed its bancassurance agreement with BBVA. Our digital proposition, Blua, continues to be attractive and now has over 480,000 customers.

Our UK health insurance portfolio grew steadily across all segments. We further extended our offering in mental health, launching our Family Mental HealthLine service.

For Brexit, last March our new authorised insurer in Ireland, Bupa Global DAC, began operations serving International Private Medical Insurance (IPMI) customers living in the EU but outside the UK and Ireland.

Our associate business, Bupa Arabia, was reappointed as the health insurer for the key SABIC account and won the Saudi Telecom Company insurance contract. In India, our associate business grew revenue strongly and the transition to our new associate partner, True North, has now been completed. The integration of Bupa Acibadem Sigorta in Turkey is progressing well and we have grown the portfolio since acquisition in January 2019.

Across Bupa, we advanced our corporate responsibility and sustainability (CRS) agenda, developing our position on Environmental Social and Governance (ESG). We created a CRS Advisory Committee, with non-executive director and management representation. We strengthened our responsible investment standards for our return-seeking assets portfolio. We introduced a global focus on mental health and wellbeing for the community and our people. Our global People Pulse survey of employees showed an employee engagement score of 78 out of 100. We are on track to deliver our environmental targets, having increased our use of renewable energy year-on-year.

Outlook

We anticipate near term trading conditions will continue to be challenging, particularly in Australia and UK dental.

However, the strength of our core health insurance businesses and our strong balance sheet and capital position enables us to continue to invest in technology capabilities. While this will impact profitability in the short term, we are continuing to control costs and are focused on delivering operational resilience and long term sustainable growth.

We will continue to improve our offer for our customers, further strengthening our brand and market positions. We will also make a positive contribution to the health of the wider community, particularly mental wellbeing, and we are taking action on climate change.

Like many other companies, we are closely monitoring the COVID-19 outbreak as it evolves. The situation is developing rapidly, and at this stage our efforts are focusing on managing the impact on our customers, people and supply chain.

Evelyn Bourke
Group CEO

1. Following a change in methodology, 2018 provision customer numbers have been restated.