SOLVENCY AND FINANCIAL CONDITION REPORT

VITALITY HEALTH INSURANCE LIMITED

FOR THE YEAR ENDING 30 JUNE 2017

CHANGING HEALTH INSURANCE FOR GOOD

Vitality HEALTH INSURANCE

CONTENTS

SUMMARY

1 BUSINESS AND PERFORMANCE SUMMARY

Company overview

Vitality Health Insurance Limited (“VHIL”) 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 16 global markets, and impacting over 7 million lives worldwide.

At the centre of the VHIL business is a core purpose to make people healthier and enhance and protect their lives. This is delivered through a proprietary 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 Sweatshop, as well as incentives that reward members for engaging in health-enhancing activities.

In early 2015, VHIL further enhanced its proposition through its new Active Rewards programme, which has now become an established pillar of the Vitality model. Active Rewards links short-term activity goals to weekly rewards, incentivising members to get active through free Starbucks drinks and cinema tickets. The behavioural impact of Active Rewards has been unprecedented, with more than a 10-fold increase in the number of members reaching their weekly activity targets since its introduction.

In 2016, two new additions to the Active Rewards programme were launched to the UK market. Active Rewards with Apple Watch allows members to purchase an Apple Watch at a significant upfront discount, with monthly repayments over the next two years which themselves are discounted on the basis of members’ physical activity levels. The Apple Watch benefit has driven a 46% increase in physical activity points earned among members who were already engaging, clearly indicating that offering a choice of compelling benefits is key to continuing to improve physical activity behaviours.

In addition, a new Healthy Food benefit - through which members can qualify for discounts of up to 25% and free delivery on grocery shopping from Ocado, the UK’s largest dedicated online grocery retailer - was launched to incentivise healthier nutrition behaviours among Vitality members. Integration with Ocado allows Vitality to sign-post healthy food choices, through a dedicated ‘Vitality food aisle’ in the online store, while qualification for a discount is dependent on members earning points through physical activity, meaning that the benefit incentivises both healthy exercise and nutrition behaviours. When analysing the shopping behaviours of Vitality members who used Ocado before and after the launch of the benefit, a 19% increase in the proportion of their shopping baskets which is healthy was observed.

Something which VHIL prides itself on as a business is that it is always looking to innovate in terms of its approach. In order to ensure that its model remains relevant, and backed up by the latest research on health and wellbeing, Vitality has for the last five years been running, in partnership with University of Cambridge and Rand Europe, Britain’s Healthiest Workplace, a study on the drivers and impacts of ill-health on the UK workforce. Since inception in 2013, 370 unique organisations and approximately 124,000 distinct individuals have taken part, making this one of the largest and most comprehensive studies of workplace health in the UK.

VHIL continues to invest in growing its brand in the UK through sponsorship, advertising and PR. Through sponsorship, the Vitality brand is aligned with a broad portfolio of elite teams and benefits from promotion nationally through sport; including Premier League football, national rugby Union, England cricket and England netball. In addition mass participation events have included the Vitality Run Series, RSPCA Big Walkies with Vitality and the VitalityMove initiative, in partnership with Jessica Ennis-Hill, which promote the benefits of activity to consumers, members and intermediaries across the UK.

The Everyday Athlete campaign has provided a unifying brand idea, launched ahead of the 2016 Olympics and continuing to build momentum through our channels. Everyday Athlete articulates that health can be inclusive and accessible, and that simple everyday activity at home and at work, can contribute to significant improvements in people's long-term health, as well as their short-term physical and mental wellbeing. National TV, press and outdoor Everyday Athlete campaigns have successfully promoted the Vitality brand, established its positioning in the market and contributed to acquisition and retention efforts.

VHIL has also extended its Ambassador portfolio, securing partnerships with new brand Ambassadors, Joe Root, Maro Itoje, and Ellie Simmonds, who join current Ambassadors Jessica Ennis-Hill and Jonny Wilkinson. Vitality Ambassadors continue to exemplify the benefits of a healthy lifestyle, authentically encourage the involvement of others and create more strength of differentiation from the brand strategies of our competitors.

Business overview

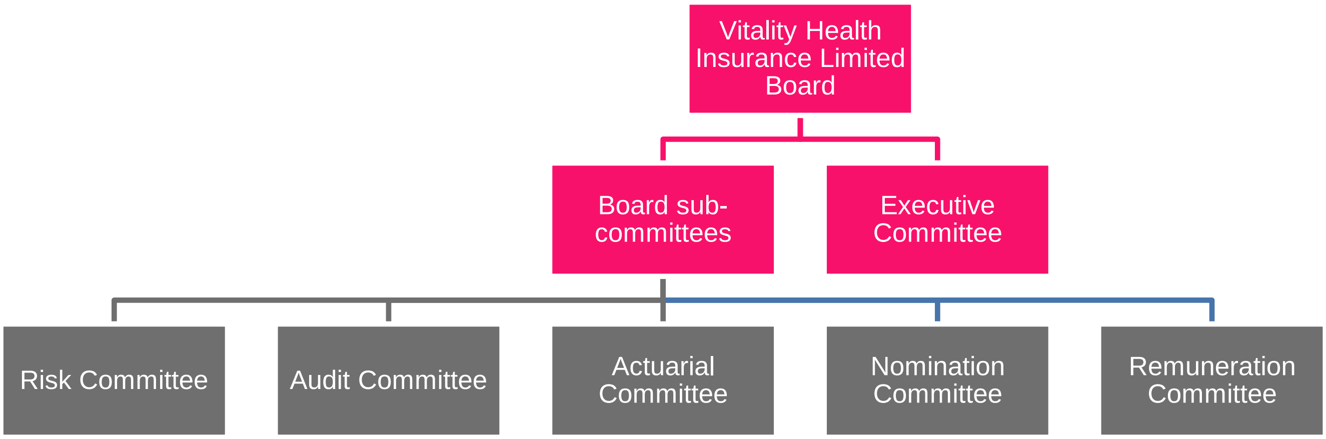
VHIL is a United Kingdom regulated entity authorised to carry out Health insurance business. The ultimate parent company, Discovery Limited ("Discovery"), is an established and successful international insurance group and has a market value equivalent to a FTSE 100 company. Its UK presence, VHIL, was formed in 2007 'PruHealth', as a joint venture with Prudential. In November 2014 Discovery acquired the shares held by Prudential and now owns 100% of Vitality Health Insurance Limited.

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 £583k (2016: Pre-tax loss of £1,629k). The majority of its earnings related to interest on loans provided to the VHL entity.

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 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 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.

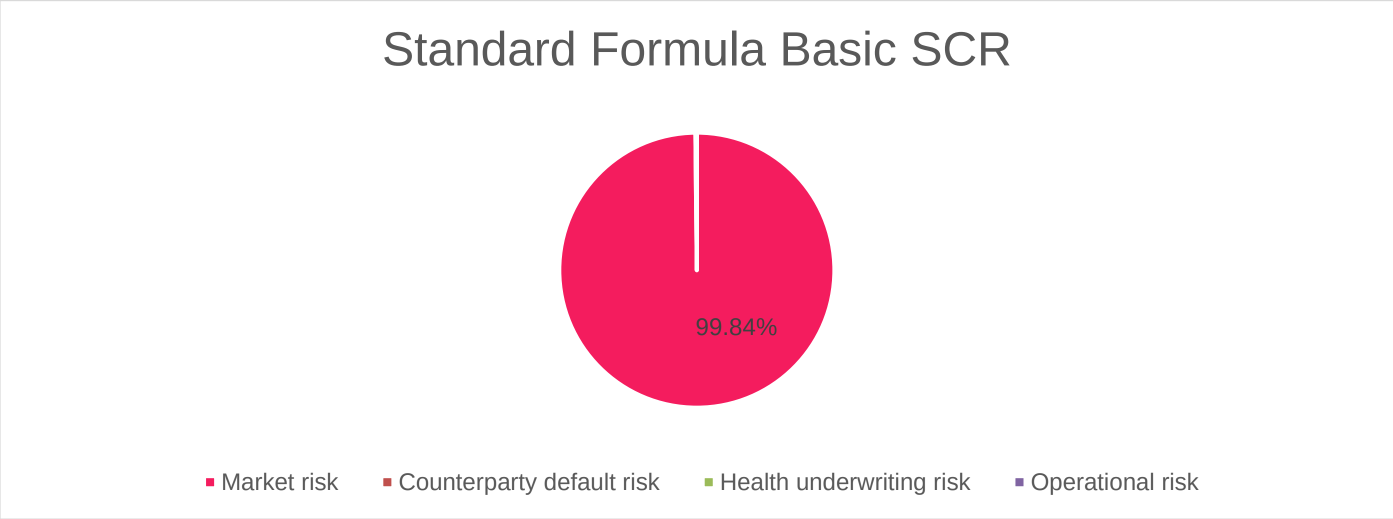
The 3rd Line of Defence – Assurance

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 governance structure of Vitality Health Insurance Limited has not changed materially in the year to 30 June 2017. 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. The Board sub-committees include the Risk and Compliance Committee, Audit Committee, Actuarial Committee and the Executive Committee whose roles are described in section B.1.1.

3 RISK PROFILE SUMMARY

The following chart shows the relative composition of the standard formula risk capital components at the valuation date:



The market risk charge accounts for almost 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.

The Company has no operations, therefore the operational risk is negligible. The small counterparty default risk arises from the cash deposit held in the bank.

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.

Section D.2 discloses the value of technical provisions for the sole line of business, medical expenses insurance, including the amount of the best estimate and the risk margin, as well as a description of the bases, methods and main assumptions used for its valuation for solvency purposes.

5 CAPITAL MANAGEMENT SUMMARY

The SCR coverage ratio at 30 June 2017 was 482% with eligible own funds of £115,330k and a SCR of £23,910k.

The MCR coverage ratio at 30 June 2017 was 1923% with eligible own funds of £114,978k and a MCR of £5,978k.

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 VitalityHealth Ltd ("VHL"). The Company therefore no longer performs insurance transaction – besides the payment of claims.

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 Conduct Report (SFCR) covers Vitality Health Insurance Limited (VHIL, “the Company”) 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 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 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 - 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 - 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
Discovery Limited	Limited by shares	South Africa			
Discovery Group Europe Limited	Limited by shares	United Kingdom	Discovery Limited	100%	100%
Discovery Offshore Holdings No.2 Limited	Limited by shares	United Kingdom	Discovery Group Europe Limited	100%	100%
Discovery Holdings Europe Limited	Limited by shares	United Kingdom	Discovery Group Europe Limited	99.0%	99.0%
Health Protect Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%

KYS Paid Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Insure Your Health Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Vitality Life Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Vitality Corporate Services Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Vitality Health Insurance Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Healthcode Limited	Limited by shares	United Kingdom	Vitality Health Insurance Limited	20%	20%
Vitality Health Limited	Limited by shares	United Kingdom	Vitality Health Insurance Limited	100%	100%
Healthcare Purchasing Alliance Limited	Limited by shares	United Kingdom	Vitality Corporate Services Limited	50%	50%
Nuffield Health and Vitality Corporate Services Limited	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:

SII Summary Group Structure Showing Control

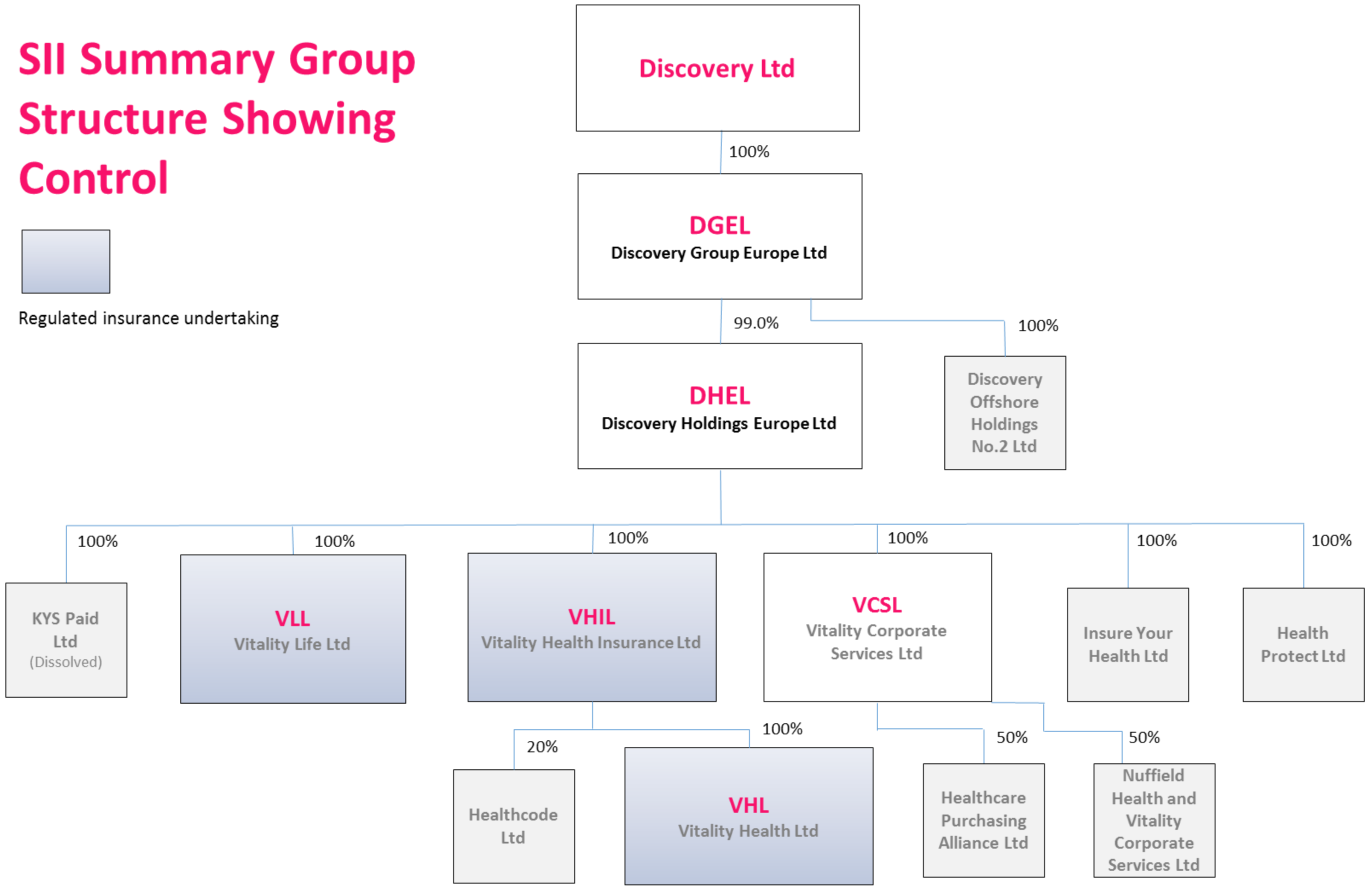


Figure 1

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 ("IYH") which is an appointed representative of VCSL), a dormant company Health Protect Limited ("HPL") and a leads generating business dissolved during the year ended 30 June 2017 called KYS Paid Limited ("KYS").

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

Healthcode Limited is a joint venture of which VHIL owns 20%. It is not a regulated insurance entity, and thus has no capital requirement.

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 Limited, a new joint venture incorporated on 28 June 2017 but which had not begun trading by 30 June 2017.

VCSL provides a number of services to both VitalityHealth and VitalityLife including;

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

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 polices 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 2017. The Company continues to pay eligible claims in respect of policies in-force prior to the policies migrating.

On 23 June 2016, the United Kingdom voted to leave the European Union. The Company expects the Solvency II requirements to remain, both in the short term during the negotiations of the UK's exit and in the long term, through the granting of formal equivalence status, i.e. legislation passed to make solvency regulations in the UK equivalent to Solvency II. The United Kingdom has been a key player in formulating the Solvency II requirements, and the Company expects that the PRA will continue to adopt these principles and continue along a similar path. Furthermore, the Company expects that during this period of transition the PRA will ensure that insurance companies will update their stress and scenario testing to reflect the changing economic and political environment and, as appropriate, to take remedial management actions to maintain ongoing solvency capital requirements.

A.2 UNDERWRITING PERFORMANCE

The following table summarises the underwriting performance of the Company:

(£'000)	June - 17	June - 16
Gross Written Premiums	0	0
Earned Premiums	0	0
Net Earned Premiums	0	0
Claims Incurred	108	1,175
Net Claims Incurred	91	935

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 on the single line of business also decreased in the year from £1,175k in the year to 30 June 2016 to £108k in the reporting period. This was due to the decrease in the number of lives in the Company following the migration noted above.

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.

FINANCIAL STATEMENT ASSET CLASS	GAINS / INCOME ON INVESTMENTS IN THE YEAR TO 30 JUNE 2017 (£'000)	GAINS / INCOME ON INVESTMENTS IN THE YEAR TO 30 JUNE 2016 (£'000)
Investments in associates	47	31
Long term subordinated loan receivable	656	658
Cash and Cash Equivalents	24	460

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 Other material income and expenses

The other material income and expenses of the Company are shown in the following table.

	FOR THE YEAR TO 30 JUNE 2017 (£'000)	FOR THE YEAR TO 30 JUNE 2016 (£'000)
Interest on long term subordinated loan receivable	656	658

A long term subordinated loan of £15,325k (2016: £14,670k) has been provided by the Company to Vitality Health Limited. The loan is repayable on 31 December 2020, and accrues interest at a floating rate of 400 basis points over 3 month LIBOR.

A.5 BUSINESS AND PERFORMANCE – ANY OTHER INFORMATION

No other information.

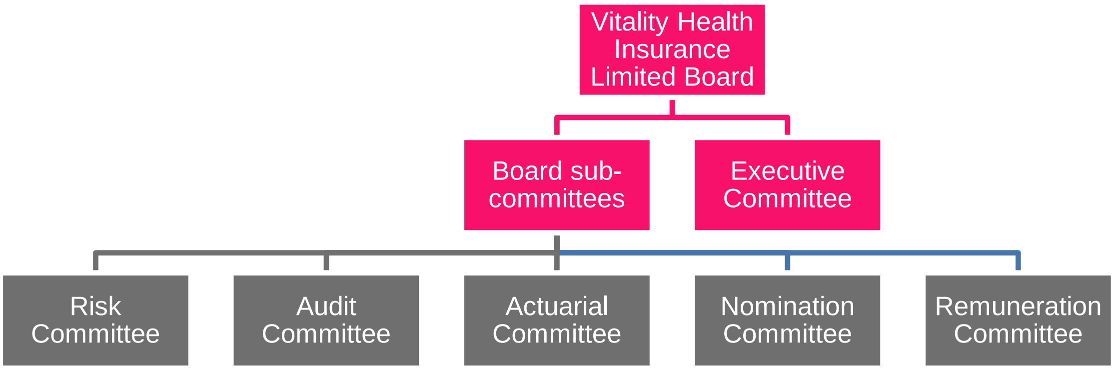
B SYSTEM OF GOVERNANCE

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

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 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;
- Validating 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;
- To 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, 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 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.
- 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 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.

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, sales, UK regulatory environment etc. 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

The following Director resignations took place in the period:

- Susan Ellen, 31 December 2016

The following Director appointments took place in the period:

- Andrew Crossley, 01 August 2016
- Rosemary Hilary, 04 October 2016
- Nicholas Caplan, 24 May 2017

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

- Rosemary Hilary replaced Stuart Sinclair as chair of the Risk Committee.
- Andrew Crossley replaced Sir Andrew Foster as the chair of the Audit Committee.
- Sir Andrew Foster replaced Adrian Gore as the chair of the Board

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

- Justin Skinner replaced Nigel Allman as the Group Chief Risk Officer and Tracey Gration as the Compliance Oversight Director.
- Emile Stipp replaced Vincent Branch as the Chief Actuary.
- Nicola Burgess was appointed Chief Internal Auditor.

Group Internal Audit has been insourced during the year. 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 5 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:

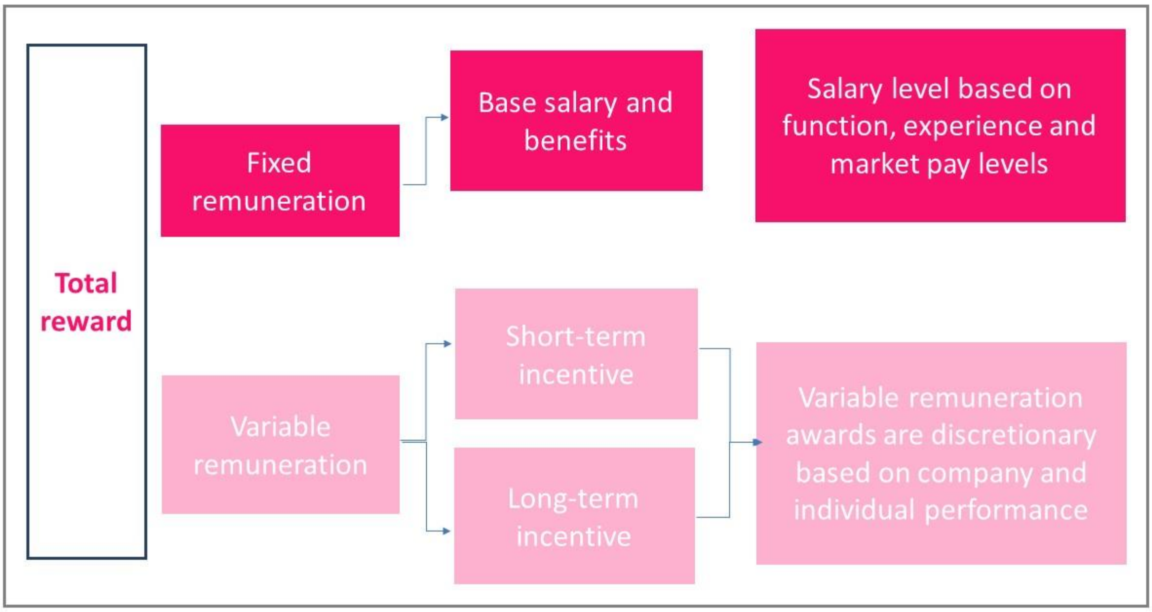
- We offer pay packages that are competitive in the market to attract and retain the right people.
- Pay for performance is at the heart of our remuneration philosophy – exceptional performance is recognised and rewarded.
- We are non-discriminatory – all remuneration policies and practices are free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

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 policy is designed to align with our 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-determines 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 issue additional ordinary shares. The details of these transactions are outlined in Section E1.3.

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 (Solvency II staff) 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;
- 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 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
Risk Assessments	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. 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. This includes both the Bottom Up and Top Down risk assessment. Following Executive Committee review, the risk assessments are presented to the Risk Committee.

Independent Risk Assurance Reviews	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.
Emerging Risk Assessments	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 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.3.2 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

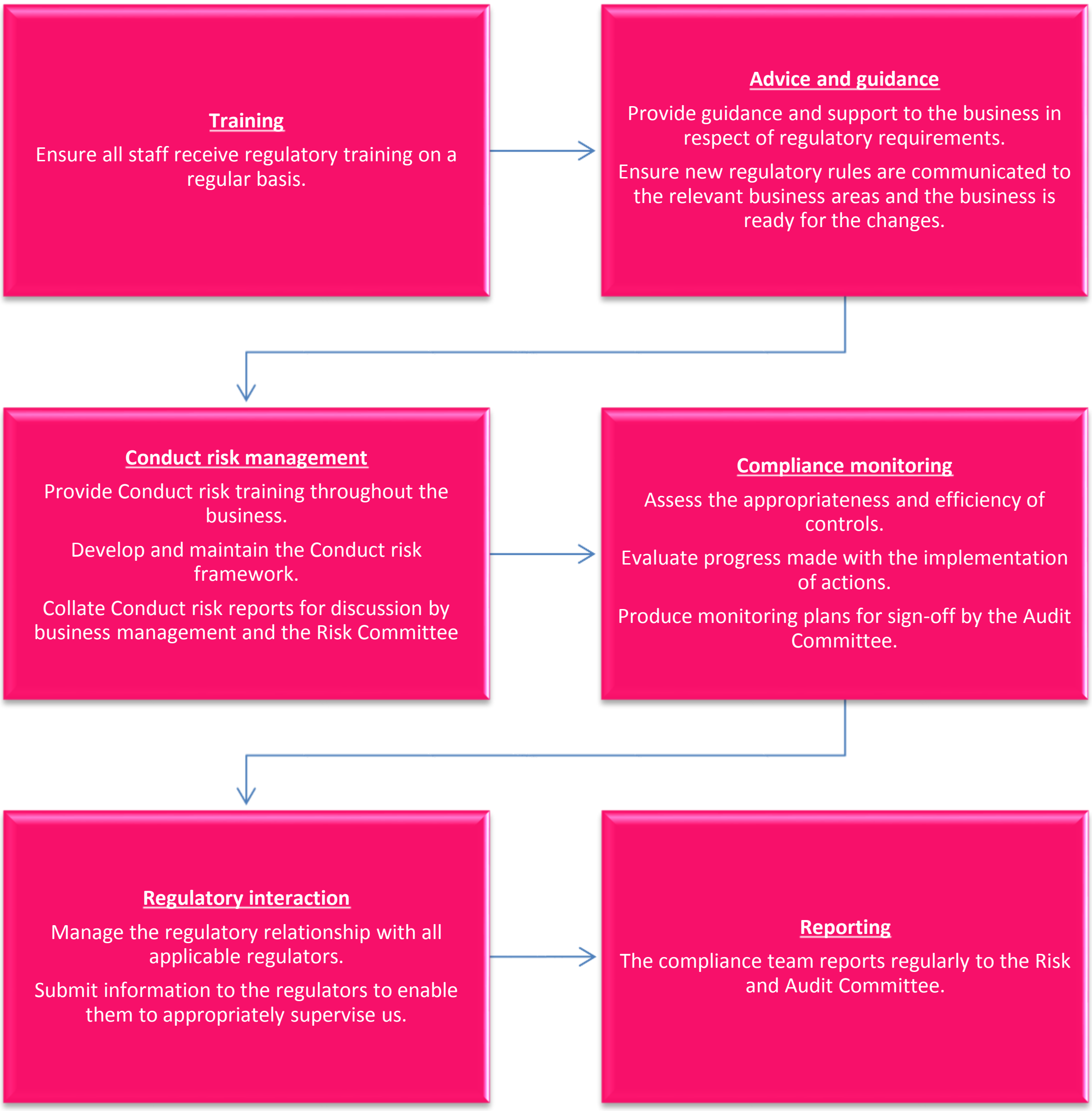
The Compliance Function is established as an independent second line control function:

- 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:


Training
Ensure all staff receive regulatory training on a regular basis.
Advice and guidance
Provide guidance and support to the business in respect of regulatory requirements.
Ensure new regulatory rules are communicated to the relevant business areas and the business is ready for the changes.
Conduct risk management
Provide Conduct risk training throughout the business.
Develop and maintain the Conduct risk framework.
Collate Conduct risk reports for discussion by business management and the Risk Committee
Compliance monitoring
Assess the appropriateness and efficiency of controls.
Evaluate progress made with the implementation of actions.
Produce monitoring plans for sign-off by the Audit Committee.
Regulatory interaction
Manage the regulatory relationship with all applicable regulators.
Submit information to the regulators to enable them to appropriately supervise us.
Reporting
The compliance team reports regularly to the Risk and Audit Committee.

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.
    - 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 is has full access to all activities, documents, meetings and personnel necessary to carry out their duties.

B.6 ACTUARIAL FUNCTION

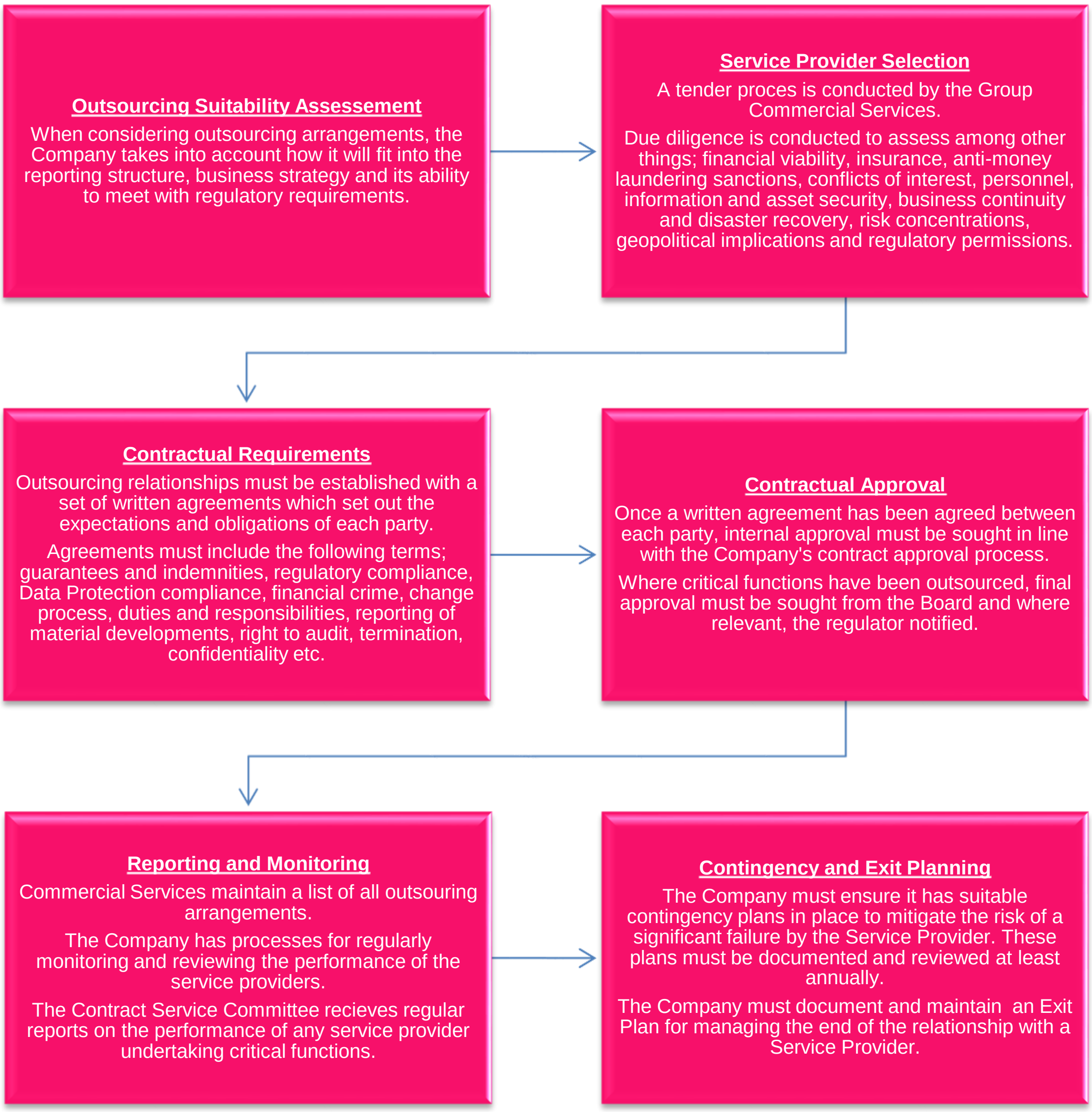
The Company provides for an Actuarial Function as required. The position of Chief Actuary (SIMF20, under the Senior Insurance Management Function 'SIMF' regime) of the Company is held by a Fellow of the Institute and Faculty of Actuaries, who holds a relevant Practicing Certificate and has complied continuously 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

No further information.

C RISK PROFILE

C.1 UNDERWRITING RISK

C.1.1 Exposure

Underwriting risk is split into premium and reserve risk in order to distinguish between past and future claims. Premium risk results from fluctuations in the timing, frequency and severity of insured events and relates both to policies to be written during the period and to unexpired risks on existing contracts. It covers the risk that claims arising in the future may be greater than expected. Reserve risk is the risk that claims reserves may be insufficient to cover the actual cost of claims that have been incurred in the past.

The following measures are used to assess underwriting risks:

- Experience analysis – the Company projects the expected premiums and claims that it anticipates for the year ahead, the company then tracks performance against the expected rates and reports the results to the Executive Committee. Any deviations from the expected results are identified and corrective action where necessary put in place. The options available to rectify deviations through a structured pricing strategy include changes in pricing for renewal policies or new business, adjustments to exclusions and excess amounts to control claims costs, changes in the underwriting process to improve the identification of underwriting risks and the portfolio mix at the point of sale;
- Economic capital modelling – the Company has developed a methodology of assessing underwriting risks which involves analysing any changes in the patterns of claims and premiums over time. This analysis gives an indication of a deterioration or improvement of the underwriting risk profile for the business over time;
- Reserving process – the reserving process carried out to set the claims technical provisions includes an analysis of claims settlement patterns and other known operational processes that impact the underwriting risk profile. Key areas of the business including Clinical Risk, Finance, Actuarial, Risk and Business Intelligence confer on the claims experience and whether any new information exists that should be taken into account in the process. The reserves are determined by the Chief Actuary and subject to review by the Reserving and Actuarial Committees before being approved by the Audit Committee;
- Risk and control assessments – the Company has implemented an Enterprise Risk Management framework which requires all teams across the business to carry out a risk and control self-assessment which would highlight any underwriting risk issues that need to be taken into account when assessing the risk profile for the business;
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the underwriting risk exposure.

C.1.2 Risk mitigation

The following list outlines the techniques used for mitigating underwriting risks in the Company:

- Underwriting at point of sale and claim – members are underwritten at policy inception and at the point of claim. The effectiveness of this technique is monitored through quality assurance activity which involves auditing the application of the underwriting practices and processes;
- Product design and pricing (e.g. exclusion, excesses etc.) – the Company reviews its experience and adjusts premiums in light of this experience in line with actuarially accepted best practice. Occasionally, the Company may adjust the product design in order to mitigate underwriting risk. The effectiveness of this technique is monitored regularly by reporting the underwriting performance results to the Executive Committee at least monthly.
- Claims risk management - high level claim trends and key performance indicators are monitored closely by the Clinical Intelligence team and reported to key areas of the Company. The effectiveness of this technique is

monitored regularly by reporting the underwriting performance results to the Executive Committee at least monthly;

- Reinsurance – the company reinsures underwriting risks that are outside of appetite, currently this only applies to the travel insurance benefit. The effectiveness of this technique is reviewed annually by the actuarial function; and
- VitalityHealth is actively managing the portfolio mix and has a structured pricing strategy to improve the underwriting and portfolio mix.

C.1.3 Risk concentration

Vitality Health Insurance Limited writes both individual and group business in the UK however concentration of risk through geographic and other demographic factors are well diversified. The risk is controlled through underwriting controls and frequent monitoring of the business mix and lapses monitoring, as well as regular experience investigations.

C.2 MARKET RISK

C.2.1 Exposure

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 exposure to market risk stems mainly from the participation in VHL.

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 investment vehicle is used, which poses any material risk of the capital amount being subject to significant price volatility, significantly eroded, lost or where the ultimate loss is greater than 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.2.3 Risk concentration

The company’s assets are held by a reasonably wide range of counterparties to control concentration risk. On the 30th June 2017, the largest concentration with one counterparty was 26% of the total asset holdings, this counterparty is one with an ‘AA-’ rating by a leading credit ratings agency. Concentration risk constitutes less than 1% of the undiversified SCR, this risk was not material for the Company.

C.3 CREDIT RISK

C.3.1 Exposure

At 30 June 2017, credit risk in the form of counterparty default, spread and concentration risk comprised 2%, 1% and 5% respectively of the undiversified SCR. Credit risks arises principally from two UK-based banking counterparties.

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.

C.4 LIQUIDITY RISK

C.4.1 Exposure

Liquidity requirements are assessed monthly in order to meet the Company's stated liquidity risk appetite. The Company has limited liquidity risk.. At 30 June 2017 its investment assets are held in cash in UK based bank accounts and in short term high quality liquid assets within collective investment undertakings. The liquidity investment funds invest in Sterling denominated short dated fixed and variable interest securities both sovereign and non-sovereign. Maturities range from overnight to a maximum of under one year and the funds have a credit rating of at least Standard and Poor's single A (or equivalent).

C.4.2 Risk mitigation

As part of the ORSA, Stress and Scenario testing is conducted to assess the liquidity risk under stressed conditions. The Company's current policy is to hold sufficient internal liquid resources to meet both expected and stressed operating liquidity demands within a specified time horizon.

C.4.3 Risk concentration

The company avoids material liquidity risk concentrations by ensuring its invested assets are split across a number of counterparties.

C.4.4 Expected profit included in future premiums (EPIFP)

The EPIFP is calculated as the decrease in technical provisions that would occur if it was assumed that no future premiums are received on existing contracts. This amount stood at £0.

C.5 OPERATIONAL RISK

C.5.1 Exposure

The following measures are used to assess operational risks:

- Risk and control assessments – the Enterprise Risk Management framework of the business requires all teams across the business to carry out a risk and control self-assessment which would highlight any operational risk issues that need to be taken into account when assessing the risk profile for the business;
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure;
- Pillar II risk assessment – the company carries out operational risk scenario workshops to develop scenarios for each operational risk category. This involves estimating the severity and likelihood of the scenario based on the information captured in the company's risk register and input from subject matter experts in the business. Once captured, the operational risk profile is assessed quantitatively and taken into account in reviewing the overall solvency needs of the business. Operational risks are also assessed using qualitative techniques to understand the likelihood and impact of the risks materialising. The results of this assessment are recorded in the ORSA;
- The operational risks that were assessed as being material over the period include:

- Cyber/ Data security - the risk of the inability to protect data and systems from unauthorised access, use, disclosure, disruption, modification and/or destruction. In line with the increase in the cyber threat level, our focus on this risk has increased in the year;
- IT Infrastructure - the risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure.
- Miss-selling – the risk of deliberate, reckless or negligent sale of products or services in circumstances where the contract is either misrepresented, or the product/service is unsuitable for the customer's needs.
- Outsourcing - the risk of failure, non-performance, ineffective management and/or oversight of an outsourcing partner or a binder agreement.
- People - the risk of inadequate recruitment practices, development, management or retention of employees and/ or contractors.
- Execution, Delivery and Process Management - the risk to a business unit's service provision arising from a failure to carry out operational processes in an accurate, timely and complete manner.
- Legal - the risk of a defective transaction arising; a claim (including a defence to a claim or a counterclaim) being made; inadequate contract management or any other event occurring which results in liability for the Company.

C.5.2 Risk mitigation

All material operational risks which the Company is exposed to, are identified and recorded in the risk register. The risks are assessed and once any actions required to manage the risks have been agreed, the risks are reported to senior management, the Risk Committee and the Board. The following list outlines the actions/techniques the Company uses to mitigating operational risks:

- Risk reduction – where possible, the Company takes action to reduce the impact of a risk. The required actions vary by risk;
- Risk removal – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, the business may remove the risk;
- Risk transfer – the Company outsources a number of activities and in some cases the associated risks with carrying out those activities. Whilst the company can outsource activities, it can't transfer responsibility and therefore manages its outsourcing relationships accordingly;
- Risk acceptance – where the company has considered all other mitigation techniques and the risk remains out of appetite, it may proceed to accept the risk with the approval of the Risk Committee.

C.5.3 Risk Concentration

Not applicable.

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:

- Reputational risk, including impacts from conduct risk, liquidity risk, and knock-on impacts on underwriting risks such as persistency and expenses;
- Regulatory risk, including impacts from regulatory change and compliance exposure;
- Strategic risk, including impacts on underwriting risks such as persistency, expenses and new business levels. Our strategic objectives could be impacted by evolving customer preferences, our investment performance, and political and regulatory change. This also includes the risk that we are unable to successfully deliver our strategic objectives;
- Vitality risk is the risk that Vitality reward costs exceed those allowed for in the current budget as a result of experience variances as a result of higher than anticipated engagement and / or higher utilization;
- 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
- In 2016 the UK voted to leave the EU and exit negotiations began in June 2017. While Vitality does not operate outside the UK, the ongoing uncertainty and lengthy negotiation process may lead to a volatile market. This will be kept under review as the terms of the UK's exit becomes clearer.

C.7 RISK PROFILE – ANY OTHER INFORMATION

C.7.1 Risk Sensitivity

The Company carries out stress and scenario testing as part of its ORSA process which includes stress testing for material risks. For the 2017 ORSA, the solvency position at 30 June 2017 and the projected solvency position over the business planning period were re-calculated following adverse stresses at the 1 in 50 year level, with each risk's stress conducted individually. In specific cases more exceptional scenarios were considered including a range of severe low interest rate environment scenarios. The results of the analysis showed that the most material impacts on the SCR cover were:

- it would take more than a 1-in-25 year adverse variance on the loss ratio to breach the SCR, therefore the Company's underwriting risk profile was assessed to be resilient to withstand severe shocks and is within the Board's risk appetite.
- it would take more than a 1-in-200 year adverse variance on market risk or credit to breach the SCR, therefore the Company's investment risk profile was assessed to be resilient to withstand severe shocks and is within the Board's risk appetite. This is consistent with the low risk investment strategy.
- it would take more than a 1-in-25 year combined adverse variance on the loss ratio, expenses, lapse rates and a 1-in-25 year operational risk event to breach the SCR, therefore the Company's liquidity risk profile was assessed to be resilient to withstand severe shocks and is within the Board's risk appetite.
- The Vitality risk scenario was designed to generate the cost of providing the benefits assuming a 1-in-200 year adverse result. This resulted in a cost that is 45% higher than expected per the business plan and was included in the assessment of overall solvency needs.

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 £353k 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. This includes taking account of the reduction in the UK main corporation tax rate to 19%, substantively enacted on 26 October 2015 and effective from 1 April 2017, and a further reduction to 17%, substantively enacted on 6 September 2016 and effective from 1 April 2020.

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 £100,546k at the reporting date and in addition VHIL has a 20% participation in Healthcode with a value of £35k bringing the total participation value to £100,581k. 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. Therefore, under IFRS the valuation is equivalent to the capital injections made by the Company in Vitality Health Insurance Limited. However, under SII the valuation is made at the excess of assets over liabilities, where assets and liabilities are valued on a SII basis.

Holdings in related undertakings are valued using the adjusted equity method referred to in Article 13(b) of the Delegated Regulation as valuation in accordance with Article 10(2) of the Delegated Regulation is not possible. Therefore, VHL is valued per Article 13(3) of the Delegated Regulation which values the undertaking based on the Company's share of the excess of assets over liabilities of the related undertaking. The Company holds 100% of the share capital of VHL and therefore the valuation is 100% of VHL's excess of assets over liabilities under SII. 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 £15,326k 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 LIBOR. There are no difference in the SII and financial statement valuations.

Other loans and mortgages had a solvency valuation of £15,326k 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 £1,199k 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 value of the Company's technical provisions are set out in template 17.01.02 (Non-Life Technical Provisions). All liabilities are denominated in Great Britain Pounds (GBP). Supplementary information regarding delays in timing of settlement and apportionment of the claims technical provision to the most recent and prior accident years are included in template 19.01.01 (Non-Life insurance claims). The Company includes all its business under 'medical expenses insurance'. All business is direct and there is no inwards reinsurance.

The Company's technical provisions consist only of the risk margin £1,674k. The prior year CTP has reduced to nil given the migration of policies onto VHL. There is no premium technical provision set as the Company has had no active policyholders since May 2015.

The risk margin is set as the cost of the unhedgeable portion of the SCR up until the run-off of the in-force policies' liabilities. The cost of capital is set at 6% as prescribed by the Solvency II regulations. No material change the risk margin was observe over the year, in line with the relatively stable SCR.

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 Insurance Limited, means the risk margin, determined as a function of the SCR, 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

The Company does not make any allowance for a risk margin when setting its IFRS provisions where SII explicitly as this as an allowance for the cost of capital. As such the Solvency II treatment is additive in comparison.

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 £457k at the reporting date. This is related to the short term intercompany payable and short term sundry creditors are valued at amortised cost which approximates to fair value and is therefore in line with Article 14(1) of the Delegated Regulation. 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

30 June 2017	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital	258,350	-	-	-	258,350
Share premium	-	-	-	-	-
Reconciliation reserve	(143,372)	-	-	-	(143,372)
Net deferred tax asset	-	-	-	353	353
Total eligible own funds to meet SCR	114,978	-	-	353	115,331
Less: Restrictions on eligible own funds to meet MCR	-	-	-	- 353	- 353
Total eligible own funds to meet MCR	114,978	-	-	-	114,978

30 June 2016 (note the 2016 values are unaudited)	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital	249,650	-	-	-	249,650
Share premium	-	-	-	-	-
Reconciliation reserve	(132,675)	-	-	-	(132,675)
Net deferred tax asset	-	-	-	446	446
Total eligible own funds to meet SCR	116,975	-	-	446	117,421
Less: Restrictions on eligible own funds to meet MCR	-	-	-	(446)	(446)
Total eligible own funds to meet MCR	116,975	-	-	-	116,975

Analysis of Change	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital issued	8,700	-	-	-	8,700
Share premium issued	-	-	-	-	-
Reconciliation reserve movement	(10,697)	-	-	-	(10,697)
Net deferred tax asset recognised	-	-	-	(93)	(93)
Total movement in Eligible Own Fund to meet SCR	(1,997)	-	-	(93)	(2,090)
Less: movement in restriction on eligible own funds to meet SCR	-	-	-	93	93
Total movement in Eligible Own Fund to meet MCR	(1,997)	-	-	-	(1,997)

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.

During the year Vitality Health Insurance Limited issued 8,700,000 ordinary shares of £1 each which were all purchased by DHEL. The shares were issued on the following dates: 31 March 2017 (2,500,000) and 30 June 2017 (6,200,000)The reconciliation reserve comprised of:

£000s	30-Jun-17	30-Jun-16 (unaudited)	Movement
Solvency II excess of assets of liabilities	115,331	117,421	(2,090)
Other basic own fund items	258,703	250,096	8,607
Reconciliation reserve	**(143,372)**	**(132,675)**	**(10,697)**

Basic own fund items comprised of:

£000s	30-Jun-17	30-Jun-16 (unaudited)	Movement
Ordinary Share Capital	258,350	249,650	8,700
Share Premium	0	0	0
Net deferred tax asset	353	446	(93)
Total basic own fund items	**258,703**	**250,096**	**8,607**

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 £353k net deferred tax assets at 30 June 2017. 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 £115,331k [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 £115,331k, with each tier contributing the following: tier 1 unrestricted £114,978k and tier 3 £353k.

The eligible own funds over SCR ratio is 482% [S.23.01.01.R0620.C0010] as at the 30th June 2017.

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 £114,978k [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 £114,978k [S.23.01.01.R0550.C0010], with tier 1 unrestricted own funds of £114,978k forming the entire balance.

The eligible own funds over MCR ratio is 1923% [S.23.01.01.R0640.C0010] as at the 30th June 2017.

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 £336,372k as at 30 June 2017. Excess over liabilities as calculated for solvency was £115,331k. 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	30-Jun-17
Net assets under IFRS (30 June 2017)	336,372
Adjustment to the value of Vitality Health Limited	(219,203)
Adjustment to TP	(1,674)
Adjustment to the value of Healthcode	(164)
Excess asset over liabilities [S.02.01.01.R1000.C0010]	**115,331**

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 25.01.01 (Solvency Capital Requirement – for undertakings on standard formula) and 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.

£'000	30 June 2017
Market risk	23,901
Counterparty default risk	39
Health underwriting risk	0
Diversification	(29)
Operational risk	0
SCR	**23,910**
MCR	**5,977**

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 reduced. Consequently a proportional reduction 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 APPROVAL BY THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY (AMSB) OF THE SFCR AND REPORTING TEMPLATES

Vitality Health Insurance Limited

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

Financial period ended 30 June 2017

We certify that:

1 the Solvency and Financial Condition Report (“SFCR”) has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2 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 Solvency II Regulations as applicable to the insurer; and

b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

Neville Stanley Koopowitz
Director and Chief Executive Officer
Date: 25th October 2017

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 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 30 June 2017, ('**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' and 'Risk profile' 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 ('**the Responsibility 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 2017 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 Matter – Prior period relevant elements of the Solvency Financial Condition Report not audited

The comparative information as at 30 June 2016 has not been audited.

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.

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. 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

PricewaterhouseCoopers LLP

Chartered Accountants

London

25 October 2017

Vitality Health Insurance Limited

Solvency and Financial Condition Report

Disclosures

30 June

2017

(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 2017
Currency used for reporting	GBP
Accounting standards	The undertaking is using 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
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	353
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	100,584
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	100,581
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	2
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	15,326
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	15,326
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	0
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	1,199
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	117,462

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,674
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	1,674
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	1,674
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	457
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	2,131
R1000	**Excess of assets over liabilities**	115,331

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
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
	Premiums earned																	
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
	Claims incurred																	
R0310	Gross - Direct Business	108																108
R0320	Gross - Proportional reinsurance accepted	0																0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	17																17
R0400	Net	90																90
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net	0																0
R0550	**Expenses incurred**	52																52
R1200	**Other expenses**																	
R1300	**Total expenses**																	52

S.05.02.01

Premiums, claims and expenses by country

Non-life

		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
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	0						0
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	0						0
R0200	Net	0	0	0	0	0	0	0
	Premiums earned							
R0210	Gross - Direct Business	0						0
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	0						0
R0300	Net	0	0	0	0	0	0	0
	Claims incurred							
R0310	Gross - Direct Business	108						108
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	17						17
R0400	Net	90	0	0	0	0	0	90
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	52						52
R1200	**Other expenses**							
R1300	**Total expenses**							52

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	0																0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	0																0
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**	0																0
	Claims provisions																	
R0160	Gross	0																0
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**	0																0
R0260	**Total best estimate - gross**	0																0
R0270	**Total best estimate - net**	0																0
R0280	**Risk margin**	1,674																1,674
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**	1,674																1,674
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	0																0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	1,674																1,674

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0010 Accident year / underwriting year: Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	**Development year**											**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	552	0	0	0	0			0	552
R0180	N-7	0	0	0	54	574	0	0	0				0	628
R0190	N-6	0	0	418	98	528	0	0					0	1,044
R0200	N-5	0	15,917	403	61	7	0						0	16,387
R0210	N-4	118,308	14,093	282	60	6							6	132,749
R0220	N-3	108,740	10,497	186	29								29	119,452
R0230	N-2	34,931	1,657	247									247	36,835
R0240	N-1	6	2										2	8
R0250	N	0											0	0
R0260												**Total**	282	307,655

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	**Development year**											**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0
R0170	N-8	0	0	0	0	5,540	0	0	0	0			0
R0180	N-7	0	0	0	6	4,321	0	0	0				0
R0190	N-6	0	0	94	8	3,994	0	0					0
R0200	N-5	0	399	72	1	0	0						0
R0210	N-4	14,357	331	20	1	0							0
R0220	N-3	15,940	146	17	0								0
R0230	N-2	1,211	28	0									0
R0240	N-1	0	0										0
R0250	N	0											0
R0260												**Total**	0

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	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	258,350	258,350		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-143,372	-143,372			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	353				353
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**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**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	115,331	114,978	0	0	353
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	115,331	114,978	0	0	353
R0510	Total available own funds to meet the MCR	114,978	114,978	0	0	
R0540	Total eligible own funds to meet the SCR	115,331	114,978	0	0	353
R0550	Total eligible own funds to meet the MCR	114,978	114,978	0	0	
R0580	**SCR**	23,910				
R0600	**MCR**	5,978				
R0620	**Ratio of Eligible own funds to SCR**	482.35%				
R0640	**Ratio of Eligible own funds to MCR**	1923.49%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	115,331
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	258,703
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-143,372
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	23,901		
R0020	Counterparty default risk	39		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-29		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	23,910		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	0
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	23,910
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	23,910

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	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	C0010
R0010	MCR_{NL} Result	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	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	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	0
R0310	SCR	23,910
R0320	MCR cap	10,760
R0330	MCR floor	5,978
R0340	Combined MCR	5,978
R0350	Absolute floor of the MCR	2,251
R0400	**Minimum Capital Requirement**	5,978