SOLVENCY AND FINANCIAL CONDITION REPORT

VITALITY HEALTH LIMITED

FOR THE YEAR ENDING

30 JUNE 2017

CHANGING HEALTH INSURANCE FOR GOOD

Vitality HEALTH INSURANCE

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SUMMARY

1 BUSINESS AND PERFORMANCE SUMMARY

Company overview

VitalityHealth 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 VitalityHealth 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.

VitalityHealth 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, Vitality 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 Vitality 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.

Vitality 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.

Vitality 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

Vitality Health Limited 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 of over £5bn, which is equivalent to a FTSE 100 company. Its UK presence, Vitality Health Limited, 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 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 £14,459k (2016: £7,152k) with annual premium income ("API") sales of £56,247k (2016: £54,151k). VHL has grown its profitability significantly over the period driven by investments into a number of successful initiatives started in the previous financial year. These initiatives have resulted in considerable improvement in loss ratio as well as record API growth and have put VHL in a good position to capitalise on future opportunities in the UK Health insurance market.

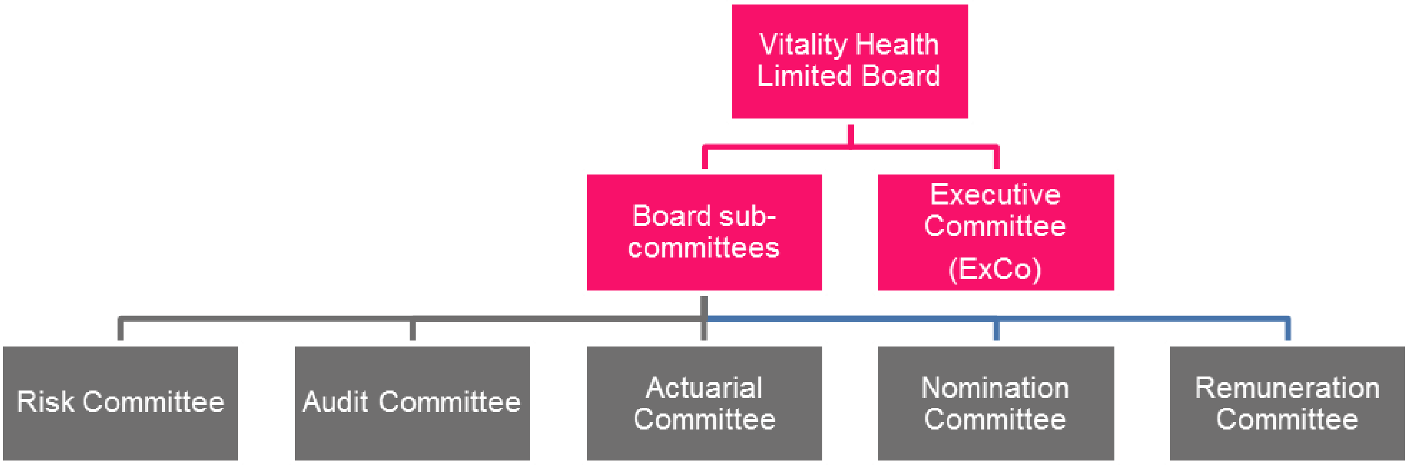
The Company utilises financial reinsurance ("FinRe") to smooth the impact of new business strain on its IFRS profits. Under Solvency II, the impact of FinRe treaties are disregarded, and the full value of new business strain is recognised as incurred.

VHL's assets are prudently invested taking into account the short term nature of its business and obligations. The assets are primarily invested in collective investment undertakings (highly liquid short-term money market funds) and cash held with major UK banks.

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 an 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 execution of risk management and controls 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.

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.

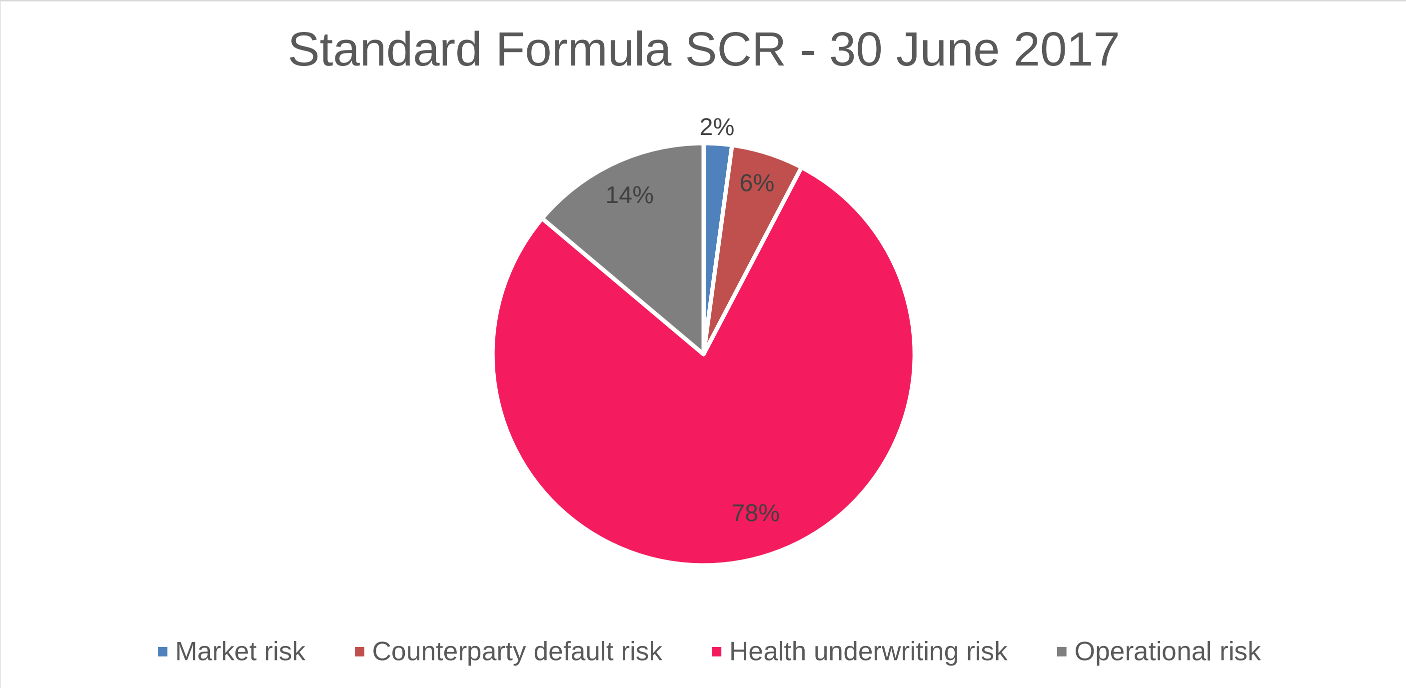
The Company ensures that all persons, who effectively run the Company or have other key functions / roles, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity. A wide range of personal and professional checks are carried out on individuals employed by the Company, both at inception of their employment and on an annual basis where appropriate.

The governance structure of VitalityHealth 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.

3 RISK PROFILE SUMMARY

The Company's principle activity is the provision and administration of private medical insurance (PMI), supported by the Vitality rewards programme. The Company's product covers a range of benefit choices and is available in the individual market, small and medium size enterprise (SME) market and the large corporate market.

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



The risk profile of the Company has not changed materially over the past 12 months. Health underwriting risk remains the biggest risk run by the Company, followed by operational risk. The description of each risk can be found in Section C.

The Company does not have a significant exposure to market risks as its investments are mostly invested in short term liquid assets in line with the short term obligations of the business.

The main movements in the SCR over the year has been driven by:

- The increase in business premium volume reflecting in an increased in Health Underwriting risk; and
- The decrease in debtors (particular those with hospital groups) that resulted in a reduction in counterparty default risk.

4 SUMMARY OF VALUATION FOR SOLVENCY PURPOSES

SII requires a market consistent approach in the valuation of assets and liabilities. This basis creates a number of differences when compared with the financial statements prepared under the IFRS standard. The valuation differences can be summarised to be driven from:

- Benefit in technical provision as Solvency II allows the capitalisation of future profits on in-force business. Under IFRS, this is set at a nil value;
- Removal of Deferred acquisition costs asset under IFRS which are valued at nil under SII;
- Removal of Financial reinsurance assets under IFRS which are valued at nil under SII;

- Removal of other minor IFRS asset (mainly pre-paid expenses) valued at nil under SII.

The table below summaries each of the valuation differences:

£'000	Jun-17
IFRS Net Asset Value	**201,513**
Add - Move to SII technical provisions	33,176
Remove - Benefit financial reinsurance under IFRS	(104,479)
Remove - Benefit of deferred acquisition cost under IFRS	(29,222)
Remove - Other minor IFRS asset e.g. Pre-paid expenses	(442)
Total SII Excess Asset over Liabilities	**100,546**

5 CAPITAL MANAGEMENT SUMMARY

The objective of own funds management is to hold sufficient capital to ensure the Solvency Capital Requirement ratio is within its risk appetite. The table below summarises the SCR ratio movement over the past year. VHL calculates its Standard Capital Required using the standard formula. The difference between Eligible Own Fund and Excess Asset over Liabilities is due to addition of subordinated liabilities and adjustments for tiering restrictions. The relationship between Eligible Own Fund and Excess Asset over Liabilities is detailed in section E.1.2.

£'000	Jun-17	Jun-16
Eligible Own Funds (EOF)	120,939	115,846
Solvency Capital Required (SCR)	83,425	82,769
SCR Cover	**145%**	**140%**

The improvement in the SCR cover ratio over the period is primarily a result of the increase in EOF. The £5,093k increase in eligible own fund is driven by the £16,146k external injections received over the year through:

- £8,700k of capital injection from Vitality Health Insurance Limited ("VHIL"); and
- £7,446k increase in subordinated loans (majority which relates to the new issuance in December 2016).

These additional EOF injections were reduced by £11,135k outflow from ongoing business activities where R&D spend and new business strain incurred reduces the overall Own Fund position.

The SCR required under Solvency II has remained relatively stable. Ordinarily, this would increase with the expected growth of the VHL business to reflect the higher underwriting risk. Over 2017 the increase in underwriting risk was offset by the reduction in credit risk driven by more robust management of VHL debtors. This offset resulted in only a slight increase in SCR over the period.

VHL carries out quarterly reviews of the solvency ratio as part of the Company's risk monitoring and capital management system. The Company has complied continuously with both the MCR and the SCR throughout the reporting period.

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Name and legal form of the undertaking

Vitality Health Limited ("the Company") 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 Limited (VHL, "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 and the Discovery 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.

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.

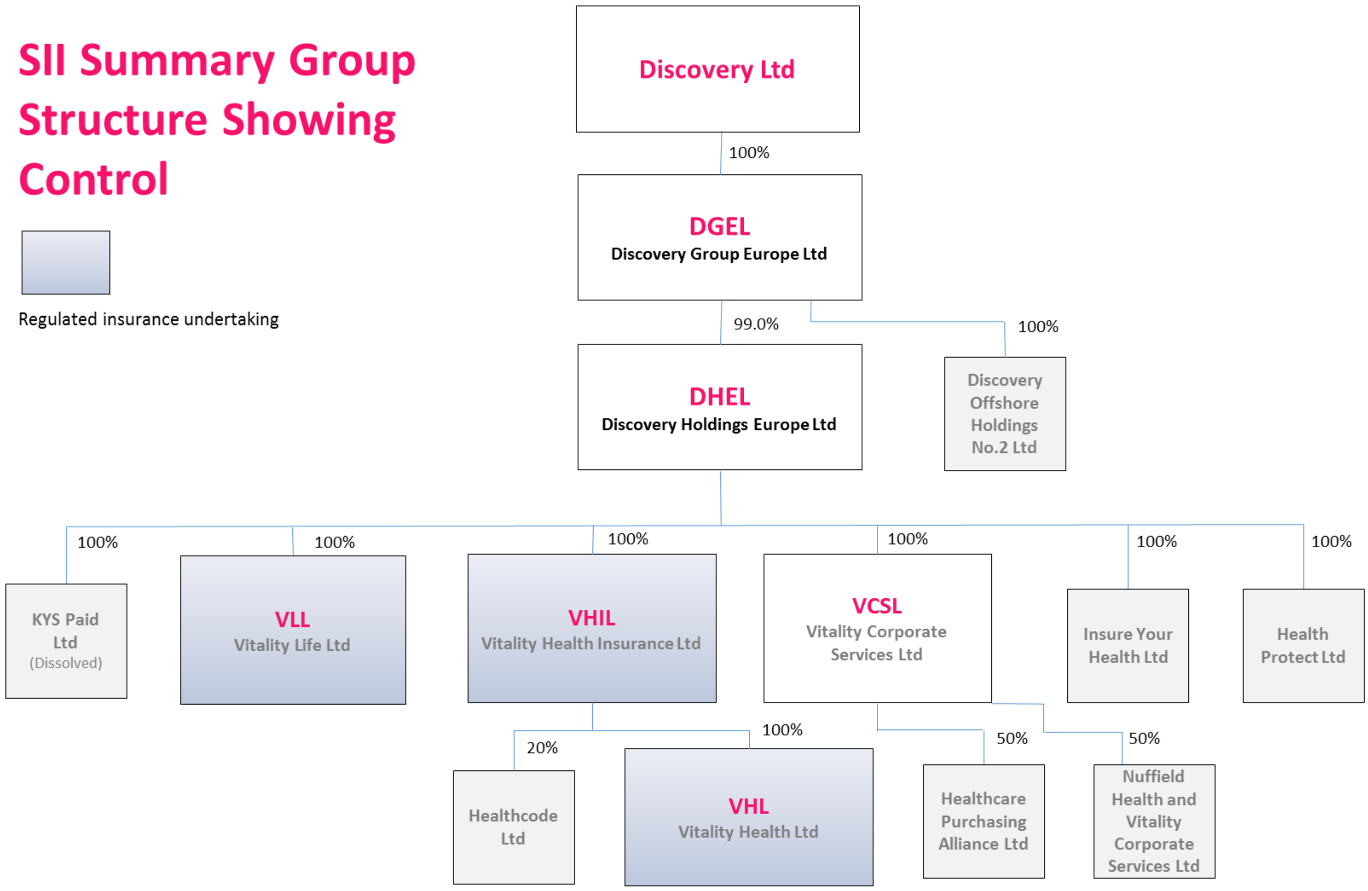


Figure 1

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. For Solvency II purposes, all of VHL's business is defined as "Medical expenses insurance".

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

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.

Reinsurance based financing obtained to offset the total strain of writing new business and repaid in future periods through ceded premiums and claims under a quota share treaty has been an important part of the company's strategy. The Company has historically principally utilised cash financing reinsurance treaties. However, in order to remove excess liquidity and minimise the costs, effective 30 September 2016 the cash financing reinsurance treaties in place at 30 June 2016, apart from 1 treaty, were converted to cashless treaties. The net effect of the recapture of the cash treaties was recapture reinsurance income of £7,344k arising on the difference between the replacement cashless tranches totaling £57,000k and cash reinsurance recapture expense of £49,656k. The amount of further new cashless financing received in the year to 30 June 2017 was £33,600k (2016: total of £32,000k, £18,000k of which was cashless).

A.2 UNDERWRITING PERFORMANCE

The table below shows the Company's IFRS premiums, claims and expenses for the period ended 30 June 2017. An analysis by Solvency II lines of business can be found in QRTs S.05.01 in section G.

£'000	June 17	June 16	YoY change
Gross Earned Premium	407,018	398,321	8,697
Reinsurance Share of Premium	(76,745)	(94,563)	17,818
Gross Claims Incurred	(253,969)	(278,457)	24,488
Reinsurance Share of Claims	58,176	82,650	(24,475)
Expenses	(119,693)	(103,604)	(16,089)
Other Income	(326)	2,805	(3,132)
IFRS Profit before tax	**14,459**	**7,152**	**7,307**

The company's underwriting performance experienced significant growth over FY17 where its IFRS profit before tax more than doubled. The primarily driver of the profitability improvement was due to the favorable claims experience over the year.

The growth in earned premiums was stable at 2.2% - in line with the growth in the lives insured. The competitive economic environment remains a challenge to achieve significant premium growth.

It should be noted that the IFRS profits shown includes the benefit of Financial Reinsurance ("FinRe") and Deferred Acquisition Costs ("DAC") used under IFRS to reduce the impact of new business strain. The benefit of FinRe and DAC are not recognised under the Solvency II basis as noted under Section D.

A.3 INVESTMENT PERFORMANCE

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

The company's investments fall into the following categories as at the 30th June 2017:

1. **Collective investment undertakings** (£84,783k)

The Company has invested in short-term money market funds, which provide access to a diversified pool of high credit quality assets. In the year ended 30 June 2017 the Company received investment income of £243k over the period. No material expenses were incurred in respect of these assets.

2. **Cash and cash equivalent** (£52,571k) **and Short term deposits** (£23,606k)

Cash, cash equivalent and short term deposits relates to amounts held in UK bank accounts (Barclays and HSBC) this generated interest income of £192k over the period. No material expenses were incurred in respect of these assets.

3. **Bonds** (£10,787k)

The company is invested in funds with exposure to a range of government and corporate bonds. All bonds issues are Sterling denominated and has an average duration of 3 years. A net investment income return of £204k was received. Investment management expenses of £45k were incurred in respect of this portfolio. Overall the Company's investment strategy has not deviated significantly compared to prior year where the majority of assets continued to be invested in relatively short term, low risk assets. This is consistent with the underlying short term nature of the business and liabilities.

A.3.2 Information about any gains and losses recognised directly in equity

Not applicable – all gains and losses are recognised in the Statement of Comprehensive Income.

A.3.3 Information about any investments in securitisation

The Company did not invest directly in securitised investments during the year ended 30 June 2017.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 Other material income and expenses

Financing reinsurance is an important part of the Company's funding strategy. Financing is obtained to partially offset the upfront cost of writing new business, and this financing is then repaid in future periods through ceded premiums and claims under a quota share treaty. The amount of financing received in the period net of prior year reinsurance repayments and fees to 30 June 2017 was £21,969k compared to £20,329k in the prior year.

Interest of £998k (compared to prior year of £658k) was paid on subordinated loans on the company's balance during the year.

A.4.2 Leases

A.4.2.1 Financial leases

The Company is not party to any financial leases.

A.4.2.2 Operating leases

The Company is not party to any operating leases.

A.5 BUSINESS AND PERFORMANCE – ANY OTHER INFORMATION

No other information.

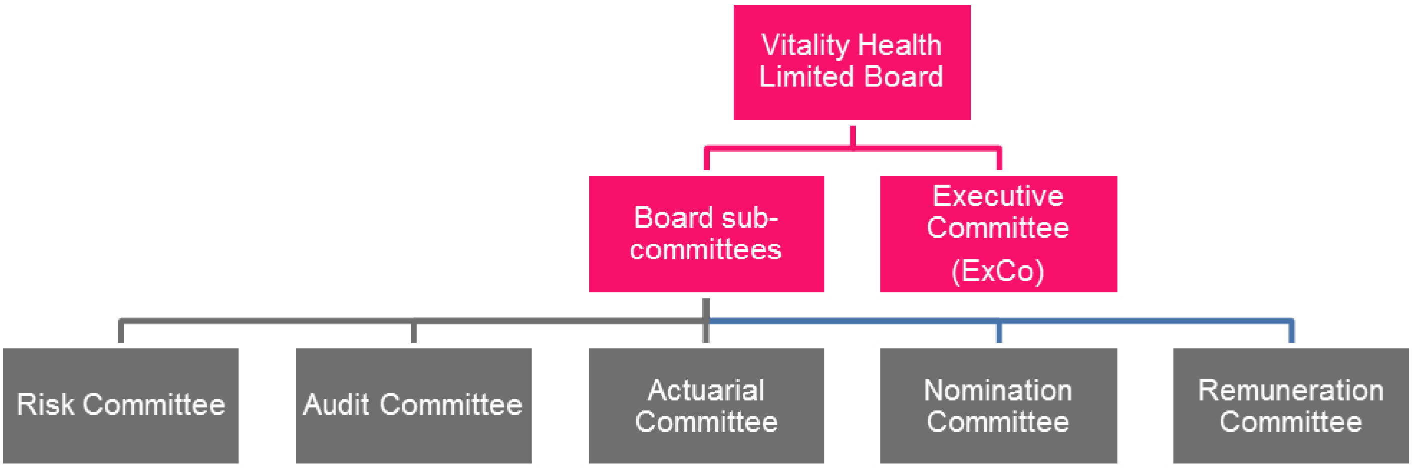
B SYSTEM OF GOVERNANCE

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 to:

- 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 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 include:

- 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:

- Implement and monitor 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 and 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 committee's 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:

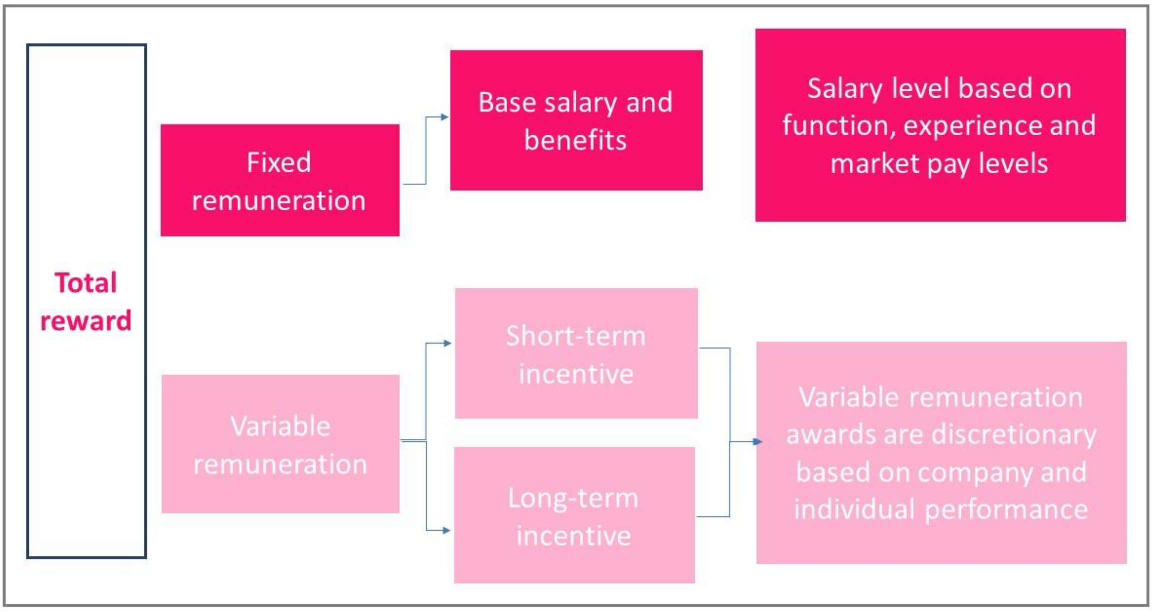
- We offer pay packages that are competitive in the market to attract and retain the right people;
- Pay for performance is at the heart of our remuneration philosophy – exceptional performance is recognised and rewarded;
- We are non-discriminatory – all remuneration policies and practices are free 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-determined individual and collective business targets over the preceding six month period. It is designed to encourage a performance culture aligned to our values. The bonus creates a clear link between performance and reward where good results are recognised and retention of high achievers enabled.

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

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

Variable remuneration – long term incentive plan ('LTIP')

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

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

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

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

The Company has no defined benefit pension liabilities.

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

Shareholders

During the year, the company issued additional ordinary shares and subordinated loans. 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 functioning of controls 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 risks, 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 the 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 also reviewed by the Actuarial Committee. The ORSA is reviewed and approved at least annually by the Board.

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 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.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 risk management system is reviewed by the Executive and Risk Committees with a summary of key items taken to the Board. This is taken to the decision making committees by the Risk Function following their review. This process facilitates the integration of the risk management system in the decision making process.

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

B.3.3 ORSA process

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

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

All these processes are used by the Board and management in the day-to-day decision making to ensure risk and capital management are aligned. The output from the various processes is reported to the ExCo, 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; and
- 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.

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 Chief Internal Auditor 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 Chief Internal Auditor considers relevant work that will be performed by other areas, e.g. Compliance monitoring, Risk deep dives, 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 Chief Internal Auditor performs sufficient audit work and gathers other available information during the year so as to form a judgment regarding the adequacy and effectiveness of the risk management and control processes. The Chief Internal Auditor 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, whom 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;

Outsourcing Suitability Assessement

When considering outsourcing arrangements, the Company takes into account how it will fit into the reporting structure, business strategy and its ability to meet with regulatory requirements.

Service Provider Selection

A tender proces is conducted by the Group Commercial Services.

Due diligence is conducted to assess among other things; financial viability, insurance, anti-money laundering sanctions, conflicts of interest, personnel, information and asset security, business continuity and disaster recovery, risk concentrations, geopolitical implications and regulatory permissions.

Contractual Requirements

Outsourcing relationships must be established with a set of written agreements which set out the expectations and obligations of each party.

Agreements must include the following terms; guarantees and indemnities, regulatory compliance, Data Protection compliance, financial crime, change process, duties and responsibilities, reporting of material developments, right to audit, termination, confidentiality etc.

Contractual Approval

Once a written agreement has been agreed between each party, internal approval must be sought in line with the Company's contract approval process.

Where critical functions have been outsourced, final approval must be sought from the Board and where relevant, the regulator notified.

Reporting and Monitoring

Commercial Services maintain a list of all outsouring arrangements.

The Company has processes for regularly monitoring and reviewing the performance of the service providers.

The Contract Services Committee recieves regular reports on the performance of any service provider undertaking critical functions.

Contingency and Exit Planning

The Company must ensure it has suitable contingency plans in place to mitigate the risk of a significant failure by the Service Provider. These plans must be documented and reviewed at least annually.

The Company must document and maintain an Exit Plan for managing the end of the relationship with a Service Provider.

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.

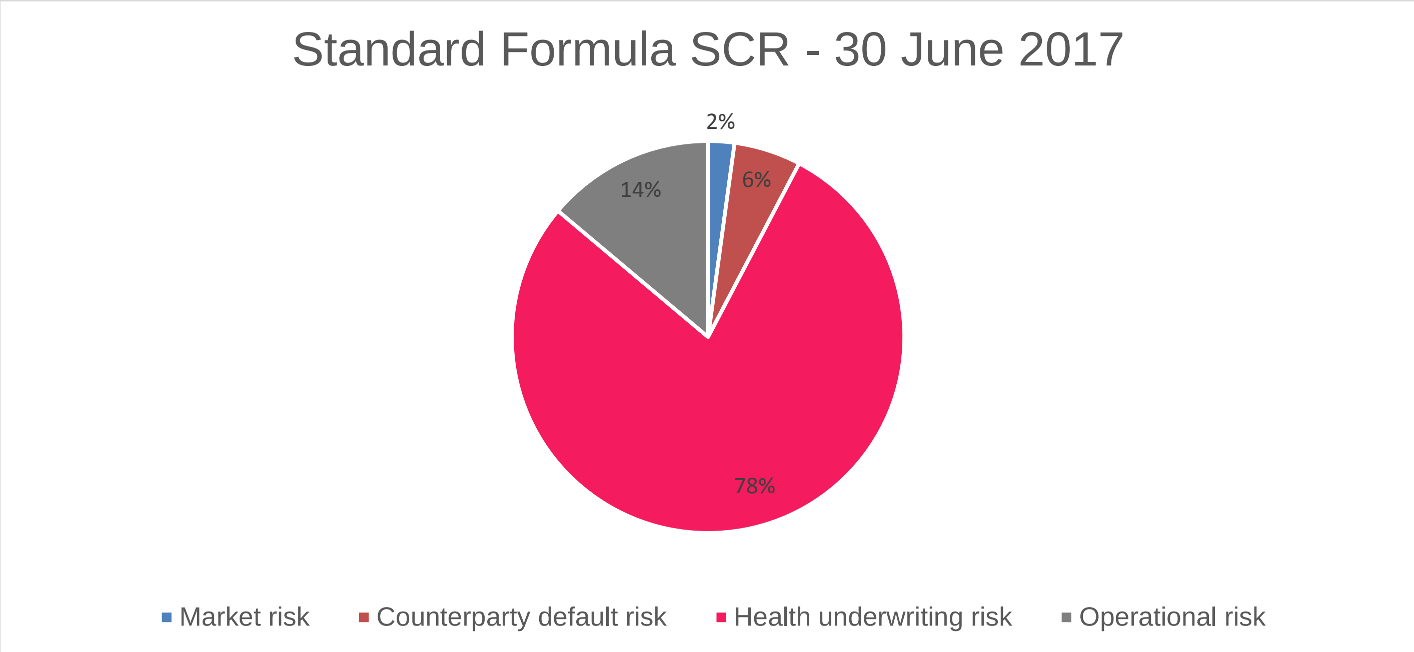
The Outsourcing Committee monitors the efficiency and effectiveness of the outsourced providers and reports to the Risk Committee.

B.8 SYSTEM AND GOVERNANCE – ANY OTHER INFORMATION

No further information.

C RISK PROFILE

The Company's risk profile is a key driver of its SCR. The distribution of its quantifiable risks at 30 June 2017, as reflected in the SCR, is as follows:



The standard formula SCR risk profile is dominated by underwriting risk and has not changed materially over the past 12 months. The Company's principle activity is the provision and administration of private medical insurance (PMI), supported by the Vitality rewards programme. The Company's product range covers a range of benefit choices and is available in the individual market, small and medium size enterprise (SME) market and the large corporate market.

Health underwriting risk refers to the risk that the premiums earned are not adequate to cover the claims, expense and profit margin. It also includes the risk that the reserves held for past claims are not adequate to cover the ultimate claims that emerge when settled. This risk is mitigated by a number of approaches including underwriting at the point of sale and claim, claims risk management and the use of reinsurance. The annually reviewable and renewable nature of the contracts further limits the duration of risk exposure at any one point in time.

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, systems and/or external events. The Company operates an Enterprise Risk Management framework that sets out how all risks are identified, analysed, measured, reported and monitored.

Given the nature and duration of the Company's book of business invested assets are held primarily to meet operational and short-term liquidity requirements. These assets are held in cash in bank accounts and in short-term high quality liquid assets within collective investment funds, hence market risk exposure arising from these assets is low. Counterparty default risk is relatively low since the banks are highly creditworthy and reinsurance is spread across different reinsurers with high credit ratings.

Information on each of the risk categories is provided in sections C.1 to C.5 below. Information is also provided on liquidity risk in section C.4. Liquidity risk does not form part of the standard formula SCR and is therefore not included in the above table. Information on the calculation of the SCR is provided in section E.2 Solvency Capital Requirement and Minimum Capital Requirement.

As noted in section B.3.1 risks are managed according to a Board approved Risk Management Framework. Specific risk mitigations are identified in section C.1 to C.6 where relevant.

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
- VHL is actively managing the portfolio mix and has a structured pricing strategy to improve the underwriting and portfolio mix.

C.1.3 Risk concentration

VitalityHealth 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's core business is the writing of private medical insurance contracts which are annually renewable and have a relatively short tail (with e.g. claims reserves effectively becoming negligible by c. 9 months after a given cohort of claims have been incurred). Given this short duration, a relatively conservative investment strategy is taken, with a large proportion of investments held in overnight or short-term deposits, the Company is therefore not exposed to any material market risks.

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 Requirements 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 and the assets invested takes this into consideration. 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 £41,897k.

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 material 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 mitigate 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 of 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.
- **Reporting** – the material operational risks which VitalityHealth is exposed to are identified and recorded in the risk register. The risks are assessed and once the actions required to manage the risks have been agreed, the risks are reported to senior management, the Risk Committee and the Board.

C.5.3 Risk Concentration

Operational risk is inherent within the business. It is managed through the ERM framework and a number of workshops to identify the key sources of operational risk as well as the likelihood and impact. No material concentrations of operation risk have been identified by the business and there is ongoing monitoring of risks to ensure this remains the case.

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 e.g. 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.

C.7.2 Prudent Person Principle

VitalityHealth ensures that its assets are invested in accordance with the Prudent Person Principle set out in the SII Directive. It only invests in assets whose risks it can properly identify, manage, control and report and appropriately taken into account in the company's overall solvency needs assessment which is documented in its ORSA report.

The Board is responsible for setting the overall Risk Appetite and Financial Risk Policy which covers market, credit and liquidity risk.

The short term high quality liquid investment holdings are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

The Company does not have any unit-linked policies where the investment risk is borne by the policyholders.

The Company does not invest in derivative instruments for investment income purposes. The collective investment undertakings may from time-to-time purchase limited amounts of derivatives to contribute to a reduction of risks or facilitate efficient portfolio management.

All of the Company’s financial assets relate to counterparties that are subject to a regulated financial market and investment in liquidity funds is split between two providers to provider diversification of fund management.

D VALUATION FOR SOLVENCY PURPOSES

Solvency II requires a market consistent approach in the valuation of its assets and liabilities. A number of items differ when compared to the financial accounts reported as prepared under the IFRS standards. The table below provides a summary of the Solvency II versus Statutory Account Values for both the current and prior year ends. The detailed explanation of each reported item can be found in forthcoming section.

The Statutory Account Value (SAV) is materially the same as IFRS financial account values. The only difference arises from relatively minor classification differences which include:

- £757k cashback reserve that is classified as a negative asset under "Insurance and intermediaries receivables". This is classified as a liability under SAV under "Payables"; and
- £495k provider payment on account is classified as a negative liability. Under the SAV this is categorised an asset.

£'000	SII	SAV	Difference	Section
Assets				
Deferred acquisition costs	-	29,222	(29,222)	D.1.1.1
Deferred tax assets	14,236	14,236	-	D.1.1.2
Investments	119,179	119,179	-	D.1.1.3
Reinsurance recoverables from:	6,228	50,525	(44,297)	D.1.1.4
Insurance and intermediaries receivables	11,647	209,740	(198,093)	D.1.1.5
Reinsurance receivables	689	102,304	(101,615)	D.1.1.6
Receivables (trade, not insurance)	272	714	(442)	
Cash and cash equivalents	52,571	52,571	-	D.1.1.7
Total assets	**204,823**	**578,493**	**(373,669)**	
Liabilities				
Technical provisions - health (similar to non-life)	**41,702**	**272,292**	**(230,591)**	D.2
Best Estimate	*35,862*	-	*31,362*	D.2
Risk margin	*5,840*	-	*5,840*	D.2
Insurance & intermediaries payables	5,431	6,188	(757)	D.3.1.1
Reinsurance payables	8,513	49,868	(41,355)	D.3.1.2
Payables (trade, not insurance)	26,515	26,515	-	D.3.1.3
Subordinated liabilities	22,116	22,116	-	D.3.1.4
Total liabilities	**104,277**	**376,979**	**(272,702)**	
Total Excess Assets over Liabilities	**100,546**	**201,513**	**(100,967)**	

D.1 ASSETS

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

D.1.1.1 Deferred acquisition costs ("DAC")

DAC represents the expenses related to acquisition of new insurance business. Under IFRS the asset allows the deferral / spreading of the acquisition cost over a specified duration under the accounting policy. This asset is not permissible under SII and is therefore valued at nil.

D.1.1.2 Deferred tax assets ("DTA")

The value of the deferred tax asset 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 recognition of deferred tax asset is subject to a degree of estimation and judgment. As there is no external market observable / comparable valuations, an internal valuation model is used. The level of deferred tax asset recognised is with reference to the 10 year expected future taxable profits. Allowance is made for regulatory and legislative tax changes, as well as the uncertainty in future cash flows. 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.1.1.3 Investments

Bonds

The Company held investments in a portfolio of bonds which are split between Corporate Bonds and Government Bonds with respective values of £9,914k and £874k respectively. The bonds are fair value based on market prices at the reporting date, which are quoted prices in active markets for identical assets per Article 10(2) of the Delegated Regulation. As these are publicly traded securities, the market prices are readily available and are actively traded. There are no material assumptions or judgments made. As the IFRS and SII valuations are both performed on a fair value basis, no valuation differences are observed to the financial statements.

Collective Investments Undertakings

The collective investment undertakings are externally-managed funds, containing underlying assets with high credit ratings and of short duration. Fund managers provide quarterly reports detailing the underlying securities held in the fund. The quarterly reports are reviewed to ensure average credit ratings and durations have not moved significantly since the previous quarter. Any unusual movements or discrepancies are discussed with the fund managers.

Collective investment undertakings are valued at fair value under Solvency II based on market prices at the reporting date, which are quoted prices in active markets for identical assets per Article 10(2) of the Delegated Regulation. As these are publicly traded securities, the market prices are readily available and are actively traded.

The value of these funds in the financial statements is the same as for Solvency II. No significant estimates or judgements are used in the valuation of these investments.

Deposits other than cash equivalents

Deposits other than cash equivalents are set at fair value for solvency as reported to the Company by the relevant financial institutions at the end of the period. There are no material estimations or judgments made due to the nature of the asset. The valuation of the deposit does not rely on market prices, as these are cash deposits.

D.1.1.4 Reinsurance recoverables

The reinsurance recoverable relates mainly to the cash and cashless FinRe taken out by the business and consists of, a liability for the reinsurance payables within the contract boundary of Premium Technical Provision ("PTP") and an asset for the reinsurance recoverables within Claims Technical Provision ("CTP"). These had values of negative £788k in and positive £5,903k respectively, giving a net positive reinsurance recoverable of £5,115k. The remaining £1,112k is held as a reinsurance asset for a 50% quota share held on the legacy non-medex book of business.

Financial reinsurance

The FinRe contracts taken out by the Company are aimed for IFRS purposes. Under Solvency II, the overall best estimate valuation of future income and outgo (excluding expenses / fees to the reinsurer) is assumed to hold a nil value. This valuation is deemed consistent with the SII principle in the PRA Rulebook for Solvency II firms. Per Article 2.1(2) of the Valuation section of the Rulebook liabilities should be valued "*at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.*"

The SII valuation of the Reinsurance Recoverables differs to the financial account as IFRS sets the financial reinsurance amount as the total of gross written premium and insurance premium tax up to the contract boundary for all policies. Under Solvency II, the future premium collections are included under PTP in technical provisions (R0560) and the actual due premiums outstanding are included in (R0360). Under both valuations, an amount equal to the respective values are set in the Reinsurance payables in section D.3.1.2 given the FinRe contract expects all past / future receivables and payables from the reinsurer result in a net zero cash flow.

Over the year the Company converted the majority of its FinRe contracts to a cashless basis (the remaining cash FinRe is deemed immaterial and not covered further). The conversion to cashless FinRe resulted in a change in methodology as no future cash flows were expected (besides the payment of fees to the reinsurer). The valuation of the FinRe contract was therefore valued at nil given the expectation that the contract provided no tangible future cashflows except under extreme adverse scenarios. The fees payable to the reinsurer are added into the Premium Technical Provisions expense basis.

Non-medex quota share reinsurance

The non-medex reinsurance assets are valued proportionately to the SII technical provisions set up. The differences to the financial statement values are immaterial and relates to the need for discounting under the SII valuation. Any uncertainty in the valuation is driven by the underlying technical provision calculations dealt with in Section D.2.

D.1.1.5 Insurance and intermediaries receivables

Insurance and intermediaries receivable are set at £11,647k, the majority of which consists of due premiums outstanding which are valued using a look through of IFRS outstanding premiums. Where outstanding premiums relate to future premium collection dates these are included in the PTP. Where the premium collection date fell before the reporting date, but the cash has not been received at the reporting date, this amount falls in due premiums outstanding. Systems reports are used as the basis of this amount, and it is further tested by taking a sample of policies. The assumptions and judgments behind the calculation are therefore limited and reliance is placed on the accuracy of the audited financial statement value.

The insurance and intermediaries receivable valuation differs to the financial statement as under IFRS this includes the expected future premiums. Under Solvency II this is re-categorised under Technical provisions in Section D.2.

D.1.1.6 Reinsurance receivables

The Solvency II value of reinsurance receivables is immaterial. The difference to the financial statements of £101,615k are of a more significant magnitude. The difference relates to the cashless FinRe balance that is generated under IFRS that does not meet the Solvency II recognition criteria.

D.1.1.7 Cash and cash equivalent

Cash and cash equivalents are set 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 significant estimates or judgments used in valuing the cash holdings due to the nature of valuing cash held in pound sterling. The majority of cash holdings are instant access and the Company has had no issues withdrawing or moving money held in these accounts in the past.

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.

A summary of the technical provisions netted down for Reinsurance Recoverable is shown in the table below:

£'000	Jun-17
Gross claims technical provision	38,499
Gross premium technical provision	*(2,638)*
Risk Margin	5,840
Total reinsurance recoverables	*(6,228)*
Net Technical Provision	**35,473**

D2.2 Claims technical provision ("CTP")

CTP are provisions set aside for claim invoices that have been incurred by VitalityHealth, but are yet to be settled at the valuation date. This provision includes allowance for claims handling expenses.

The provision is set based upon actuarial "chain ladder" model results widely used in the non-life insurance industry. The chain ladder model assumes past invoice settlement patterns are appropriate to predict future expected claims. Where business circumstances invalidate this assumption, additional analysis are used to supplement the chain ladder model results.

The CTP has observed a significant reduction over the last year. A significant portion of this is attributed to the increase in invoice processing within the business driven the successful implementation of a number of operational initiatives in the business. The change in invoice processing has also generated a greater amount of volatility. This is addressed in section D.2.6.

VHL's CTP calculation and processes are subject to an annual review against the VHL Reserving policy standards. No material findings were raised into the adequacy of the overall CTP position.

D.2.3 Premium Technical Provision ("PTP")

Premium technical provisions are determined by projecting the premium, claims and expenses of VHL's in-force policies up until its next renewal date and discounting these cash flows back at the risk free rate published by EIPOA. These projections are performed for each homogenous group.

The future premiums are projected per policy according to the policy contract details. Mid-term cancellations on policies are allowed for and are set according to the prior two years of experience.

The expected claims are projected through the application of the loss ratio on the projected future premiums. The loss ratio assumption is set based upon historical experience adjusted for future expected trends and inflation.

The expense cash flows are projected through allocating the business' total expenses into the PTP cash flows. The assumption of total future expenses is set based upon prior experience adjusted for future expected trends. The percentage of the total expenses allocable to the PTP is set using allocations based on historic expense investigations.

Over the past year, the PTP has observed a relatively significant increase. The primary driver is due to the shifts in the profile of policy payments. Under the PTP, annual policies project a future outgo but not an income (as this is already paid upfront and reflects in the cash balance).

D.2.4 Risk Margin

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 in the risk margin was observed over the year, in line with the relatively stable SCR.

D.2.5 Reinsurance recoverables

The majority of the reinsurance recoverables relates to FinRe. The FinRe has IFRS benefit but has nil net impact under Solvency II. This is not analysed further due to materiality (see section D.1.1.4).

D.2.6 Methodology and assumption changes

The key methodology changes in the CTP valuation was the addition of an uncertainty provision and provision for hospital disputes at the reporting date. Both the provisions were deemed an appropriate approach to manage the risk of reserve inadequacy, particularly in light of:

- The extra-ordinary volatility experienced in the reserving environment;
- Disputes with hospital providers related to prior treatments.

The key change in the PTP relates to the expense and loss ratio assumptions. Throughout the year, the actual experience is monitored regularly and assumptions adjusted in the event of material deviation from the expected position. Over the year the business observed significant increase in its expenses incurred and decrease in loss ratios. In light of this experience these assumptions were updated and resulted in an overall £1,295k increase in the PTP liability. Included in the expense change was the allowance for expected fees payable for FinRe.

D.2.7 Uncertainty associated with the value of technical provisions

Over the past 2 years, the actual CTP experience has shown significant deviations from the actuarial model results. This level of volatility is driven by the migration the business underwent over the prior years. This resulted in significant changes in invoice processing speeds and correspondingly resulted in a volatile CTP. An uncertainty provision (noted in D.2.5) has been set up in light of this uncertainty.

D.2.8 Differences between Solvency II valuation and local GAAP/IFRS valuation of Technical Provisions analysed by each material line of business

The table below shows a build-up from the IFRS valuation of insurance contract liabilities to the Solvency II technical provisions, split by line of business, at 30 June 2017:

£'000	Jun-17
Gross IFRS Insurance contract liabilities*	**74,199**
Adjustment to SII	*(32,498)*
SII Gross Technical Provisions	**41,701**
Gross claims technical provision	*38,499*
Gross premium technical provision	*(2,638)*
Risk Margin	*5,840*
Total RI recoverables	**(6,228)**
SII - Net TPs	**35,473**

** The total IFRS unearned premium reserve is netted down by the corresponding portion of it's premiums debtors (£198,093k as per Section D).*

The main differences between the Solvency II and IFRS liabilities arise from:

- Solvency II allowing for future profits on inforce contract where IFRS values this at nil;
- Solvency II classifies cash back reserves in its technical provision where IFRS treats this as payable;
- Other minor adjustment related to different treatment of claims handling provision and the use of discounting
- Solvency II technical provision includes a risk margin

D.2.9 Recoverables from reinsurance contracts and special purpose vehicles

The value of the recoverables (Share of reinsurers including Finite Reinsurance and SPV's) are made up of:

- A small amount of basic quota share arrangements exist on a legacy part of the health insurance portfolio and are taken into account in the technical provisions.
- The financial reinsurance treaties taken made up of one cash-based Finite Reinsurance treaty in place and five 'cashless' treaties. Under Solvency II, the financing income received from the treaties are included in the balance sheet assets while the corresponding 'deficit balance' is recognized as a liability on the balance sheet. The treaties extend past the contract boundaries of the underlying policies and consequently part of the deficit balances and recoverables are apportioned to the technical provisions with the remainder included in reinsurance payables.

D.3 OTHER LIABILITIES

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

D.3.1.1 Insurance & intermediaries payables

Insurance & intermediaries payable consists of claims outstanding and intermediaries payables and at the reporting date had a solvency valuation of £5,431k. The material portion of this balance, which will be analysed here, is the claims outstanding amount of £5,264k.

The claims outstanding amounts are valued at fair value and therefore the Solvency II valuation meets Article 10(4) of the Delegated Regulation. The claims that populate claims outstanding are system generated, where on authorisation the system includes the claim in claims outstanding. The inputs to this valuation are claims reports and approvals from employees and therefore there is not deemed to be a high level of judgment in the valuation approach. There is also little future uncertainty of the economic outflow as the amount is paid within a month of the claim being authorised and as such the liability is not discounted. From experience, when claims are paid the amount does not differ materially to the original valuation.

D.3.1.2 Reinsurance payables

The FinRe contracts taken out by the Company are aimed for IFRS purposes. Under Solvency II, the overall best estimate valuation of future income and outgo (excluding expenses / fees to the reinsurer) is assumed to hold a nil value. This valuation is deemed consistent with the SII principle in the PRA Rulebook for Solvency II firms. Per Article 2.1(2) of the Valuation section of the Rulebook liabilities should be valued "*at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.*"

The balance owed to reinsurers at the end of the reporting period was £8,513k as shown in line 'Reinsurance payables' in the Solvency II balance sheet. £5,115k of this is related to the corresponding asset set up for the Reinsurance recoverables and is valued in line with methodology specified under D.1.1.6 in order to reflect the nil valuation / cash flow position of the FinRe contracts.

A further £2,863k liability is set up to reflect the cash FinRe repayments. This is valued assuming only the repayment element of the contract and excludes the contract fees which are included in the expense basis of the PTP as outlined in Section D.1.1.6.

D.3.1.3 Payables (trade, not insurance)

Payables (trade, not insurance) are valued at the fair value of the payables at the reporting date. The material items within the year-end balance of £26,515k are Insurance Premium Tax (IPT) payable and intercompany payables owed to other group companies. There are no differences between the Solvency II valuation and that of the financial statements. IPT payable is valued on the written premiums of the period. The IPT balance and VCSL intercompany balance were settled shortly after the reporting date and therefore the valuation is not adjusted for uncertainty over timing. From past experience, the final settled amount of the liabilities does not deviate materially from the original valuation.

D.3.1.4 Subordinated liabilities

Under IFRS, subordinated debt is valued either on an amortised cost basis or at nominal value. Under Solvency II, subordinated debt is valued on a fair value basis, with changes in own credit standing removed for subsequent measurement. A discounted cash flow model using the risk-free rate plus initial credit spread relevant to the subordinated debt has been used to assess the fair value. At 30 June 2017 there is no material difference between the IFRS valuation and the Solvency II valuation and therefore no adjustment was made on the valuation in the financial statement.

D.4 ALTERNATIVE METHODS OF VALUATION

There are no alternative methods of valuation used by the Company to value assets or liabilities. All investments are valued using quoted market prices or are cash investments.

D.5 VALUATION FOR SOLVENCY PURPOSES – ANY OTHER INFORMATION

No other information is provided.

E CAPITAL MANAGEMENT

E.1 OWN FUNDS

E.1.1 Objectives, policies and processes for managing Own Funds

The objective of own fund management is to hold sufficient capital to ensure the SCR ratio is within risk appetite. The Company's available own funds, eligible own funds and ratio of eligible own funds over SCR and MCR are disclosed in QRT S.23.01.01. 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.1.1 General Information on the System of Governance and ultimately rest with the Vitality Health Board. 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 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.

E.1.2 Summary of Own Funds

The below table shows VHL's own funds which represents the net assets valued on a Solvency II basis (inclusive of subordinated liabilities allowable under Solvency II).

Own Funds	Section	30 June 2017
Assets	D.1	204,823
Liabilities	D.2 and D.3	104,277
Net Assets		**100,546**
Subordinated Liabilities	D.3.1.4	22,116
Available Own Funds	**E.1.3**	**122,662**
Capital Tiering Restrictions	E.1.3	(1,723)
Eligible Own Funds	**E.1.3**	**120,939**

The £5,074k increase in eligible own fund is driven by the £16,146k external injection of Own Funds received over the year through:

- Capital injection from Vitality Health Insurance Limited of £8,700k; and
- Increase subordinated loans of £7,446k (majority which relates to the new issuance in December 2016).

These additional EOF injections were reduced by £11,134k from ongoing business activities where new business strain incurred creates an overall reduction in the Own Fund position.

E.1.3 Own Funds classification by tiers

The table below shows the Eligible Own Funds including the analysis of change over the year:

30 June 2017	Tier 1 - Unrestricted	Tier 1 - Restricted	Tier 2	Tier 3	Total
Ordinary share capital	4,013	-	-	-	4,013
Share premium	397,238	-	-	-	397,238
Reconciliation reserve	(314,941)	-	-	-	(314,941)
Subordinated debt	-	-	22,116	-	22,116
Deferred tax asset eligible for Own Funds covering SCR	-	-	-	12,514	12,514
Total eligible own funds to meet SCR	86,309	-	22,116	12,514	120,939
Less: Restrictions on eligible own funds to meet MCR	-	-	(17,945)	(12,514)	(30,459)
Total eligible own funds to meet MCR	86,309	-	4,171	-	90,481

30 June 2016 (note that 2016 values are unaudited)	Tier1-Unrestricted	Tier1-Restricted	Tier2	Tier3	Total
Ordinary share capital	3,926	-	-	-	3,926
Share premium	388,625	-	-	-	388,625
Reconciliation reserve	(303,789)	-	-	-	(303,789)
Subordinated debt	-	-	14,670	-	14,670
Deferred tax asset eligible for Own Funds covering SCR	-	-	-	12,415	12,415
Total eligible own funds to meet SCR	88,761	-	14,670	12,415	115,846
Less: Restrictions on eligible own funds to meet MCR	-	-	(10,531)	(12,415)	(22,947)
Total eligible own funds to meet MCR	88,761	-	4,138	-	92,900

Analysis of Change	Tier1-Unrestricted	Tier1-Restricted	Tier2	Tier3	Total
Ordinary share capital issued	87	-	-	-	87
Share premium issued	8,613	-	-	-	8,613
Reconciliation reserve	(11,152)	-	-	-	(11,152)
Subordinated debt	-	-	7,446	-	7,446
Deferred tax asset eligible for Own Funds covering SCR	-	-	-	98	98
Total movement in Eligible Own Fund to meet SCR	(2,452)	-	7,446	98	5,093
Less: movement in restriction on eligible own funds to meet SCR	-	-	(7,414)	(98)	(7,512)
Total movement in Eligible Own Fund to meet MCR	(2,452)	-	33	-	(2,419)

E.1.3.1 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 Limited issued 87,000 ordinary shares of £1 each and carried a share premium of £99 which were all purchased by Vitality Health Insurance Limited. The shares were issued on the following dates: 31 March 2017 (25,000) and 30 June 2017 (62,000)"

The reconciliation reserve comprised of:

£000s	30-Jun-17	30-Jun-16 (unaudited)	Movement
Solvency II excess of assets of liabilities	100,546	103,128	(2,582)
Other basic own fund items	415,486	406,916	8,570
Reconciliation reserve	**(314,941)**	**(303,789)**	**(11,152)**

Basic own fund items comprised of:

£000s	30-Jun-17	30-Jun-16 (unaudited)	Movement
Ordinary Share Capital	4,013	3,926	87
Share Premium	397,238	388,625	8,613
Net deferred tax asset	14,236	14,366	(130)
Total basic own fund items	**415,486**	**406,916**	**8,570**

E.1.3.2 Tier 2:

Subordinated liability:

Total available tier 2 own funds consists of a £22,116k subordinated liability at the reporting date. £15,326k of the subordinated liability is a basic own fund item subject to transitional arrangements (see section E.1.7). A long term subordinated loan has been provided to the Company by Vitality Health Insurance Limited. The loan is repayable in December 2020, and accrues interest at a floating rate of 400 basis points over 3 month LIBOR. The subordinated loan is available, fully subordinated and forms a part of basic own funds.

£6,790k of the subordinated liabilities relate to new subordinated debt - issued on the 31 December 2016. This is a long term subordinated loan provided to the Company by Discovery Holding Europe Limited. The loan is repayable in January 2027, and accrues interest at a floating rate of 465 basis points over 3 month LIBOR. The subordinated loan is available, fully subordinated and forms a part of basic own funds. This was approved by the PRA to be included in VHL EOF effective at the 31 December 2016.

E.1.3.3 Tier 3:

Total available tier 3 own funds consist of the net deferred tax assets. 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. 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.1.4 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The limits on eligible tier 3 capital per Article 82 of the Delegated Regulation are the only restrictions on available own funds to meet the SCR. Total available tier 3 own funds to meet the SCR are £14,236k. The available tier 3 own funds to meet the SCR is reduced to £12,513k due to the limit of 15% of the SCR, a reduction of £1,722k. This leaves total eligible own funds to meet the SCR of £120,939k.

The eligible own funds over SCR ratio was 144.9% as at 30 June 2017.

E.1.5 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The total available own funds to meet the MCR are £108,425k. Tier 3 own funds cannot form part of total available own funds to meet the MCR. Article 82 of the Delegated Regulation limits tier 2 items to 20% of the MCR and therefore this reduces the tier 2 own fund items by £22,116k to £4,171k. The total eligible own funds to meet the MCR are £90,481k, with each tier contributing the following: tier 1 unrestricted £86,309k and tier 2 £4,171k.

The eligible own funds over MCR ratio was 433.8% as at 30 June 2017.

E.1.6 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 £201,513k as at 30 June 2017. Excess over liabilities as calculated for solvency was £100,545k. There are no differences between ordinary share capital or share premium related to ordinary share capital in the financial statements and the amount reported in basic own funds. The difference of £100,967k 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 solvency 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 Delegated Regulation. The summary of taxed adjustments to the Statutory Accounts Value to give the solvency II value [S.02.01.01.C0010] are listed below:

£'000	**June 17**
IFRS Net Asset Value	**201,513**
Add - Move to SII technical provision	33,176
Remove – Benefit of financial reinsurance under IFRS	(104,479)
Remove - Benefit of deferred acquisition cost under IFRS	(29,222)
Remove - Other minor IFRS asset e.g. Pre-paid expenses	(442)
Total SII Excess Asset over Liabilities	**100,546**

E.1.7 Basic own-fund items subject to transitional arrangements

The tier 2 subordinated loan described in section E.1.2 is subject to the transitional arrangements.

The subordinated loan agreement consists of 4 tranches that were issued during the year to 30 June 2012 and is valued at £15,326 at the reporting date. The loan is repayable on 31 December 2020 and that is also the first and only call date. While the duration would ordinarily be insufficient to meet the requirements for classification as tier 2 basic own funds, the loan is eligible for transitional recognition.

The subordinated loan agreement was signed prior to 18 January 2015 and was recognised as lower tier 2 capital as at 31 December 2015 and therefore, per Article 4.2 of the Transitional Measures section of the Rulebook, the Company must include the item in tier 2 own funds for up to 10 years after 1 January 2016.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the SCR and MCR year-end positions for 30th June 2017:

£'000	June 17
SCR	83,426
MCR	20,856

The overall SCR and MCR have increased slightly. This is in line with expectation of the business growth over the period. The next section outlines the movement in each risk module further.

E2.2 Solvency Capital Requirement split by risk modules

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	1,901
Counterparty default risk	5,550
Health underwriting risk	69,098
Diversification	(5,334)
Operational risk	12,211
SCR	83,426

The SCR has remained relatively stable over the period. The £416k increase has been driven by the movement of the following:

- £2,326k reduction in counterparty default risk. This is a result of decreasing debtors on VHL's balance sheet. This is in line with the reduced debtor balances over the period;
- £1,500k increase in Health underwriting risk driven by the general growth in the business as observed in the greater earned premium.
- £1,745k decrease due to less diversification caused by less spread of risks in the business compared to prior year. Particularly the relatively higher concentration in the Health Underwriting Risk module.

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

Under Article 314(1b) of the Delegated Regulation a transitional information requirement is necessary whereby a qualitative analysis between the Solvency II regime and the old solvency regime is performed. The Company is not required to perform day one reporting, as it has a year-end date of 30 June. As at 1 July 2015 there were a number of material differences between the Solvency I regime and the Solvency II regime. These are discussed below and fall under the following areas: technical provisions, prepayments and deferred acquisition costs, financial liabilities and deferred tax. All other material assets and liabilities in the Solvency II balance sheet are treated the same and valued in the same way under the previous regime and the current regime at the opening balance sheet date.

The IFRS technical provisions are removed and replaced with the technical provisions as calculated under a Solvency II basis, which is covered in the above 'Valuation' section for those liabilities. This includes the removal of the unearned premium reserve, claims handling provision and claims outstanding provision. This is somewhat offset by adjusting for any unearned premiums in premium outstanding, leaving just the premium receivable at that time for premiums due from quarterly and monthly paying policyholders. The IFRS calculated claims reserves and unearned premium are effectively replaced by the Solvency II valuation of gross CTP and PTP respectively. The Solvency II risk margin is also applied.

Prepayments which form part of 'receivables (trade, not insurance)' and 'deferred acquisition costs' in are available under Solvency I but under Solvency II are restricted by Article 75 of the Directive. As there is no available market for the deferred acquisition costs and the majority of prepayments – these are removed from their respective asset classes in the Solvency II balance sheet.

Reinsurance based financing, detailed in section A.4.1.2, was recognised under Solvency I using insurance accounting under IFRS 4 Insurance Contracts. This is valued as a financial liability in line reinsurance payables under Solvency II due to the reinsurance being financing in nature.

Finally deferred tax is not available under Solvency I at the value recorded in the financial statements, however is available under Solvency II and falls under tier 3 basic own funds. The available deferred tax asset under Solvency II is restricted to the value that has been recognised in the financial statements if, following taxed Solvency II adjustments of other balances, the deferred tax asset increases. The deferred tax asset is then further reduced by the eligibility limits on available own funds explained in detail in section E.1.3 and E.1.4.

F.2 OTHER ADDITIONAL VOLUNTARY INFORMATION

The Company has no other voluntary material information to disclose.

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

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H APPROVAL BY THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY (AMSB) OF THE SFCR AND REPORTING TEMPLATES

Vitality Health 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: 23 October 2017

I EXTERNAL AUDIT REPORT

Report of the external independent auditors to the Directors of Vitality Health 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 Limited

Solvency and Financial Condition Report

Disclosures

30 June

2017

(Monetary amounts in GBP thousands)

General information

Undertaking name	Vitality Health Limited
Undertaking identification code	213800D5I9HUP34WJ971
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	14,236
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)	119,179
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	10,788
R0140	*Government Bonds*	874
R0150	*Corporate Bonds*	9,914
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	84,784
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	23,607
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	6,228
R0280	*Non-life and health similar to non-life*	6,228
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	6,228
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	11,647
R0370	Reinsurance receivables	689
R0380	Receivables (trade, not insurance)	272
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	52,571
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	204,823

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	41,702
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)*	41,702
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	35,862
R0590	*Risk margin*	5,840
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	5,431
R0830	Reinsurance payables	8,513
R0840	Payables (trade, not insurance)	26,515
R0850	Subordinated liabilities	22,116
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	22,116
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	104,277
R1000	**Excess of assets over liabilities**	100,546

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	431,150																431,150
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	52,577																52,577
R0200	Net	378,572																378,572
	Premiums earned																	
R0210	Gross - Direct Business	407,018																407,018
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	76,745																76,745
R0300	Net	330,273																330,273
	Claims incurred																	
R0310	Gross - Direct Business	253,969																253,969
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	58,176																58,176
R0400	Net	195,794																195,794
	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**	119,693																119,693
R1200	**Other expenses**																	
R1300	**Total expenses**																	119,693

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	431,150						431,150
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	52,577						52,577
R0200	Net	378,572	0	0	0	0	0	378,572
	Premiums earned							
R0210	Gross - Direct Business	407,018						407,018
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	76,745						76,745
R0300	Net	330,273	0	0	0	0	0	330,273
	Claims incurred							
R0310	Gross - Direct Business	253,969						253,969
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	58,176						58,176
R0400	Net	195,794	0	0	0	0	0	195,794
	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**	119,693						119,693
R1200	**Other expenses**							
R1300	**Total expenses**							119,693

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	-2,638																-2,638
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-457																-457
R0150	**Net Best Estimate of Premium Provisions**	-2,181																-2,181
	Claims provisions																	
R0160	Gross	38,500																38,500
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	6,686																6,686
R0250	**Net Best Estimate of Claims Provisions**	31,814																31,814
R0260	**Total best estimate - gross**	35,862																35,862
R0270	**Total best estimate - net**	29,633																29,633
R0280	**Risk margin**	5,840																5,840
	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**	41,702																41,702
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	6,228																6,228
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	35,473																35,473

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	6	0	0	0	0		0	6
R0170	N-8	0	0	0	0	9	2	0	0	0			0	10
R0180	N-7	0	0	0	36	30	10	0	0				0	76
R0190	N-6	0	0	234	53	20	5	0					0	313
R0200	N-5	0	8,045	223	34	512	0						0	8,815
R0210	N-4	91,676	10,721	196	45	400							400	103,038
R0220	N-3	116,695	17,081	381	62								62	134,218
R0230	N-2	172,426	55,868	1,064									1,064	229,358
R0240	N-1	233,377	32,209										32,209	265,585
R0250	N	225,775											225,775	225,775
R0260												**Total**	259,509	967,196

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	0	0	0	0	0			0
R0180	N-7	0	0	0	6	0	0	0	0				0
R0190	N-6	0	0	42	3	0	0	0					0
R0200	N-5	0	275	31	0	2,594	0						0
R0210	N-4	11,953	179	19	1	1,809							1,787
R0220	N-3	17,216	210	33	0								0
R0230	N-2	50,754	503	1,492									1,491
R0240	N-1	40,573	2,855										2,850
R0250	N	31,787											31,743
R0260												**Total**	37,871

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)	4,013	4,013		0	
R0030	Share premium account related to ordinary share capital	397,238	397,238		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	-314,941	-314,941			
R0140	Subordinated liabilities	22,116		0	22,116	0
R0160	An amount equal to the value of net deferred tax assets	14,236				14,236
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				
R0290	**Total basic own funds after deductions**	122,662	86,309	0	22,116	14,236
	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	122,662	86,309	0	22,116	14,236
R0510	Total available own funds to meet the MCR	108,426	86,309	0	22,116	
R0540	Total eligible own funds to meet the SCR	120,939	86,309	0	22,116	12,514
R0550	Total eligible own funds to meet the MCR	90,481	86,309	0	4,171	
R0580	**SCR**	83,426				
R0600	**MCR**	20,856				
R0620	**Ratio of Eligible own funds to SCR**	144.97%				
R0640	**Ratio of Eligible own funds to MCR**	433.83%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	100,546
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	415,486
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-314,941
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	41,897
R0790	**Total Expected profits included in future premiums (EPIFP)**	41,897

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	1,901		
R0020	Counterparty default risk	5,550		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	69,098		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-5,334		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	71,215		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	12,211
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**	83,426
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	83,426
	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	18,243

		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	29,633	358,516
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	18,243
R0310	SCR	83,426
R0320	MCR cap	37,542
R0330	MCR floor	20,856
R0340	Combined MCR	20,856
R0350	Absolute floor of the MCR	2,251
R0400	**Minimum Capital Requirement**	20,856