

2018

Bupa Global DAC
Solvency and Financial Condition Report



Contents

Summary.....	3
A. Business and Performance.....	7
A.1 Business	7
A.2 Underwriting performance	8
A.3 Investment performance	9
A.4 Performance from other activities	9
A.5 Any other information	9
B. System of Governance	10
B.1 General information on the system of governance.....	10
B.2 Fit and proper requirements	12
B.3 Risk management system including Own Risk and Solvency Assessment	12
B.4 Internal control system	15
B.5 Internal audit function	15
B.6 Actuarial function	16
B.7 Outsourcing	17
B.8 Any other information	17
C. Risk Profile	18
C.1 Underwriting risk.....	18
C.2 Market risk.....	20
C.3 Credit risk	20
C.4 Liquidity risk.....	20
C.5 Operational risk	21
C.6 Other material risks	22
C.7 Any other information	22
D. Valuation for Solvency Purposes	23
D.1 Assets.....	24
D.2 Technical provisions.....	24
D.3 Other liabilities	24
D.4 Alternative methods for valuation	24
D.5 Any other information	24
E. Capital Management.....	26
E.1 Own Funds	26
E.2 Solvency Capital Requirement and Minimum Capital Requirement	28
E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR	28
E.4 Differences between the standard formula and any internal model used	28
E.5 Non-compliance with the Minimum Capital Requirement and Solvency Capital Requirement...	28
E.6 Any other information	28
Glossary	29
Annex - Reporting templates	30

Summary (Unaudited)

INTRODUCTION

The purpose of the Solvency and Financial Condition Report ("SFCR") is to provide the reader with a comprehensive view of the financial performance and solvency capital position at 31 December 2018 of Bupa Global DAC ("the Company"). The report includes information regarding the business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices. The Company is authorised and regulated by the Central Bank of Ireland ("CBI"). The Company's solvency is subject to Solvency II requirements.

BUSINESS AND PERFORMANCE SUMMARY

The Company is part of the Bupa Group ("Bupa" or "the Group"). The ultimate parent undertaking of the Company is The British United Provident Association Limited.

We're 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. Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

The Company is wholly owned by Bupa, an international healthcare group, providing insurance, treatment in clinics, dental centres and hospitals, and running care homes. Bupa has 15.7m health insurance customers, provides healthcare to over 15.1m people in its clinics and hospitals, and looks after over 23,000 aged care residents, employing around 80,000 people principally in the UK, Australia, Spain, Poland, Chile, New Zealand, Hong Kong, the USA, Brazil, the Middle East and Ireland, and many more through its associate businesses in Saudi Arabia and India.

The Company provides personal, corporate and small to medium enterprise ("SME") health insurance, as well as travel insurance. Under the Solvency II definition of insurance lines of business these are primarily reported under Medical Expense and Assistance. The health insurance segment is International Private Medical Insurance ("IPMI") which is provided for individual consumers and employees requiring cover beyond their usual country of residence.

The Company's head office is located in Ireland, with branches sited in Denmark, Malta and the Netherlands. Operational services, including the provision of mediation and administrative services, are provided by Bupa Insurance Services Limited ("BISL") based in the UK, Bupa Denmark Services A/S ("BDS") and other Group service companies.

Development

The Company was incorporated on 5 April 2018 and granted authorisation by the CBI on 20 November 2018. European IPMI, travel and some Private Medical Insurance products are currently written by Bupa's UK insurer, Bupa Insurance Limited ("BINS"). BINS expects to cease to have passporting rights to write this business as a direct result of the UK withdrawal from the EU, expected 29 March 2019. The Group's establishment of the Company in Ireland mitigates the cessation of BINS' passporting rights and provides an underwriting vehicle to continue to write IPMI and travel cover for European customers. The Company's first insurance policies are, therefore, expected to be written after the UK leaves the EU. BINS will continue to issue domestic PMI policies to UK policyholders.

The Company will seek to develop and further expand this business. In addition, BINS currently acts as the reinsurer of IPMI policies issued by other Group and third party insurers, some of which are expected to migrate to the Company over time.

Future Outlook

We are confident that focusing on our customers' needs, delivering high quality services and having great people will help the Company grow in a sustainable way.

Underwriting Performance

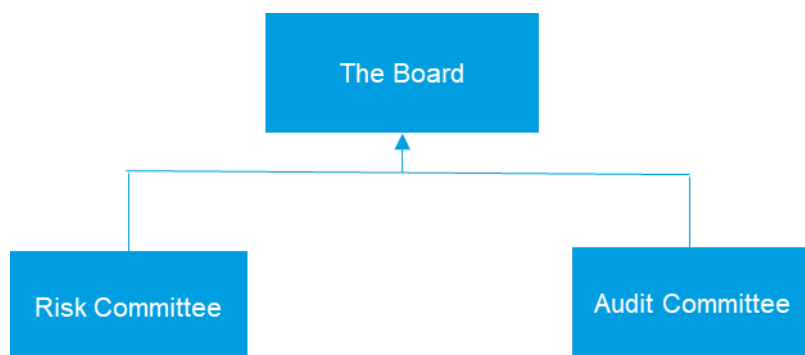
The Company had not yet written any insurance policies as at 31st December 2018. As such, only expenses related to set-up and staffing costs of the Company have been incurred during 2018, resulting in a loss for the period. The Company's loss before investment income and tax for Full Year 2018 is €1.5m.

SYSTEM OF GOVERNANCE SUMMARY

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

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

The Board Committee structure is as follows:



The Company employs a 'three lines of defence' governance model to ensure that risk management is effective, appropriate decisions are made and best practice is implemented and maintained. Broadly, the responsibility of the three lines is as follows:

- First line: business management is responsible for the identification and assessment of risks and controls, as well as for developing and implementing mitigation plans where necessary.
- Second line: risk functions provide guidance and support to the first line and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans.
- Third line: internal audit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls.
- The Company operates within the agreed strategy, risk appetite and policies of the Group.

RISK PROFILE SUMMARY

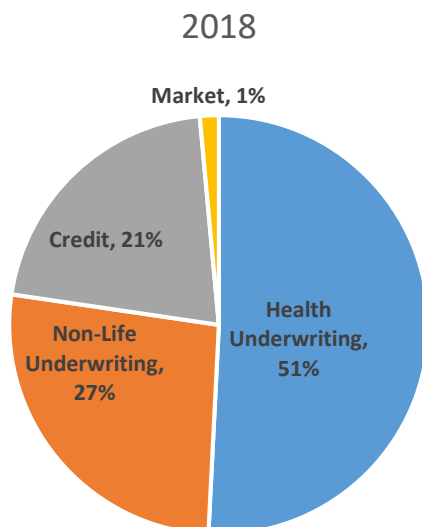
The Company's principal activity is the provision and administration of international health insurance and travel insurance. The Company serves globally mobile customers by offering IPMI and health-focused travel insurance and related services. These products offer domestic and international coverage,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

IPMI provides coverage for healthcare services both within and outside the beneficiaries' country of residence. This may include cover for the beneficiary to be evacuated to a country of treatment that is outside their country of residence. These customers typically use a wide range of languages and currencies, and frequently move around the world.

Travel insurance policies provide coverage for primary and secondary care services both within and outside the beneficiaries' country of residence and will typically provide cover of up to 12 months.

Solvency capital is held to ensure that the Company can meet its obligations to policyholders as they fall due, in all but the most extreme circumstances. The Solvency Capital Requirement ("SCR") is calculated in accordance with the standard formula specified in the Solvency II legislation, which is predicated on a 1-in-200 years' probability of

insufficiency of the SCR to cover losses. The chart below sets out the composition of the Company's diversified SCR at 31 December 2018:



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 investment strategy is to support the Company's operations by investing within a conservative, capital-based risk appetite and generating cash plus returns over the long-run.

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. The Company manages credit by ensuring that its cash and investments are held with highly rated credit institutions.

Underwriting risk refers to the risk that premiums earned are not adequate to cover claims, expenses and profit margin. It includes the risk that technical provisions for claims incurred prove to be insufficient in the light of later events and claims experience. Although the Company had not yet written any policies as at 31st December 2018, the health and non-life underwriting risk SCR includes allowance for expected 2019 earned premiums, and hence is non-zero. Going forward, this risk will be managed by various approaches including the regular review of premium tariffs, effective claims risk management and the ongoing review of claims and expense patterns.

VALUATION FOR SOLVENCY PURPOSES SUMMARY

Solvency II requires an economic market consistent approach to the valuation of assets and liabilities. Assets and liabilities may require different valuation methods to those used in the financial statements prepared under IFRS accounting standards. The valuation differences for the Company as at 31st December 2018 are summarised as follows:

	2018 €m
IFRS equity attributable to shareholders	38.1
Valuation differences	-
Solvency II Eligible Own Funds	38.1

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

CAPITAL MANAGEMENT SUMMARY

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

The Company manages its capital resources in line with the Company's Capital Management Policy and risk appetite. The Solvency Capital Requirement ("SCR") coverage ratio at 31 December 2018 was 994%. During the period, the Company made no dividend payments to its parent, Bupa Global Holdings Limited.

	2018 €m
Eligible Own Funds to cover the Solvency Capital Requirement	
Unrestricted tier 1	38.1
Eligible Own Funds	38.1
SCR	(3.8)
Surplus	34.3
Solvency ratio	994%

	2018 €m
Eligible Own Funds to cover the Minimum Capital Requirement	
Unrestricted tier 1	38.1
Eligible Own Funds	38.1
MCR	(3.7)
Surplus	34.4

The Company has maintained sufficient capital to exceed both the SCR and the Minimum Capital Requirement ("MCR") throughout the period. Information on the SCR and the MCR is provided in section E.2. The Company's capital position is kept under continuous review and is reported regularly to the Board.

OTHER INFORMATION

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

A. Business and Performance

(Unaudited)

A.1 Business

A.1.1 Company information

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

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

The Company's head office is located in Ireland, with branches sited in Denmark, Malta and the Netherlands. Operational services, including the provision of mediation and administrative services, are provided by Bupa Insurance Services Limited ("BISL") based in the UK, Bupa Denmark Services A/S ("BDS") and other Group service companies.

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

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

The Company's external auditor is KPMG LLP, Chartered Accountants, 1 Harbourmaster Place, IFSC, Dublin 1.

The Group's Annual Report and Accounts and the Company's SFCR are available on the Bupa website: [bupa.com](https://www.bupa.com).

A.1.2 Business

The Company provides International Private Medical Insurance ("IPMI") and travel insurance cover to policyholders within the EEA.

We're 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. Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

The Company is wholly owned by Bupa, an international healthcare group, providing insurance, treatment in clinics, dental centres and hospitals, and running care homes. Bupa has 15.7m health insurance customers, provides healthcare to over 15.1m people in its clinics and hospitals, and looks after over 23,000 aged care residents, employing around 80,000 people principally in the UK, Australia, Spain, Poland, Chile, New Zealand, Hong Kong, the USA, Brazil, the Middle East and Ireland, and many more through its associate businesses in Saudi Arabia and India.

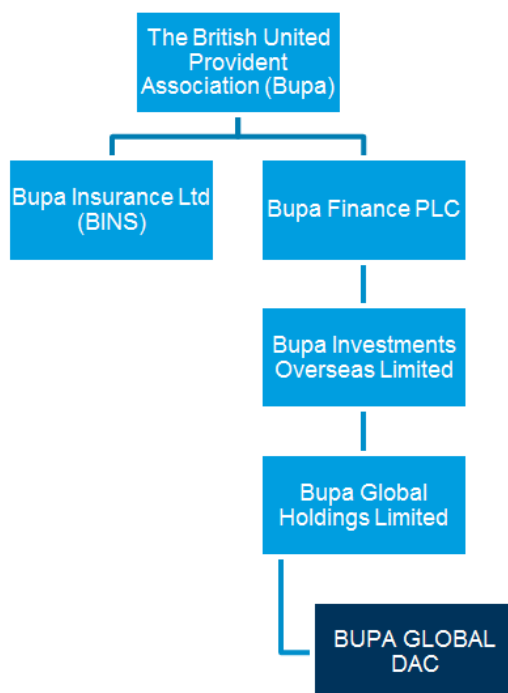
The Company provides personal, corporate and SME health insurance, as well as travel insurance. Under the Solvency II definition of insurance lines of business these are primarily reported under Medical Expense and Assistance.

The health insurance segment is International Private Medical Insurance ("IPMI") which is provided for individual consumers and employees requiring cover beyond their usual country of residence.

The Group plans to move the oversight of the Bupa Global business unit insurance activities from the UK to the Company. The Company will seek to develop and further expand this business. In addition, BINS currently acts as the reinsurer of IPMI policies issued by other Group and third party insurers, some of which is expected to migrate to Bupa Global DAC over time.

A.1.3 Legal structure

The simplified chart below shows the position of the Company in the Group's legal structure as at 31 December 2018.



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

A.1.4 Bupa organisation structure

Bupa's organisational structure consists of four Market Units (Australia and New Zealand, UK, Europe and Latin America, and International Markets) and global functions at the Centre.

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

A.1.5 Significant events in the period

Bupa Global DAC was incorporated on 5 April 2018 and granted authorisation by the CBI on 20 November 2018. European IPMI, travel and some Private Medical Insurance products are currently written by Bupa's UK insurer, Bupa Insurance Limited ("BINS"). BINS expects to cease to have passporting rights to write this business as a direct result of the UK withdrawal from the EU, expected 29 March 2019. The Group's establishment of Bupa Global DAC in Ireland mitigates the cessation of BINS' passporting rights and provides an underwriting vehicle to continue to write IPMI and travel cover for European customers. The Company's first insurance policies are, therefore, expected to be written after the UK leaves the EU. BINS will continue to issue domestic PMI policies to UK policyholders.

A.2 Underwriting performance

A.2.1 Overview

The Company had not yet written any insurance policies as at 31st December 2018. As such, no underwriting performance information is available for Full Year 2018. The Company's loss before investment income and tax for Full Year 2018 is €1.5m due to expenses incurred in set-up and staffing costs.

A.2.2 Underwriting performance by line of business

The Company had not yet written any insurance policies as at 31st December 2018. As such, no underwriting performance by line of business information is available for Full Year 2018.

A.2.3 Underwriting performance by geographical area

The Company had not yet written any insurance policies as at 31st December 2018. As such, no underwriting performance by geographical area information is available for Full Year 2018.

A.3 Investment performance

A.3.1 Investment income

There was no investment income during the period.

A.3.2 Investment expenses

There were no investment expenses during the period.

A.3.3 Gains/losses recognised directly in equity

There were no gains/losses recognised directly in equity for the period ended 31 December 2018.

A.4 Performance from other activities

Financial expense

The Company had no financial expenses during 2018.

Leasing arrangements

The Company had no financial leasing arrangements during 2018.

The Company has taken out an operational lease on their permanent office space in Dublin which was signed on 25 January 2019.

A.5 Any other information

The company had no investments in securitisation during 2018.

There is no other material information to be disclosed.

B. System of Governance

(Unaudited)

B.1 General information on the system of governance

B.1.1 Board responsibilities

The role of the Board

As at 31 December 2018, the Board comprised a Non-Executive Chairman, two Executive Directors and two other Independent Non-Executive Directors ("INED"s). It normally meets at least four times a year and at other times as required. Minutes of all Board and Committee meetings are recorded and reflect the substance of the discussion, as well as the decisions made.

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

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

The role of the Chairman

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

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

The role of the Independent Non-Executive Directors

The role of the INEDs includes the following key elements:

- constructively challenging and helping to develop proposals on longer term direction and strategy;
- scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance; and
- satisfying themselves on the integrity of financial information, and that financial controls and systems of risk management are robust and effective.

The role of the Chief Executive Officer

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

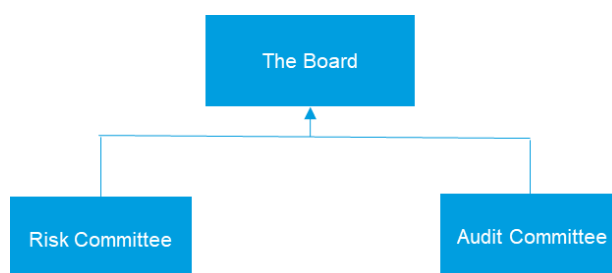
- ensuring that the Company remains legally solvent at all times and that customers are treated fairly;
- ensuring that the Company is compliant with all law and regulations affecting their businesses, their policyholders and their staff, including fulfilling all relevant obligations as required under the Senior Insurance Managers Regime;
- managing the Company's risk profile, in line with the extent and categories of risk identified as acceptable by the Board;

- approving the apportionment and allocation of roles and responsibilities of the executive management team of the Company;
- approving capital and revenue transactions, including acquisitions and disposals, not specifically reserved to the Board; and
- embedding the Company culture in the day-to-day management of the Company.

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

B.1.2 Board Committee responsibilities

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



Risk Committee

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

Audit Committee

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

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

B.1.3 Key functions

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

B.1.4 Remuneration policy and practices

Bupa's remuneration policy, which is set at group level by the Bupa Remuneration Committee, is designed to deliver market competitive reward to help attract, retain and motivate high calibre employees, and promote a prudent approach to risk.

The Bupa Group Remuneration Committee has responsibility for setting remuneration policy across the Group and for making recommendations to the Board on remuneration policy for all executives who run the Company, or have key functions within the Company.

The Bupa reward package includes salary, pension, benefits, management bonus scheme and eligibility for awards under the Long Term Incentive Plan if appropriate. Depending on the nature of an individual's role, the size and balance of the package may differ to ensure a total package which encourages the right behaviours - including avoiding undue risk.

Bupa rewards business and individual performance, including both what is and how it is achieved, in line with aspirations set out in Bupa's values and descriptions of leadership standards and expectations. Bupa operates short-term incentive plans to reward annual objectives that reinforce our business strategy, and long-term incentive awards for more senior employees to reward the sustained performance over a three-year period.

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

	2018
Directors' remuneration	€'000
Emoluments	577.7
Long Term Incentive Plan awards	73.9
Company contributions to defined contribution pension schemes	58.0
	709.6

No Director had any material interest in any contracts with Group companies at 31 December 2018 or at any time during the period.

B.2 Fit and proper requirements

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

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

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

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

Appointments are subject to background screening checks, which include verification of ID, previous employment including references and relevant qualifications; directorship searches; screening against publicly available information such as the global watch list; disclosure and barring service check; credit checks; and adverse media searches.

Individuals are regularly monitored to ensure that they remain fit and proper for their role. This includes performance management and annual screening checks.

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

B.3.1 Risk management framework

Our Risks

The Company's geographic reach exposes it to a wide range of political, legal and economic contexts. The risks to the Company are managed by understanding the risk drivers for the business and the balance sheet and by

assessing how they interact. By understanding the risks faced, the Company seeks opportunities to benefit from risk diversification, to identify emerging risks and to understand and manage any risk concentrations.

The Company accepts risks as part of its business operation. Some risks are avoidable (e.g. certain financial risks) and others are an accepted consequence of the Company's business model (e.g. operational risks). The Company has an effective risk management system and appropriate internal controls in place to mitigate these risks.

The Company maintains significant economic capital as a mitigant against certain inherent risks, reflecting the nature of the Company's operations and the level of risk associated with them. The most significant are risks relating to the Company's insurance business. This includes operational risk, the risk of inadequate pricing or underwriting of insurance policies and the risk of claims experience being materially adversely different to expectations.

There are certain risks where holding capital is one mitigating action, but there are also other more effective methods of mitigation. These are significant risks to the Company. The BRC regularly review the residual risks arising and the mitigating actions in place to reduce the levels of residual risk. This provides management with a view of the areas of priorities to focus resources. These risks include customer and conduct related risks and specific operational risks including those related to information security.

There are also other risks where capital is not an appropriate mitigant and even though they are not highlighted above, they are always a priority issue for management. These include strategic risks, liquidity risk and reputational risks.

Further information on the Company's risk profile is provided at section C: Risk Profile.

Risk governance

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

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

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

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

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

Risk appetite

The Board risk appetite expresses the degree of risk the Company is prepared to accept as it works to deliver on its strategy. The core risk appetite statements are focused on:

- management of financial strength;
- the treatment of customers and employees;
- the sustainability of the business; and
- operational risk.

The risk appetite statements are a key consideration in the Company's business planning process and are a central reference point for key decisions. These statements are not intended to automatically prevent activity outside of the Company's risk appetite, but rather to help identify any such instances in a timely manner so that the Board can consider an appropriate response. There is regular reporting against risk appetite statement limits to the BRC and ERC.

Risk appetite statements are reviewed on an annual basis, with the BRC recommending any changes to the statements to the Board for approval.

Risk management framework

The Company manages risks according to a Board approved Risk Management Framework. This sets out the principles underpinning a robust and continuous risk management system for the first line. This ensures:

- current and emerging risks to the business are identified and the potential consequences of them are understood;
- there are clear and established risk appetites within which the Company operates;
- appropriate and effective steps are taken to mitigate and manage identified risks;
- risk management information is utilised to make risk based decisions across the business;
- there is clear ownership of, and accountability for, risk;
- there is a culture in which:
 - appropriate risk behaviours are encouraged and rewarded;
 - inappropriate behaviours are challenged and sanctioned; and
 - incidents are communicated as quickly as good news without fear of blame.

Regular reporting mechanisms are in place to ensure that all relevant top risks are appropriately identified and escalated. These processes also ensure that strategies to manage and mitigate the risks to acceptable levels are identified and executed.

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

The processes used to identify, measure, manage, monitor and report risks include a programme of stress and scenario testing. Specific detailed reviews and deep dives on particular risks are undertaken when considered necessary. Refer to Section C.7.2 for further details.

The effectiveness of the implementation of the Risk Management Framework is assessed through the Internal Control and Risk Management Assessment ("ICRMA"). This provides a mechanism to gauge how well internal control and risk management practices and policy compliance are embedded across the Company. This is a first line of defence self-assessment, subject to review and challenge by the second and third lines.

Information on the Company's risk profile is provided at section C. Risk Profile.

Risk management function

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

B.3.2 Own Risk and Solvency Assessment

The Company's Own Risk and Solvency Assessment ("ORSA") comprises the series of activities by which it assesses all the risks inherent in its business and determines the corresponding capital requirements. It therefore includes the following activities:

- the projection of Own Funds and future capital requirements, as part of the three-year business plan presented to the Board for approval annually;
- the annual review of risk appetite, which is approved by the BRC;

- regular Company risk profile and risk appetite reporting, as part of the CRO report to the BRC; and
- stress and scenario testing and reverse stress testing, carried out at least annually and approved by the BRC.

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

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

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

B.4 Internal control system

B.4.1 Internal control

In line with the three lines of defence governance model, internal controls are the responsibility of business management. Internal controls are implemented as part of the embedding of the suite of Enterprise Policies to:

- promote the effectiveness and efficiency of operations;
- ensure the reliability of financial reporting;
- ensure the Company operates to industry best practice and complies with applicable laws and regulations;
- enable the Board and BRC to validate that the Company is operating within its risk appetite; and
- support the embedding of a strong risk culture throughout the business.

B.4.2 Compliance function

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

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

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

B.5 Internal audit function

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

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

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

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

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

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

B.6 Actuarial function

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

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

- co-ordinating and consolidating the Company’s technical provisions (for IFRS and Solvency II reporting);
- assessing the appropriateness of technical provision methodology and assumptions used;
- setting methodologies and ensure consistency of use;
- ensuring that data quality and information technology systems meet the required standards;
- reporting to the Board on the adequacy of technical provisions, the overall underwriting policy and adequacy of any reinsurance arrangements;
- contributing into risk management activities by undertaking the SCR calculation; and
- coordinating actuarial community development activity such as leading and sharing actuarial best practices, and contributing to risk management practices.

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

B.7 Outsourcing

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

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

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

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

Intra-group outsourcing

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

The IPMI business serviced primarily in Denmark is serviced through an outsourcing arrangement with BDS.

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

External outsourcing

The Company has chosen to outsource some of its operational functions and activities to external providers, for example the Head of Actuarial Function role.

B.8 Any other information

There is no other material information to be disclosed.

C. Risk Profile

(Unaudited)

General information

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

Analysis of the diversified SCR	2018
Health Underwriting risk	51%
Non-Life Underwriting risk	27%
Market risk	1%
Credit risk	21%
Operational risk	0%
	100%

Information on each of the risk categories is provided in sections C.1 to C.5 below. Information is also provided on liquidity risk in section C.4. Liquidity risk does not form part of the standard formula SCR and is therefore not included in the above table.

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

Risk mitigation

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

C.1 Underwriting risk

Although the Company had not yet written any policies as at 31st December 2018, the health and non-life underwriting risk SCR includes allowance for expected 2019 earned premiums, and hence is non-zero. Underwriting risk will be a significant component of SCR once the Company begins writing policies and we have included commentary on this risk, including forward looking statements.

Underwriting risk affects future cash flows of the Company. It can be subdivided into pricing risk, claims risk and reserving risk.

Pricing risk

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

Mitigation

The Company will mainly write annually renewable health insurance contracts. The annual renewability feature permits tariff revisions to be made in response to changes in claim experience. This is a significant mitigant to pricing risk. The Company does not expect to underwrite any material business that commits it to cover risks at premiums fixed beyond a twelve month period from inception or renewal.

Claims risk

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

Generally, the Company's health insurance contracts contain terms and conditions that provide for the reimbursement of incurred medical expenses for treatment related to acute medical conditions. The contracts do

not provide for capital sums or indemnified amounts. Therefore, claims experience is necessarily underpinned by prevailing rates of illness.

Mitigation

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

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

Reserving risk

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

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

Mitigation

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

Other risks related to underwriting health insurance business

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

None of the Company's insurance contracts contain embedded derivatives so the contracts do not in that respect give rise to interest rate risk. Going forward, the Company will be exposed to foreign currency risk through some claims which are settled in a local currency. Where possible these liabilities will be matched to assets in the relevant currency to provide an economic hedge to this exposure.

Concentrations of risk

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

- product diversity between domestic and expatriate, and individual and corporate health insurance; and
- a variety of claims type exposures across diverse medical providers - consultants, nursing staff, clinics, individual hospitals and hospital groups.

Mitigation

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

Catastrophe risk

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

Mitigation

In the majority of jurisdictions, the Company is not liable to such claims.

Underwriting risk sensitivity

The SCR under Solvency II is held to protect against an instantaneous 1-in-200 year loss event. The Company's 1-in-200 year loss with respect to underwriting risk is €4.2m (undiversified), which accounts for 77% of the Company's overall SCR. The results of stress and scenario testing are reviewed by the BRC as part of the business planning process and are a key element of the ORSA.

C.2 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates, commodity prices, credit spread and equity prices. The focus of the Company's long-term financial strategy is to facilitate growth without undue balance sheet risk by investing within a conservative, capital-based risk appetite and generating cash plus returns over the long-run.

Mitigation

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

Currency risk

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

Mitigation

The Company matches significant non-euro balances through regular rebalancing of cash accounts in the major corresponding currencies. Going forward, due to the large number of currencies involved, it is likely that it will not be possible for the Company to fully match the currency risk and it will therefore frequently monitor residual balances to ensure it remains within its stated currency risk appetite.

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.

As the company does not hold any corporate or other bonds, it is not exposed to this risk.

C.3 Credit risk

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

Mitigation

Investment exposure with external counterparties is managed by ensuring that all counterparties secure a minimum credit rating across agencies used by the Company (unless specifically approved by the Board). Risk of counterparties failing to meet obligations is considered through the Company's stress and scenario testing programme, for further details See Section C.7.2

C.4 Liquidity risk

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities when they fall due. The Company enjoys a strong liquidity position and adheres to a strict liquidity management policy.

Mitigation

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

Expected profit included in future premiums

As the Company did not write any policies in 2018, no allowance has been made for expected profit included in future premiums.

Under Solvency II, expected profit included in future premiums is included in Own Funds, recognised in the calculation of technical provisions. Expected profit included in future premiums does not form part of the liquidity position as at 31 December, but is taken into consideration when assessing the Company's future liquidity.

C.5 Operational risk

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

Mitigation

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

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

C.6 Other material risks

Strategic risk

The Company is exposed to strategic risk, being the risk of an inability to design or implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. These risks must also be considered in light of the Company being a newly incorporated and authorised entity. The political and economic backdrop to the Company's business is uncertain, with powerful global social trends. Populations are ageing, public health solutions are continuously evolving, governments are facing funding issues in healthcare and aged care, and competition is intense, both from traditional and non-traditional players.

Mitigation

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

C.7 Any other information

C.7.1 Prudent person principle

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

- The Board is responsible for setting the overall investment risk appetite for the Company which is articulated through the risk parameters contained in the Treasury Policy and its Statement of Investment Principles. The Board approves the expected investment return as part of the annual operating plan process and monitors investment performance against plan on a regular basis; and
- The Board is responsible for setting investment strategy and asset allocation, within the risk parameters contained within the Treasury Policy and the Statement of Investment Principles. The Board reviews and monitors the key risk indicators for the investments including the performance against targets, counterparty exposures, overall credit rating exposures and liquidity levels.

C.7.2 Stress and scenario testing

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

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

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

D. Valuation for Solvency Purposes (Audited)

Solvency II requires an economic market consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements included in the Company's Annual Report and Accounts for the period ended 31 December 2018. The financial statements are prepared under International Financial Reporting Standards (IFRS). The table below provides a summary of the Solvency II and the IFRS valuation of assets, based on the Solvency II balance sheet headings and the Solvency II approach to classifying assets and liabilities. An explanation of the Solvency II valuation methods and assumptions, including key differences to those used under IFRS, is provided in the subsequent sections.

		Solvency II	IFRS	Difference
	Section	2018 €m	2018 €m	2018 €m
Assets				
Cash and cash equivalents	D.1.1	38.7	38.7	-
Deferred tax assets	D.1.2	-	-	-
Any other assets, not elsewhere shown	D.1.3	0.0	0.0	-
Total assets		38.7	38.7	-
Liabilities				
Technical provisions	D.2	-	-	-
Payables (trade, not insurance)	D.3.1	0.6	0.6	-
Any other liabilities, not elsewhere shown	D.3.2	-	-	-
Total liabilities		0.6	0.6	-
Excess of assets over liabilities		38.1	38.1	-

There are currently no differences in the IFRS to Solvency II excess of assets over liabilities for material asset classes.

D.1 Assets

D.1.1 Cash and cash equivalents

No valuation differences exist between IFRS and Solvency II for Cash and cash equivalents.

D.1.2 Deferred tax assets

Deferred tax assets or liabilities are recognised on temporary differences where it is probable that they will reverse in future periods, and in the case of deferred tax assets these are only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Company did not recognise any deferred tax assets or liabilities as at 31st December 2018.

D.1.3 Any other assets, not elsewhere shown

These balances include other assets and prepayments. Under IFRS these assets are carried at cost less any adjustment for impairment losses. Given the short-term nature of these assets, this is considered to be a close approximation to the Solvency II fair value except for certain prepayments which require alternative valuation methods to be used. All material other receivables are due within 12 months.

D.1.4 Assumptions and judgements

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

D.2 Technical provisions

The technical provisions for solvency purposes are an estimate of the cost at which insurance contracts could be transferred to another knowledgeable insurer in an arm's length transaction. As the Company has not yet written any insurance contracts as at 31 December 2018, the Company's technical provisions are nil.

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

Going forward, the inherent uncertainty of future cash flows attached to the Company's technical provisions will be low. This low level of uncertainty reflects the short-tailed nature of the Company's insurance business, and the relatively predictable claims pattern.

D.3 Other liabilities

D.3.1 Payables (trade, not insurance)

The IFRS trade payables are carried at amortised cost using the effective interest method. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value. Therefore, no adjustment is required from IFRS to Solvency II. All material trade payables are due within 12 months.

D.3.2 Any other liabilities, not elsewhere shown

Other liabilities are held at amortised cost under IFRS. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value. Therefore, no adjustment is required for Solvency II purposes. All material liabilities included in this balance are due within 12 months.

D.4 Alternative methods for valuation

No alternative methods for valuation are used by the Company.

D.5 Any other information

The Company has no off balance sheet liabilities.

The company has taken out an operational lease on their permanent office space in Dublin which was signed on 25 January 2019.

There is no other material information to be disclosed.

E. Capital Management

(Audited)

E.1 Own Funds

E.1.1 Summary of Own Funds

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

Own Funds	Section	2018 €m
Assets	D.1	38.7
Liabilities	D.2 and D.3	(0.6)
Net assets		38.1
Foreseeable dividend		-
Available Own Funds	E.1.2	38.1
Capital tiering restriction	E.1.2	-
Eligible Own Funds	E.1.2	38.1

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

No foreseeable dividend has been recognised as at 31st December 2018.

E.1.2 Capital structure

Capital structure	2018 €m
Share capital	39.6
Reconciliation reserve	(1.5)
Unrestricted tier 1	38.1
Available Own Funds	38.1
Capital tiering restriction	-
Eligible Own Funds	38.1

Solvency II distinguishes between basic Own Funds and ancillary Own Funds. The Company's Eligible Own Funds are all basic Own Funds.

Unrestricted tier 1

The unrestricted tier 1 capital represents the share capital of €39.6m less the reconciliation reserve, being excess liabilities over assets of €1.5m (as set out in Section D). In 2018, the Unrestricted tier 1 balance represents excess assets over liabilities.

Own Funds by tier

Eligible Own Funds to meet the SCR of €3.8m as at 31 December 2018 comprise entirely unrestricted tier 1. Eligible Own Funds to meet the MCR are subject to a further restriction in that no amount of tier 3 items are eligible. As no tier 3 items are held as at 31st December 2018, all Own Funds are eligible to meet the MCR.

E.1.3 Comparison with IFRS equity

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

	Section	2018 €m
IFRS equity attributable to shareholders		38.1
Valuation differences		-
Solvency II excess of assets over liabilities		38.1

E.1.4 Change in Own Funds

As 2018 was the Company's first year of incorporation, no analysis of change in Own Funds is required.

E.1.5 Capital management policy and processes

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

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

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

The Company is subject to the requirements of the Solvency II Directive and must hold sufficient capital to cover its SCR. In addition, the Company maintains a buffer in excess of this capital requirement, specified in line with the capital risk appetite set by the Board. The SCR is calculated in accordance with the Standard Formula specified in the SII regulations.

The ORSA comprises all the activities by which the Company establishes the level of capital required to meet its solvency needs over the planning period given the Company's strategy and risk appetite. The conclusions from these activities are summarised in the ORSA report which is reviewed by the Risk Committee, approved by the Board and submitted to the CBI at least annually.

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

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

SCR by risk module	2018 €m
Market risk	0.1
Health Underwriting risk	2.8
Non-Life Underwriting risk	1.4
Credit risk	1.1
Basic SCR before diversification	5.4
Diversification	(1.6)
Basic SCR after diversification	3.8
Operational risk	0.0
Loss absorbency of deferred tax	0.0
Total SCR diversified	3.8

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

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

The determination of the MCR relies on the following four main calculation steps:

- absolute minimum floor of €3.7m
- a proportion of the best estimate liabilities and written premiums net of reinsurance
- a floor of 25% of SCR
- a cap of 45% of SCR.

At 31 December 2018, the MCR is calculated as the absolute minimum floor of €3.7m.

	2018 €m
MCR	3.7

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

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

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

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

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

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

E.6 Any other information

There is no other material information to be disclosed.

Glossary

Definitions

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

Abbreviations

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

Annex - Reporting templates

The following Quantitative Reporting Templates (“QRT”s) are included within this Annex:

SE.02.01.16	Balance sheet
S.05.01.01	Premiums, claims and expenses by line of business
S.23.01.01	Own Funds
S.25.01.01	Solvency Capital Requirement – for undertakings on standard formula
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

S.05.02.01 (Premiums, claims and expenses by country), S.17.01.01 (Non-life Technical Provisions) and S.19.01.01 (Non-life Insurance Claims) are not required to be submitted for 2018.

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

	Assets
R0010	Goodwill
R0020	Deferred acquisition costs
R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	Property (other than for own use)
R0090	Holdings in related undertakings, including participations
R0100	Equities
R0110	Equities - listed
R0120	Equities - unlisted
R0130	Bonds
R0140	Government Bonds
R0150	Corporate Bonds
R0160	Structured notes
R0170	Collateralised securities
R0180	Collective Investments Undertakings
R0190	Derivatives
R0200	Deposits other than cash equivalents
R0210	Other investments
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	Loans on policies
R0250	Loans and mortgages to individuals
R0260	Other loans and mortgages
R0270	Reinsurance recoverables from:
R0280	Non-life and health similar to non-life
R0290	Non-life excluding health
R0300	Health similar to non-life
R0310	Life and health similar to life, excluding index-linked and unit-linked
R0320	Health similar to life
R0330	Life excluding health and index-linked and unit-linked
R0340	Life index-linked and unit-linked
R0350	Deposits to cedants
R0360	Insurance and intermediaries receivables
R0370	Reinsurance receivables
R0380	Receivables (trade, not insurance)
R0390	Own shares (held directly)
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

Solvency II value	Statutory accounts value	Reclassification adjustments
C0010	C0020	EC0021
0.00	1,208.82	
27,669.99	27,669.99	
0.00	0.00	0.00
0.00		
0.00		
0.00	0.00	0.00
0.00	0.00	0.00
0.00		
0.00		
0.00		
0.00		
0.00		
0.00		
0.00	0.00	0.00
0.00		
0.00	0.00	
0.00	0.00	
0.00	0.00	
0.00		
27,720.93	27,720.93	
0.00		
38,709,455.31	38,709,455.31	
38,764,846.23	38,766,055.05	0.00

	Liabilities
R0510	Technical provisions - non-life
R0520	<i>Technical provisions - non-life (excluding health)</i>
R0530	<i>TP calculated as a whole</i>
R0540	<i>Best Estimate</i>
R0550	<i>Risk margin</i>
R0560	Technical provisions - health (similar to non-life)
R0570	<i>TP calculated as a whole</i>
R0580	<i>Best Estimate</i>
R0590	<i>Risk margin</i>
R0600	Technical provisions - life (excluding index-linked and unit-linked)
R0610	<i>Technical provisions - health (similar to life)</i>
R0620	<i>TP calculated as a whole</i>
R0630	<i>Best Estimate</i>
R0640	<i>Risk margin</i>
R0650	Technical provisions - life (excluding health and index-linked and unit-linked)
R0660	<i>TP calculated as a whole</i>
R0670	<i>Best Estimate</i>
R0680	<i>Risk margin</i>
R0690	Technical provisions - index-linked and unit-linked
R0700	<i>TP calculated as a whole</i>
R0710	<i>Best Estimate</i>
R0720	<i>Risk margin</i>
R0730	Other technical provisions
R0740	Contingent liabilities
R0750	Provisions other than technical provisions
R0760	Pension benefit obligations
R0770	Deposits from reinsurers
R0780	Deferred tax liabilities
R0790	Derivatives
R0800	Debts owed to credit institutions
ER0801	<i>Debts owed to credit institutions resident domestically</i>
ER0802	<i>Debts owed to credit institutions resident in the euro area other than domestic</i>
ER0803	<i>Debts owed to credit institutions resident in rest of the world</i>
R0810	Financial liabilities other than debts owed to credit institutions
ER0811	<i>Debts owed to non-credit institutions</i>
ER0812	<i>Debts owed to non-credit institutions resident domestically</i>
ER0813	<i>Debts owed to non-credit institutions resident in the euro area other than domestic</i>
ER0814	<i>Debts owed to non-credit institutions resident in rest of the world</i>
ER0815	<i>Other financial liabilities (debt securities issued)</i>
R0820	Insurance & intermediaries payables
R0830	Reinsurance payables
R0840	Payables (trade, not insurance)
R0850	Subordinated liabilities
R0860	<i>Subordinated liabilities not in BOF</i>
R0870	<i>Subordinated liabilities in BOF</i>
R0880	Any other liabilities, not elsewhere shown
R0900	Total liabilities

Solvency II value	Statutory accounts value	Reclassification adjustments
C0010	C0020	EC0021
0.00	0.00	
0.00		
0.00		
0.00	0.00	
0.00		
0.00		
0.00		
0.00		0.00
0.00		0.00
0.00		0.00
647,298.45	647,298.45	
0.00	0.00	0.00
0.00		
647,298.45	647,298.45	0.00
38,117,547.78	38,118,756.60	0.00

S.05.01.01
Premiums, claims and expenses by line of business
Non-life
Premiums written

R0110 *Gross - Direct Business*

R0120 *Gross - Proportional reinsurance accepted*

R0130 *Gross - Non-proportional reinsurance accepted*

R0140 *Reinsurers' share*

R0200 *Net*
Premiums earned

R0210 *Gross - Direct Business*

R0220 *Gross - Proportional reinsurance accepted*

R0230 *Gross - Non-proportional reinsurance accepted*

R0240 *Reinsurers' share*

R0300 *Net*
Claims incurred

R0310 *Gross - Direct Business*

R0320 *Gross - Proportional reinsurance accepted*

R0330 *Gross - Non-proportional reinsurance accepted*

R0340 *Reinsurers' share*

R0400 *Net*
Changes in other technical provisions

R0410 *Gross - Direct Business*

R0420 *Gross - Proportional reinsurance accepted*

R0430 *Gross - Non-proportional reinsurance accepted*

R0440 *Reinsurers' share*

R0500 *Net*
Expenses incurred
Administrative expenses

R0610 *Gross - Direct Business*

R0620 *Gross - Proportional reinsurance accepted*

R0630 *Gross - Non-proportional reinsurance accepted*

R0640 *Reinsurers' share*

R0700 *Net*
Investment management expenses

R0710 *Gross - Direct Business*

R0720 *Gross - Proportional reinsurance accepted*

R0730 *Gross - Non-proportional reinsurance accepted*

R0740 *Reinsurers' share*

R0800 *Net*
Claims management expenses

R0810 *Gross - Direct Business*

R0820 *Gross - Proportional reinsurance accepted*

R0830 *Gross - Non-proportional reinsurance accepted*

R0840 *Reinsurers' share*

R0900 *Net*
Acquisition expenses

R0910 *Gross - Direct Business*

R0920 *Gross - Proportional reinsurance accepted*

R0930 *Gross - Non-proportional reinsurance accepted*

R0940 *Reinsurers' share*

R1000 *Net*
Overhead expenses

R1010 *Gross - Direct Business*

R1020 *Gross - Proportional reinsurance accepted*

R1030 *Gross - Non-proportional reinsurance accepted*

R1040 *Reinsurers' share*

R1100 *Net*

R1200 *Other expenses*

R1300 *Total expenses*

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							Total
Medical expense insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
C0010	C0060	C0070	C0080	C0100	C0110	C0120	C0200
							0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1,157,813.47	9,027.53	644.82	644.82	322.41	310,482.57	1,289.65	1,480,225.27
							0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
							0.00
							0.00
							0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1,157,813.47	9,027.53	644.82	644.82	322.41	310,482.57	1,289.65	1,480,225.27
							0.00
							0.00
							0.00
							0.00
1,157,813.47	9,027.53	644.82	644.82	322.41	310,482.57	1,289.65	1,480,225.27
							1,480,225.27

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
Other ancillary own funds
Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business
Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
39,600,000.00	39,600,000.00		0.00	
0.00	0.00		0.00	
0.00	0.00		0.00	
0.00		0.00	0.00	0.00
0.00	0.00			
0.00		0.00	0.00	0.00
0.00		0.00	0.00	0.00
-1,482,452.22	-1,482,452.22			
0.00		0.00	0.00	0.00
0.00				0.00
0.00	0.00	0.00	0.00	0.00

0.00

0.00

38,117,547.78 38,117,547.78 0.00 0.00 0.00

0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00				
0.00			0.00	0.00

38,117,547.78	38,117,547.78	0.00	0.00	0.00
38,117,547.78	38,117,547.78	0.00	0.00	
38,117,547.78	38,117,547.78	0.00	0.00	0.00
38,117,547.78	38,117,547.78	0.00	0.00	

3,835,705.74
3,700,000.00
993.76%
1030.20%

C0060
38,117,547.78
0.00
39,600,000.00
0.00
-1,482,452.22

0.00

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Z0010

Article 112

Regular reporting

R0010 Market risk
R0020 Counterparty default risk
R0030 Life underwriting risk
R0040 Health underwriting risk
R0050 Non-life underwriting risk
R0060 Diversification

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

R0120 Adjustment due to RFF/MAP nSCR aggregation
R0130 Operational risk
R0140 Loss-absorbing capacity of technical provisions
R0150 Loss-absorbing capacity of deferred taxes
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
R0200 Solvency Capital Requirement excluding capital add-on
R0210 Capital add-ons already set
R0220 Solvency capital requirement

Other information on SCR

R0400 Capital requirement for duration-based equity risk sub-module
R0410 Total amount of Notional Solvency Capital Requirements for remaining part
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
R0440 Diversification effects due to RFF nSCR aggregation for article 304
R0450 Method used to calculate the adjustment due to RFF/MAP nSCR aggregation
R0460 Net future discretionary benefits

Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
C0030	C0040	C0050	C0090	C0120
79,711.36	79,711.36	0.00		
1,161,225.59	1,161,225.59	0.00		
		0.00		
2,780,667.75	2,780,667.75	0.00		
1,452,451.70	1,452,451.70	0.00		
-1,638,350.67	-1,638,350.67			
	0.00			
3,835,705.74	3,835,705.74			
C0100				
0.00				
0.00				
3,835,705.74				
3,835,705.74				
No adjustment				

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

0.00

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

C0030

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

α	β
4.7%	4.7%
13.1%	8.5%
10.7%	7.5%
8.5%	9.4%
7.5%	7.5%
10.3%	14.0%
9.4%	7.5%
10.3%	13.1%
17.7%	11.3%
11.3%	6.6%
18.6%	8.5%
18.6%	12.2%
18.6%	15.9%
18.6%	15.9%
18.6%	15.9%
18.6%	15.9%

TS MCR.12

$\alpha \cdot B + \beta \cdot C$

0
0
0
0
0
0
0
0
0
0
0
0
0
0
0
0

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0.00

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

C0060

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

3.7%
-5.2%
0.7%
2.1%
0.07%

TS MCR.13

0
0
0
0
0

Overall MCR calculation

R0300 Linear MCR

C0070

0.00

R0310 SCR

3,835,705.74

R0320 MCR cap

1,726,067.58

R0330 MCR floor

958,926.44

R0340 Combined MCR

958,926.44

R0350 Absolute floor of the MCR

3,700,000.00

R0400 Minimum Capital Requirement

3,700,000.00