SOLVENCY AND FINANCIAL CONDITION REPORT

VITALITY LIFE LIMITED

FOR THE YEAR ENDING

30 JUNE 2016

CHANGING LIFE INSURANCE FOR GOOD

Vitality LIFE INSURANCE

Contents

1 Summary

1.1 Business and performance summary

Company background

Vitality Life Limited ("the Company", "VLL", "VitalityLife") is a United Kingdom ("UK") regulated entity authorised to carry out long term insurance business. The ultimate parent company, Discovery Limited ("Discovery"), is an established and successful international insurance group. Its UK long term insurance presence, 'VitalityLife', was launched in 2007 as 'PruProtect', a joint venture with The Prudential Assurance Company Limited ("PAC"). In November 2014 Discovery acquired the shares held by PAC and now owns 100% of Vitality Life Limited.

Following the termination of the joint venture, PruProtect was rebranded as 'VitalityLife' ("VL"). Communications took place to make existing customers aware of the new Vitality brand. A major marketing programme was also undertaken to promote the brand in the market place.

On 23 December 2015, Vitality Life Limited received authorisation from the Prudential Regulatory Authority ("PRA") to write long term insurance business. Hence in 2016 VLL started to issue policies itself (until that point policies had been issued by PAC and continue to be liabilities of PAC). In this document, "PruProtect business" will refer to the contracts for which Discovery owns the economic interest but which are currently liabilities of PAC. This PruProtect business will be transferred to VLL via a Part VII (of the Financial Services and Markets Act 2000) transfer by November 2019, subject to the relevant legal and regulatory approvals. The scope of this Solvency and Financial Condition Report ("SFCR") is Vitality Life Limited. Hence unless explicitly stated otherwise, only business written in VLL will be relevant to this report.

The Vitality model

VitalityLife is a UK life insurance and income protection provider, and is part of the Discovery Group, one of the leading providers of insurance solutions in the world, operating in 14 global markets, and impacting 6.9 million lives worldwide.

At the centre of the VitalityLife 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, VitalityLife benefits from reduced claims from a healthier member base; Vitality members benefit from the resultant lower premiums, as well as improved health, access to a wide range of partners and rewards; while society benefits from a reduced healthcare burden on the state, as well as a more healthy and productive population. In addition, policyholders can also select the Vitality Optimiser ("VO") option, which provides an initial premium discount compared to policyholders who do not select VO. The VO policyholders' future protection premiums then change annually at a rate which is linked to their Vitality status.

VitalityLife 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 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 and cinema tickets. The behavioural impact of Active Rewards has been unprecedented, with an 8-fold increase in the number of members reaching their weekly activity targets since its introduction.

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 four years been running - with academic and research support from the 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, 400 organisations and approximately 100,000 individuals have taken part, making this the largest and most comprehensive study 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 including the Vitality Run Series, RSPCA Big Walkies with Vitality and the recently launched VitalityMove 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 Olympics and continuing to build momentum through our channels. Everyday Athletes 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 two new brand Ambassadors, Joe Root and Maro Itoje, 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 review

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 £5,169k, with annual premium equivalent ("APE") sales of £26,965k.

VLL started trading on its own licence on 1 January 2016. Investment in a number of sponsorship initiatives is continuing to increase Vitality brand awareness and the Company is well-placed to capitalise on this in the foreseeable future.

The Company utilises reinsurance to limit its overall risk exposure as well as to reduce the volatility of its claims and hence underwriting performance. This is of particular importance since it only started underwriting policies in 2016 and hence the overall volume of business to date is small. During the reporting period VLL entered into five material reinsurance arrangements that remain effective at 30 June 2016.

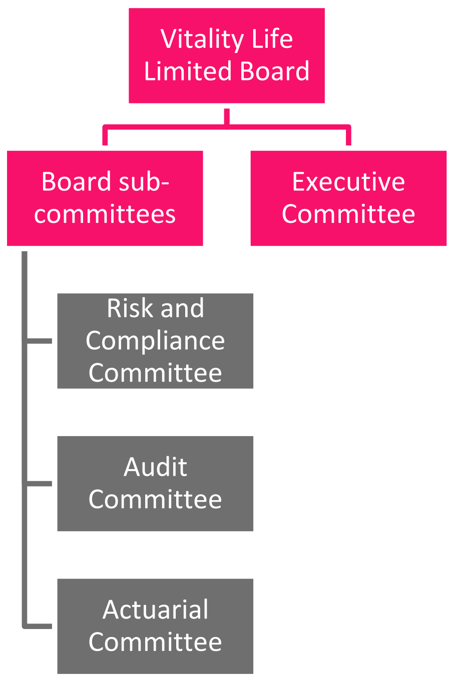
The Company's assets are prudently invested, providing access to funds at short notice taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. The assets are comprised of cash invested in collective investment undertakings (highly liquid short-term money market funds) and cash held in bank accounts.

1.2 System of governance summary

The Company has a unique entrepreneurial spirit with a strong emphasis on innovation. The Board of Directors ("Board") has the responsibility to preserve these special attributes, while at the same time ensuring that the principles of sound uncompromising good governance are observed.

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

Overview of the Board and sub-committees



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

The 1st Line of Defence – Business Management

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

The 2nd Line of Defence – Oversight

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

The 3rd Line of Defence – Assurance

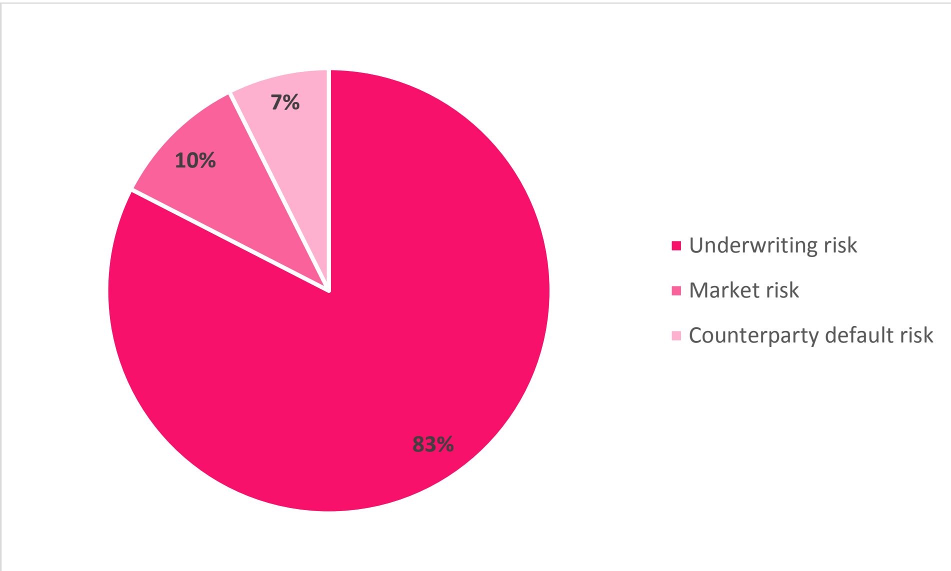
The third line of defence comprises of the Company's independent assurance functions, i.e. internal and external audit, that provide an independent and balanced view of the effectiveness of the first and second line functions as defined above.

The Company ensures that all persons, who effectively run the Company or have other key functions, 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 the Company has not changed materially in the year to 30 June 2016. 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.

1.3 Risk profile summary

Vitality Life Limited writes long term protection business which provides the core benefits of life, serious illness and income protection cover to policyholders, either for whole of life or a specified term. The resulting standard formula basic Solvency Capital Requirement ("SCR") risk profile for VLL is shown below.



Underwriting risk is the main standard formula SCR risk. The mortality and morbidity risks are mitigated through the use of quota share reinsurance arrangements with a retention limit and hence the material underwriting risk is lapse risk. Market risk as a component of the SCR is small relative to the underwriting risk component. Writing whole of life business means there is exposure to a reduction in interest rates.

Given the nature and duration of VLL's book of business, the best estimate liabilities ("BEL") and hence technical provisions are currently negative. The assets are therefore held primarily to meet operational and new business funding liquidity requirements as well as any solvency capital 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 reinsurance is spread across different reinsurers with high credit ratings, and the banks are highly creditworthy.

1.4 Valuation for solvency purposes summary

The valuation of assets and liabilities for Solvency II purposes is the same as IFRS except for:

- differences in the valuation of technical provisions and associated reinsurance recoverables;
- the financial statements include intangibles under assets, which are valued at zero under Solvency II.

These differences are summarised below:

	£000
Total equity in financial statements	108,635
Adjustments for Solvency II:	
Difference in technical provisions (net of reins)	(6,392)
Difference in value of intangibles	(577)
SII value of assets over liabilities	**101,126**

1.5 Capital management summary

The SCR coverage ratio at 30 June 2016 position was 295%, with own funds of £101,126k and a Solvency Capital Requirement ("SCR") of £34,274k. Solvency coverage was high due to the small volume of business relative to the initial capitalisation of the Company. The Company received initial capital from its parent company of £80,000k in December 2015, and a further £24,500k has been injected during the reporting period.

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

A Business and Performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Vitality Life Limited ("the Company", "VLL") is incorporated in the United Kingdom and is a company limited by shares. The address of the registered office is:

3 More London Riverside
London
SE1 2AQ

This Solvency and Financial Condition Report ("SFCR") covers Vitality Life Limited on a solo basis.

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

The Company is an undertaking of:

a) Discovery Group Europe Limited ("DGEL"), the ultimate insurance holding company which has its head office in an EEA State, the United Kingdom; and
b) Discovery Limited, the ultimate insurance holding company, which does not have its head office in an EEA State, the Republic of South Africa.

The group supervisor of Discovery Group Europe Limited is the PRA.

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 applied for a waiver, effective 1 January 2016, from the PRA modifying the PRA Rulebook on Group Supervision to use another method. This method requires that the Company must provide certain information to the PRA, including the following information sent to the South African Financial Services Board prepared using the South African Solvency Assessment and Management regime basis:

a) Discovery Limited group solvency quantitative reporting templates;

b) At least annually, the Discovery Limited Group Own Risk and Solvency Assessment Report, or equivalent document, and a supporting note summarising the areas that focus upon Discovery Group Europe Limited and its subsidiaries; and

c) At least annually, the Discovery Limited group annual report and, if not included in that report, a supporting note detailing the governance measures applicable to the group.

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 PRA and they can be contacted at:

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

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:

a) 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 Life Limited and was able to exercise 100% of the voting power at any general meeting.
b) Discovery Group Europe Limited - a limited company incorporated in the United Kingdom. As at the reporting date, Discovery Group Europe Limited owned 98.9% of the shares of Discovery Holdings Europe Limited, a company of which Vitality Life Limited is a subsidiary undertaking and was able to exercise 98.9% of the voting power at any general meeting. However, 100% of Discovery Holdings Europe Limited was consolidated at the Discovery Group Europe Limited group level and the Discovery Limited group level due to the nature of the 1.1% of shares owned by other parties.
c) 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, a company of which Vitality Life Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.

The ultimate controlling party of the Company is Discovery Limited, a public limited company incorporated in the Republic of South Africa.

A.1.3 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.1.5 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 immediate parent undertaking of the Company is Discovery Holdings Europe Limited. A list of related undertakings within the Discovery Group Europe Limited group including the name, legal form, country, participating undertaking, proportion of ownership interest held by the participating undertaking and proportion of voting rights held by the participating undertaking 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	98.9%	98.9%
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%

The simplified 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.

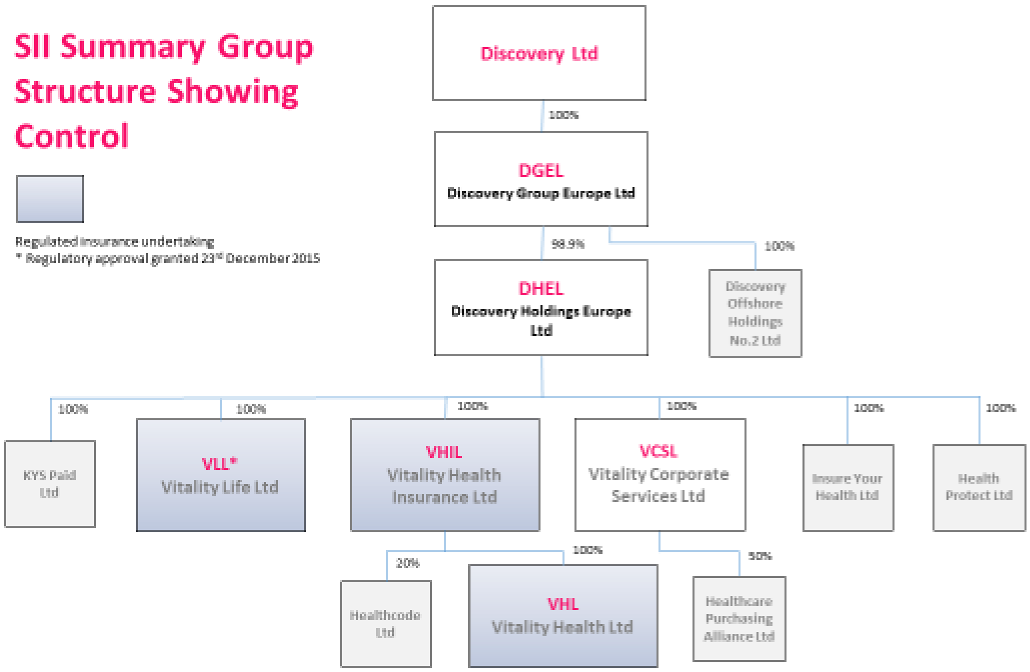


Figure 1 – Summary group structure

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

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

DHEL, the holdings company, owns three regulated insurance entities (VLL, Vitality Health Limited and Vitality Health Insurance Limited). It also owns a services company, Vitality Corporate Services Limited ("VCSL"); a distributor (Insure Your Health Limited ("IYHL"), which is an appointed representative of VCSL); a dormant company Health Protect Limited ("HPL"); and a leads generating business 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 between Nuffield, Axa, Bupa, Aviva and VitalityHealth - VHIL owns 20% of Healthcode. Its purpose is to develop and host a payment system that is used by the joint venture partners to make payments to hospital groups. It is not a regulated insurance entity, and thus has no capital requirements.

VCSL owns 50% of Healthcare Purchasing Alliance Limited ("HPA"), which is a joint venture between Vitality Health and Aviva Health, responsible for negotiating hospital tariffs with private hospitals in the UK. It is not a regulated insurance entity and thus has no capital requirements.

VCSL provides a number of services to Vitality Life Limited, including paying for the cost of the Vitality Programmes and holding all employment contracts and managing the payroll.

A.1.6 Material lines of business and geographical areas

Vitality Life Limited's primary business is long-term insurance business providing death, serious illness and disability cover. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Under IFRS (and also for management reporting purposes), all business is considered to be one type of business, namely 'protection business'.

For SII purposes, the Company's protection business includes life insurance obligations that fall into two of the defined Solvency II lines of business:

(i) Other Life Insurance ("Other Life")
(ii) Health insurance similar to Life ("Health SLT")

These SII lines of business are used when reporting the premium, claims, expenses and technical provisions in the SII QRTs.

The business is all conducted in the United Kingdom.

A.1.7 Significant business events during the reporting period

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

A.2 Underwriting Performance

Vitality Life Limited received authorisation from the PRA to write long term insurance business on 23 December 2015, and commenced trading on 1 January 2016. Hence no prior period comparatives are available for the results discussed below.

Since the Company prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis.

The Company utilises reinsurance to limit its overall risk exposure as well as to reduce the volatility of its claims and hence underwriting performance. This is of particular importance since it only started underwriting policies in 2016 and hence the overall volume of business to date is small. During the reporting period VLL entered into five material reinsurance arrangements that remain effective at 30 June 2016.

The table below shows the Company's premiums, claims and expenses split by SII lines of business for the period ended 30 June 2016:

Period ended 30 June 2016	Other Life £'000	Health SLT £'000	Total £'000
Gross Premiums	4,825	919	**5,745**
Reinsurers' share of premiums	(807)	(154)	**(961)**
Gross Claims	(654)	(85)	**(739)**
Reinsurers' share of claims	337	44	**381**
Expenses	(57,379)	(10,671)	**(68,050)**

On an IFRS basis, the movement in insurance contract reserves (after allowing for the reinsurers' share) was £(40,262)k. The Company's reserves are negative overall due to the nature and duration of its book of business. The setting up of these negative reserves therefore results in a £40,262k contribution to pre-tax IFRS profit.

The Company uses reinsurance financing to help offset the financial strain of writing new business, which is then repaid in future periods contingent on policyholders' premium payments. The net income from reinsurance financing during the period was £29,056k, which, in the Company's financial statements, is offset against expenses.

Hence, the reconciliation from the SII information reported in QRT S.05.01 to pre-tax IFRS profit is as follows:

Period ended 30 June 2016	Total £'000
Gross Premiums	5,745
Reinsurers' share of premiums	(961)
Gross Claims	(739)
Reinsurers' share of claims	381
Expenses	(68,050)
Reinsurance financing	29,056
Movement in insurance contract reserves	40,262
Other income and expenses	(525)
Pre-tax IFRS profit	**5,169**

A.3 Investment Performance

A.3.1 Income and expenses arising from investments by asset class

The assets invested by the Company fall into the following asset classes:

1. **Collective Investment undertakings** £60,146k

The Company has invested in short-term money market funds, which provide access to a diversified pool of high credit quality assets. In the period ended 30 June 2016 the Company received interest on these assets of £146k. The fund management fees per annum range from 0.05% to 0.15% of funds under management.

2. **Cash and cash equivalents: Bank deposits** £29,813k

The income arising from bank deposits totalled £45k in the period ended 30 June 2016. This amount represents interest received on the balances held in UK and South African bank accounts. No material expenses were incurred in respect of these assets.

A.4 Performance of Other activities

A.4.1 Other material income and expenses

Reinsurance based financing is an important part of the Company's funding strategy, alongside shareholder and other forms of capital. Financing is obtained to offset the total strain of writing new business, and this financing is then repaid in future periods, with the repayment of the reinsurance financing contingent on policyholders' premium payments. The net amount of reinsurance financing received in the period to 30 June 2016 was £29,056k.

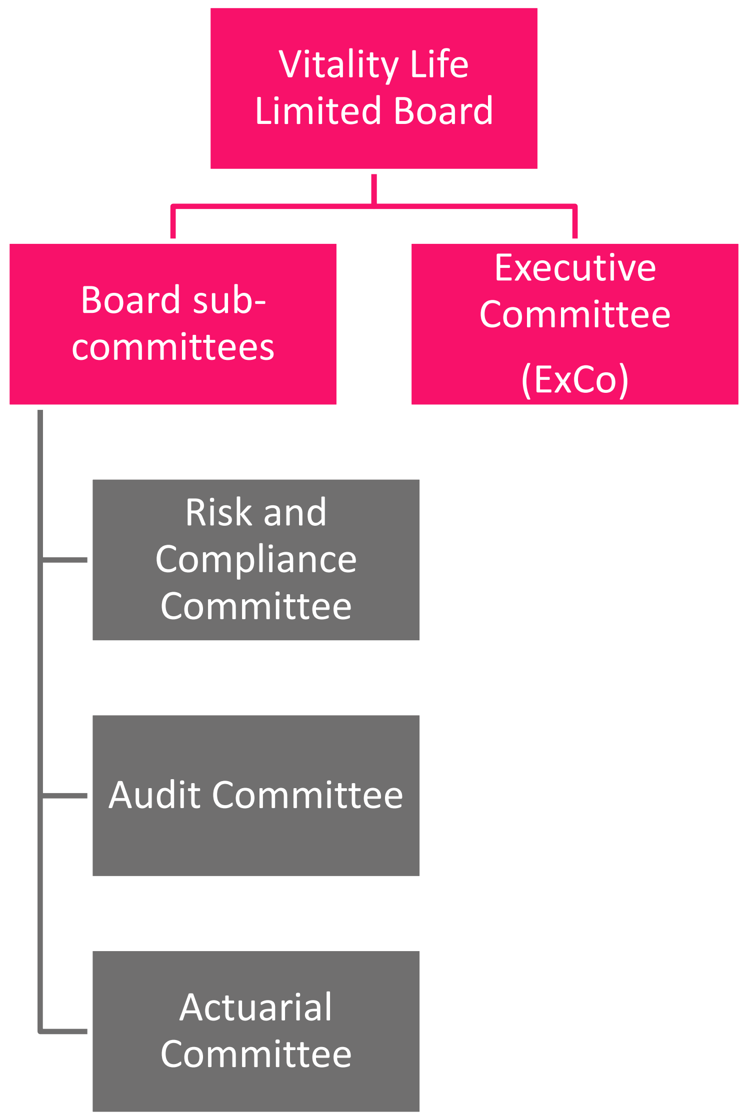
B System of Governance

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

It is the Board's responsibility to:

- Ensure that the Company operates within an established framework of an effective system of internal control, risk management and compliance;
- Ensure that the solvency capital requirements and minimum capital requirements are maintained at all times;
- Validate that the Standard Formula is appropriate for the Company and the output from it is used effectively;
- Ensure that the values of the company are established and known throughout the Company;
- Determine the strategy and approve the business plan;
- 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 and Compliance Committee

The Risk and Compliance 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 and IT Governance Framework.

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 Heads of Risk and Compliance without members of management present.

The responsibilities of the Risk and Compliance Committee are to:

- Ensure that independent, effective and sufficiently resourced Risk Management and Compliance functions are established and that these functions operate effectively as the second line of defence;
- Review and assess the adequacy and effectiveness of the risk and compliance management systems across the Company;
- Review and recommend the approval of the risk management, compliance and governance policies across the Company;
- Determine the likelihood and impact of risk that the Company is prepared to accept. This includes primary responsibility for recommending risk appetites;
- Formulate risk management strategies for the business;
- Review Capital and Solvency matters; and

- Communicate the aggregate risk position and capital adequacy position to the Board, and supporting communication with external stakeholders, including the PRA, Financial Conduct Authority ("FCA") and shareholders.

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 Heads of Risk and Compliance without members of management present.

The responsibilities of the Audit Committee are to:

- Review financial statements and make recommendations to the Board;
- Review any significant matters raised by the internal and external auditors;
- Review the accounting policies;
- Review the effectiveness and appropriateness of the system of internal financial controls;
- Review the scope of work (risk analysis and audit plan) of the external and internal auditors;
- Review the effectiveness and economic service of external and internal auditors; and
- Escalate issues where appropriate to the Board.

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

The responsibilities of the Actuarial Committee are to:

- Ensure that all relevant actuarial risks within the Company are identified and analysed;
- Consider the financial soundness of valuation results including the overall methodology and assumptions used to value the assets and liabilities of the Company;

- 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;
- Consider the capital position of the Company;
- Make recommendations to the Discovery Limited Actuarial Committee on the embedded value assumptions and methodologies;
- Review new product profitability and pricing adequacy;
- Report to the Board annually on the effectiveness of the actuarial function within the Company; and
- Review reinsurance arrangements.

Executive Committee

The Executive Committee ("ExCo") is mandated and responsible for implementing the strategies approved by the Board and managing the affairs of the company. ExCo is chaired by the Chief Executive Officer ("CEO") and meets fortnightly. 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 ExCo and feedback on the activities of each department is provided at the fortnightly meeting.

The main responsibilities of ExCo are to:

- 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 facilitate 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; and
- Delegate authority to sub-committees of the Executive Committee and to review the decisions and recommendations of such sub-committees.

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 (“CRO”) who is supported by a team that possesses skills ranging from risk management, actuarial, information technology, sales, UK regulatory environment etc. The Chief Risk Officer report including the risk summary is presented to the Executive Committee, Risk Committee and the Board, giving these management bodies the information gathered through the risk management process. The risk function maintains independence by carrying out an oversight role in the major processes, allowing for robust challenge of decisions and processes across the business.
- Internal audit function – the function is headed by the Internal Audit Director who is supported by a consultancy firm that has access to a wide range of skills. The internal audit function maintains independence as the officers that conduct the audit work are from an external organization which gives them a strong level of independence. Further information on the independence 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. 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:

- Stuart Sinclair, 25 May 2016

The following Director appointments took place within the last year and up to the date of signing of this report:

- Deepak Jobanputra, 25 January 2016;
- Andrew Crossley, 1 August 2016; and
- Wolf Becke, 18 August 2016
- Rosemary Hilary, 4 October 2016

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. VLL aims to create an environment that motivates high performance so that all employees can positively contribute to the Company's strategy and values. VLL's philosophy is to balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation.

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

The key factors that underpin the Company's reward policy, rewards structures and individual rewards are:

- Believing in pay that is right and fair – VLL conducts regular internal and external surveys to ensure fairness and consistency across the business;
- Creating long term incentive schemes that foster a sense of ownership in the Company;
- Ensuring 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;
- Offering pay packages that are competitive in the market to attract and retain the right people;
- Keeping performance rewards at the heart of our remuneration philosophy – exceptional performance is recognised and rewarded;
- Being 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;
- Implementing short-term incentive schemes that are designed to encourage, recognise and reward performance and allow sufficient flexibility to respond to different business needs;
- Holding individual performance appraisals to identify talent at all levels in the business and enable fair and competitive pay;
- Structuring the corporate bonus pool so that the focus is not solely on sales results to the extent that management is unduly influenced in their decision making;
- Reviewing corporate performance scorecards each year to ensure that they remain balanced and appropriate; and
- Ensuring pay designs comply with all tax and regulatory requirements.

The variable remuneration potential for senior staff with the highest risk taking capacity is limited within the range 20% to 50% of basic salary, this measure is in place to promote sound and effective risk management and not to promote excessive risk taking.

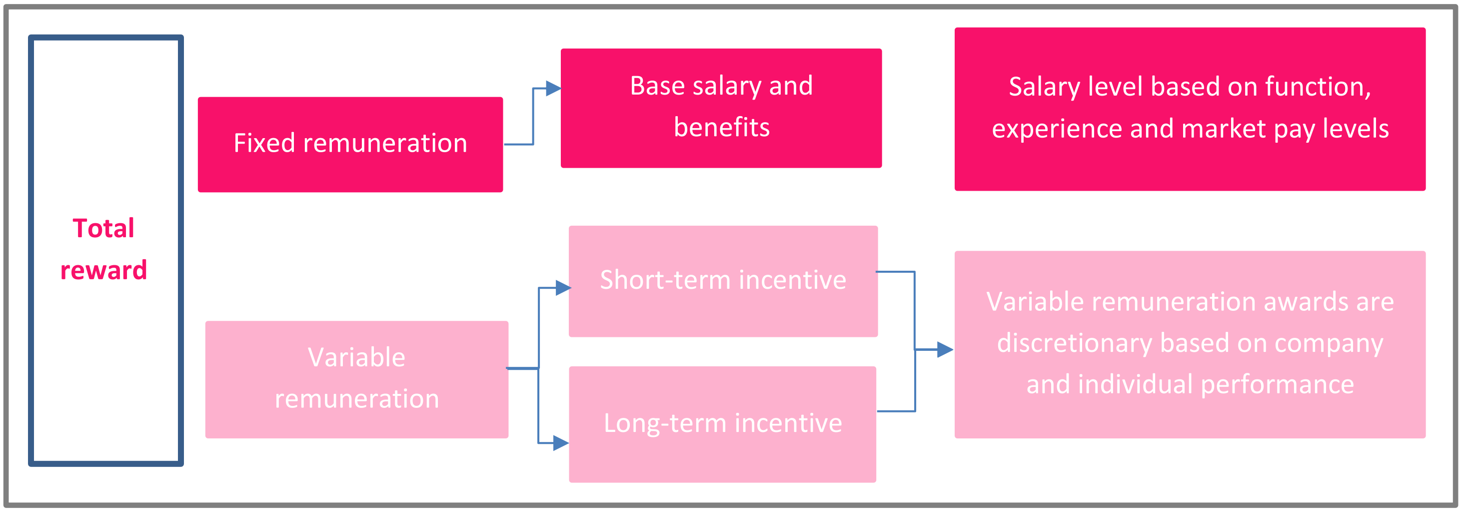
B.1.3.2 Share options, shares or variable components of remuneration

The remuneration policy is intended to recruit and retain employees whose values are aligned to the Company's culture and core purpose. VLL aims to create an environment that motivates high performance so that all employees can positively contribute to the Company's strategy and values. VLL's policy is designed to align with the Company's ambitions of:

- Attracting, retaining and motivating high calibre employees;

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

The following diagram shows the composition of the Company's 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 the Company's 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 senior 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 the Executive Management 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 value of in-force ("VIF") metric.

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's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or 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.

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

Material transactions include anything over the value of £5,000k. The following material transactions were carried out in the period:

- Discovery Holdings Europe Limited ("DHEL") injected £80,000k ordinary share capital on 23 December 2015 into the Company for solvency and liquidity capital purposes.
- DHEL injected £5,000k ordinary share capital on 31 March 2016 into the Company for solvency and liquidity capital purposes.
- DHEL injected £19,500k ordinary share capital on 30 June 2016 into the Company for solvency and liquidity capital purposes.

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; 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; and
- 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 Employment History (including gap activity over 30 days)
- International Adverse Media check
- Social Media checks
- Criminal History checks
- Standard Disclosure checks ✔

Note that the checks with a ✔ next to them are carried out annually.

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 ("ERM Framework").

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

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

The 1st Line of Defence – Business Management

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

The 2nd Line of Defence – Oversight

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

The 3rd Line of Defence – Assurance

The third line of defence comprises of the Company's independent 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 table below:

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 and controls, along with their ratings and action plans, are complete, the most significant risks are presented to ExCo for review and discussion. This includes both the Bottom Up and Top Down risk assessment. Following ExCo review, the risk assessments are presented to the Risk Committee.
Strategic Risk Assessments	The Chief Risk Officer is responsible for holding a workshop with ExCo at least annually to identify the top strategic risks facing the business. The risk function will then work with the first line to document the issues underlying the risks identified and agree action plans. This set of risks will be monitored and reported to the Risk Committee over the year and the list of risks continuously reviewed.
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, with the quantitative elements 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 the ORSA report together for consumption by 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.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 first line of defence within Vitality Life Limited, with the risk function reviewing and challenging the output.

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

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

B.4 Internal control system

B.4.1 Internal control system

The Company maintains a financial control framework that governs financial and regulatory reporting in the company. This framework aims to ensure that:

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

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

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

B.4.2 Implementation of the compliance function

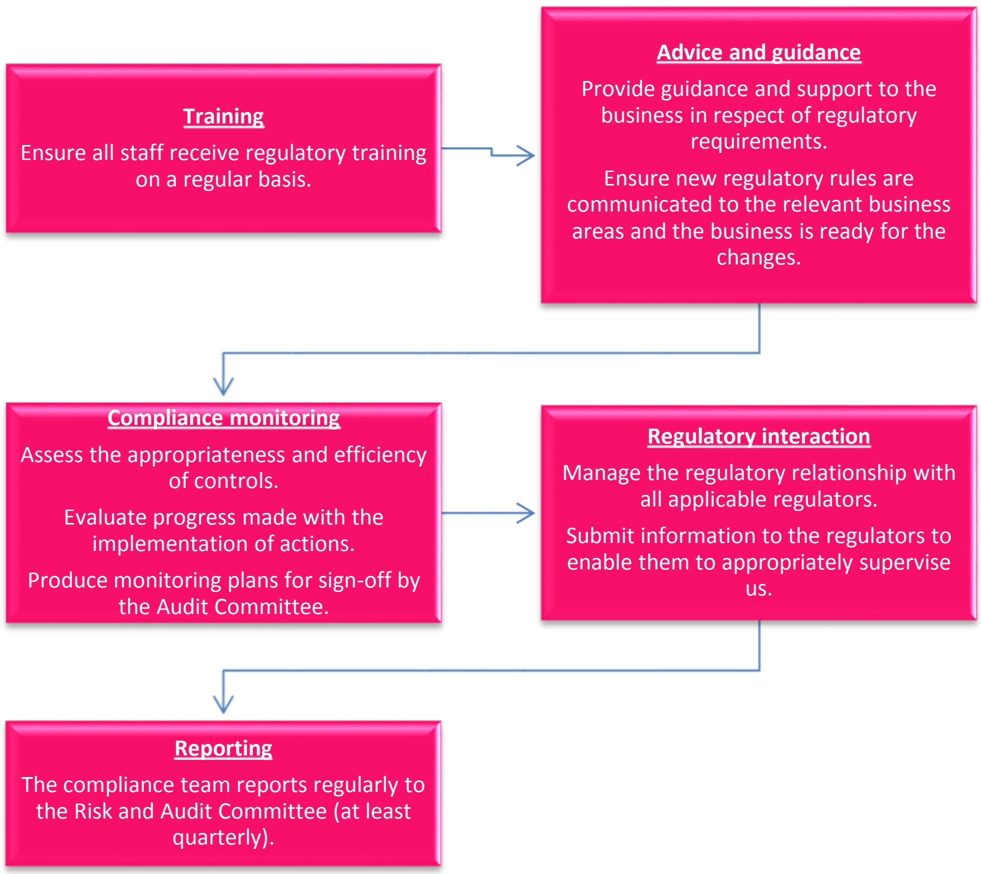
The Compliance Function is established as an independent second line control function:

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

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

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

The main Compliance activities are described in the following diagram:



B.5 Internal audit function

B.5.1 Implementation of the internal audit function

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

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

- An audit plan is created on an annual basis and ensures sufficient evidence will be obtained to evaluate the effectiveness of the risk management and control processes across the business. The plan includes a review of the major risk management processes operating across the business and a selection of the key risks identified from those processes. The audit plan also gives special consideration to those operations most affected by recent or expected changes, for example changes following acquisitions, restructures and new ventures. The proposed plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions, major risk areas, or revised expectations in respect of achieving the business' objectives. Any proposed changes or update in the plan are reported to the Audit Committee for their review and agreement before they are incorporated into ongoing work. The Audit Committee review and approve the plan at least annually;

- Based on the annual plan, the internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations, and information systems. This includes:
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations;
  - Safeguarding of assets; and
  - Compliance with laws, regulations, and contracts.

- In determining the proposed audit plan, the Internal Audit Director considers relevant work that will be performed by other areas, e.g. Compliance Assurance, External Audit. To minimise duplication of effort and inefficiencies the work planned, or recently completed, by management in its assessments of the risk management process, controls and quality improvement processes, as well as the work planned by the external auditors, are considered in determining the expected coverage of the audit plan for the coming year; and

- The Executive Committee and the Board requires that the Internal Audit Director performs sufficient audit work and gathers other available information during the year so as to form a judgement regarding the adequacy and effectiveness of the risk management and control processes. The Internal Audit Director communicates overall judgement regarding the Company's 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 of the Company is managed by the Internal Audit Director who is an employee of the business, has no responsibility for any other function across the business and reports into the chair of the Audit Committee, which is a Non-executive Director role. This reporting structure ensures independence of the internal audit function.

The Company outsources the performance of the internal audit activity to Ernst & Young, therefore the people that carry out the reviews and report the findings are independent from the people that work in the areas under review.

A key advantage of using this model to carry out Internal Audit activity is that it gives the business a wider array of skills at its disposal to carry out audits of different parts of the business.

B.6 Actuarial function

The Company provides for an Actuarial Function as specified in the PRA Rulebook.

The position of Chief Actuary (SIMF20, under the Senior Insurance Management Function 'SIMF' regime) is held by a partner at Deloitte who has a wealth of experience in the UK Life Insurance industry. The role holder is a Fellow of the Institute and Faculty of Actuaries and has complied continuously with the specific professional obligations this requires. He holds a Practicing Certificate and is an Approved Person under the SIMF regime.

The Chief Actuary is supported by Fellows and members of the Institute and Faculty of Actuaries, international actuaries with equivalent qualifications, as well as other technical professionals within the Company and within Deloitte.

The Chief Actuary is independent from the Executive Committee as he has a reporting line into the Chief Risk Officer and is not involved in the day to day running of the business.

The Actuarial Function produces a suite of written reports to be submitted to the Board annually setting out the tasks that have been undertaken by the Actuarial Function and their results, and any relevant recommendations.

B.7 Outsourcing

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 process 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 Board receives 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. Details of the functions and activities they provide, and the jurisdictions they operate in, are shown in the table below:

Description of Functions or Activities	Jurisdiction
IT Outsourcing Services consisting of desktop support, which covers support for desktop devices, telephony, mobile devices, and storage.	United Kingdom
Intra-group IT and Business Processing Outsourcing services to the Company. IT services include hosting services and software maintenance and support. Business services include underwriting and administration services.	South Africa
Business Process Outsourcing services including Indexing, Invoice Processing, Administrative Processing, Claims Assessment, and Intermediary Support.	India
Facilities management services. Specifically this covers reactive work orders and planned maintenance works across the Company's property estate.	United Kingdom
Outbound print and fulfilment services, including digital printing, collation, and distribution of Vitality materials.	United Kingdom
Part-managed payroll service for Vitality staff. This includes payroll set-up, payroll re-runs, additional reports, and manual payslips.	United Kingdom
IT Outsourcing services that cover day-to-day software maintenance and support.	India United Kingdom
Business Processing Outsourcing services to the Company.	United Kingdom
Internal audit services to the Company on behalf of the Internal Audit Director and the Board.	United Kingdom
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.	United Kingdom

C Risk Profile

Summary of business written

Vitality Life Limited writes business in the UK only. It offers products which provide the following core benefits:

- life cover;
- serious illness cover; and
- income protection cover

Customers are able to combine different types of cover. Cover can be on a term or whole of life basis and benefits can be level, indexed or decreasing depending on the cover type and policyholder benefit selection. There are single and joint life cover options. Serious illness cover can be an acceleration of the life cover, with the policyholder selecting his/her serious illness cover as a proportion of the life sum assured, or the serious illness cover can be independent of the life cover.

Various additional covers and options (riders) are also available, for example, waiver of premium (on incapacity, on death in a joint life plan and on serious illness).

VLL also offers access to the unique Vitality healthy living programme which is a wellness programme designed to encourage members of the programme to lead a healthier life and reward them for doing so. For example, members can obtain discounts from Vitality's specified health partners on health screening, fitness assessments, selected exercise equipment, dieting and stopping smoking courses. Policyholders can also obtain future premium discounts depending on their Vitality status.

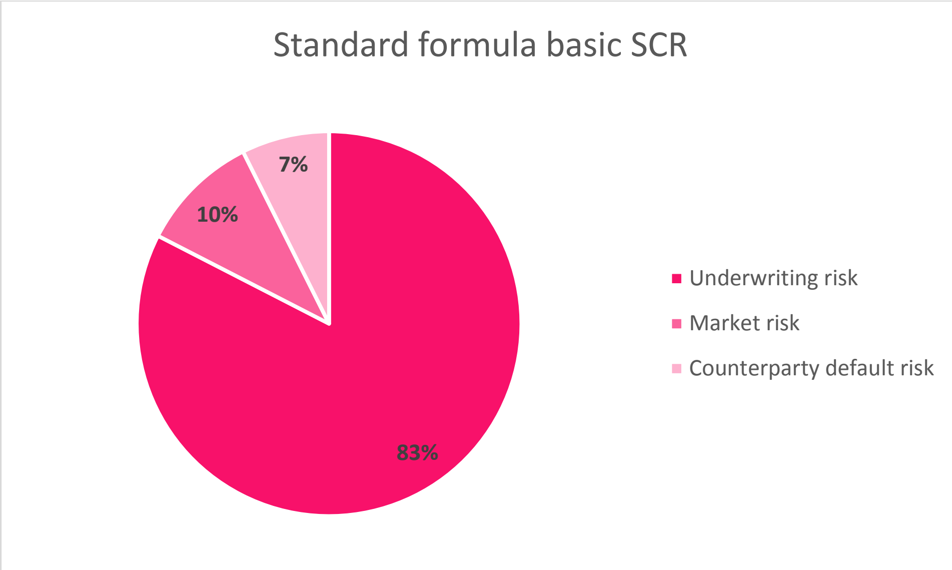
In addition, policyholders can also select the Vitality Optimiser ("VO") option which provides an initial premium discount compared to policyholders who do not select VO. The VO policyholders' future protection premiums then change annually at a rate which is linked to their Vitality status. For whole of life products there is also the Premium Optimiser where premiums increase annually at a fixed rate and the Interest Rate Optimiser where premiums increase annually at a rate linked to long term interest rates (the higher long term interest rates the lower the annual premium increase) – the initial premium for both of these products is discounted compared to policies which do not select these options.

Summary of investments

Vitality Life Limited's investment assets are held in cash and in short term high quality liquid assets within collective investment undertakings, with further details available in section A.2.

Summary of risk

VLL writes long term protection business, which provides the core benefits of life, serious illness and income protection cover to policyholders, either for whole of life or a specified term. The resulting standard formula basic Solvency Capital Requirement ("SCR") risk profile for VLL as at 30 June 2016 is shown below:



The standard formula SCR risk profile is dominated by underwriting risk. Mortality and morbidity risks are mitigated through the use of quota share reinsurance arrangements with a retention limit. The material underwriting risk is therefore lapse risk. Market risk as a component of the SCR is small relative to the underwriting risk component. Writing whole of life business means there is exposure to a reduction in interest rates.

Given the nature and duration of VLL's book of business, the best estimate liabilities ("BEL") and hence technical provisions are currently negative. The Company's assets are therefore held primarily to meet operational and new business funding liquidity requirements as well as any solvency capital 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.

C.1 Underwriting risk

C.1.1 Key underwriting risks

Underwriting risk at 30 June 2016 comprises 83% of the undiversified basic SCR.

The key underwriting risks which the Company is exposed to are set out below.

Lapse Risk

VLL is exposed to the risk of lapse rates being higher than expected and also of lapses being lower than expected. It is also exposed to mass lapse – an instantaneous one-off shock lapse event.

The risk from higher lapses is at early durations when the policy has lapsed before acquisition costs have been recouped.

The risk of lower than expected lapses is at later policy durations. Lower than expected lapses at late durations means more policies are in force and therefore the claims costs are higher.

The risk of mass lapse arises on business where future profit is expected to emerge. A mass lapse event would mean that the profit cannot emerge on policies that have lapsed.

Lapse risk can arise due to mis-estimation, trends, economic shocks, competitor activity (lapse and re-entry), changes in policyholder behaviour and reputational damage.

Mortality Risk

VLL is exposed to the risk of mortality experience being higher than expected.

Higher mortality leads to higher incidence of claims from policies providing death cover. The impact is that claims outgo is higher than expected. Higher mortality experience can arise through mis-estimation, adverse trends, selective withdrawals and risk concentrations (geographic and occupational). Selection is the risk that worse risks than expected are attracted and these risks are then charged inadequate premiums. Selection could also lead to higher than expected mortality experience. VitalityLife is also exposed to the risk of some kind of catastrophe, for example a pandemic.

Morbidity Risk

VLL is exposed to the risk of morbidity being higher than expected.

Higher morbidity leads to higher incidence of claims from serious illness and income protection plans. The impact is that claims outgo is higher than expected. Higher morbidity experience can arise through mis-estimation, adverse trends, selective withdrawals and risk concentrations (geographic and occupational).

Expense risk

VLL is exposed to the risk that acquisition expenses and future maintenance expenses are higher than expected.

Expense risk can arise through mis-estimation, higher than expected inflation, lower volumes of business than expected, expense overruns, regulatory change and changes in mix of business.

C.1.2 Assessment and risk mitigation techniques used for underwriting risks

VLL monitors and controls underwriting risks via various methods, including:

- Using reinsurance to reduce exposure to mortality and morbidity risks;
- Underwriting ensures that only insurable risks are accepted and that premiums reflect the unique circumstances of each risk;
- Monthly performance reporting highlights performance of key underwriting metrics;
- A risk register is kept and an assessment is performed at least quarterly and reported through the CRO report;
- The ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- Lapse monitoring is conducted monthly;
- Experience investigations covering mortality, morbidity, and expenses are conducted at least half yearly; and
- Product design and pricing aims to minimise adverse selection and use appropriate rating factors to

differentiate between different levels of risk. For certain of the product-options offered, VitalityLife has retained the option to review premium rates at regular intervals throughout the life of the contract. The Vitality Optimiser product incentivises engagement in the Vitality wellness programme which has a positive impact on risk experience.

The Company's reinsurance arrangements serve to limit its overall risk exposure as well as reduce the volatility of its claims and enhance underwriting performance. The volume of business underwritten by the Company is small, as the Company only started underwriting policies in 2016. Small portfolios typically exhibit much higher claims volatility than large ones and so reinsuring mortality and morbidity risk is key for VLL given its current maturity.

The Company's reinsurance programme in relation to mortality and morbidity risk is on a quota share basis with a maximum retention per life and is split among a number of different reinsurance counterparties depending on the type of cover. There is also risk transfer within the reinsurance financing arrangements since repayments are contingent on policyholders' future premium payments. The appropriateness of the reinsurance programme is assessed at least once a year.

C.1.3 Risk sensitivity for underwriting risks

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for the material underwriting risks. For the 2016 ORSA, the solvency position at 30 June 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses at the 1 in 50 year level for the material underwriting risks (each risk's stress conducted individually). The results of the analysis showed that the most material impact on the SCR cover was in the lapse stress which is consistent with lapse risk being a key driver of the overall SCR, and that the impact from the mortality and morbidity stresses was relatively small, consistent with the reinsurance risk mitigation in place. The analysis also indicated that it would take far more than a 1 in 50 adverse event to breach the SCR and therefore the Company's underwriting risk profile was assessed to be resilient to withstand severe shocks and is within the Board's risk appetite.

C.2 Market risk

C.2.1 Material market risks

Interest rate and currency risk at 30 June 2016 comprise 1% and 6% of the undiversified SCR.

As at 30 June 2016 VLL's investment assets are held in cash in both UK and South African based bank accounts and in short term high quality liquid assets within collective investment undertakings. The Sterling-denominated liquidity investment funds invest in 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). Given the short-dated nature of the assets, there is minimal interest rate risk on the assets. As the funds are partially invested in short-dated non sovereigns, there is a risk of spread widening. However, this risk is small given the credit quality and the short maturities of the holdings. Concentration risk is limited within the collective investment undertakings.

The currency risk arises from a weakening of the South African Rand ("ZAR") against the Great Britain Pound ("GBP"). When the ZAR weakens then the cash held in South Africa at 30 June 2016 reduces in value in GBP. This is partially offset by lower technical provisions when the ZAR weakens because part of Vitality Life Limited's expense base is in South Africa – Vitality Life Limited outsource some operations to other Discovery group companies, in South Africa.

The interest rate risk arises primarily from an increase in the technical provisions when interest rates reduce.

Vitality Life Limited has no exposure to equity, property or derivatives.

C.2.2 Investment assets and prudent person principle as applied to market risks

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. Security of the investments were considered and both investment funds are of high credit quality – holdings are at least Standard and Poor's single 'A'.

Vitality Life Limited do not have any unit-linked policies where the investment risk is borne by the policyholders.

Before entering into these investments, diligence was performed on the underlying fund holdings and enquiries were made on the availability of data on these holdings on a look through basis such that Vitality Life Limited was satisfied that it was possible to properly identify, measure, monitor, manage, control and report on these assets and be able to perform the required solvency capital calculations.

There are no investments in derivative instruments.

Investment in liquidity funds is split between two providers to provide diversification of fund management.

C.2.3 Assessment and risk mitigation techniques used for market risks

There is monthly monitoring of interest rate risk, which, together with the results of regular profitability analyses, could trigger consideration of changes to product design or pricing. In addition a risk register is kept and an assessment of market risk performed at least quarterly and reported through the CRO report. The ORSA includes stress and scenario testing which is used to assess market risks under stressed conditions. An internal committee responsible for investment meets fortnightly and oversees the investments and makes decisions on tactical asset allocation (within the constraints of Vitality Life Limited's overall investment strategy).

There is no exposure to equity or property holdings.

C.2.4 Risk sensitivity for market risks

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for interest rate risk, the key market risk. For the 2016 ORSA, the solvency position at 30 June 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses at the 1 in 50 year level. In addition, more severe low interest rate environment scenarios were tested. The analysis indicated that the Company can withstand these severe shocks. Reverse stress testing was also used to determine what combination of extremely low interest rates and other relevant factors might lead to a breach of the SCR.

C.3 Credit risk

C.3.1 Material credit risks

At 30 June 2016, credit risk in the form of counterparty default, spread and concentration risk comprised 6%, 1% and 1% respectively of the undiversified SCR.

Vitality Life Limited has various reinsurance counterparties and two banking counterparties, one UK-based and one South Africa-based.

Reinsurance Counterparties

All of the reinsurance counterparties with which Vitality Life Limited has treaties are highly rated and all have a credit quality step of 1. At 30 June 2016 there was no loss given default for any of the reinsurance counterparty exposures because the negative recoverables outweighed any loss in risk mitigating benefit. The credit risk is therefore not material.

Banking Counterparties

The UK and South African banks are highly reputable and creditworthy banks with credit quality steps of 1 and 3 respectively – the credit quality step of the South African bank reflects the fact that it is a South African company where the sovereign rating is A-2. The undiversified counterparty default risk relating to these counterparties was c.£3m at 30 June 2016.

As the funds are partially invested in short dated non sovereigns, there is a risk of spread widening. However, this risk is small given the credit quality and the short maturities of the holdings.

C.3.2 Prudent person principle applied to credit risks

Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and Vitality Life Limited ensures only counterparties with a high enough credit rating are used. In addition, Vitality Life Limited uses multiple counterparties to avoid concentration risk.

C.3.3 Assessment and risk mitigation techniques used for credit risks

Credit ratings are used to assess credit risks. Vitality Life Limited does not routinely make its own assessment of credit risk of counterparties other than to use the ratings provided by rating agencies (although Vitality Life Limited could do so if it has reason to believe that the rating agencies ratings are inaccurate or out of date).

To mitigate the risk of reinsurer counterparty default, reinsurance is split between a number of reinsurance counterparties to reduce single name exposure. Credit ratings of reinsurance counterparties are reviewed at least every six months. No derivatives are employed to manage credit risk.

Similarly, to mitigate the risk of banking counterparty default, banks are chosen following a thorough diligence exercise to select only highly reputable and creditworthy banks. In addition, assets are split across more than one banking unit.

A further mitigation of credit risk is that reinsurance counterparties are large, well established multinational reinsurers and selected such that the credit rating is at least Standard and Poor's single A (or equivalent).

C3.4 Risk sensitivity for credit risks

Although credit risk is not a material risk for Vitality Life Limited, the sensitivity of the solvency ratio to credit rating downgrades of its counterparties was assessed. This demonstrated marginal reductions in solvency cover when the credit quality step deteriorated by one step, with the exception of a sovereign downgrade for South Africa affecting the credit risk of VLL's South African banking counterparty. This led to a bigger reduction in SCR cover but the Company can still comfortably withstand very severe counterparty rating downgrades.

Over time as the South African cash is utilised and as the volume of business written by the Company grows, this exposure and the resultant risk sensitivity will reduce.

C.4 Liquidity risk

C.4.1 Material liquidity risks

The Company has limited liquidity risk. As at 30 June 2016 its investment assets are held in cash in both UK and South African 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 Prudent person principle as applied to liquidity risks

The investment assets are prudently invested taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities. The investment funds are "liquidity" funds with high credit quality holdings. High credit quality holdings exhibit greater liquidity.

C.4.3 Assessment and risk mitigation techniques used for liquidity risks

Liquidity requirements are assessed monthly in order to meet Vitality Life Limited's stated liquidity objectives.

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.

Investment assets take into account the liquidity requirements of the business. A sizeable level of own funds is held as cash in bank accounts and in short term high quality liquid assets within collective investment undertakings.

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

The EPIFP as at 30 June 2016 is £64,217k and equals minus BEL (net of recoverables).

For all VLL policies, on discontinuance, there is no surrender value and therefore the expected profit included in future premiums is the entire negative BEL (net of recoverables). While EPIFP contributes to own funds, it is highly illiquid and so VLL's holdings in highly liquid investments take this into account.

C.4.5 Risk sensitivity for liquidity risks

Given that liquidity is not a material risk for the Company, no specific risk sensitivity is provided.

C.5 Operational risk

C.5.1 Material operational risks

The key material operational risks that the business continued to actively manage over the period include:

- **Cyber/ Data security** - the risk of the inability to protect data from unauthorised access, use, disclosure, disruption, modification and/or destruction. The increase in cyber-risk activity in the period contributed to this risk arising;
- **IT Infrastructure** - the risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure;
- **Misselling** – 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; and
- **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 Measures used to assess operational risks

The following measures are used to assess operational risks:

- Risk and control assessments – the ERM 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.

C.5.3 Investment assets and prudent person principle as applied to operational risks (as appropriate)

Not applicable

C.5.4 Risk mitigation techniques used for operational risks

All material operational risks which the Company 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.

The following list outlines the actions/techniques used for mitigating operational risks in Vitality Life Limited:

- 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 – VLL outsources a number of activities and in some cases the associated risks with carrying out those activities. Whilst the company can outsource activities, it can't transfer responsibility and therefore manages its outsourcing relationships accordingly.
- Risk acceptance – where the company has considered all other mitigation techniques and the risk remains out of appetite, it may proceed to accept the risk with the approval of the Risk Committee.

C.5.5 Risk sensitivity for operational risks

Operational risk makes up only c.1% of the standard formula SCR at 30 June 2016 primarily because Vitality Life Limited has only been writing business for approximately six months. If operational risk was to double the SCR cover would reduce from 295% to 291%. The projected operational risk SCR at 30 June 2018 is c.3% of the projected SCR at that time, and if the operational risk SCR were to double then the projected SCR cover would reduce by c.8 percentage points.

C.6 Other material risks

C.6.1 Other material risks

Two other risks are worthy of mention, one material to the ability of Vitality Life Limited to write the planned volumes of future new business and the other arising from the Company's unique shared value model, are:

- Funding liquidity risk; and
- Vitality status distribution risk.

Funding liquidity risk

The writing of future new business requires sufficient liquid resources in order to be able to pay new business commission and other acquisition costs. The Company is therefore exposed to the risk that it cannot fulfil its business plan if it does not have sufficient liquid resources to finance the writing of future new business. This type of liquidity risk will diminish over time as the business matures and the proportion of existing business becomes much larger compared to future new business. However, as Vitality Life Limited started writing business in early 2016, this will be a key risk over the business planning period.

A key source of liquidity for the writing of new business is reinsurance based financing. This financing helps offset part of the strain of writing new business, and is then repaid in future periods contingent on policyholders' premiums payments. Hence there is the risk that reinsurer failure or the reinsurers reducing their capacity could lead to the loss of funding to write new business, until such time as replacement funding can be organised. The high levels of liquid investment assets help to mitigate the risk of reinsurer failure. Another key source of liquidity for the writing of new business are capital injections from its ultimate parent company, Discovery Limited. Risks to Discovery Limited's ability to provide appropriate financing would affect the Company's ability to write future new business.

Vitality status distribution risk

The Company is exposed to Vitality status distribution risk.

For certain VLL policyholder plans, future annual premium increases/decreases depend upon the planholder's Vitality status.

Vitality status distribution risk is the risk that more policyholders than expected are on the higher statuses without a commensurate improvement in claims experience. The impact is that future premiums are lower than expected, but without the expected reduction in claims.

C.6.2 Prudent person principle as applied to other material risks

Not applicable.

C.6.3 Assessment and Risk mitigation techniques used for other material risks

Funding liquidity risk

Liquidity requirements are assessed frequently in order to meet Vitality Life Limited's stated liquidity objectives. As part of the ORSA, stress and scenario testing is conducted to assess the liquidity risk under stressed conditions. The high level of liquid assets and the existing commitments from reinsurers to provide the agreed future financing helps to mitigate the new business financing liquidity risk. In extreme situations Vitality Life Limited could reduce or stop writing new business in order to control this risk.

Vitality status distribution risk

Vitality status distribution risk is monitored periodically by considering the actual Vitality status distribution including trends compared with that assumed in pricing and reserving. Any issues highlighted in the periodic review can be allowed for in future pricing and reserving exercises.

C.6.4 Risk sensitivity for other material risks

As part of the ORSA, stress and scenario testing is conducted to assess the funding liquidity risk under stressed conditions. This testing demonstrated that Vitality Life Limited maintains sufficient liquid resources to withstand severe liquidity shocks.

The impact on the SCR cover of a change in Vitality status distribution without the expected improvement in claims was investigated. The adverse stress considered a shift of policyholders to higher Vitality statuses, and hence lower future premium increases. The results of the analysis showed that the Company can comfortably withstand such a stress.

D Valuation for Solvency purposes

D.1 Assets

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

D.1.1.1 Collective Investment undertakings

As at the reporting date, the Company had £60,146k invested in collective investment undertakings. The collective investment undertakings are externally-managed funds, containing underlying assets that are highly credit rated 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 – details of which are provided in a statement from the investment manager. The value of these funds in the financial statements is the same as for Solvency II (reported in cash and cash equivalents in the financial statements, as noted in D.1.1.3 below). No significant estimates or judgements are used in the valuation of these investments.

D.1.1.2 Insurance and intermediaries receivables

Insurance and intermediaries receivable balances represent premiums owed from policyholders. As at 30 June 2016 the Company had a total of £694k of outstanding premiums. Outstanding premiums are valued at fair value and due to the short-term nature of the receivable no adjustments to valuation are required. The value of insurance and intermediaries receivables in the Company's financial statements is the same as for Solvency II.

D.1.1.3 Cash and cash equivalents

As at the reporting date, the Company had £29,813k held as cash and cash equivalents in UK and South African bank accounts. The UK bank accounts are all held in pounds sterling; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The monies held in a South African bank account are denominated in South African Rand ("ZAR"), translated into pounds sterling at the period end for reporting purposes.

Cash and cash equivalents are valued at fair value by the relevant financial institution, and the Company receives monthly statements at the period end to confirm the balances held. There are no significant estimates or judgements used in valuing cash holdings due to the nature of the asset. The value of cash and cash equivalents in the financial statements includes the value of collective investment undertakings (described in D.1.1.1 above); for Solvency II, the total of cash and cash equivalents (reported in the Quantitative Reporting Template ("QRT") reference S.02.01) includes only those balances held in bank accounts – the total of collective investment undertakings is reported on a separate line.

D1.2 Solvency II and IFRS valuation differences by material class of asset

D.1.2.1 Collective Investment undertakings

There are no differences between Solvency II valuation and IFRS valuation of collective investment undertakings.

However, in the Company's financial statements collective investment undertakings are reported as 'Cash and cash equivalents'. For Solvency II, collective investment undertakings are reported as a separate item under the heading of 'Investments' in QRT reference S.02.01.

D.1.2.2 Insurance and intermediaries receivables

There are no differences between Solvency II valuation and IFRS valuation of receivables.

D.1.2.3 Cash and cash equivalents

There are no differences between Solvency II valuation and IFRS valuation of cash and cash equivalents.

However, in the Company's financial statements 'Cash and cash equivalents' includes the value of cash invested in collective investment undertakings. For Solvency II, collective investment undertakings are reported as a separate item under the heading of 'Investments' in QRT reference S.02.01.

D.2 Technical Provisions

D.2.1 Technical provisions by material line of business

The table below shows the technical provisions at 30 June 2016 by line of business:

£000	Other Life	Health SLT	Total
Gross BEL	*(82,028)*	*(25,355)*	*(107,383)*
Risk Margin	*25,713*	*5,175*	*30,888*
Technical Provisions	***(56,315)***	***(20,180)***	***(76,495)***
Recoverables	*36,487*	*6,679*	*43,166*
Technical Provisions allowing for Recoverables	***(19,828)***	***(13,501)***	***(33,329)***

Main assumptions

Interest rates and inflation

The risk-free interest rate term structure used for discounting the projected cash flows in the technical calculation is the GBP relevant risk-free structure as specified by the Solvency II regulations. Vitality Life Limited used the rates as provided by European Insurance and Occupational Pensions Authority ("EIOPA"). Vitality Life Limited did not use the matching adjustment nor the volatility adjustment at 30 June 2016.

The assumption for Retail Price Index ("RPI") inflation is based on implied inflation from the Bank of England's forward gilt yield curves, except for the short end which is based on the Bank of England's inflation report.

Expenses

The expenses incurred in servicing Vitality Life Limited's insurance obligations consist of administration, claims management/handling and overhead expenses. The Company performs a regular expense analysis in order to allocate the expenses between initial and renewal and by type of expense. The best estimate expense assumptions are based on the results of this regular analysis together with budgeted expenses.

Lapse assumptions

Lapse assumptions are set with reference to experience for Vitality Life Limited business, including the PruProtect or Vitality Life Limited business written on the Prudential Assurance Company (PAC) balance sheet, guidance from subject matter experts, reinsurers and industry data. Lapse assumptions vary by type of business, distribution channel and commission claw back period.

Claims Assumptions

Claims rate assumptions take account of relevant reinsurance and industry information and, where credible, internal experience including experience from the PruProtect business.

Technical provision calculation methodology

Vitality Life Limited's Best Estimate Liabilities ("BEL") are calculated using a gross premium valuation (as required by Solvency II) for all policies in-force and on risk at the valuation date. Hence the BEL is calculated as the prospective value of future expected cash-flows on a policy-by-policy basis, allowing for full premiums, claims, expenses and lapses. Negative reserves are permitted.

The BEL is calculated gross of reinsurance, although the cash flow projections include both gross of reinsurance and reinsurance-related cash flows in order to allow separate calculation of the reinsurance recoverables.

The risk margin is calculated as per the prescribed Solvency II cost-of-capital approach. Projected SCRs are calculated for individual risks using a risk driver approach.

D.2.2 Uncertainty associated with the value of technical provisions

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are interest rates, lapse rates, mortality rates, and morbidity rates. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

D.2.3 Solvency II and IFRS valuation differences of Technical Provisions by material line of business

The table below shows a buildup from the IFRS valuation of insurance contract liabilities to the Solvency II technical provisions, split by line of business, at 30 June 2016.

£000	**Other Life**	**Health SLT**	**Total**
Gross IFRS Insurance contract liabilities	*(58,016)*	*(18,321)*	*(76,337)*
Adjustments for Solvency II	*(24,012)*	*(7,034)*	*(31,046)*
Gross BEL	***(82,028)***	***(25,355)***	***(107,383)***
Add Risk margin	*25,713*	*5,175*	*30,888*
Technical provisions	***(56,315)***	***(20,180)***	***(76,495)***

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

- Solvency II uses best estimate assumptions while the IFRS assumptions included margins for adverse deviation;
- the Solvency II technical provision discount rate is specified by regulation (the relevant risk-free interest rate is provided by EIOPA), while for IFRS the Modified Statutory Solvency Basis approach is used;
- the Solvency II inflation assumption is derived from market information, while for IFRS it is based on an expected long term rate; and
- Solvency II technical provisions include the risk margin.

D.2.4 Other

D.2.4.1 Recoverables from reinsurance contracts and special purpose vehicles

Vitality Life Limited reinsures mortality and morbidity risk on a quota share basis with a maximum retention per life and is split among a number of different reinsurance counterparties depending on the type of cover. Vitality Life Limited also has reinsurance financing where there is risk transfer since repayments are contingent on policyholders’ future premium payments. The reinsurance recoverables are the excess of the reinsurance recoveries over the reinsurance premiums payable.

Total reinsurance recoverables at 30 June 2016 were £(43,166k). The recoverables are negative predominantly due to the expected repayments of the reinsurance financing.

D.3 Other liabilities

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

D.3.1.1 Insurance and intermediaries payables

Insurance and intermediaries payables at 30 June 2016 total £9,752k, made up of the following balances:

- Commission payable to insurance brokers and intermediaries was £8,495k at 30 June 2016.
  This balance is calculated in accordance with the terms and conditions of the contract with the individual broker or intermediary – no adjustments or judgements are made for valuation purposes. There is a high degree of certainty over the economic outflow due to the relatively short timeframe between the commission liabilities arising and the broker or intermediary receiving payment from the Company. The value of this liability for Solvency II is the same as for IFRS.

- Claims outstanding to policyholders was £691k at 30 June 2016.
  This balance represents claims that have been reported to the Company but not yet paid to policyholders. The claims outstanding are valued at fair value and therefore the Solvency II valuation meets Article 10(4) of the Delegated Regulation. The inputs to valuation of a claim are claims reports from policyholders and relevant approval from designated employees of the Company.

The liabilities reported under 'Insurance and intermediaries payables' are comparable in nature, function, risk and materiality and are thus aggregated as such when reported in QRT reference S.02.01.

D.3.1.2 Reinsurance payables

As at 30 June 2016, the balance owed to reinsurers was £7,395k. This balance is in respect of reinsurance financing agreements that were in force at the reporting date, aggregated based on their comparable nature, function, risk and materiality.

Reinsurance payables relate to balances owed to reinsurers, in respect of funding advanced from reinsurers not yet repaid. The amounts payable are calculated in accordance with reinsurance agreements; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The timing of expected economic outflows to settle the liability with each reinsurer is contractually based, and in the normal course of business is within three months of the reporting date.

D.3.1.3 Payables (trade, not insurance)

Payables (trade, not insurance) relate to balances owed to other group companies in respect of salaries and other services recharged to the Company; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The total for payables (trade, not insurance) as at 30 June 2016 was £6,090k.

D.3.2 Solvency II and IFRS valuation differences by material class of other liabilities

D.3.2.1 Insurance and intermediaries payables

There are no differences between Solvency II valuation and IFRS valuation of insurance and intermediaries payables and no change in valuation approach took place during the reporting period.

D.3.2.2 Reinsurance payables

There are no differences in principle between Solvency II valuation and IFRS valuation of reinsurance payables and no change in valuation approach took place during the reporting period. However, since IFRS numbers are reported earlier than Solvency II, it is possible that the liability reported under the two bases differs slightly, due to a timing lag in reconciling the reinsurance balances.

D.3.2.3 Payables (trade, not insurance)

There are no differences between Solvency II valuation and IFRS valuation of payables (trade, not insurance) and no change in valuation approach took place during the reporting period.

E Capital management

E.1 Own funds

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

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR are reviewed. The committees that review solvency are described in more detail in section B.1.1 General Information on the System of Governance, and responsibility ultimately rests with the Vitality Life Limited's 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 and this helps focus actions for future funding.

E.1.2 Own funds classified by tiers

An analysis of own funds is shown below:

Date	**Description**	**Tier 1 £000**
1 January 2016	Opening balance comprising: Ordinary share capital Share premium	 800 79,200
	Capital injections during the period: Ordinary share capital Share premium	 245 24,255
	Movement in the Reconciliation reserve for the period ending 30 June 2016	(3,374)
30 June 2016	Closing balance	101,126
	Represented by:	
	Ordinary Share Capital	1,045
	Share Premium	103,455
	Reconciliation reserve	(3,374)
	Total Basic own funds after deductions	101,126

The Company's ordinary share capital, share premium arising on ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital and share premium arising is not subordinated and has no restricted duration. The negative reconciliation reserve equals the excess of assets over liabilities less other basic own fund items, as at the reporting date. There are no foreseeable dividends or own shares held. The Company's SII liabilities include negative technical provisions meaning that the own funds include an amount representing the expected future profits included in future premiums.

The Company has no tier 1 restricted own funds (per Article 80 of the Delegated Regulations), no tier 2 own funds (per Article 72 of the Delegated Regulations) and no tier 3 own funds (per Article 76 of the Delegated

Regulations).

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

The Company's own funds are all tier 1 unrestricted and available to cover the SCR.

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

The Company's own funds are all tier 1 unrestricted and available to cover the MCR.

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

Equity per financial statements:	**£000**
Ordinary Share Capital	1,045
Share Premium	103,455
Retained earnings	4,135
Total equity	108,635
Adjustments for Solvency II:	
Difference in Technical provisions net of reinsurance	(6,932)
Difference in value of intangibles	(577)
SII value of excess of assets over liabilities	101,126

E.2 Solvency and Capital Requirement and Minimum Capital Requirement

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

The table below shows the total SCR and MCR at 30 June 2016.

Vitality Life Limited	**£000**
SCR	*34,274*
MCR	*8,569*

The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the risk modules that make up Vitality Life Limited's SCR at 30 June 2016:

£000	**Net SCR**
Health Underwriting	8,658
Life Underwriting	27,759
Market Risk	4,441
Counterparty Default Risk	3,258
Undiversified BSCR	**44,116**
Diversification Credit	(10,301)
Basic SCR	**33,815**
Operational Risk	459
Final SF SCR	**34,274**

E.2.3 Which risk modules and sub-modules of the standard formula are using simplified calculations

Simplified calculations are not used for any of the risk modules or sub-modules.

E.2.4 Inputs used to calculate the Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 30 June 2016. Note the Absolute Floor of the Minimum Capital Requirement ("AMCR") is prescribed by EIOPA and stated in Euros below.

	£000
AMCR (in Euros)	3,700
Linear MCR	2,217
SCR	34,274
Combined MCR	8,569
MCR	**8,569**

G Templates

The following QRTs are required for the SFCR:

QRT ref	QRT Template name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.12.01	Life and Health SLT Technical Provisions
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

The templates are included at the end of this report.

H Validations

Vitality Life Limited

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

Financial period ended 30 June 2016

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.

I Approval by the Administrative, Management or Supervisory Body (AMSB) of the SFCR and reporting templates

Herschel Mayers

Herschel Mayers

Director and Chief Executive Officer

Date: 17 November 2016

General information

Undertaking name	Vitality Life Limited
Undertaking identification code	213800O647LRO31RG918
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 June 2016
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

S.12.01.02 - Life and Health SLT Technical Provisions

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

N.B. This page not a formal part of the disclosure and can be omitted if required.

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
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)	60,146
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*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	60,146
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
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:	-43,166
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-43,166
R0320	*Health similar to life*	-6,679
R0330	*Life excluding health and index-linked and unit-linked*	-36,487
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	694
R0370	Reinsurance receivables	381
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	29,813
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	47,868

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
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)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-76,495
R0610	*Technical provisions - health (similar to life)*	-20,180
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	-25,355
R0640	*Risk margin*	5,175
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-56,315
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	-82,028
R0680	*Risk margin*	25,713
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	9,752
R0830	Reinsurance payables	7,395
R0840	Payables (trade, not insurance)	6,090
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	-53,258
R1000	**Excess of assets over liabilities**	101,126

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations
		Line of Business for: life insurance obligations					
		C0210	C0220	C0230	C0240	C0250	C0260
	Premiums written						
R1410	*Gross*	1,010			5,302		
R1420	*Reinsurers' share*	174			912		
R1500	*Net*	836			4,390		
	Premiums earned						
R1510	*Gross*	919			4,825		
R1520	*Reinsurers' share*	154			807		
R1600	*Net*	765			4,018		
	Claims incurred						
R1610	*Gross*	85			654		
R1620	*Reinsurers' share*	44			337		
R1700	*Net*	41			317		
	Changes in other technical provisions						
R1710	*Gross*	0			0		
R1720	*Reinsurers' share*	0			0		
R1800	*Net*	0			0		
R1900	**Expenses incurred**	10,670			57,379		
R2500	**Other expenses**						
R2600	**Total expenses**						

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Life reinsurance obligations		
		Health reinsurance	Life reinsurance	Total
		C0270	C0280	C0300
	Premiums written			
R1410	*Gross*			6,312
R1420	*Reinsurers' share*			1,086
R1500	*Net*			5,226
	Premiums earned			
R1510	*Gross*			5,745
R1520	*Reinsurers' share*			961
R1600	*Net*			4,784
	Claims incurred			
R1610	*Gross*			739
R1620	*Reinsurers' share*			381
R1700	*Net*			358
	Changes in other technical provisions			
R1710	*Gross*			0
R1720	*Reinsurers' share*			0
R1800	*Net*			0
R1900	**Expenses incurred**			68,050
R2500	**Other expenses**			
R2600	**Total expenses**			68,050

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations		
R1400					
		C0220	C0230	C0240	C0250
	Premiums written				
R1410	*Gross*	6,312			
R1420	*Reinsurers' share*	1,086			
R1500	*Net*	5,226	0	0	0
	Premiums earned				
R1510	*Gross*	5,745			
R1520	*Reinsurers' share*	961			
R1600	*Net*	4,784	0	0	0
	Claims incurred				
R1610	*Gross*	739			
R1620	*Reinsurers' share*	381			
R1700	*Net*	358	0	0	0
	Changes in other technical provisions				
R1710	*Gross*	0			
R1720	*Reinsurers' share*	0			
R1800	*Net*	0	0	0	0
R1900	**Expenses incurred**	68,050			
R2500	**Other expenses**				
R2600	**Total expenses**				

S.05.02.01

Premiums, claims and expenses by country

Life

		C0190	C0200	C0210
		Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400				
		C0260	C0270	C0280
	Premiums written			
R1410	*Gross*			6,312
R1420	*Reinsurers' share*			1,086
R1500	*Net*	0	0	5,226
	Premiums earned			
R1510	*Gross*			5,745
R1520	*Reinsurers' share*			961
R1600	*Net*	0	0	4,784
	Claims incurred			
R1610	*Gross*			739
R1620	*Reinsurers' share*			381
R1700	*Net*	0	0	358
	Changes in other technical provisions			
R1710	*Gross*			0
R1720	*Reinsurers' share*			0
R1800	*Net*	0	0	0
R1900	**Expenses incurred**			68,050
R2500	**Other expenses**			
R2600	**Total expenses**			68,050

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance		
				Contracts without options and guarantees	Contracts with options or guarantees
		C0020	C0030	C0040	C0050
R0010	**Technical provisions calculated as a whole**				
R0020	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				
	Technical provisions calculated as a sum of BE and RM				
	Best estimate				
R0030	**Gross Best Estimate**				
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re				
R0100	**Risk margin**				
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole				
R0120	Best estimate				
R0130	Risk margin				
R0200	**Technical provisions - total**				

S.12.01.02
Life and Health SLT Technical Provisions

			Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations
			Contracts without options and guarantees	Contracts with options or guarantees	
		C0060	C0070	C0080	C0090
R0010	**Technical provisions calculated as a whole**	0			
R0020	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				
R0030	**Gross Best Estimate**		-82,028	0	
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-36,487	0	
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		-45,541	0	
R0100	**Risk margin**	25,713			
	Amount of the transitional on Technical Provisions				
R0110	Technical Provisions calculated as a whole	0			
R0120	Best estimate		0	0	
R0130	Risk margin	0			
R0200	**Technical provisions - total**	-56,315			

S.12.01.02
Life and Health SLT Technical Provisions

		Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)		
					Contracts without options and guarantees	Contracts with options or guarantees
		C0100	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**		0	0		
R0020	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	0		
	Technical provisions calculated as a sum of BE and RM					
	Best estimate					
R0030	**Gross Best Estimate**		-82,028		-25,355	0
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		-36,487		-6,679	0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		-45,541		-18,677	0
R0100	**Risk margin**		25,713	5,175		
	Amount of the transitional on Technical Provisions					
R0110	Technical Provisions calculated as a whole		0	0		
R0120	Best estimate		0		0	0
R0130	Risk margin		0	0		
R0200	**Technical provisions - total**		-56,315	-20,180		

S.12.01.02
Life and Health SLT Technical Provisions

		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**			0
R0020	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			
R0030	**Gross Best Estimate**			-25,355
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default			-6,679
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re			-18,677
R0100	**Risk margin**			5,175
	Amount of the transitional on Technical Provisions			
R0110	Technical Provisions calculated as a whole			0
R0120	Best estimate			0
R0130	Risk margin			0
R0200	**Technical provisions - total**			-20,180

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**
		C0010	C0020	C0030
R0010	Ordinary share capital (gross of own shares)	1,045	1,045	
R0030	Share premium account related to ordinary share capital	103,455	103,455	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0	
R0050	Subordinated mutual member accounts	0		0
R0070	Surplus funds	0	0	
R0090	Preference shares	0		0
R0110	Share premium account related to preference shares	0		0
R0130	Reconciliation reserve	-3,374	-3,374	
R0140	Subordinated liabilities	0		0
R0160	An amount equal to the value of net deferred tax assets	0		
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0
	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			
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		
	Deductions			
R0230	Deductions for participations in financial and credit institutions	0		
R0290	**Total basic own funds after deductions**	101,126	101,126	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**
		C0010	C0020	C0030
	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		
	Available and eligible own funds			
R0500	Total available own funds to meet the SCR	101,126	101,126	0
R0510	Total available own funds to meet the MCR	101,126	101,126	0
R0540	Total eligible own funds to meet the SCR	101,126	101,126	0
R0550	Total eligible own funds to meet the MCR	101,126	101,126	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted
		C0010	C0020	C0030
R0580	**SCR**	34,274		
R0600	**MCR**	8,569		
R0620	**Ratio of Eligible own funds to SCR**	295.05%		
R0640	**Ratio of Eligible own funds to MCR**	1180.19%		

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	101,126
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	104,500
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-3,374

	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	64,217
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	64,217

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	**Tier 2**	**Tier 3**
		C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	
R0030	Share premium account related to ordinary share capital	0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	
R0050	Subordinated mutual member accounts	0	0
R0070	Surplus funds		
R0090	Preference shares	0	0
R0110	Share premium account related to preference shares	0	0
R0130	Reconciliation reserve		
R0140	Subordinated liabilities	0	0
R0160	An amount equal to the value of net deferred tax assets		0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0
	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		
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		
	Deductions		
R0230	Deductions for participations in financial and credit institutions		
R0290	**Total basic own funds after deductions**	0	0

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Tier 2**	**Tier 3**
		C0040	C0050
	Ancillary own funds		
R0300	Unpaid and uncalled ordinary share capital callable on demand		
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand		
R0320	Unpaid and uncalled preference shares callable on demand		
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand		
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC		
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC		
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC		
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC		
R0390	Other ancillary own funds		
R0400	**Total ancillary own funds**	0	0
	Available and eligible own funds		
R0500	Total available own funds to meet the SCR	0	0
R0510	Total available own funds to meet the MCR	0	
R0540	Total eligible own funds to meet the SCR	0	0
R0550	Total eligible own funds to meet the MCR	0	

S.23.01.01
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		Tier 2	Tier 3
		C0040	C0050
R0580	**SCR**		
R0600	**MCR**		
R0620	**Ratio of Eligible own funds to SCR**		
R0640	**Ratio of Eligible own funds to MCR**		
	Reconcilliation reserve		
R0700	Excess of assets over liabilities		
R0710	Own shares (held directly and indirectly)	INTENTIONALLY BLANK	
R0720	Foreseeable dividends, distributions and charges		
R0730	Other basic own fund items		
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds		
R0760	**Reconciliation reserve**		
	Expected profits		
R0770	Expected profits included in future premiums (EPIFP) - Life business		
R0780	Expected profits included in future premiums (EPIFP) - Non- life business		
R0790	**Total Expected profits included in future premiums (EPIFP)**		

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	4,442		
R0020	Counterparty default risk	3,258		
R0030	Life underwriting risk	27,759		
R0040	Health underwriting risk	8,658		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-10,302		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	33,815		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	460
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	34,274
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	34,274
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

S.28.01.01

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

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_L Result	2,218

		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	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		3,167,880

		C0070
	Overall MCR calculation	
R0300	Linear MCR	2,218
R0310	SCR	34,274
R0320	MCR cap	15,423
R0330	MCR floor	8,569
R0340	Combined MCR	8,569
R0350	Absolute floor of the MCR	2,657
R0400	**Minimum Capital Requirement**	8,569