

Bupa HEALTH ASSURANCE LIMITED

Return to the Financial Services Authority

Financial year ended 31 December 2008



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Bupa HEALTH ASSURANCE LIMITED

Return to the Financial Services Authority

Financial year ended 31 December 2008

Prepared in accordance with IPRU(INS)

Appendices 9.1, 9.3, 9.4 and 9.6

Statement of solvency - long-term insurance businessName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	2774803	GL	31	12	2008	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11		
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	50938	43094
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	50938	43094

Guarantee fund

Guarantee fund requirement	21	14026	10989
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	36912	32105

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	42078	32966
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	42078	32966
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	42078	32966
Excess (deficiency) of available capital resources to cover 50% of MCR	37	29899	26611
Excess (deficiency) of available capital resources to cover 75% of MCR	38	19380	18369

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	42078	32966

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	42078	32966
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	8860	10128

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2**Form 2**

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

.....
F Kee

(Chief Executive)

.....
T Singer

(Director)

.....
G Brown

(Director)

Date **30 March 2009**

Components of capital resourcesName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	2774803	GL	31	12	2008	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		110500	110500	95500
Profit and loss account and other reserves	12		(7075)	(7075)	(7652)
Share premium account	13				
Positive valuation differences	14		10922	10922	4653
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		114347	114347	92501

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		114347	114347	92501
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		114347	114347	92501

Components of capital resourcesName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	2774803	GL	31	12	2008	£000
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		1			3	4

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				

Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resourcesName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	2774803	GL	31	12	2008	£000
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		1			3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		114347	114347	92501
Inadmissible assets other than intangibles and own shares	73		63409	63409	49407
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		50938	50938	43094

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		50938	50938	43094
Available capital resources for 50% MCR requirement	82		50938	50938	43094
Available capital resources for 75% MCR requirement	83		50938	50938	43094

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	2774803	GL	31	12	2008	£000
				This financial year 1			Previous year 2	
Gross premiums written				11	90039			66642
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13	90039			66642
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15	44756			35766
Sub-total A (13 + 1/2 14 - 2/3 15)				16	60202			42798
Gross premiums earned				21	89712			64155
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	89712			64155
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25	44429			33279
Sub-total H (23 + 1/2 24 - 2/3 25)				26	60093			41969
Sub-total I (higher of sub-total A and sub-total H)				30	60202			42798
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure				31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	10836			7704		
	Excess (if any) over 53.1M EURO x 0.02	33	368			115		
Sub-total J (32-33)				34	10468			7588
Claims paid in period of 3 financial years				41	55103			42377
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42						
	For insurance business accounted for on an accident year basis	43	10812			8676		
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44						
	For insurance business accounted for on an accident year basis	45	5078			1872		
Sub-total C (41+42+43-44-45)				46	60837			49181
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	39028			33672
Sub-total D (46-47)				48	21809			15509
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)				49	0.50			0.50
Premiums amount (Sub-total J x reinsurance ratio)				50	5234			3794
Provision for claims outstanding (before discounting and net of reinsurance)				51	4408			3301
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero				52				
Brought forward amount (See instruction 4)				53	3794			2830
Greater of lines 50 and 53				54	5234			3794

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	2774803	GL	31	12	2008	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R			11	36			36	
Claims paid in reference period			21	55103			42377	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22					
	For insurance business accounted for on an accident year basis		23	10812			8676	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24					
	For insurance business accounted for on an accident year basis		25	5078			1872	
Claims incurred in reference period (21+22+23-24-25)			26	60837			49181	
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28	16836			16474	
Sub-total E (26 +1/2 27 - 2/3 28)			29	49613			38198	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)			31	16538			12733	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	4300			3311	
	Excess (if any) over 37.2M EURO x 0.03		33					
Sub-total G (32-33)			39	4300			3311	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	2150			1655	
Higher of premiums amount and brought forward amount (11.54)			42	5234			3794	
General insurance capital requirement (higher of lines 41 and 42)			43	5234			3794	

Analysis of admissible assetsName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	2774803	GL	31	12	2008	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	18179	42072
	More than one month withdrawal	55	31800	
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	2774803	GL	31	12	2008	£000	1
					As at end of this financial year		As at end of the previous year	
					1		2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78		
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	959	1022
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	50938	43094
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Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	2774803	GL	31	12	2008	£000	1
					As at end of this financial year		As at end of the previous year
					1		2

**Reconciliation to asset values determined in accordance
with the insurance accounts rules or international
accounting standards as applicable to the firm for the
purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	50938	43094
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	50938	43094
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	2774803	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	20493	16261
	Other	46	4761	987
Variable interest securities	Approved	47	2500	
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	5527	28212
	More than one month withdrawal	55	15850	
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	20235	19165
	Property linked	59		

Analysis of admissible assetsName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	2774803	GL	31	12	2008	£000	10
					As at end of this financial year		As at end of the previous year	
					1		2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	6209	5622
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	7155	7296
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	269	157
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1337	1185
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	141	118

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	84477	79004
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Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	2774803	GL	31	12	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reconciliation to asset values determined in accordance
with the insurance accounts rules or international
accounting standards as applicable to the firm for the
purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	84477	79004
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1774	1266
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	61635	48141
Reinsurers' share of technical provisions excluded from line 89	100	70692	66238
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	218578	194649
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		54

Long term insurance business liabilities and margins

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Total business/Sub fund **10 Ordinary long term business**

Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	62785	57272
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	62785	57272
Claims outstanding	Gross	15	12611	12975
	Reinsurers' share	16	8203	9674
	Net (15-16)	17	4408	3301
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	27	996
	Reinsurance accepted	32		
	Reinsurance ceded	33	9106	7825
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	3479	4694
	Other	38	4615	4809
Accruals and deferred income		39	57	108
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	21692	21732
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	84477	79004

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2641	4075
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	84477	79004
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	70692	66238
Other adjustments to liabilities (may be negative)	74	10922	4653
Capital and reserves and fund for future appropriations	75	52487	44754
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	218578	194649

Liabilities (other than long term insurance business)Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	2774803	GL	31	12	2008	£000
			As at end of this financial year 1			As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other technical provisions		16		
Total gross technical provisions (11 to 16)		19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49		
Accruals and deferred income		51		
Total (19 to 51)		59		
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69		

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	50938	43094
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	50938	43094

Profit and loss account (non-technical account)Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	2774803	GL	31	12	2008	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account		From Form 20	11					
		Equalisation provisions	12					
Transfer from the long term insurance business revenue account			13	(9374)			8747	
Investment income	Income		14	2622			2220	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	(6752)			10967	
Tax on profit or loss on ordinary activities			31	404			362	
Profit or loss on ordinary activities after tax (29-31)			39	(7156)			10605	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49	(7156)			10605	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59	(7156)			10605	

Long-term insurance business : Revenue account

Name of insurer **Bupa Health Assurance Ltd**
 Total business / subfund **10 Ordinary long term business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	72355	60257
Investment income receivable before deduction of tax	12	3392	3321
Increase (decrease) in the value of non-linked assets brought into account	13	449	3196
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	76196	66774

Expenditure

Claims incurred	21	19490	13308
Expenses payable	22	62742	49143
Interest payable before the deduction of tax	23	39	
Taxation	24	(2214)	748
Other expenditure	25		
Transfer to (from) non technical account	26	(9374)	8747
Total expenditure	29	70683	71945

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	5513	(5170)
Fund brought forward	49	57272	62442
Fund carried forward (39+49)	59	62785	57272

Long-term insurance business : Analysis of premiums

Name of insurer **Bupa Health Assurance Ltd**
 Total business / subfund **10 Ordinary long term business**
 Financial year ended **31 December 2008**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	98546	33317		131863	109994
Single premiums	12					

Reinsurance - external

Regular premiums	13	38606	20902		59508	49737
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	59940	12415		72355	60257
Single premiums	18					

Total

Gross	19	98546	33317		131863	109994
Reinsurance	20	38606	20902		59508	49737
Net	21	59940	12415		72355	60257

Long-term insurance business : Analysis of claims

Name of insurer **Bupa Health Assurance Ltd**
Total business / subfund **10 Ordinary long term business**
Financial year ended **31 December 2008**
Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	21226	23238		44464	37049
Disability periodic payments	12	8180			8180	6151
Surrender or partial surrender	13					
Annuity payments	14					
Lump sums on maturity	15					
Total	16	29406	23238		52644	43201

Reinsurance - external

Death or disability lump sums	21	13605	14722		28327	26229
Disability periodic payments	22	4827			4827	3664
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	18432	14722		33154	29893

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	7621	8516		16137	10820
Disability periodic payments	42	3353			3353	2488
Surrender or partial surrender	43					
Annuity payments	44					
Lump sums on maturity	45					
Total	46	10974	8516		19490	13308

Long-term insurance business : Analysis of expenses

Name of insurer **Bupa Health Assurance Ltd**
 Total business / subfund **10 Ordinary long term business**
 Financial year ended **31 December 2008**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	36983	1713		38696	28018
Commission - other	12	246			246	
Management - acquisition	13	14081	3481		17562	14698
Management - maintenance	14	4591	1647		6238	6427
Management - other	15					
Total	16	55901	6841		62742	49143

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41	36983	1713		38696	28018
Commission - other	42	246			246	
Management - acquisition	43	14081	3481		17562	14698
Management - maintenance	44	4591	1647		6238	6427
Management - other	45					
Total	46	55901	6841		62742	49143

Long-term insurance business : Summary of new businessName of insurer **Bupa Health Assurance Ltd**

Total business

Financial year ended **31 December 2008**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	71848	73043		144891	126719
Single premium business	12					
Total	13	71848	73043		144891	126719

**Amount of new regular
premiums**

Direct insurance business	21	30238	6066		36304	35772
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	30238	6066		36304	35772

**Amount of new single
premiums**

Direct insurance business	25					
External reinsurance	26					
Intra-group reinsurance	27					
Total	28					

Long-term insurance business : Analysis of new business

Name of insurer

Bupa Health Assurance Ltd

Total business

Financial year ended

31 December 2008

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	4237	2721		
330	Decreasing term assurance	2499	942		
340	Accelerated critical illness (guaranteed premiums)	17687	12494		
345	Accelerated critical illness (reviewable premiums)	7183	4660		
350	Stand-alone critical illness (guaranteed premiums)	2043	1469		
355	Stand-alone critical illness (reviewable premiums)	355	280		
360	Income protection non-profit (guaranteed premiums)	432	240		
365	Income protection non-profit (reviewable premiums)	592	225		
380	Miscellaneous protection rider	9894	132		
410	Group life	3158	575		
420	Group income protection	14417	4627		
430	Group critical illness	7345	1137		
910	Miscellaneous index linked	2006	736		

Bupa Health Assurance Ltd

31 December 2008

£000

UK Pension / Direct Insurance Business

[illegible]

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **Bupa Health Assurance Ltd**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	20727	20727	1117	3.20	
Other fixed interest securities	13	4777	4777	284	8.55	
Variable interest securities	14	2502	2502	73	2.94	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	36236	36236	1003	2.77	
Total	19	64242	64242	2477	3.35	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Bupa Health Assurance Ltd**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2008**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	16060	8.59	3.38	3.38

Other approved fixed interest securities	21	4667	1.95	2.57	2.57
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Other fixed interest securities

AAA/Aaa	31	3876	5.72	6.14	2.64
AA/Aa	32				
A/A	33	901	0.94	18.90	2.40
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	4777	4.82	8.55	2.59

Approved variable interest securities	41	2502	0.22	2.94	2.94
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	28006	6.09	4.09	3.07
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Bupa Health Assurance Ltd**
 Total business / subfund **10 Ordinary long term business**
 Financial year ended **31 December 2008**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11					
Form 51 - non-profit	12	49795	11030		60825	59837
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17	63597			63597	53997
Total	18	113392	11030		124422	113834

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	23912	6819		30731	33065
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27	30906			30906	23498
Total	28	54818	6819		61637	56563

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	25883	4211		30094	26773
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47	32691			32691	30499
Total	48	58574	4211		62785	57272

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Bupa Health Assurance Ltd**
Total business / subfund **10 Ordinary long term business**
Financial year ended **31 December 2008**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	11006	2479049	6739				1769
330	Decreasing term assurance	6752	1022055	2639				
340	Accelerated critical illness (guaranteed premiums)	57174	7286846	40916				135
345	Accelerated critical illness (reviewable premiums)	12347	1693078	8604				
350	Stand-alone critical illness (guaranteed premiums)	9852	1163095	7236				2854
355	Stand-alone critical illness (reviewable premiums)	1120	122080	832				170
360	Income protection non-profit (guaranteed premiums)	860	12905	436				112
365	Income protection non-profit (reviewable premiums)	1364	17646	541				335
370	Long-term care policy - Future Care	85	3344	45				516
370	Long-term care policy - Immediate Care	40	647					2610
380	Miscellaneous protection rider		182	5				3
385	Income protection claims in payment	13	55					391
410	Group life	77291	1327854	2594				937
420	Group income protection	16897	443849	6350				4938
425	Group income protection claims in payment	187	3991					30314

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Bupa Health Assurance Ltd**
Total business / subfund **10 Ordinary long term business**
Financial year ended **31 December 2008**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
430	Group critical illness	27194	1638693	5020				1506
435	Miscellaneous non-profit	47	118	10				105
440	Additional reserves non-profit OB							3100
380	Miscellaneous Protection Rider		21286	490				

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Bupa Health Assurance Ltd**
Total business / subfund **10 Ordinary long term business**
Financial year ended **31 December 2008**
Units **£000**
UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	11006	1334915	3218				1761
330	Decreasing term assurance	6752	545907	1404				
340	Accelerated critical illness (guaranteed premiums)	57174	4806762	12515				68
345	Accelerated critical illness (reviewable premiums)	12347	1036957	2386				
350	Stand-alone critical illness (guaranteed premiums)	9852	847313	2767				2842
355	Stand-alone critical illness (reviewable premiums)	1120	84605	259				160
360	Income protection non-profit (guaranteed premiums)	860	8397	150				112
365	Income protection non-profit (reviewable premiums)	1364	11841	160				334
370	Long-term care policy - Future Care	85	2614	2				49
370	Long-term care policy - Immediate Care	40	324					175
380	Miscellaneous protection rider	16						
385	Income protection claims in payment	13	37					234
410	Group life		503223	691				326
420	Group income protection		222639	2811				2405
425	Group income protection claims in payment		24740					15488

Name of insurer	Bupa Health Assurance Ltd
Total business / subfund	10 Ordinary long term business
Financial year ended	31 December 2008
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Bupa Health Assurance Ltd**

Total business / subfund **10 Ordinary long term business**

Financial year ended **31 December 2008**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
410	Group life	253690	22336784	25763				9176
411	Group death in service dependants' annuities	14451	4083347	4707				1805
435	Miscellaneous non-profit (TETA)	29	5634	18				49

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Bupa Health Assurance Ltd**

Total business / subfund **10 Ordinary long term business**

Financial year ended **31 December 2008**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
410	Group life		14583982	15578				5672
411	Group death in service dependants' annuities		2729497	2691				1115
435	Miscellaneous non-profit (TETA)	29	5191	10				32

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Bupa Health Assurance Ltd**
Total business / subfund **10 Ordinary long term business**
Financial year ended **31 December 2008**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index linked income protection claims in payment	19	245				1664	1664
902	Group index linked income protection claims in payment	184	4067				28427	28427
910	Accelerated Critical Illness (guaranteed premiums)	146	10757	78			185	185
910	Group Income Protection	67214	1734255	23056			15603	15603
910	Income Protection non-profit (guaranteed premiums)	1741	34660	1132			269	269
910	Income Protection non-profit (reviewable premiums)	1472	25558	850			731	731
910	Long Term care policy - Future Care	1513	86147	970			11729	11729
910	Long Term care policy - Future Care claims in payment	88	844				3015	3015
910	Long Term care policy - Immediate Care	20	407				1715	1715
910	Miscellaneous non-profit	2	6				6	6
910	Miscellaneous protection rider		3715	137				
910	Stand alone Critical Illness (guaranteed premiums)	407	38752	434			133	133
910	Stand alone Critical Illness (reviewable premiums)	32	1511	17			120	120

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Bupa Health Assurance Ltd**

Total business / subfund **10 Ordinary long term business**

Financial year ended **31 December 2008**

Units **£000**

UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index linked income protection claims in payment		185				1180	1180
902	Group index linked income protection claims in payment		20512				16600	16600
910	Accelerated Critical Illness (guaranteed premiums)		8464	27			128	128
910	Group Income Protection		871461	10753			7601	7601
910	Income Protection non-profit (guaranteed premiums)		24179	438			268	268
910	Income Protection non-profit (reviewable premiums)		19454	300			727	727
910	Long Term care policy - Future Care		57121	59			1439	1439
910	Long Term care policy - Future Care claims in payment		759				2701	2701
910	Long Term care policy - Immediate Care		203				116	116
910	Miscellaneous non profit						4	4
910	Miscellaneous protection rider			39				
910	Stand alone Critical Illness (guaranteed premiums)		31570	148			132	132
910	Stand alone Critical Illness (reviewable premiums)		1181	5			10	10

Long-term insurance business : Distribution of surplus

Name of insurer **Bupa Health Assurance Ltd**
 Total business / subfund **10 Ordinary long term business**
 Financial year ended **31 December 2008**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	62785	57272
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		8747
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	62785	66019
Mathematical reserves	21	62785	57272
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		8747

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32	9374	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(9374)	8747
Total	39		8747

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		8747
Total distributed surplus (46+47)	48		8747
Surplus carried forward	49		
Total (48+49)	59		8747

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance capital requirementName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2008**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%	27736074	9926521	0.50	13868	11751
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	12496815	3361927		18745	13551
Classes III, VII and VIII	15	0.3%					
Total	16		40232889	13288448		32613	25302

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					5234	3794
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	15768	6721	0.85	134	161
Classes III, VII and VIII (investment risk)	33	1%					
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%	108654	56064	0.85	924	806
Class V	37	1%					
Class VI	38	1%					
Total	39					1058	968

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	15768	6721	0.85	402	484
Classes III, VII and VIII (investment risk)	43	3%					
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%	108654	56064	0.85	2771	2418
Class V	47	0%					
Class VI	48	3%					
Total	49		124422	62785		3173	2903

Long term insurance capital requirement	51					42078	32966
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Notes to Appendices 9.1 and 9.3

Name of Company **Bupa Health Assurance Limited**

0301	Reconciliation of net admissible assets to capital resources after deductions	2008
		£'000
	<i>Net assets as per FSA return</i>	
	Form 13.89 (OLTB)	50,938
	Form 13.89 (LTB)	84,477
	<i>less long term business Liabilities</i>	
	Form 14.11	(62,785)
	Form 14.49	<u>(21,692)</u>
	 Line 79 on Form 3 <i>Available Capital resources after deductions</i>	 <u>50,938</u>

0310	Details of positive and negative valuation differences	£'000
Form 3.14	Deferred tax on deferred acquisition costs	14,872
	Additional FSA Reserves	
	Provision for expenses	(1,000)
	Credit risk reserve	(850)
	Discontinuance risk reserve	(2,000)
	Tax risk reserve	<u>(100)</u>
		<u>10,922</u>

***0313* Reconciliation of Movement in Profit and loss account and reserves to profit and loss retained.**

<i>Movement in Profit and loss account and other reserves</i>		2008	2007
		£'000	£'000
Form 3.12.3	(7,075)	(7,652)	
Less Form 3.12.4	(7,652)	(17,177)	
		<u>577</u>	<u>9,525</u>
<i>Add</i>			
Movement in inadmissible assets	(508)	3,149	
Movement in additional FSA reserves	3,950	151	
Movement in Deferred Acquisition Costs	(13,494)	(3,237)	
Movement in Deferred tax on Deferred Acquisition costs	2,319	1,017	
		<u>(7,733)</u>	<u>1,080</u>
Form 16.59		<u>(7,156)</u>	<u>10,605</u>

***1302/1309* Hybrid securities**

The company has no hybrid securities.

Notes to Appendices 9.1 and 9.3

Name of Company **Bupa Health Assurance Limited**

***1304/1310* Set off**

Amounts have been set off to the extent permitted by generally accepted accounting principles.

***1305/1319* Maximum counterparty limit**

The maximum counterparty limit permitted by the Company's investment guidelines during the year was £24.7m, (2007 - £9.0m).

***1306/1312* Counterparty Exposure**

At year end the Company had the following exposure to large counterparties:

Barclays Bank	£ 5,000,000
Credit Industrial Et Commercial	£ 8,000,000
Deutsche Bank	£ 5,400,000
Allied Irish	£ 7,296,000
Royal Bank of Scotland	£ 8,000,000
National Australia Bank Ltd	£ 7,900,000
Wachovia Bank International	£ 5,000,000
Nordea Bank Finland	£ 8,000,000
Scottish Widows Investment Partnership	£ 7,800,000
HSBC	£20,896,728

***1401* Adverse changes**

The Company invests in UK gilts, UK sterling money market instruments and UK fixed and variable income bonds. These assets do not give rise to a future liability necessitating a provision for adverse changes.

***1402* Charges, potential capital gains, contingent liabilities and guarantees.**

The Company's 'long term business fund' has no charges over its assets, no potential capital gains tax or potential tax liabilities, no contingent liabilities, no guarantees, indemnities or other contractual commitments.

***1405* Other adjustments to liabilities (line 74)**

	£'000
Deferred tax on deferred acquisition costs	14,872
Provision for expenses	(1,000)
Credit risk reserve	(850)
Discontinuance risk reserve	(2,000)
Tax risk reserve	<u>(100)</u>
	<u>10,922</u>

Notes to Appendices 9.1 and 9.3

Name of Company **Bupa Health Assurance Limited**

***1501* Adverse changes**

The Company invests in UK sterling money market instruments. These assets do not give rise to a future liability necessitating a provision for adverse changes.

***1502* Charges, potential capital gains, contingent liabilities and guarantees.**

The Company's 'other than long term business fund' has no charges over its assets, no potential capital gains tax or potential tax liabilities, no contingent liabilities, no guarantees, indemnities or other contractual commitments.

***1700* Analysis of derivative contracts**

The Company's investment policy allows the use of derivative contracts. However, there were no assets held under derivative contracts during the financial year. and hence there are no entries for this form.

***4008* Management service arrangements**

1. The investments of the Company are managed by Bupa Investments Limited.
2. The company does not have any employees, all staff expense is incurred by Bupa Insurance Services Limited. Bupa Insurance Services Limited charges the Company a management charge to cover this agreement.

***4009* Material connected party transactions**

There is a material connection between the company and Bupa Insurance Services Limited, a fellow subsidiary of the Bupa Group. The value of these transactions during the year was £23.5m. This relates to expenses recharged from Bupa Insurance Services limited to Bupa Health Assurance.

***4901* Credit Rating**

The split by credit rating has been supplied by Standard & Poors.

***5101* Valuation Summary**

The amount of benefit shown for product code 411 represents the capitalised value of the deferred annuities.

***5600* Index Linked business**

The total index-linked assets are less than £100m and hence there is no requirement for this form.

***5700* Analysis of valuation interest rate**

The total liabilities of the Company are less than £100m and hence there is no requirement for this form.

Introduction

- 1 (1) The date of the valuation was 31 December 2008.
- (2) The date of the previous valuation was 31 December 2007.
- (3) There have been no interim valuations between the above valuation dates pursuant to rule 9.4.

Product range

- 2 (1) An enhanced version of the Income Protection product was launched in February 2008. The following product enhancements were made:
 - Maximum retirement age has been extended from 65 to 70,
 - A product variation was introduced to cover initial mortgage outlay. (Note this does not provide any guarantees in respect of changes to mortgage premiums as a result of interest rate changes),
 - Extended range of GIOs to include increase on childbirth/adoption and on mortgage increase,
 - The following exclusions were removed:
 - Failure to follow medical advice,
 - Disability following normal pregnancy and childbirth,
 - Riot, civil commotion or acts of terrorism,
 - A limited payment term of 2 years was introduced,
 - Benefit indexation was added to the term variation of the product,
 - The relapse period was increased from 6 to 12 months.

Discretionary charges and benefits

- 3 (1) There are no products with an option to apply a market value reduction.
- (2) Changes to premiums on reviewable products are set out in the table below.

Product	No policies reviewable during 2008	Annualised/Single Premiums (£'000)	Minimum Premium Increase (%)	Maximum Premium Increase (%)
Stand Alone Critical Illness	89	50	-10	55
Accelerated Critical Illness	199	108	0	45
Income Protection	162	79	-2	165
Long Term Care (RP)	231	247	0	0
Long Term Care (SP)	121	1119	0	0

- (3) There are no non-profit deposit admin policies.
- (4) There are no linked policies with service charges.
- (5) There are no linked policies with benefit charges.
- (6) There are no accumulating with profit policies.
- (7) - (10) There are no internal linked funds.

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4Name of Company **Bupa Health Assurance****Valuation basis**

- 4 (1) All reserves are calculated using a prospective method.

A gross premium valuation method has been used for all major Individual Protection product groups.

Following the implementation of PS06/14, negative reserves have been allowed on an individual policy basis such that they are eliminated after allowance for reinsurance at the FSA product level. Where there are still negative gross reserves at the FSA product level, these have been zeroised at the aggregate reporting level.

For Lifestyle and Income Protection products, the reserves have been calculated using an inception annuity approach using standard morbidity tables. The claims in payment reserves are calculated using termination rates from a standard morbidity table.

For FutureCare products, the reserves are calculated as using inception rates applied to a capitalisation factor. Claims in payment reserves are calculated by applying an annuity factor to the annual benefit.

For Group Risk contracts, the reserves are calculated as the unexpired period to the next premium due, times the annual premium plus an amount to cover claims incurred but not reported. This is calculated as a factor derived from run-off triangles and applied to the annualised in force premium. The factor varies by product. There is also a premium deficiency reserve which is based on any shortfall in premiums charged to the customer as a result of administrative errors.

For Group Risk claims in payment, a reserve using termination rates from a standard table is held from date of notification.

For reassured policies, the net reserve was calculated by modelling the premiums assuming that the current premium rates continue.

- (2) The valuation interest rate for each product type is set out in the table below. For regular premium policies appearing on Form 54, the nominal valuation rate has been reduced by 1.41% to obtain a real yield.

Product Type	Valuation Interest rate at 31.12.2008 (%)		Valuation Interest rate at 31.12.2007 (%)	
	Policy as a Liability	Policy as an Asset	Policy as a Liability	Policy as an Asset
Accelerated Critical Illness	2.00	3.91	2.94	4.85
Stand-alone Critical Illness	3.23	5.14	3.78	5.69
Life	2.00	3.91	2.94	4.85
Income Protection	3.23	5.14	3.78	5.69
Immediate Needs (Level)	2.24	n/a	4.67	n/a
Immediate Needs (Indexed)	1.90	n/a	1.93	n/a
Long Term Care	3.23	5.14	3.78	5.69
Claims in Payment	2.65	n/a	4.54	n/a

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Name of Company **Bupa Health Assurance**

- (3) The company does not have any equity shares or property assets. The fixed interest portfolio is predominately invested in conventional Gilts, sovereign backed bonds and cash. There is, however, a small proportion of the fixed interest portfolio invested in corporate bonds. Index-linked liabilities are matched by Index-linked Gilts and a sovereign backed index-linked bond.

The risk adjusted yield for Gilts and Sovereign backed assets was determined by reducing the gross redemption yield by a basis point adjustment representing a margin for default risk. It is the company's policy to further reduce the valuation interest rate by 25bp for each product group.

The yields on the corporate bonds were adjusted to the gross redemption yield levels of the nearest equivalent Gilt. This was due to the exceptionally high liquidity premia prevailing on corporate bonds at the valuation date which for reasons of prudence were not allowed for in the valuation. The standard adjustments set out above were also made.

- (4) A table showing the mortality bases used for each of the main product groups is set out below:

Product Type	Table	Percentage of table at 31.12.2008				Percentage of table at 31.12.2007			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Stand-alone Critical Illness	TM92 Sel. TF92 Sel.	37.5	75	37.5	75	37.5	75	37.5	75
Life	TMN/S OOS TFN/S OOS	70	75	65	65	104	115	108	115
Income Protection	AM90 Sel. AF90 Sel.	100	100	100	100	100	100	100	100
Immediate Needs	PMA80 Ult PFA80 Ult	72.25	72.25	85	85	72.25	72.25	85	85
Long Term Care	PMA90 Ult PFA90 Ult	80	80	80	80	80	80	80	80

- (5) Tables showing the morbidity inception and termination assumptions used for each of the main product groups and tranche, where relevant, are set out below.

Inceptions

Product Type	Table	Inception Rates as Percentage of table at 31.12.2008				Inception Rates as Percentage of table at 31.12.2007			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Accelerated Critical Illness - Apr 2007	CIBT93A	48.2	85.6	66.9	92.3	55	98	65	98
Accelerated Critical Illness - Nov 2001	CIBT93A	50.6	89.9	70.2	97.0	55	98	65	98
Accelerated Critical Illness - Old series	See sample rates below ¹	140	140	140	140	140	140	140	140
Stand-alone Critical Illness - Apr 2007	CIBT93	67.2	117.6	79.8	96.6	69	117	81	117

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 Name of Company **Bupa Health Assurance**

Product Type	Table	Inception Rates as Percentage of table at 31.12.2008				Inception Rates as Percentage of table at 31.12.2007			
Sex Smoker		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Stand-alone Critical Illness - Nov 2001	CIBT93	70.6	123.5	83.9	101.5	69	117	81	117
Stand-alone Critical Illness - Old series	See sample rates below ²	140	140	140	140	140	140	140	140
Income Protection (pre 2006)	CMIR 12 Inceptions*	120	159.6	180	239.4	120	159.6	180	239.4
Income Protection (2006 onwards)	CMIR 12 Inceptions*	118.2	165.5	217.8	306.1	118.2	165.5	217.8	306.1

*The following adjustments are made to income protection inception rates according to product series and occupational class.

Occupational Class	IP Loading % (pre 2006 start date)		IP Loading % (start date 2006 onwards)	
Valuation Date	31.12.2008	31.12.2007	31.12.2008	31.12.2007
1	90	90	95	95
2	120	120	110	110
3	190	190	140	140
4	290	290	170	170
5	390	390	200	200

*Further adjustments are made to income protection incidence rates according to deferred period

Deferred Period (weeks)	Factor (pre 2006 start date)		Factor (start date 2006 onwards)	
Valuation Date	31.12.2008	31.12.2007	31.12.2008	31.12.2007
4	100	100	30	50
13	100	100	55	75
26	100	100	105	120
52	100	100	195	215

Termination/Recovery rates

Product Type	Table	Inception Rates as Percentage of table at 31.12.2008				Inception Rates as Percentage of table at 31.12.2007			
Sex Smoker		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Income Protection	CMIR 12 Recovery Rates	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3	40 y1 65 y2 85 y3

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Name of Company **Bupa Health Assurance**

Long Term Care	See sample rates below	106.7	116.7	106.7	116.7	106.7	116.7	106.7	116.7
Group Risk Claims in Payment (IP)	CMIR 12 Termination Rates	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+	40 y1 65 y2-3 85 y4+
Individual Protection Claims in Payment (IP)	CMIR 12 Termination Rates	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+

An allowance for future deterioration in morbidity experience is made on guaranteed policies by applying factors to the morbidity rates shown in this section. Morbidity deterioration factors are calculated by compound increases to the underlying table rates according to the percentages below.

Product Type and launch date where appropriate	Annual Percentage	
Valuation date	31.12.2008	31.12.2007
Future Care (Security)	2	2
Accelerated Critical Illness - Apr 2007	0.5	0.5
Accelerated Critical Illness - Nov 2001	1	1
Accelerated Critical Illness - Old series	1	1
Stand-alone Critical Illness - Apr 2007	1	1
Stand-alone Critical Illness - Nov 2001	2	2
Stand-alone Critical Illness - Old series	2	2
Income Protection (pre 2006)	1.5	1.5
Income Protection (2006 onwards)	0	0

The table below shows the sample morbidity rates for the old series of Accelerated Critical Illness policies, (written before November 2001).

Accelerated CI Rates per £10,000 Sum Assured	31.12.2008				31.12.2007			
Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25	10.00	16.67	7.43	11.97	10.00	16.67	7.43	11.97
35	14.78	25.30	14.32	24.44	14.78	25.30	14.32	24.44
45	44.14	77.25	32.62	56.07	44.14	77.25	32.62	56.07
55	120.58	210.66	81.51	138.87	120.58	210.66	81.51	138.87

The table below shows the sample morbidity rates for the old series of Stand Alone Critical Illness policies, (written before November 2001).

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Name of Company **Bupa Health Assurance**

Stand Alone CI per £10,000 Sum Assured	31.12.2008				31.12.2007			
Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25	4.62	6.72	5.88	8.82	4.62	6.72	5.88	8.82
35	10.22	18.76	13.72	24.92	10.22	18.76	13.72	24.92
45	31.22	65.24	29.26	62.72	31.22	65.24	29.26	62.72
55	77.28	166.04	58.38	133.42	77.28	166.04	58.38	133.42

The table below shows Future Care Continuous incidence rates.

Future Care (Continuous) per £10,000 Sum Assured	31.12.2008				31.12.2007			
Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25	2.64	2.88	3.95	4.31	2.64	2.88	3.95	4.31
35	3.83	4.19	4.89	5.34	3.83	4.19	4.89	5.34
45	7.12	7.78	7.81	8.54	7.12	7.78	7.81	8.54
55	15.9	17.37	16.99	18.56	15.9	17.37	16.99	18.56
65	44.2	48.3	51.21	55.96	44.2	48.3	51.21	55.96
75	119.29	130.36	157.69	172.23	119.29	130.36	157.69	172.23
85	369.46	403.74	554.17	605.59	369.46	403.74	554.17	605.59

The tables below show the annuity value at claim inception per £1000 pm benefit for moderate and continuous policies respectively.

Future Care, Moderate
(annuity at claim inception per £1000 p.m.)

Age	Male Level D3	Male Level D12	Male Indexed D3	Male Indexed D12	Female Level D3	Female Level D12	Female Indexed D3	Female Indexed D12
50	82046.32	72980.93	108465.94	99163.49	83209.72	74140.66	110953.96	101647.06
60	76552.32	67512.86	98078.90	88802.74	79417.90	70365.76	103165.76	93877.04
70	65251.95	56302.99	79939.63	70758.82	70457.37	61452.83	87736.00	78496.38
80	48880.01	40191.60	56928.97	48015.39	53980.64	45178.81	63759.83	54729.29

Future Care, Continuous
(annuity at claim inception per £1000 p.m.)

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Age	Male Level D3	Male Level D12	Male Indexed D3	Male Indexed D12	Female Level D3	Female Level D12	Female Indexed D3	Female Indexed D12
50	49556.69	41381.00	60735.44	52363.64	49969.29	41804.22	61474.09	53101.73
60	47310.46	39169.81	57097.77	48751.29	48546.30	40393.77	59042.80	50680.16
70	41839.81	33800.06	49130.23	40885.79	44571.43	36472.26	52921.89	44614.76
80	32681.42	24919.47	37025.29	29066.91	35719.16	27835.22	40888.59	32804.87

- (6) Expenses for individual business are calculated on a per policy basis and escalated at an appropriate inflation rate. Per policy expenses are assumed to inflate at 3.01% pa compound.

Tax relief is assumed at 20% on BLAGAB contracts, namely Life and Accelerated Critical Illness products.

A table showing the expenses assumed for each of the main product groups is set out below:

Product Type	Valuation Expenses at 31.12.2008 (%)		Valuation Expenses at 31.12.2007 (%)	
	Per policy loading £	Claims handling loading £	Per policy loading £	Claims handling loading £
Accelerated Critical Illness	36	n/a	36	n/a
Stand-alone Critical Illness	36	n/a	36	n/a
Life	36	n/a	36	n/a
Income Protection/WoP	36	100 - new claim 150 - on going	36	100 - new claim 150 - on going
Immediate Needs	36	n/a	36	n/a
Long Term Care	36	100 - new claim 150 - on going	36	100 - new claim 150 - on going
Group Risk Claims in Payment	n/a	4.5% of reserves	n/a	6% of reserves

- (7) There is no unit linked business.

- (8) There is no with profits business.

- (9) Following implementation of PS06/14 and in accordance with INSPRU 1.2.76 lapses have been included in the valuation of regular premium products. The lapse rates assumed are the best estimate rates adjusted by a margin for adverse deviation. Experience investigations show that the key risk factors determining lapse rates are policy type, policy duration and commission basis.

The lapse rate applied at each future duration in the reserve calculation is dependent on the whether the net of reinsurance reserve at the end of the following month is an asset or liability. If the policy is an asset, the best estimate lapse rate is increased by the provision for adverse deviation. If the policy is a liability, the best estimate lapse rate is decreased by the provision for adverse deviation.

The annual lapse rate percentages are set out in the table below. The lapse rates in the table below are a simple arithmetic average of the yearly rates rounded to one decimal place. Where different sets of lapse

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rates apply to one product because of different sales remuneration bases, a weighted average has been calculated.

Individual Protection Products	Policy as a Liability				Policy as an Asset			
	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Critical Illness (Stand-alone)	6.8	3.8	3.0	3.0	15.8	9.0	7.0	7.0
Critical Illness (Accelerated)	7.2	3.8	3.0	3.0	16.8	9.0	7.0	7.0
Life Cover	7.0	3.8	3.0	3.0	16.3	9.0	7.0	7.0
Income Protection	7.2	3.8	3.0	3.0	16.9	9.0	7.0	7.0
Long Term Care	3.9	3.9	3.9	3.9	9.1	9.1	9.1	9.1

At the review date, (5th or 10th policy anniversary), on reviewable policies the assumed lapse rate is 12.5%.

There is no lapse assumption for group risk business.

(10) The reserves for group risk business not mentioned elsewhere are set out below.

The unearned premium reserve is based on days remaining until next premium due date for payment frequency other than monthly. For monthly cases, the premium is assumed to be paid half way through the month on average and a reserve of one half of a month's premium is held.

A reserve is held for incurred but not reported claims. The table below describes the methodology by product group.

Product	IP	CI	Life
Reserve	45% of the average premiums in force over the last 6 months	20% of the average premiums in force over the last 2 months	12% of the average premiums in force.

(11) There are no derivative contracts or contracts or assets having the effect of derivative contracts.

(12) Included in the valuation was the further implementation of the new INS Pru valuation rules effective from 31.12.2006. An allowance was made for negative reserves on the waiver of premium rider product at a policy level in line with INS Pru 1.2.24R. These have been eliminated at the FSA product level. This gave rise to a release in reserve of £1.0m.

5 (1) There are no products with guaranteed annuity rate options.

(2) There are no products with guaranteed surrender values or unit linked maturity values.

(3) Guaranteed Insurability options are offered on a range of policies as follows:

Life and Critical Illness

Policyholders have the right to increase the sum assured under their contract upon marriage, the birth of a legitimate child, mortgage increases or promotion. The sum assured may be increased by 25% on each event subject to a maximum of 100% or £100,000 in aggregate.

Children under the age of 18 are covered free and on their 18th birthday have the right to take out a contract in their own name.

Renewable term contracts have renewability guaranteed until age 70.

Income Protection

Post March 2008

Product enhanced to include GIOs from age 55 plus facility to increase benefit on adoption and mortgage increase

2006 onwards:

On marriage, birth of a legitimate child, mortgage increase, promotion or change of employment, policyholders may increase their benefit level by up to 50% of the pay rise subject to an annual limit of £9,000 and on overall limit of 50% of the original annual benefit.

Pre 2006:

On promotion or change of employment, policyholders may increase their benefit level by up to 50% of the pay rise subject to an annual limit of £7,500 and a lifetime limit of 50% of the original annual benefit.

Renewable term contracts either have renewability guaranteed until age 70 or have renewability guaranteed until a selected retirement age.

- (4) There are no product categories with a renewability option where the sum assured exceeds £1bn.

Expense reserves

- 6 (1) The aggregate amount of expense loadings expected to arise during the 12 months after the valuation date is £10,253,000
- (2) The valuation did not assume any implicit allowances for expenses.
- (3) The form 43 maintenance expenses were £6,238,000, this compares to planned expenses for 2008 of £5,331,000. The main reason for increased expenses in 2008 is growth in the business.
- (4) The new business expense provision was calculated according to INSPRU 1.2.55 (3) as the projected valuation strain from writing new business over the 12 months following the valuation date less the projected surplus generated from the in force portfolio where both are calculated on prudent assumptions. The reserve calculated was £550,000.
- (5) The maintenance expense provision has been calculated by comparing the expenses assumed in the annual operating plan (AOP) with projected renewal loadings. Projected loadings exceeded the AOP expenses so no reserve was required to cover renewal expenses. A further reserve was calculated to cover the cost of redundancies of a proportion of maintenance staff as the in force portfolio shrinks. This amounted to £450,000.
- (6) A further reserve has been calculated based on the amounts required to cover anticipated redundancy costs and diseconomies of scale were the company to close to new business after 12 month. This amounted to £2,000,000.

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7 (1) - (3) Assets and liabilities are 100% denominated in Sterling

(4) The most onerous scenario under INSPRU 3.1.16R for assets invested in the United Kingdom and other assets that fall under INSPRU 3.1.16R for the purposes of calculating the resilience capital requirement under INSPRU 3.1.10R has been examined and results from a rise in fixed interest yields of 20% of the long-term gilt yield.

(5) No assets are invested outside the United Kingdom and hence the most onerous scenario under INSPRU 3.1.23R was not examined.

(6) Pursuant to INSPRU 3.1.16R:

(a) There was no resilience capital requirement.

(b) The change in the aggregate amount of long term liabilities was £1,323,000.

(c) The change in the aggregate amount of assets allocated to meet such liabilities was £1,510,000.

Other special reserves

8 (1) An additional reserve of £850,000 was calculated to cover credit risk. The reserve was calculated in addition to the 0.5% of ceded reserves which allow for reinsurer credit risk.

A further reserve of £100,000 was calculated to cover the additional tax that would be payable if the company was unable to recover tax relief on its Life fund business. This was calculated as the difference between reserves on a gross and a net tax basis with a small additional margin.

Reinsurance

9 (1) No reinsurance is ceded on a facultative basis to a reinsurer who is not authorised to carry on insurance business in the United Kingdom.

(2) (a) - (c) Details of the Company's reinsurance treaties in force at the valuation date are set out in the table below. Ceded reserves are before allowance for reinsurer credit risk:

(d) Name of reinsurer	Munich Reinsurance Company
(e) Nature and extent of cover	The treaty covers Critical Illness, Lifestyle and Income Protection, FutureCare, CompleteCare, ImmediateCare and Recovery Cash and provides cover on a quota share basis and for benefits in excess of the Company's retention limit
(f) Premiums payable during the reporting period	£2,315,000
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil
(h) Is the treaty closed to new business	Yes
(i) The amount of any undischarged obligations of the insurer	£124,000

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(j) The amount of mathematical reserves ceded under the treaty	£8,604,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Critical Illness series 1-4	75%	£25,000
	Future Care post-1999	75%	£5,000pa
	Income Protection	75%	£5,000pa
	WOP (CI series 1 - 4)	75%	£5,000pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	Swiss Reinsurance Company
(e) Nature and extent of cover	The treaty covers Life, Critical Illness and Critical Illness with Life and provides cover on a quota share basis and for benefits in excess of the Company's retention limit
(f) Premiums payable during the reporting period	£1,282,000
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil
(h) Is the treaty closed to new business	Yes
(i) The amount of any undischarged obligations of the insurer	£106,000
(j) The amount of mathematical reserves ceded	-£668,000

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under the treaty			
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Life series 1	25% of 90%	£25,000
	Critical Illness with Life series 3-4	75%	£25,000
	Critical Illness with Life series 5	25% of 90%	£25,000
	Critical Illness series 5	25% of 90%	£25,000
	WOP Life Series 1 - 2	25% of 25%	£5,000 p.a.

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	Munich Reinsurance Company
(e) Nature and extent of cover	The treaty covers Group Life, Group Critical Illness and Group Income Protection and provides cover on a quota share basis and for benefits in excess of the Company's retention limit
(f) Premiums payable during the reporting period	Nil
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil
(h) Is the treaty closed to new business	Yes
(i) The amount of any undischarged obligations of the insurer	£1,832,000

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4Name of Company **Bupa Health Assurance**

(j) The amount of mathematical reserves ceded under the treaty	£7,874,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Group Life	85%	£55,100
	Group Critical Illness	85%	£50,000
	Group Income Protection	90%	£7,500pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	Swiss Reinsurance Company
(e) Nature and extent of cover	The treaty covers Group Life, Group Critical Illness and Group Income Protection and provides cover on a quota share basis and for benefits in excess of the Company's retention limit
(f) Premiums payable during the reporting period	£36,022,000
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil
(h) Is the treaty closed to new business	No
(i) The amount of any undischarged obligations of the insurer	£3,912,000
(j) The amount of mathematical reserves ceded under the treaty	£42,325,000

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Name of Company **Bupa Health Assurance**

(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Group Life pre 01/08/2006	70%	£200,000
	Group Life > 20 lives, from 01/08/2006	70%	£300,000
	Group Life < 20 lives, from 01/08/2006	NIL	£300,000
	Group Critical Illness	50%	£150,000
	Group Income Protection	50%	£50,000pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	SCOR Reinsurance UK Limited
(e) Nature and extent of cover	The treaty covers Life, Critical Illness and Critical Illness with life and provides cover on a quota share basis and for benefits in excess of the Company's retention limit
(f) Premiums payable during the reporting period	£6,593,000
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil
(h) Is the treaty closed to new business	No
(i) The amount of any undischarged obligations of the insurer	£512,000
(j) The amount of mathematical reserves ceded	-£1,413,000

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4
Name of Company **Bupa Health Assurance**

under the treaty			
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Life series 1	75% of 90%	£25,000
	Life series 2 pre 2004	90%	£25,000
	Life series 2 post 2003	10% of 90%	£25,000
	Life series 3	10% of 90%	£25,000
	Critical Illness series 5	75% of 90%	£25,000
	Critical Illness series 6	60%	£50,000
	Critical Illness series 7-8	10% of 60%	£50,000
	Critical Illness with life series 5	75% of 90%	£25,000
	Critical Illness with life series 6	60%	£50,000
	Critical Illness with life series 7-8	10% of 60%	£50,000
	Term Assurance with Tax Relief	10% of 90%	£25,000
	WOP CI and CIA series 5	75%	£5,000pa
	WOP CI and CIA series 6	50%	£5,000pa
	WOP CI and CIA series 7	10% of 50%	£5,000pa
	WOP Life series 1-2	75% of 75%	£5,000pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4Name of Company **Bupa Health Assurance**

(d) Name of reinsurer	SCOR Reinsurance Ireland Ltd		
(e) Nature and extent of cover	The treaty covers Life, Critical Illness and Critical Illness with life and provides cover on a quota share basis and for benefits in excess of the Company's retention limit		
(f) Premiums payable during the reporting period	£5,162,000		
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	£404,000		
(h) Is the treaty closed to new business	No		
(i) The amount of any undischarged obligations of the insurer	Nil		
(j) The amount of mathematical reserves ceded under the treaty	£54,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Life series 2 post 2003	50% of 90%	£25,000
	Life series 3	50% of 90%	£25,000
	Critical Illness series 7-8	50% of 60%	£50,000
	Critical Illness with life series 7-8	50% of 60%	£50,000
	Term Assurance with Tax Relief	50% of 90%	£25,000
	WOP CI and CIA series 7	50% of 50%	£5,000pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4Name of Company **Bupa Health Assurance**

(p) There are no "financing arrangements".

(d) Name of reinsurer	RGA Reinsurance Barbados Ltd		
(e) Nature and extent of cover	The treaty covers Critical Illness and Critical Illness with life and provides cover on a quota share basis and for benefits in excess of the Company's retention limit		
(f) Premiums payable during the reporting period	£2,170,000		
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil		
(h) Is the treaty closed to new business	No		
(i) The amount of any undischarged obligations of the insurer	£276,000		
(j) The amount of mathematical reserves ceded under the treaty	£5,097,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Critical Illness series 9	90% of 60%	£50,000
	Critical Illness with life series 9	90% of 60%	£50,000

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

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Name of Company Bupa Health Assurance

(d) Name of reinsurer	RGA Reinsurance UK Ltd		
(e) Nature and extent of cover	The treaty covers Critical Illness and Critical Illness with life and provides cover on a quota share basis and for benefits in excess of the Company's retention limit		
(f) Premiums payable during the reporting period	£265,000		
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil		
(h) Is the treaty closed to new business	No		
(i) The amount of any undischarged obligations of the insurer	£34,000		
(j) The amount of mathematical reserves ceded under the treaty	£566,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Critical Illness series 9	10% of 60%	£50,000
	Critical Illness with life series 9	10% of 60%	£50,000

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	XL Re Limited (UK Branch)
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 Name of Company **Bupa Health Assurance**

(e) Nature and extent of cover	The treaty covers Life, Critical Illness and Critical Illness with life and provides cover on a quota share basis and for benefits in excess of the Company's retention limit		
(f) Premiums payable during the reporting period	£3,641,000		
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil		
(h) Is the treaty closed to new business	No		
(i) The amount of any undischarged obligations of the insurer	£258,000		
(j) The amount of mathematical reserves ceded under the treaty	£825,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Life series 2 post 2003	40% of 90%	£25,000
	Critical Illness series 7	40% of 60%	£50,000
	Critical Illness with life series 7	40% of 60%	£50,000
	WOP CI and CIA series 7	40% of 50%	£5,000pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	Royal Bank of Canada
(e) Nature and extent of	The treaty covers Life, Critical Illness and Critical Illness with life and provides cover on a quota share basis and for benefits in excess of the Company's

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4

Name of Company **Bupa Health Assurance**

cover	retention limit		
(f) Premiums payable during the reporting period	£ 248,000		
(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil		
(h) Is the treaty closed to new business	No		
(i) The amount of any undischarged obligations of the insurer	£ 22,000		
(j) The amount of mathematical reserves ceded under the treaty	-£ 782,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Life series 3	40% of 90%	£ 25,000
	Critical Illness series 8	40% of 60%	£ 50,000
	Critical Illness with life series 8	40% of 60%	£ 50,000
	Term Assurance with Tax Relief	40% of 90%	£ 25,000

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

(d) Name of reinsurer	General Reinsurance UK Ltd
(e) Nature and extent of cover	The treaty covers Income Protection business and provides cover on a quota share basis and for benefits in excess of the Company's retention limit
(f) Premiums payable during the reporting period	£ 493,000

Abstract of Valuation Report Prepared by the Actuarial Function Holder – IPRU (INS) Appendix 9.4Name of Company **Bupa Health Assurance**

(g) Amount deposited at the valuation date in respect of the treaty under any deposit back arrangements	Nil		
(h) Is the treaty closed to new business	No		
(i) The amount of any undischarged obligations of the insurer	£59,000		
(j) The amount of mathematical reserves ceded under the treaty	£312,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Income Protection series 5	70%	£5,000pa

(l) The reinsurer is authorised to carry on insurance business in the UK.

(m) The Company and the reinsurer are not connected.

(n) An additional reserve based on a percentage of ceded reserves is held as a contingent reserve for reinsurer credit risk.

(o) There is no reinsurance commission payable under this treaty.

(p) There are no "financing arrangements".

Reversionary (or annual) bonus

10 (1)- (4) There are no with profits policies.

Statement pursuant to Regulation 9.29

Name of Company **Bupa Health Assurance Limited**

Financial year ended **31 December 2008**

Statement pursuant to rule 9.29 of the Interim Prudential Sourcebook for insurers instrument.

The company's investment policy allows the use of derivative contracts. However, there were no assets held under derivative contracts during the financial year.

Statement pursuant to Regulation 9.30

Name of Company **Bupa Health Assurance Limited**

Financial year ended **31 December 2008**

Statement pursuant to rule 9.30 of Interim Prudential Sourcebook for insurers instrument.

The company is a wholly owned subsidiary of Bupa Investments Limited, which in turn is a wholly owned subsidiary of The British United Provident Association Limited, which is registered in England and Wales

Directors' Certificate required by Rule 9.34 of IPRU(INS).

Name of Company **Bupa Health Assurance Limited**
Global business
Financial year ended **31 December 2008**

We certify that:

1. (a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU, and INSPRU; and

 (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU (INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in the future.
2. (a) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

 (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and

 (c) we have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

F Kee
(Chief Executive)

T Singer
(Director)

G Brown
(Director)

30 March 2009

Report of the auditor to the Directors pursuant to rule 9.35 of IPRU(INS) the Interim Prudential Sourcebook for Insurers.

Name of Company **Bupa Health Assurance Limited**
Global business
Financial year ended **31 December 2008**

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU (INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook, ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

Forms 2, 3, 11 to 17, 40 to 43, 48, 49, 56, 58 and 60, including the supplementary notes on pages 1 to 39 ('the Forms');

- the statement required by IPRU (INS) rule 9.29 on page 61 ('the statement'); and
- the valuation report required by IPRU (INS) rule 9.31(a) (i) ('the valuation report').

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 50 to 54, and 57, including the supplementary notes;
- the statement required by IPRU (INS) rule 9.30 on page 62; and
- the certificate required by IPRU (INS) rule 9.34 on page 63 ('the certificate').

This report is made solely to the company's directors, as a body, in accordance with the requirements of IPRU (INS) rule 9.35. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirements of IPRU (INS) rule 9.35 and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to IPRU (INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the forms and statement not examined by us and the certificate) under the provisions of the Rules. Under IPRU (INS) rule 9.11, the Forms, the Statement, valuation report, the forms and statement not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with IPRU (INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement and the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20: 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence

Report of the auditor to the Directors pursuant to rule 9.35 of IPRU(INS) the Interim Prudential Sourcebook for Insurers.

Name of Company **Bupa Health Assurance Limited**
Global business
Financial year ended **31 December 2008**

relevant to the amounts and disclosures in the Forms, the Statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU (INS) rule 9.11.

In accordance with IPRU (INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU (INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU (INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the company.

Opinions

In our opinion:

- (a) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU (INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

30 March 2009