

# SOLVENCY AND FINANCIAL CONDITION REPORT

VITALITY HEALTH

INSURANCE LIMITED

FOR THE YEAR ENDED

30 JUNE 2018



**Positively different.**

**Vitality** HEALTH INSURANCE

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# SUMMARY

## 1 BUSINESS AND PERFORMANCE SUMMARY

### Company overview

Vitality Health Insurance Limited (“VHIL”, “the Company”) owns Vitality Health Limited which is the UK’s fourth largest private medical insurer, and is part of the Discovery Group, one of the leading providers of insurance solutions in the world, operating in 19 global markets, and impacting over 8 million lives worldwide.

At the centre of the VHIL business is our core purpose; to make people healthier and enhance and protect their lives. This is delivered through a Shared Value Insurance model. Recognising that in modern society health risk is primarily driven by lifestyle behaviours, Vitality believes that through incentivising healthier behaviours from its members, and providing them with the tools to make positive changes in their lives, it can deliver value on multiple fronts. As an insurer, Vitality benefits from reduced claims from a healthier member base; Vitality members benefit from improved health, access to a wide range of partners and rewards, and potentially lower premiums; while society benefits from a reduced healthcare burden on the state, as well as a more healthy and productive population.

VHIL delivers Shared Value by helping members to understand their health, making it cheaper and easier to get healthy, and rewarding them for making healthy lifestyle choices. The model is underpinned by significant actuarial, behavioural and clinical science, which informs the product and member approach. A key part of this is the provision of discounted access to a broad network of health and wellness partners, which includes prominent brands such as Apple, Virgin Active, Garmin, British Airways and Disney, as well as incentives that reward members for engaging in health-enhancing activities.

Vitality continues to invest in the Vitality Wellness Programme. Recent product enhancements saw the programme extend its reach and become a more holistic health and wellbeing solution. The launch of Vitality Kids in partnership with Disney engages with children on healthy activities and healthy living. The launch of a new Healthy Mind component addresses the increasingly important area of mental health and wellbeing. Across the programme, Vitality continued to see positive member engagement, with 46% growth in points-earning activities (includes screenings, nutrition and physical activity) to 36 million, and high levels of benefit utilisation, from Starbucks to cinema tickets. Vitality also made ongoing investments in its brand; signing on two new ambassadors; and extending its presence and sponsorship in cricket, football and hockey.

### Business overview

VHIL is a United Kingdom regulated entity authorised to carry out short term Health insurance business. The ultimate parent company, Discovery Limited (“Discovery”), is an established and successful international insurance group and has a market value equivalent to a FTSE 100 company. Its UK presence, VHIL, was formed in 2004 as ‘PruHealth’, a joint venture with The Prudential Assurance Company (“Prudential”). In November 2014 Discovery acquired the shares held by Prudential and now owns 100% of Vitality Health Insurance Limited.







Since 1 October 2013, upon renewal, all private medical insurance business underwritten by the Company began to be migrated to Vitality Health Limited and the migration was completed by 30 June 2015. As a result of this no business was written or earned by the Company in the year ended 30 June 2018. The entity VHIL is expected to be de-authorised in the coming year.




The Company produces its financial statements in accordance with International Financial Reporting Standards ("IFRS"). On an IFRS basis the Company produced a pre-tax profit of £0.9m (2017: Pre-tax profit of £0.6m). The majority of its earnings related to interest on loans provided to the VHL entity.

## Product overview

VHIL's unique product model places equal emphasis on encouraging Better Health and offering Better Care. Vitality's comprehensive core cover gives members peace of mind that if they ever need it, they'll enjoy fast access to high quality in-patient and out-patient diagnosis and treatment. As well as protecting members when they need medical assistance, Vitality helps members lead a healthier life through an integrated engagement and reward programme. Detail on key product features and benefits are given below.

 <p><b>FAST ADMISSION</b></p> <p>The flexibility and freedom to fix appointments and treatment dates – making it easier to fit in to a busy work schedule.</p>	 <p><b>PROMPT REFERRAL</b></p> <p>Quicker access to leading consultants should you need further treatment.</p>	 <p><b>ACCESS TO DRUGS</b></p> <p>Many health insurers provide access to drugs that aren't available to NHS patients due to the high costs.</p>
 <p><b>PRIVATE HOSPITAL</b></p> <p>A more relaxed, quieter and private environment to be treated, including single occupancy rooms and en-suites.</p>	 <p><b>GP HELPLINE</b></p> <p>Quicker access to primary care services.</p>	 <p><b>SECOND OPINION</b></p> <p>An easy and convenient escalation process to change consultants if you are not happy.</p>



**REWARDS: Remove the financial barrier to participating in healthy activities.**

## PERSONAL HEALTHCARE FROM VITALITYHEALTH



### VITALITY GP

Vitality GP offers you access to a video consultation with a GP within 48 hours<sup>4</sup>.



### FULL COVER PROMISE

We'll pay all consultants' and anaesthetists' fees in full as long as your consultant is recognised by us and the condition and treatment is covered on your plan.



### PARTNERS AND REWARDS

A range of discounts and rewards from our partners that help you understand your health, get healthier, and be rewarded.

### CONSULTANT SELECT



Our default treatment path will ensure that you get referred to the most appropriate consultant from an independent panel in a suitable location to suit your needs - without the worry of choosing a consultant yourself.

### CANCER COVER

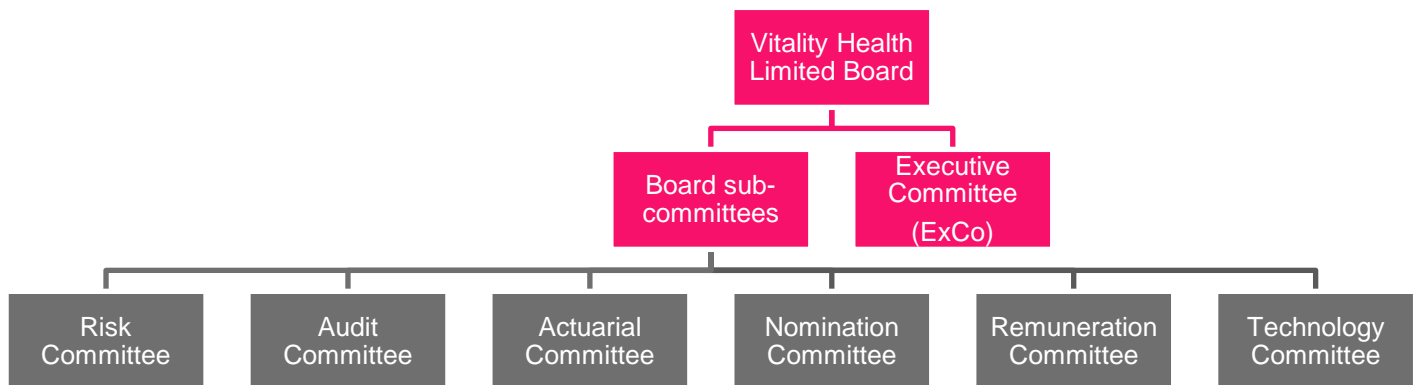


VitalityHealth offer two choices to tailor your cover. Upgrade to Extended Cancer Cover, which pays all eligible costs associated with the condition once diagnosed.

## 2 SYSTEM OF GOVERNANCE SUMMARY

The core purpose of the Company is to make people healthier and to enhance and protect their lives. The Company has a unique entrepreneurial spirit with a strong emphasis on innovation. The Board of Directors (“Board”) has the responsibility to preserve these special attributes, while at the same time ensuring that the principles of sound uncompromising good governance are observed. The Company recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure.

### Overview of the Board and sub-committees



The Board and sub-committee functions work and operate across all Vitality entities in the United Kingdom.

The Company employs a ‘three lines of defence’ governance model that aims to ensure that risk management is effective, appropriate decisions are made and best practice is implemented and maintained.

### The 1st Line of Defence – Business Management

Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

### The 2nd Line of Defence – Oversight

The second line of defence functions comprise of the risk management function and the compliance function. These are independent functions that provide assurance to the Board with regards to the adequacy and effectiveness of the overall risk management system.

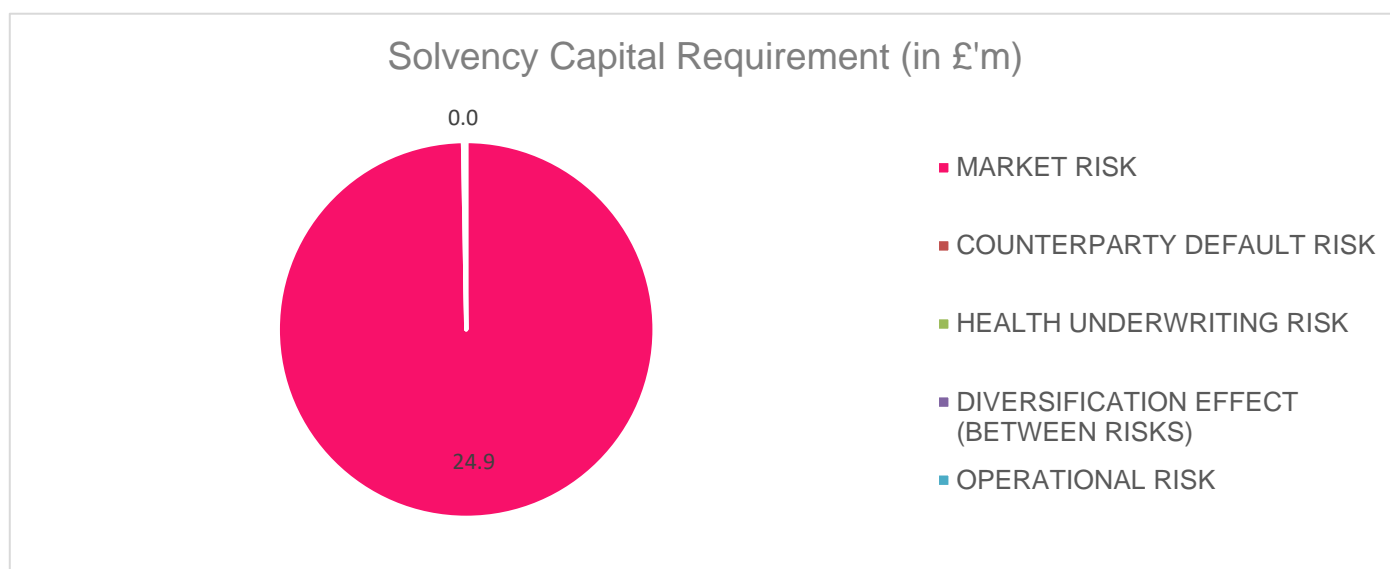
### The 3rd Line of Defence – Assurance

The third line of defence comprises of the independent internal and external assurance functions, i.e. internal and external audit, that provide an independent and balanced view of the effectiveness of the first and second line functions as defined above.

The governance structure of Vitality Health Insurance Limited has not changed materially in the year to 30 June 2018. Changes in the directors of the business are outlined in section B.1.2. Ultimate responsibility for the performance and strategy of the Company resides with the Board of Directors and they delegate authority within the organisation as they see fit.

### 3 RISK PROFILE SUMMARY

The following chart shows the relative composition of the standard formula risk capital components as at 30 June 2018:



The market risk charge accounts for almost the entire Solvency Capital Requirement (“SCR”). The charge arises from the equity charge on Vitality Health Limited as an asset on The Company’s balance sheet, a smaller component of the market risk charge is the spread risk on a subordinated loan to Vitality Health Limited.

The Company has no operations; exposure to Operational risk is negligible and the Operational risk capital requirement for this is zero. The small counterparty default risk arises from the cash deposit held in the bank and a small intercompany balance.

### 4 VALUATION FOR SOLVENCY PURPOSES SUMMARY

An analysis of the valuation of assets and liabilities per the Solvency II balance sheet are provided in the report in sections D.1 and D.3 respectively. The sections provide detail of the recognition and valuation basis applied, including inputs and methods used, as well as judgments made and any assumptions, including those about the future and other sources of estimation uncertainty.

The Technical provisions as at 30 June 2018 are valued at £nil.

## 5 CAPITAL MANAGEMENT SUMMARY

The SCR coverage ratio at 30 June 2018 was 493.0% with eligible own funds of £122.8m and a SCR of £24.9m.

The Minimum Capital Requirement ("MCR") coverage ratio at 30 June 2018 was 1968.8% with eligible own funds of £122.6m and a MCR of £6.2m.

The Company has complied continuously with both the MCR and the SCR throughout the reporting period. The change in SCR and MCR ratio are both driven by the change in valuation of its investment in VHL. This impacts both the eligible own funds and SCR.

The objective of the Company's capital management strategy is to maintain sufficient own funds to cover the SCR and MCR with an appropriate buffer. The Company carries out a regular review of the solvency ratio as part of the risk monitoring and capital management system.

At the reporting date, VHIL has no inforce policies and all claims are related to the run-off of previous years' policies. The Company's balance sheet consists predominantly of its investment in Validity Health Limited ("VHL").

# A BUSINESS AND PERFORMANCE

## A.1 BUSINESS

### A.1.1 Name and legal form of the undertaking

Vitality Health Insurance Limited (“the Company”, “VHIL”) is incorporated in the United Kingdom and is a company limited by shares. The address of the registered office is:

3 More London Riverside  
London  
SE1 2AQ

This Solvency and Financial Condition Report (“SFCR”) covers Vitality Health Insurance Limited on a solo basis.

### A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

The Company is an undertaking of:

- Discovery Group Europe Limited, the ultimate insurance holding company which has its head office in an European Economic Area (“EEA”) State, the United Kingdom; and
- Discovery Limited, the ultimate insurance holding company which does not have its head office in an EEA State, the Republic of South Africa.

Under Solvency II, the group supervisor of Discovery Limited is the Prudential Regulation Authority (“PRA”) as the Republic of South Africa is not an equivalent country for Solvency II group supervision purposes. In the absence of equivalence, Discovery Limited is subject to full Solvency II group supervision or the Company can apply to the PRA to use another method. The Company has a waiver in place, effective 1 January 2016, from the PRA modifying the PRA Rulebook on Group Supervision to use another method.

Discovery Limited is also subject to group supervision by the South African Financial Services Board. The South African Financial Services Board can be contacted at:

Financial Services Board  
P.O. Box 35655  
Menlo Park  
Pretoria  
South Africa  
0102

The supervisory authority of the Company and the Discovery Group Europe Limited group, is the Prudential Regulation Authority (PRA) and they can be contacted at:

Prudential Regulation Authority  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH



### A.1.3 Name and contact details of the external auditor of the undertaking

The independent auditors of the Company are:

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

### A.1.4 Holders of qualifying holdings in the undertaking

The persons, to the knowledge of the Company, who were direct and indirect holders of qualifying holdings in the Company at any time during the reporting period and at the end of the financial year were (see figure 1):

- Vitality Health Insurance Limited - a limited company incorporated in the United Kingdom. As at the reporting date, Vitality Health Insurance Limited owned 100% of the shares of the Company and was able to exercise 100% of the voting power at any general meeting;
- Discovery Holdings Europe Limited ("DHEL") - a limited company incorporated in the United Kingdom. As at the reporting date, Discovery Holdings Europe Limited owned 100% of the shares of Vitality Health Insurance Limited;
- Discovery Group Europe Limited ("DGEL") - a limited company incorporated in the United Kingdom. As at the reporting date, Discovery Group Europe Limited owned 99% of the shares of Discovery Holdings Europe Limited. However, 100% of Discovery Holdings Europe Limited was consolidated at the Discovery Group Europe Limited group level as a result of the nature of the 1% of shares owned by other parties; and
- Discovery Limited - a limited company incorporated in the Republic of South Africa. As at the reporting date, Discovery Limited owned 100% of the shares of Discovery Group Europe Limited, and was able to exercise 100% of the voting power at any general meeting.

The holdings in VHIL are also summarised in Section A.1.5 below.

### A.1.5 Details of the undertaking's position within the legal structure of the group

The Company is an EEA insurance subsidiary undertaking of Discovery Limited, the ultimate world-wide parent undertaking and Discovery Group Europe Limited, the ultimate EEA parent undertaking. The participating undertaking of the Company is Vitality Health Insurance Limited. A list of related undertakings within the Discovery Group Europe Limited group is listed below.

NAME OF RELATED UNDERTAKING	LEGAL FORM	COUNTRY	PARTICIPATING UNDERTAKING	PROPORTION OF OWNERSHIP INTEREST HELD BY THE PARTICIPATING UNDERTAKING	PROPORTION OF VOTING RIGHTS HELD BY THE PARTICIPATING UNDERTAKING
<b>Discovery Limited</b>	Limited by shares	South Africa			
<b>Discovery Group Europe Limited</b>	Limited by shares	United Kingdom	Discovery Limited	100%	100%
<b>Discovery Offshore Holdings No.2 Limited</b>	Limited by shares	United Kingdom	Discovery Group Europe Limited	100%	100%
<b>Discovery Holdings Europe Limited</b>	Limited by shares	United Kingdom	Discovery Group Europe Limited	99.0%	99.0%

## Vitality Health Insurance Limited

<b>Health Protect Limited</b>	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
<b>Vitality Invest Trustee Company Limited</b>	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
<b>Insure Your Health Limited</b>	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
<b>Vitality Life Limited</b>	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
<b>Vitality Corporate Services Limited</b>	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
<b>Vitality Health Insurance Limited</b>	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
<b>Healthcode Limited</b>	Limited by shares	United Kingdom	Vitality Health Insurance Limited	20%	20%
<b>Vitality Health Limited</b>	Limited by shares	United Kingdom	Vitality Health Insurance Limited	100%	100%
<b>Healthcare Purchasing Alliance Limited</b>	Limited by shares	United Kingdom	Vitality Corporate Services Limited	50%	50%
<b>Nuffield Health and Vitality Corporate Services Ltd</b>	Limited by shares	United Kingdom	Vitality Corporate Services Limited	50%	50%

The group structure chart below explains the ownership and legal links between the Company, its ultimate EEA parent undertaking, Discovery Group Europe Limited, ultimate parent undertaking, Discovery Limited and its related undertakings. See summarised group structure:

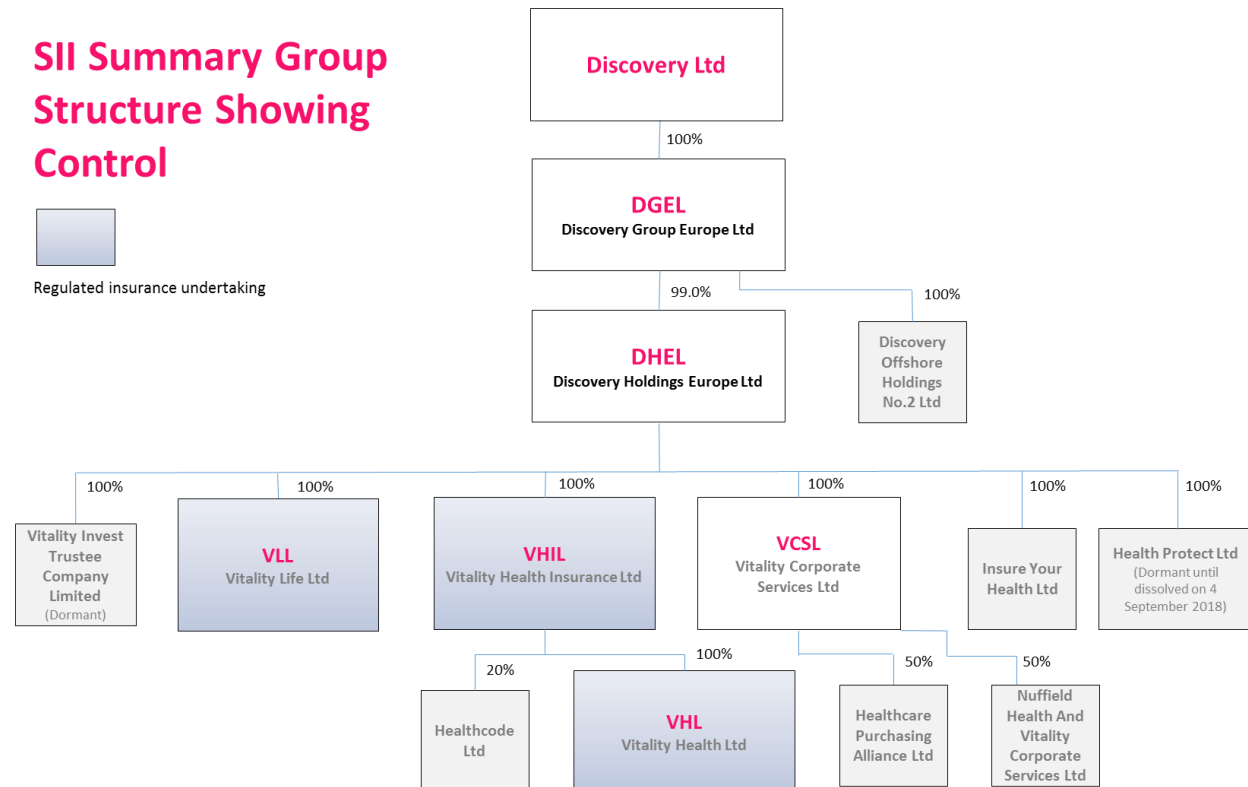


Figure 1

Discovery Limited is the ultimate parent company, incorporated in the Republic of South Africa.

DGEL is the topmost European entity and is a holding company for DHEL and also owns a dormant company called Discovery Offshore Holdings No.2 Limited.

DHEL, the holding company, owns three regulated insurance entities (VHL, VLL and VHIL). It also owns a services company ("VCSL"), a distributor (Insure Your Health Limited ("IYHL") which is an appointed representative of VCSL), a dormant company Health Protect Limited ("HPL") and a dormant company Vitality Invest Trustee Company Limited ("VITCL"). HPL was subsequently dissolved on 4 September 2018.

DHEL itself is not a regulated insurance entity, and thus has no capital requirement. VCSL and IYHL similarly have no solvency capital requirements, although as VCSL is an intermediary it requires small amounts of net assets to be held.

VCSL owns 50% of Healthcare Purchasing Alliance Limited ("HPA"), which is a joint venture between Vitality Health and Aviva Health. It is not a regulated insurance entity and thus has no capital requirements.

VCSL owns 50% of Nuffield Health And Vitality Corporate Services Ltd, a new joint venture incorporated on 28 June 2017 and began to trade under the "Healthy Workplace" brand during the year ended 30 June 2018.

VCSL provides a number of services to both Vitality Health and Vitality Life including;

- Paying for the cost of the Vitality programmes and other administration costs which are then recharged; and
- Holding all employment contracts and managing the payroll.

#### **A.1.6 The undertaking's material lines of business and material geographical areas where it carries out business**

The Company only has one line of business, that is medical expense insurance, and all business is transacted in the United Kingdom. See section A.1.7 for details of the migration of policies from the Company to Vitality Health Limited.

#### **A.1.7 Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking**

Since 1 March 2011 all Vitality Health Insurance Limited new business has been underwritten by Vitality Health Limited. Since 1 October 2013, upon renewal, all private medical insurance business underwritten by the Company began to be migrated to Vitality Health Limited and the migration was completed by 30 June 2015. As a result of this no business was written or earned by the Company in the year ended 30 June 2018.

## **A.2 UNDERWRITING PERFORMANCE**

The following table summarises the underwriting performance of the Company:

<b>(£'m)</b>	<b>June-18</b>	<b>June-17</b>
<b>Gross Written Premiums</b>	0	0
<b>Earned Premiums</b>	0	0
<b>Net Earned Premiums</b>	0	0
<b>Claims Incurred</b>	(0.2)	0.1
<b>Net Claims Incurred</b>	(0.2)	0.1

All premiums and claims above relate to policies underwritten in the UK. The gross written and earned premiums were £nil in the reporting period consistent to prior year. This is due to the migration of all policyholders to Vitality Health Limited as documented in section A.1.7.

Claims incurred were negative in the reporting period from claim recoveries received related to historical claim payments.

### A.3 INVESTMENT PERFORMANCE

#### A.3.1 Information on income and expenses arising from investments by asset class

The interest and gains on assets are included below for each asset class disclosed on the Statement of Financial Position, on which an investment return is generated, in the Company's financial statements. There are no gains or losses recognised directly in equity and investments in securitisations.

There are no material expenses incurred in relation to any of the asset classes below and therefore a table of expense by asset class is not provided.

GAINS / INCOME ON INVESTMENTS IN THE YEAR (£'m)	June-18	June-17
Investments in associates	0.0	0.0
Long term subordinated loan receivable	0.7	0.7
Cash and Cash Equivalents	0.0	0.0

### A.4 PERFORMANCE OF OTHER ACTIVITIES

#### A.4.1 Other material income and expenses

A long term subordinated loan of £11.4m (30 June 2017: £15.3m) has been provided by the Company to Vitality Health Limited. During the year, one tranche of the subordinated loan was repaid in full reducing the subordinated loan balance. The remaining loan is repayable on 31 December 2020, and accrues interest at a floating rate of 400 basis points over 3 month LIBOR. The repayment generated £4.6m cash which was distributed as dividends to Discovery Health Limited.

### A.5 BUSINESS AND PERFORMANCE – ANY OTHER INFORMATION

No other information.

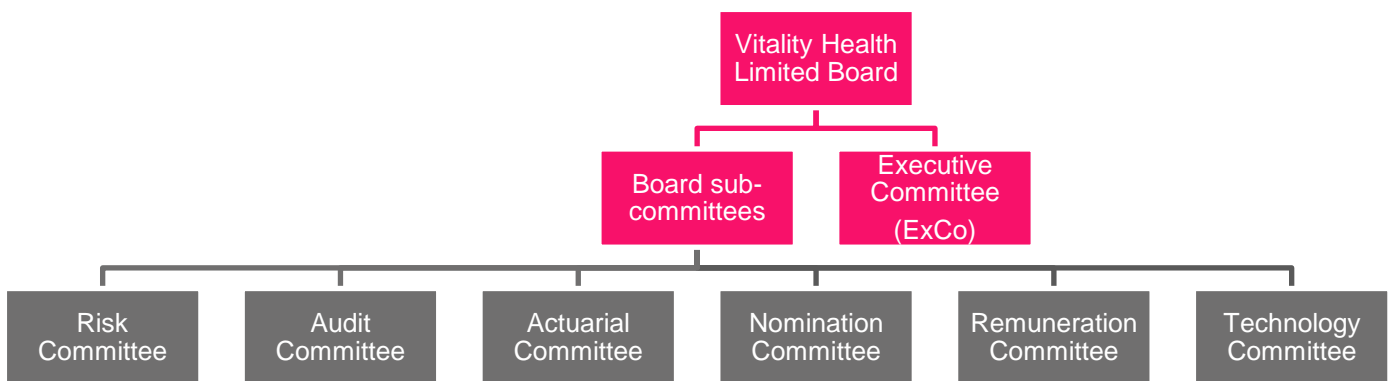
# B SYSTEM OF GOVERNANCE

## B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

### B.1.1 Role and responsibilities of the Administrative, management or supervisory body and key functions

The core purpose of the Company is to make people healthier and to enhance and protect their lives. The Company has a unique entrepreneurial spirit with a strong emphasis on innovation. The Board of Directors (Board) has the responsibility to preserve these special attributes, while at the same time ensuring that the principles of sound uncompromising good governance are observed.

#### Overview of the Board and sub-committees



The Board and sub-committee functions work and operate across all Vitality entities in the United Kingdom.

#### The Board

The Board is ultimately responsible for the performance and strategy of the Company. By selectively delegating authority and certain functions to various committees, the Board does not absolve themselves of their own responsibility for the Company.

#### It is the Board's responsibility to:

- Ensure that the Company operates within an established framework of an effective system of internal control, risk management and compliance
- Ensure that the solvency capital requirements and minimum capital requirements are maintained at all times;
- Validate that the Standard Formula is appropriate for the Company and the output from it is used effectively;
- Ensure that the values of the company are established and known throughout the Company;
- Determine the strategy and approve the business plan;
- Ensure that the business is conducted in an efficient and effective manner; and
- Assist approved persons to discharge their responsibilities in respect of the area of business for which they are responsible.



## Board Committees

### Risk Committee

The Risk Committee is responsible for assisting the Board with the overall system of risk and compliance management, ensuring that risk and compliance matters are disclosed in a timely manner, including conduct risks, business continuity and disaster recovery, and outsourcing risks.

The Committee consists of a minimum of three highly skilled and experienced independent Non-Executive Directors and eleven members of senior management. Only the independent Non-Executive Directors can vote on matters with a quorum of two needed for approvals and decisions. The attendees of the Committee collectively have extensive actuarial, insurance, healthcare, regulatory, investments, accounting, economics and management skills.

The Committee meets four times a year with the mandate to convene additional meetings as circumstances require. The Chairperson of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee. The Chairperson of the Committee regularly meets with the Chief Risk Officer without other members of management present.

#### The responsibilities of the Risk Committee are:

- Oversee the development of the risk and compliance framework to ensure that they are appropriate to the business and that risks are identified, managed and controlled. This includes overseeing the formulation of the high level risk management strategy to support the overall business strategy, and of an appropriate compliance universe, manual and monitoring plans;
- Recommend to the Boards risk appetites, and monitor them on a regular basis. Consider and monitor remedial actions where the business is outside of risk appetite;
- Review and recommend to the Boards, risk policies covering each material risk faced by the Companies;
- Support the embedding and maintenance of an open culture in relation to the management of risk across the company;
- Oversee the periodic review of the format, content and frequency of risk information; and,
- Oversee the Policy Committee, Product Governance Committee and Conduct Risk Committee to support the Risk Committee in fulfilling its duties in relation to policy setting and attestation, product approval and conduct risk management and treating customers fairly. This includes receiving, reviewing and challenging upwards reporting from these Committees.

### Audit Committee

The Audit Committee is responsible for assisting the Board in terms of the financial reporting processes, internal controls, performance of the internal and external audit processes and any other matters that may impact the financial results of the Company.

The Committee consists of a minimum of three highly skilled and experienced independent Non-Executive Directors and eleven members of senior management. Only the independent Non-Executive Directors can vote on matters and a quorum of two is needed for approvals and decisions. The attendees of the Committee collectively have extensive actuarial, insurance, healthcare, regulatory, economics, accounting and management skills.

The Committee meets four times a year with the mandate to convene additional meetings as circumstances require. The Chairperson of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee. The Chairperson of the Committee regularly meets with the risk, compliance and internal audit function leaders without members of management present.

**The responsibilities of the Audit Committee are:**

- Monitoring the integrity of the Company's financial reporting and of its financial statements and to make appropriate recommendations to the Board, having particular regard to:
  - Changes to or new significant accounting policies;
  - Significant accounting judgements and estimates;
  - The accounting for significant, unusual or complex transactions or items; and
  - Regulatory Solvency II Reporting.
- Review the Company's systems of internal financial controls, including receiving reports from management on the effectiveness of the systems have established and the results of controls and testing carried out by internal and external audit.

**Actuarial Committee**

The objective of the Actuarial Committee is to ensure that technical actuarial matters relating to the Company are reviewed by the Committee and appropriate input is provided to the Board, Risk and Audit Committees.

The Committee consists of two Non-Executive Directors and an independent actuary. Executive and senior management attend the Committee by invitation and it is chaired by an independent Non-Executive Director with extensive actuarial experience in management and consulting. The Chairperson of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee.

**The responsibilities of the Actuarial Committee are:**

- On behalf of the Board, to review matters of an actuarial nature and, as appropriate, report on, approve, or recommend approval of those matters to the Board, the Audit Committee or the Risk Committee;
- Give the Board, Audit Committee and Risk Committee comfort that the contents and recommendations of any reporting to the Board on actuarial matters relating to the Company have been properly considered;
- Support the Risk Committee by reviewing the methodologies and assumptions underlying the quantitative elements of the Own Risk and Solvency Assessment ("ORSA") and in such other ways as requested to assist the Risk Committee in its identification, appraisal and management of risk;
- Support the Audit Committee by reviewing the methodologies and assumptions used to determine the technical provisions and in such other ways as may be requested by the Audit Committee;
- Receive, review and report to the Board on the opinion to be expressed by the Actuarial function on the adequacy of the reinsurance arrangements
- Receive, review and report to the Board on the option to be expressed by the Actuarial function on the overall underwriting policy; and
- Receive, review and, if appropriate, recommend approval by the Board of the annual Actuarial function report.

**Technology Committee**

The objective of the newly formed Technology Committee is to ensure that technical IT matters relating to the Company are reviewed by the Committee and appropriate input is provided to the Board, Risk and Audit Committees.

The Committee membership consists of the Chair and at least two other Executive and Non-Executive Directors. The Committee is chaired by an independent Non-Executive Director with extensive experience in information technology and security management. The Chairperson of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee.

**The responsibilities of the Technology Committee include:**

- Review and approve the company's operations and technology policies;
- Review the company's operations and technology strategy;
- Prepare recommendations to the Board regarding strategic technology investments;
- Monitor and evaluate trends in technology that may affect strategic plans in terms of opportunities and threats;
- Receive management information on operations and technology performance;
- Review major operations and technology risk exposures, including information security, cybersecurity and fraud risks. Review the mitigating steps adopted to control the risk exposures and periodically provide a report to the Risk Committee on the conclusion of any risk reviews.

**Executive Committee**

The Executive Committee is mandated and responsible for implementing the strategies approved by the Board and managing the affairs of the company. The Executive Committee is chaired by the Chief Executive Officer and meets weekly, the CEO is a member of the Board and has a standing agenda item on the Board to provide an update of the business performance and outlook. Each area of the business is represented by an executive on the Executive Committee and feedback on the activities of each department is provided at the weekly Executive Committee meeting.

**The responsibilities of the Executive Committee include:**

- Implementing and monitoring the business plan;
- Review business plans and recommend changes for approval by the Board;
- Structure the operations to maximise efficiency;
- Ensure that effective systems of controls are established and maintained which facilitates identification and effective management of all significant risks facing the business;
- Decide upon priorities for allocating capital and operating resources within the current business plan;
- Ensure the functional areas provide accurate and timely management information to enable the business to be effectively managed;
- Pass relevant and specific information to the Board, including any recommendations by the Executive Committee that require approval by the Board;
- Review financial and operational performance of the business and authorise appropriate actions;
- Review compliance, risk and internal audit reports to ensure that ownership is allocated and appropriate corrective action is taken;
- Ensure that any significant breaches or failings are dealt with in accordance with the rules of the relevant regulatory body;
- Consider whether the actions taken will damage the reputation of the group;
- Delegate authority to sub-committees of the Executive Committee and to review the decisions and recommendations of such sub-committees.

**Nomination Committee**

The Nomination Committee is responsible for assisting the Board to ensure the right mix of skills and expertise is represented on the Board.

The Committee consists of a minimum of three highly skilled and experience independent Non-Executive Directors and is attended by members of senior management. Only the independent Non-Executive Directors can vote on matters with a quorum of three needed for approvals and decisions. The Committee meets at least once a year with the mandate to convene additional meetings as circumstances require. The Chairperson of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee.

The main responsibilities of the Nomination Committee are to:

- Monitor the balance of skills, knowledge, experience and diversity on the Boards, ensuring these are appropriate to the needs of the Companies within the Group;
- Ensure the appointments of Directors are linked to the Group's strategy;
- Ensure the quality of nominees to the Boards;
- Set policy around Board appointments and specify descriptions of the role and capabilities required for Board appointments in light of existing skills and experience of current Board members;
- Ensure an adequate and up to date succession plan is in place for each Board;
- Ensure the Directors receive induction training and on-going training;
- Make recommendations to the DHEL Board with regard to all members of the DHEL Group; and,
- Evaluate the Board's effectiveness.

### Remuneration Committee

The Remuneration Committee is responsible for assisting the Board to set the parameters of remuneration for the Company and to oversee the Remuneration policy and outcomes for employees.

The Committee consists of a minimum of three highly skilled and experience independent Non-Executive Directors and is attended by members of senior management. Only the independent Non-Executive Directors can vote on matters with a quorum of three needed for approvals and decisions. The Committee meets at least twice a year with the mandate to convene additional meetings as circumstances require. The Chairperson of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee.

The main responsibilities of the Remuneration Committee are to:

- Review performance against targets and agree payments;
- Verify specific oversight and governance processes;
- Monitor remuneration policy; and
- Report and provide assurance of Remuneration Policy.

### General information on the key functions

The following section provides a summary of the authority, resources and operational independence of the key functions.

- **Risk function** – the risk function is headed by the Chief Risk Officer who is supported by a team that possesses skills ranging from risk management, actuarial, information technology, UK regulatory environment. The Chief Risk Officer report including the risk summary is presented to the Executive Committee, Risk Committee and the Board, giving these management bodies the information gathered through the risk management process. The risk function maintains independence by carrying out an oversight role in the major processes, allowing for robust challenge of decisions and processes across the business.
- **Internal audit function** – the function is headed by the Chief Internal Auditor and information on the independence of the internal audit function is provided in section B.5.2. The findings of the internal audit function are reported to the Audit Committee and a summary is provided to the Board by the chair of the Audit Committee.
- **Compliance function** – the compliance function is headed up by the Compliance Director who is supported by a team with skills that include UK regulatory environment, financial crime, data protection, monitoring, compliance etc. More information on the implementation, authority and independence is provided in section B.4.2. The findings of the compliance function are reported to the Executive Committee, Risk Committee and Audit Committee. The chairs of the Risk and Audit Committees are members of the Board and present summaries of the activities of their committees to the Board.

- **Actuarial function** – the actuarial function is headed by the Chief Actuary, information on the authority, resources and independence of the actuarial function is provided in section B.6. The Chief Actuary is a member of the Executive Committee. Activities of the actuarial function are tabled at the Actuarial Committee which is chaired by an independent Non-Executive Director who subsequently provides a summary of the committees' activities to the Board.

The system of governance is considered to be appropriate for the Company, taking into account the nature, scale and complexity of the risks inherent in the business.

### **B.1.2 Material changes in the system of governance that have taken place over the reporting period**

There were no director resignations in the period. The following Director changes took place in the period:

- Monty Hilkowitz appointed 30 January 2018
- Alastair Lyons appointed 07 June 2018

The following changes were made to Committees in the last year:

- The Technology Committee was formed and chaired by Nicholas Caplan.
- Lord Sebastian Coe was appointed Chair of Nomination Committee on 27 April 2018

The following changes were made in positions of influence over the last year:

- Nicola Burgess, Chief Internal Auditor, resigned with effect 10 April 2018 and the controlled function was led by John Adlam in the interim and will be led by Elaine Carr going forwards;
- Anna Miskin, Chief Financial Officer, resigned with effect 06 July 2018 and the controlled function will now be led by Michael Saunders;
- Kris Tokarzewski was approved as Chief Information Officer by the FCA on 28 December 2018.

The Chief Internal Auditor reports independently to the Chair of the Audit Committee who is an independent non-executive director and has a team of 4 FTE, including a technology auditor, delivering audits across the group. The function can also draw on additional resources as required on a case by case basis.

### **B.1.3 Remuneration policy for the administrative, management or supervisory body and employees**

#### **B.1.3.1 Principles of the remuneration policy**

The Company's remuneration policy is intended to recruit and retain employees whose values are aligned to our culture and core purpose. We aim to create an environment that motivates high performance so that all employees can positively contribute to our strategy and values. Our philosophy is to balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation.

We achieve this through a robust performance management practice, which ensures equitable and competitively benchmarked pay levels with incentives geared to agreed performance outcomes, where appropriate.

The key principles that underpin our reward policy, rewards structures and individual rewards are:

- We offer pay packages that are competitive in the market to attract and retain the right people.
- Pay for performance is at the heart of our remuneration philosophy – exceptional performance is recognised and rewarded.



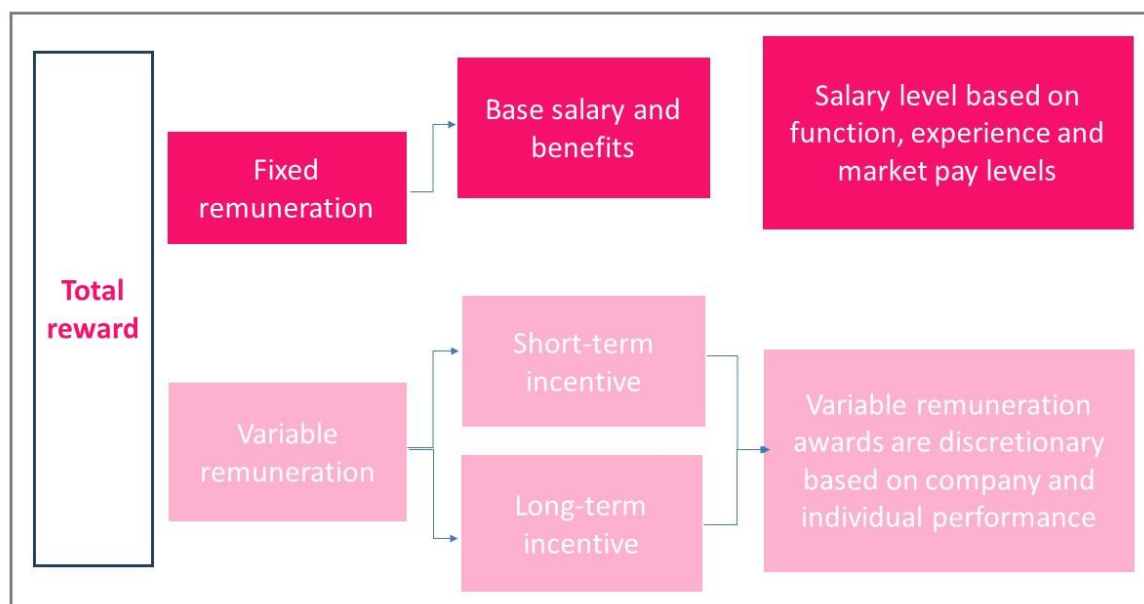
- We are non-discriminatory – all remuneration policies and practices are free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin.
- Our short-term incentive schemes are designed to encourage, recognise and reward performance and allow sufficient flexibility to respond to different business needs.
- Individual performance appraisals identify talent at all levels in the business and enable fair and competitive pay.
- The corporate bonus pot does not focus solely on sales results to the extent that management is unduly influenced in their decision making.
- Corporate performance scorecards are reviewed each year by Compliance to ensure that they remain balanced and appropriate.
- Pay designs comply with all tax and regulatory requirements.
- We believe in pay that is right and fair – we conduct regular internal and external surveys to ensure fairness and consistency across the business.
- Our long term incentive schemes create a sense of ownership in the Company.
- All remuneration decisions are governed by the Internal Remuneration Committee, and all senior management remuneration decisions are subject to further governance executed by the External Remuneration Committee.

### B.1.3.2 Share options, shares or variable components of remuneration

VHIL's policy is designed to align with the Company's ambitions of:

- Attracting, retaining and motivating high calibre employees;
- Encouraging and rewarding employees to achieve or exceed business objectives;
- Aligning the economic interest of employees with those of shareholders; and
- Providing an environment that encourages innovative thinking and extraordinary performance.

The following diagram shows the composition of our total rewards offering. The elements of this diagram are explained in the sections that follow.



### **Fixed remuneration**

This is the core element of remuneration that gives the Executive Management and individuals who are considered to be in significant influence functions, or those deemed to have a material impact on the strategy or the risk profile of the Company, the security of regular payments in order to manage and plan their financial affairs. The flexible and compulsory benefits are designed to provide non-monetary items in a cost effective way by utilising the Company's economies of scale.

It is the Company's policy to pay a market rate comparable to similar roles within the Private Medical Insurance and Financial Services industry.

It is the Company's policy to provide a wide range of flexible benefits within the context of individual choice, the flexible benefit scheme is the same for all employees and executives take part with no special arrangements being made.

### **Variable remuneration – short term incentive**

The short term incentive is in the form of a biannual bonus payment. The bonus is designed to reward and incentivise those who have achieved pre-determined individual and collective business targets over the preceding six month period. It is designed to encourage a performance culture aligned to our values. The bonus creates a clear link between performance and reward where good results are recognised and retention of high achievers enabled.

The amount of bonus allocation and pay-out varies depending on the seniority of the individual within the Company and is agreed contractually with each individual, including executives and Directors.

The collective criteria used to determine the level of bonus is determined using key performance indicators (both financial and non-financial) in the form of a scorecard.

### **Variable remuneration – long term incentive plan ("LTIP")**

The purpose of the LTIP is to incentivise members of the Executive Committee and key individuals to deliver improvements in performance, by aligning their interests with the longer term strategic goals of the Company.

The LTIPs are for executive Directors, senior management and key individuals. The LTIP remuneration is based on the growth in the value of the business which is measured using the embedded value.

#### **B.1.3.3 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders**

The Company offers all staff the choice of making contributions into a defined contribution pension scheme, which the company will match up to a limit.

The Company has no defined benefit pension liabilities.

#### **B.1.4 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body.**

### **Shareholders**

During the year, the company issued no additional ordinary shares.

### **Persons who exercise a significant influence on the company**

There were no material transactions between the Company and persons who exercise a significant influence on the Company.

### **Executive management and directors**

There were no material transactions between the Company and executive management and directors.

## **B.2 FIT AND PROPER REQUIREMENTS**

### **B.2.1 Requirements for skills, knowledge and expertise**

The Company ensures that all persons who effectively run the Company or have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The Solvency II staff collectively possess professional qualifications, experience and knowledge about at least:

- Insurance and financial markets;
- Information technology and project management;
- Business strategy and business model;
- System of governance;
- Financial and actuarial analysis;
- Insurance distribution;
- Investment management;
- Risk management; and
- Regulatory framework and requirements.

### **B.2.2 Fitness and propriety of persons**

In order to ensure that Senior Managers / Company Directors of the Company are fit, they are recruited giving due regard to interview requirements, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role to be undertaken. Some of the general checks conducted include:

- Educational Background Check
- Professional Qualifications / Membership Check

In order to ensure that Senior Managers / Company Directors are proper, they are subjected to a variety of checks at the commencement of their assessment, including:

- Credit checks
- Identity checks (including passport)
- Financial Sanctions & Anti-money Laundering check
- FCA Register Search
- UK Directorship Search
- Five Years Employments History (including gap activity over 30 days)
- International Adverse Media Check
- Social Media Checks
- Criminal History Checks
- Standard Disclosure Checks

## B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

### B.3.1 Risk management system

The Company uses the Standard Formula without Undertaking-Specific Parameters to assess the solvency capital requirements and the partial or full internal model is not used.

The Company is aligned with the Group's risk management system. The Group's risk management system is articulated in a number of policies and frameworks, overarched by the Enterprise Risk Management ("ERM") Framework.

The Company has developed a comprehensive set of risk policies, frameworks and guidelines to ensure that adequate process and procedures are in place to manage all types of risk. These documents are aligned with the current regulatory requirements under the Solvency II regime and adopted by the PRA and FCA.

The Group adopts the 'three lines of defence' governance model:

#### The 1st Line of Defence – Business Management

Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

#### The 2nd Line of Defence – Oversight

The second line of defence functions comprise of the risk management function and the compliance function. These are independent functions that provide limited assurance to the Board with regards to the adequacy and effectiveness of the overall risk management system. These functions have the authority to communicate with any employee and obtain timely access to any records required to carry out its responsibilities.

#### The 3rd Line of Defence – Assurance

The third line of defence comprises of the independent internal and external assurance functions, i.e. internal and external audit, that provide an independent and balanced view of the effectiveness of the first and second line functions as defined above.

The risk management process requirements, as specified in the ERM framework are defined in the following table:

REQUIREMENT	DESCRIPTION
<b>Risk Assessments</b>	<p>The first line is responsible for carrying out the risk assessment process; to identify, measure, monitor, manage and report. However oversight and challenge is provided by the second line in doing so.</p> <p>This process involves reviewing the Risk Taxonomy and identifying the risks that each department is exposed to, rating the risks and recording the controls used to manage / mitigate those risks. Once the risk controls along with their ratings and action plans are complete, the top risks are presented to Executive Committee for review and discussion.</p> <p>This includes both the Bottom Up and Top Down risk assessment.</p> <p>Following Executive Committee review, the risk assessments are presented to the Risk Committee.</p>

<b>Independent Risk Assurance Reviews</b>	Independent risk assurance reviews are performed when there is a specific need to obtain an in-depth understanding of a particular risk, including the controls, actions and mitigation strategies in place. A review may be initiated by the business or CRO.
<b>Emerging Risk Assessments</b>	The risk function is responsible for carrying out an emerging risk assessment which is presented to the Risk Committee.

The Risk function produces the Chief Risk Officer report every quarter, in line with the Risk and Audit Committee meeting cycle. This report is designed to provide the Executives, Board, Risk and Audit Committees with sufficient oversight of the ERM framework and risk exposures, focusing on the out of appetite and watch-list risks.

The output of these exercises in the year are also captured in the ORSA report which is owned by the Board and reviewed by the Risk Committee and the quantitative elements by the Actuarial Committee. The ORSA is reviewed and approved at least annually by the Board.

### **B.3.2 Implementation of Risk management system**

The activity comprising the risk management system as described in the previous section is carried out by the 1st line of defence within the Company, with the Risk function reviewing and challenging the output.

The Board is responsible for all key decisions across the organisation but delegates some of its decision making responsibilities to the Executive Committee, Risk Committee and Audit Committee. The output of the risk management system is reviewed by the Executive and Risk Committees with a summary of key items taken to the Board. This is taken to the decision making committees by the Risk function following their review. This process facilitates the integration of the risk management system in the decision making process.

All key decisions made in the Company such as product initiatives, capital management, reinsurance arrangement review, investment strategy, marketing strategy, distribution strategy etc. follow internal governance processes which include an assessment of the risk exposure and mitigation strategies.

### **B.3.3 ORSA Process**

The ORSA process is conducted throughout the year to facilitate integration with decision making, culminating in the annual ORSA report which is owned and shaped by the Board. The ORSA processes include:

- Risk management processes (described above)
- Risk appetite setting
- Risk identification and quantification
- Stress and scenario testing
- Strategic planning and budgeting processes
- Reporting and disclosure

The Risk function coordinates the relevant processes with subject matter experts across the business and pulls it together for consumption by the Executive Committee, Risk Committee and the Board at various points in the year. A full review of the Company's own solvency assessment given the risk profile is performed and compared to the regulatory solvency assessment in order to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the regulator.



## B.4 INTERNAL CONTROL SYSTEM

### B.4.1 Internal control system

The Company maintains an internal control system that governs financial and regulatory reporting in the Company. This framework aims to ensure that:

- All the risks that pertain to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented.
- There are controls (manual and automated) in place to address these risks and they are adequately designed to prevent or detect material misstatements in the financial statements and disclosures.
- The controls identified operate as they are supposed to and are appropriately evidenced.

The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. This review is conducted by the internal audit function and the results submitted to the Audit Committee.

The IFRS financial statements are also subject to rigorous controls in the production and review leading up to publishing, including oversight by the Audit Committee. The actuarial liabilities are produced using best practice actuarial practices that are subject to review by the Risk function and the Actuarial Committee. The statements are also subject to internal review and external audit review. They are presented to the Audit Committee and Board for sign-off prior to publishing.

### B.4.2 Implementation of the compliance function

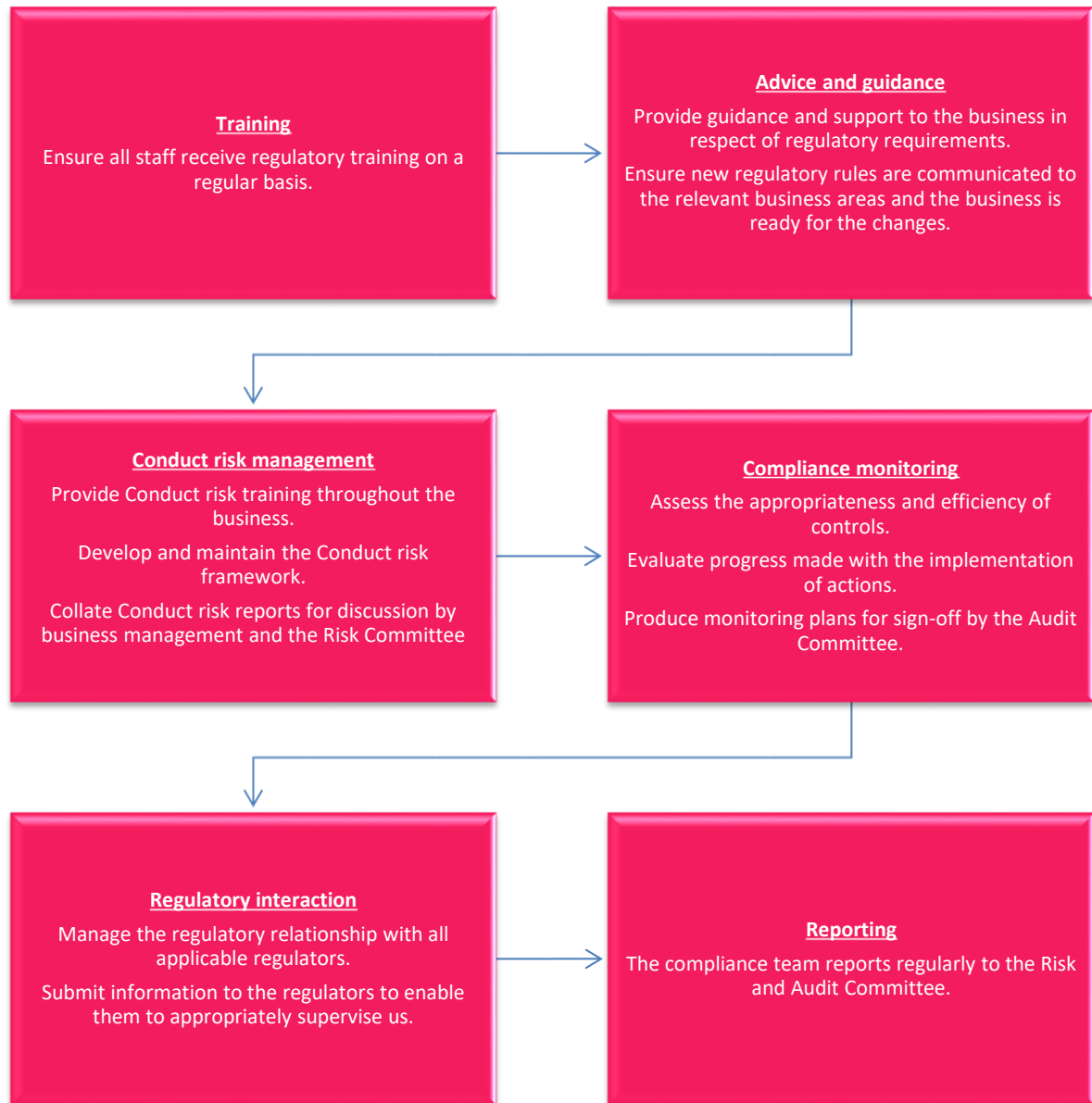
The Compliance function is established as an independent second line control function:

- It has a formal status within the overall governance framework of the UK Group;
- The Compliance Director is not engaged in any other business of the UK Group which could create a conflict of interest; and
- The Compliance function has access to all information and staff necessary to carry out its responsibilities.

To provide for the independence of the Compliance function, the Compliance Director reports to a member of the Executive Committee who is not directly involved in the day-to-day business operations and has a dotted line in to the Chair of the Risk Committee.

The Compliance function is responsible for reporting to senior management any breaches, or non-compliance with its policy or any other relevant policy, rules and regulations. This means that the Compliance function shall be able to carry out its functions on its own initiative without obstruction from management and other staff members.

The main Compliance activities are described in the following diagram:



## B.5 INTERNAL AUDIT FUNCTION

### B.5.1 Implementation of the internal audit function

The internal audit function, headed by the Internal Audit Director is part of the 3rd line of defence in the Company.

Internal audit in the Company is implemented through the following process:

- An audit plan is created on an annual basis and ensures sufficient evidence will be obtained to evaluate the effectiveness of the risk management and control processes across the business. The plan includes a review of the major risk management processes operating across the business and a selection of the key risks identified from those processes. The audit plan also gives special consideration to those operations most affected by recent

or expected changes, for example changes following acquisitions, restructures and new ventures. The proposed plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions, major risk areas, or revised expectations in respect of achieving the business' objectives. Any proposed changes or update in the plan are reported to the Audit Committee for their review and agreement before they are incorporated into ongoing work. The Audit Committee review and approve the plan at least annually.

- Based on the annual plan, the internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations, and information systems. This includes;
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations;
  - Safeguarding of assets; and
  - Compliance with laws, regulations, and contracts.
- In determining the proposed audit plan, the Internal Audit Director considers relevant work that will be performed by other areas, e.g. Compliance Assurance, External Audit. To minimise duplication of effort and inefficiencies, the work planned, or recently completed, by management in its assessments of the risk management process, controls, and quality improvement processes as well as the work planned by the external auditors are considered in determining the expected coverage of the audit plan for the coming year.
- The Executive Committee and the Board requires that the Internal Audit Director performs sufficient audit work and gathers other available information during the year so as to form a judgement regarding the adequacy and effectiveness of the risk management and control processes. The Internal Audit Director communicates overall judgment regarding the business' risk management process and system of controls to the Executive and Audit Committees.

### **B.5.2 Independence of the internal audit function**

The internal audit function at the Company is managed by the Chief Internal Auditor who is an employee of the business, has no responsibility for any other function across the business and has a primary reporting line into the chair of the Audit Committee, which is a Non-executive Director role. Internal audit have full access to all activities, documents, meetings and personnel necessary to carry out their duties.

## **B.6 ACTUARIAL FUNCTION**

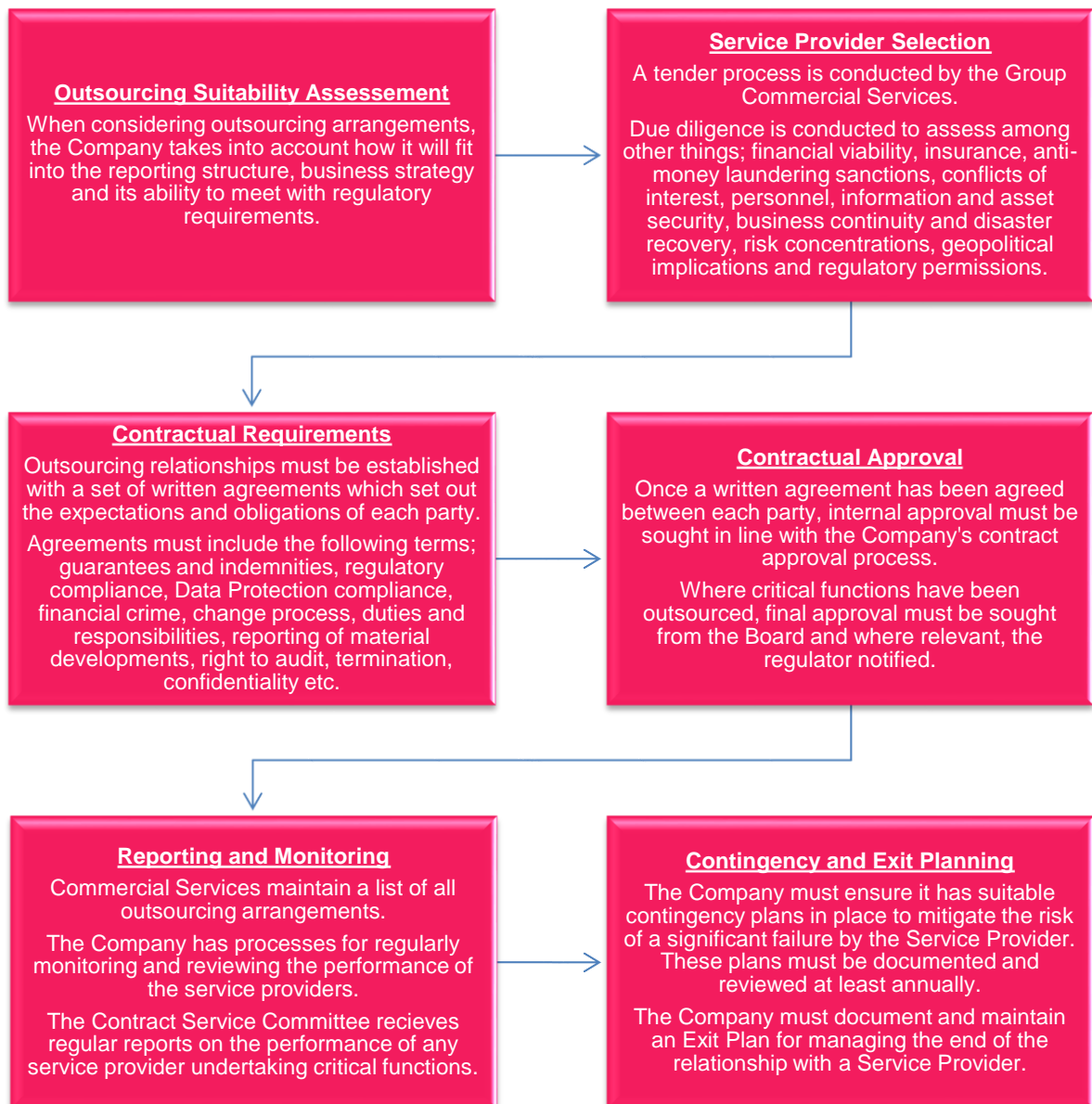
The Company provides for an Actuarial function as required. The position of Chief Actuary (SIMF20, under the Senior Insurance Management function 'SIMF' regime) of the Company is held by a Fellow of the Institute and Faculty of Actuaries, who holds a relevant Practising Certificate and has complied continuously with the specific professional obligations this requires. The role is supported by Fellows and members of the Institute and Faculty of Actuaries, international actuaries with equivalent qualifications, as well as other technical professionals. The professional body membership and regulatory controlled function status helps to provide assurance that members of the Actuarial function maintain appropriate independence. The Chief Actuary is a member of the Company's Executive Committee and has unrestricted access to the Chairman of the Actuarial Committee (who is a Non-Executive Director of the Company).

The Actuarial function produces a written report to be submitted to the Board annually setting out the tasks that have been undertaken by the Actuarial function and their results, and clearly identifies any deficiencies and gives recommendations on how such deficiencies should be remedied.

## **B.7 OUTSOURCING**

Vitality Corporate Services Limited provides management services to the Company including the recharge of expenses incurred on its behalf. All staff costs incurred by Vitality Corporate Services Limited in respect of the Company branded products are allocated and recharged to the Company. The jurisdiction is the United Kingdom.

The Company's Outsourcing Policy is to follow the process below;



The Company is currently utilising several service providers to undertake critical or important functions on its behalf. These include data center, document handling, payroll and facilities management services within the UK; business process outsourcing, IT development and software maintenance in India; and intragroup IT and business process outsourcing services in South Africa.

## B.8 SYSTEM AND GOVERNANCE – ANY OTHER INFORMATION

The system of governance is considered to be appropriate for the Company, taking into account the nature, scale and complexity of the risks inherent in the business.

# C RISK PROFILE

## C.1 UNDERWRITING RISK

The Company is closed to new business and to annual renewal of its business following the migration of all its policies to Vitality Health Limited (its wholly owned subsidiary). From 30 June 2015, there were no active policies underwritten by the Company. There is therefore no exposure to underwriting risk.

## C.2 MARKET RISK

### C.2.1 Exposure

The capital requirements for market risk represents in excess of 99% of the entire SCR. The charge arises from the equity charge on Vitality Health Limited as an asset on the Company's balance sheet; a smaller component of the market risk charge is the spread risk on a subordinated loan to Vitality Health Limited.

### C.2.2 Risk mitigation

The Company does not participate in any speculative, arbitrage or trading activities. The Company targets a level of security, quality, profitability and availability in its investment activities:

- Security – No investments are held which pose a material risk to capital as a result of significant price volatility, and in particular no assets are held where the ultimate loss can be greater than the amount of the investment;
- Quality – The credit quality of any interest-bearing investment should be investment grade i.e. only legal entities or paper rated "BBB" or higher by Standard & Poor's, Moody's or Fitch credit ratings agencies;
- Profitability – Assets are only added to the portfolio when their expected return is deemed sufficient relative to the risk taken and is within risk appetite. The expected returns must be evaluated after considering any additional solvency capital required as a result associated with the investment; and
- Availability – All investments are fully admissible from a regulatory capital perspective, and that the types of investments do not significantly increase the Solvency Capital Requirement or Minimum Capital Requirement obligations of the company.

## C.3 CREDIT RISK

### C.3.1 Exposure

The capital requirements for credit risk are small and arise from cash held on deposit at a highly rated bank. Credit ratings are used to assess credit risks. The Company does not routinely make its own assessment of credit risk of counterparties other than to use the ratings provided by rating agencies (although the Company could do so if it has reason to believe that the rating agencies ratings are inaccurate or out of date).

### C.3.2 Risk mitigation

The credit quality of any interest-bearing investment should be investment grade i.e. only legal entities or paper rated "BBB" or higher by leading credit ratings agencies.



### **C.3.3 Risk concentration**

The company avoids material credit risk concentrations by ensuring its deposits are split across more than one banking unit and reinsurance is split across multiple reinsurance counterparties to reduce single name exposure where this is appropriate.

## **C.4 LIQUIDITY RISK**

With no policyholders and consequently nil premium income or claims outgo the company is not exposed to any material liquidity risks. The EPIFP is zero.

## **C.5 OPERATIONAL RISK**

The Company is closed to new business and to annual renewal of its business following the migration of all its policies to Vitality Health Limited (its wholly owned subsidiary). From 30 June 2015, there were no active policies underwritten by the Company. The Company has no operations; exposure to operational risk is negligible and the operational risk capital requirement for this is zero

## **C.6 OTHER MATERIAL RISKS**

The Risk Management process within the Company includes a review of both the current and emerging risk profile. In conclusion, this review demonstrated that the Company is exposed to the following other material risks:

- Regulatory risk, including impacts from regulatory change and compliance exposure;
- There are no other material risk concentrations to which the Company is exposed. No material other risks were identified through the sensitivity, scenario and stress tests described in Section C.7.1

## **C.7 RISK PROFILE – ANY OTHER INFORMATION**

There is no further information.

# D Valuation for Solvency Purposes

## D.1 ASSETS

### D.1.1 Solvency II valuation for each material class of asset

#### D.1.1.1 Deferred tax assets

The value of the deferred tax asset is £0.2m and is set up in respect of historic unutilised trade losses incurred in the entity. The valuation of the DTA in the financial statement is deemed to be in line with methodology prescribed in Article 15 of the delegated regulation and therefore no adjustments have been made to the accounting values.

The Company makes use of all available evidence when setting the assumption for the DTA valuation. The level of deferred tax asset recognised is with reference to the 10 year expected future taxable profits Allowance is made for the reducing UK corporation tax rate in the future as well as the legislation changes restricting the ability to offset taxable profits against prior year taxable losses incurred before April 2017.

#### D.1.1.2 Holdings in related undertakings, including participations

As at the reporting date the Company held a participation in Vitality Health Limited (VHL), an insurance undertaking. The value of VHL was £110.2m at the reporting date and in addition VHL has a 20% participation in Healthcode with a value of £0.0m, bringing the total participation value to £110.2m. This valuation differs to the financial statement. Under IFRS, investments in Group undertakings and participating interest are stated at cost, unless their value has been impaired in which case they are valued at their realisable value or value in use as appropriate. However, under SII the valuation is made at the excess of assets over liabilities, where assets and liabilities are valued on a SII basis in accordance with Article 13(3) of the Delegated Regulation. The assets aggregated in line are comparable by nature, function, risk and materiality.

Any significant estimates used in valuing VHL's excess of assets over liabilities is covered in VHL's SFCR in section D on valuation of assets and liabilities. The Company does not apply judgment, as the valuation is taken from the VHL SII balance sheet.

#### D.1.1.3 Other loans and mortgages

As at the reporting date, the Company provided £11.4m in the form of a long term subordinated loan to Vitality Health Limited, which is recorded in other loans and mortgages. The loan is repayable on 31 December 2020, and accrues interest at a floating rate of 400 basis points over the 3 months LIBOR. There are no difference in the SII and financial statement valuations.

Other loans and mortgages had a solvency valuation of £11.4m at the reporting date. Per Article 2.1(1) of the Valuation section of the Rulebook assets should be valued "*at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction*". As there are no quoted market prices available per Article 10(3) of the Delegated Regulation. To meet the requirements of Article 2.1(1) a discounted cash flow has been used for the valuation method using relevant market inputs per Article 10(6) of the Delegated Regulation. No repayments are made and therefore the asset is growing with the capitalisation of accrued interest.

The main assumptions are the discount rate used and the arm's length rate of interest. The risk free rate was determined at LIBOR as interest in the loan is based on a floating LIBOR balance. The arm's length interest rate must be considered as the subordinated loan is provided to a fellow Discovery Group Europe Limited group company, Vitality Health Limited.

The arm's length rate of interest is deemed to be reasonable and meet the arm's length requirement of Article 2.1(1) of the Valuation section of the Rulebook – it is equivalent to a rate for a commercial loan of the same size.

The timing of the economic inflow is contractually agreed upon and this is the repayment date of 31 December 2020. There is some uncertainty about the future economic inflows, as the valuation assumes that the loan will be held until the repayment date. However, this may not be the case if the loan is settled early which is allowable under the agreement.

#### **D.1.1.4 Cash and cash equivalent**

As at the reporting date, the Company had £1.0m held as cash and cash equivalents. Cash and cash equivalents are valued at fair value as reported to the Company by the relevant financial institution at the end of the period, per Article 10(2) of the Delegated Regulation. There are no differences between the SII and financial statement valuations.

The cash holdings are instant access and the Company has had no issues withdrawing or moving money held in these accounts in the past. The assets allocated to the cash and cash equivalents line are aggregated as they are comparable by nature, function, risk and materiality.

## **D.2 TECHNICAL PROVISIONS**

### **D.2.1 Technical provisions analysed by each material line of business**

The Company's Claims technical provisions is nil as all policies were migrated to VHL and no claims are paid from VHIL. There is no premium technical provision set as the Company has had no active policyholders since May 2015.

### **D.2.2 Uncertainty associated with the value of technical provisions**

The Company ceased renewing business during 2015, therefore a nil claims technical provision remains in respect of the tail relating to prior-year exposures. It is determined on a best-estimate basis, and uncertainty may only arise through exceptional late reporting and subsequent agreement to settle a small number of claims from these years. This is anticipated to be highly unlikely. The nature of the Company's Solvency Capital Requirement (SCR) being dominated by the market equity risk requirement regarding its participation in Vitality Health Limited, means uncertainty in its evaluation is primarily dependent on the net asset value of that insurance entity.

### **D.2.3 Differences between Solvency II valuation and local GAAP/IFRS valuation of Technical Provisions analysed by each material line of business**

No differences in the valuation of the Technical provisions.

## **D.3 OTHER LIABILITIES**

### **D.3.1 Solvency II valuation for each material class of other liabilities**

#### **D.3.1.1 Payables (trade, not insurance)**

Payables (trade, not insurance) was valued at £0.1m at the reporting date. This is related to current income tax liabilities. There are therefore no differences between the SII and financial statement values.

The assets aggregated are comparable by nature, function, risk and materiality. There is not considerable estimation uncertainty, as these balances are based on historical data. From past experience, the final settled amount of the liabilities does not deviate materially from the original valuation.

#### **D.4 ALTERNATIVE METHODS OF VALUATION**

There are no alternative methods of valuation used by the Company to value assets or liabilities.

#### **D.5 VALUATION FOR SOLVENCY PURPOSES – ANY OTHER INFORMATION**

##### **D.5.1 Risk management areas**

No other information is provided.

# E CAPITAL MANAGEMENT

## E.1 OWN FUNDS

### E.1.1 Objective, policies and processes for managing own funds

The Company's available own funds, eligible own funds and ratio of eligible own funds over SCR and MCR are disclosed in QRT S.23.01. The objectives of the business is to maintain sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR are reviewed. The committees that review solvency are described in more detail in section B.1 General Information on the System of Governance. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA contains a five year projection of funding requirements as part of the business plan process and this helps focus actions for future funding. There were no material changes in the objectives, policies and processes employed by the undertaking for managing its own funds.

The following basic own-fund items are deemed to substantially possess the characteristics set out in Article 3.5(1) and (2) of the Own Funds section of the Rulebook. Per Article 69 of the Delegated Regulation they take into consideration the features set out in Article 3.6 of the Own Funds section of the Rulebook when determining the tier of own funds in to which the basic own fund items fall.

### E.1.2 Own funds classified by tiers

June-18 (£'m)	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital	258.4	-	-	-	258.4
Share premium	-	-	-	-	-
Reconciliation reserve	(135.8)	-	-	-	(135.8)
Net deferred tax asset	-	-	-	0.2	0.2
Total eligible own funds to meet SCR	122.6	-	-	0.2	122.8
Less: Restrictions on eligible own funds to meet MCR	-	-	-	(0.2)	(0.2)
Total eligible own funds to meet MCR	122.6	-	-	-	122.6

June-17 (£'m)	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital	258.4	-	-	-	258.4
Share premium	-	-	-	-	-
Reconciliation reserve	(143.4)	-	-	-	(143.4)
Net deferred tax asset	-	-	-	0.3	0.3
Total eligible own funds to meet SCR	115.0	-	-	0.3	115.3
Less: Restrictions on eligible own funds to meet MCR	-	-	-	(0.3)	(0.3)
Total eligible own funds to meet MCR	115.0	-	-	-	115.0

Analysis of Change (£'m)	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital issued	0.0	-	-	-	0.0
Share premium issued	-	-	-	-	-
Reconciliation reserve movement	7.6	-	-	-	7.6
Net deferred tax asset recognised	-	-	-	(0.1)	(0.1)
Total movement in Eligible Own Fund to meet SCR	7.6	-	-	(0.1)	7.5
Less: movement in restriction on eligible own funds to meet SCR	-	-	-	0.1	0.1
Total movement in Eligible Own Fund to meet MCR	7.6	-	-	-	7.6

#### E.1.2.1 Tier 1 unrestricted:

Tier 1 unrestricted funds comprised of ordinary share capital, share premium and the reconciliation reserves. Tier 1 unrestricted capital includes high quality instruments with features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

The reconciliation reserve comprised of:

£ m's	June-18	June-17	Change
<b>Solvency II excess of assets of liabilities</b>	122.8	115.3	7.5
Other basic own fund items	(258.6)	(258.7)	0.1
<b>Reconciliation reserve</b>	<b>(135.8)</b>	<b>(143.4)</b>	<b>7.6</b>

Basic own fund items comprised of:

£ m's	June-18	June-17	Change
Ordinary Share Capital	258.4	258.4	0.0
Share Premium	0.0	0.0	0.0
Net deferred tax asset	0.2	0.3	(0.1)
<b>Total basic own fund items</b>	<b>258.6</b>	<b>258.7</b>	<b>(0.1)</b>

#### E.1.2.2 Tier 3:

An amount equal to the value of net deferred tax assets:

Total available tier 3 own funds consist of £0.2m net deferred tax assets at 30 June 2018. This is consistent with Articles 76 and 77 of the Delegated Regulation. The deferred tax asset will be unwound over future periods dependent on future available profits and the movement in the tax written down value of certain assets. This is deemed a basic own fund item. The amount equal to the value of net deferred tax assets is available, is subordinated to the extent that it ranks after the claims of all policyholders and beneficiaries and non-subordinated creditors, and has no restricted duration as it is based on carried forward losses that do not expire.

#### E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

Total available own funds to meet the SCR are £122.8m [S.23.01.01.R0500.C0010]. No limits on the available own funds are breached and therefore this leaves total eligible own funds to meet the SCR of £122.8m, with each tier contributing the following: tier 1 unrestricted £122.6m and tier 3 £0.2m.

The eligible own funds over SCR ratio is 493.0% [S.23.01.01.R0620.C0010] as at the 30<sup>th</sup> June 2018.

#### E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The total available own funds to meet the MCR are £122.6m [S.23.01.01.R0510.C0010]. Tier 3 own funds cannot form part of total available own funds to meet the MCR. The total eligible own funds to meet the MCR are £122.6m [S.23.01.01.R0550.C0010], with tier 1 unrestricted own funds of £122.6m forming the entire balance.

The eligible own funds over MCR ratio is 1968.8% [S.23.01.01.R0640.C0010] as at the 30 June 2018.

#### E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Total equity per the financial statements was £332.5m as at 30 June 2018. Excess over liabilities as calculated for solvency was £122.8m. There are no differences between ordinary share capital in the financial statements and the amount reported in basic own funds. The difference between the net assets of the Company in the financial statements and the solvency valuation of the excess of assets over liabilities is due to adjustments to the Statutory Accounts Value in order to value assets and liabilities at their SII valuations and the subsequent impact on accumulated losses when performing these adjustments. The adjustments are documented in the section D covering valuation of material assets and liabilities per Article 296 of the Delegated Regulation. The summary of these adjustments are shown below:

Adjustment descriptions (£'m)	June-18	June-17
Net assets under IFRS	332.5	336.4
Adjustment to the value of Vitality Health Limited	(209.5)	(219.2)
Adjustment to Technical Provisions	-	(1.7)
Adjustment to the value of Healthcode	(0.2)	(0.2)
<b>Excess asset over liabilities</b>	<b>122.8</b>	<b>115.3</b>

## E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The Solvency Capital Requirement and Minimum Capital Requirement for the Company are set out in templates S.25.01.01 (Solvency Capital Requirement – for undertakings on standard formula) and S.28.01.01 (Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity) respectively. The template provides for a split by risk modules. The Company applies the standard formula, without modification for undertaking specific parameters, and has not used any simplifications allowed by the regulations. The final amounts remain subject to supervisory assessment. The Company has not received any imposed capital add-ons or imposed undertaking specific parameters.

Following the calculations specified in the regulations, the calculation of the Company's 'combined minimum capital requirement' is less than 0.25 times the Solvency Capital Requirement (SCR) and so the Minimum Capital Requirement (MCR) is equal to 0.25 times the SCR.

(£ m's)	June-18	June-17
Market risk	24.9	23.9
Counterparty default risk	0.0	0.0
Health underwriting risk	-	-
Diversification	(0.0)	(0.0)
Operational risk	-	-
<b>SCR</b>	<b>24.9</b>	<b>23.9</b>
<b>MCR</b>	<b>6.2</b>	<b>6.0</b>



The SCR is driven by the equity stress on the VHL holdings. The valuation of VHL is set at the excess asset over liability position which has increased. Consequently a proportional increase in the market risk SCR was observed, explaining the majority of the SCR movement over the period.

### **E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT**

Not applicable

### **E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED**

Not applicable

### **E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT**

The Company has complied continuously with both the Minimum Capital Requirement and Solvency Capital Requirement throughout the reporting period.

### **E.6 CAPITAL MANAGEMENT – ANY OTHER INFORMATION**

Not applicable

## F ADDITIONAL VOLUNTARY INFORMATION

### F.1 TRANSITIONAL INFORMATION

No further information.

### F.2 OTHER ADDITIONAL VOLUNTARY INFORMATION

No further information.

# G TEMPLATES

The templates are provided as an appendix to this document, following section H. The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

TEMPLATE CODE	TEMPLATE NAME
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses
S.05.02.02	Premiums, claims and expenses by country
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

# H DIRECTORS' RESPONSIBILITIES STATEMENT

Vitality Health Insurance Limited

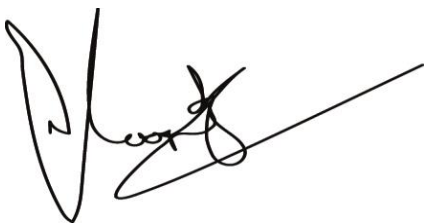
Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 30 June 2018

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

We are satisfied that:

- a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.



Neville Stanley Koopowitz  
Director and Chief Executive Officer  
Date: 16 October 2018

# I EXTERNAL AUDIT REPORT

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

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

## Opinion

We have audited the following documents prepared by the Company as at 30 June 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 30 June 2018, (**'the Narrative Disclosures subject to audit'**); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 (**'the Templates subject to audit'**).

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

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

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

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 30 June 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

## Basis for opinion

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

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

The Directors are responsible for the Other Information.

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

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

### **Responsibilities of Directors for the Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determination made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed in the section A.1.2 of the Solvency and Financial Condition Report.

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

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

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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



*PricewaterhouseCoopers LLP*

*Chartered Accountants*

*London*

*16 October 2018*



# Vitality Health Insurance Limited

## Solvency and Financial Condition Report

### Disclosures

30 June

2018

(Monetary amounts in GBP thousands)

## General information

Undertaking name	Vitality Health Insurance Limited
Undertaking identification code	213800IPBGB4QH78CW58
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 June 2018
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

Solvency II value	
C0010	
	191
	0
	110,224
	0
	110,224
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	11,394
	0
	11,394
	0
	0
	0
	0
	0
	80
	0
	977
	122,865

## Assets

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	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
R0290	<i>Non-life excluding health</i>
R0300	<i>Health similar to non-life</i>
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>
R0320	<i>Health similar to life</i>
R0330	<i>Life excluding health and index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
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	<b>Total assets</b>

## S.02.01.02

## Balance sheet

		Solvency II value
Liabilities		C0010
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
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	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
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	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	86
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	<b>Total liabilities</b>	86
R1000	<b>Excess of assets over liabilities</b>	122,779

### Premiums, claims and expenses by line of business

[illegible]

## S.05.02.01

## Premiums, claims and expenses by country

## Non-life

R0010

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110 Gross - Direct Business	0						0
R0120 Gross - Proportional reinsurance accepted	0						0
R0130 Gross - Non-proportional reinsurance accepted							0
R0140 Reinsurers' share	0						0
R0200 Net	0	0	0	0	0	0	0
<b>Premiums earned</b>							
R0210 Gross - Direct Business	0						0
R0220 Gross - Proportional reinsurance accepted	0						0
R0230 Gross - Non-proportional reinsurance accepted							0
R0240 Reinsurers' share	0						0
R0300 Net	0	0	0	0	0	0	0
<b>Claims incurred</b>							
R0310 Gross - Direct Business	-217						-217
R0320 Gross - Proportional reinsurance accepted	0						0
R0330 Gross - Non-proportional reinsurance accepted							0
R0340 Reinsurers' share	0						0
R0400 Net	-217	0	0	0	0	0	-217
<b>Changes in other technical provisions</b>							
R0410 Gross - Direct Business	0						0
R0420 Gross - Proportional reinsurance accepted	0						0
R0430 Gross - Non-proportional reinsurance accepted							0
R0440 Reinsurers' share	0						0
R0500 Net	0	0	0	0	0	0	0
R0550 <b>Expenses incurred</b>	0						0
R1200 <b>Other expenses</b>							
R1300 <b>Total expenses</b>							0

### S.17.01.02 Non-Life Technical Provisions

[illegible]



## Non-Life insurance claims

20020

R0100  
R0160  
R0170  
R0180  
R0190  
R0200  
R0210  
R0220  
R0230  
R0240  
R0250  
R0260

R0100  
R0160  
R0170  
R0180  
R0190  
R0200  
R0210  
R0220  
R0230  
R0240  
R0250  
R0260

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

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	<b>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</b>
R0230	<b>Deductions for participations in financial and credit institutions</b>
R0290	<b>Total basic own funds after deductions</b>

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	<b>SCR</b>
R0600	<b>MCR</b>
R0620	<b>Ratio of Eligible own funds to SCR</b>
R0640	<b>Ratio of Eligible own funds to MCR</b>

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
258,350	258,350		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-135,761	-135,761			
0		0	0	0
191				191
0	0	0	0	0
0				
0	0	0	0	
122,779	122,589	0	0	191

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

122,779	122,589	0	0	191
122,589	122,589	0	0	
122,779	122,589	0	0	191
122,589	122,589	0	0	
24,906				
6,227				
492.96%				
1968.79%				

C0060
122,779
0
258,541
0
-135,761

0

## S.25.01.21

## Solvency Capital Requirement - for undertakings on Standard Formula

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**

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

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
24,897		
39		
0		
0		
0		
-29		
0		
24,906		
C0100		
0		
0		
0		
0		
24,906		
0		
24,906		
0		
0		
0		
0		

## 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<sub>NL</sub> Result

C0010

0

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

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

	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<sub>L</sub> Result

C0040

0

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

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


## Overall MCR calculation

C0070

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR
R0400	Minimum Capital Requirement

	0
	24,906
	11,208
	6,227
	6,227
	2,196
	6,227