

Bupa Health Assurance Limited

Return to the Financial Services Authority

Financial year ended 31 December 2009



<u>Form No</u>	<u>Description</u>	<u>Page</u>
2	Statement of solvency - long-term insurance business	3
3	Components of capital resources	5
11	Calculation of general insurance capital requirement - premiums amount and brought forward amount	8
12	Calculation of general insurance capital requirement - claims amount and result	9
13	Analysis of admissible assets	10
14	Long term business liabilities and margins	16
15	Liabilities (other than long term insurance business)	17
16	Profit and loss account (non-technical account)	18
40	Long term business: Revenue account	19
41	Long term business: Analysis of premiums and expenses	20
42	Long term business: Analysis of claims	21
43	Long term business: Analysis of expenses	22
46	Long term business: Summary of new business	23
47	Long term business: Analysis of new business	24
48	Long term business: Non-linked assets	26
49	Long term business: Fixed and variable interest assets	27
50	Long term business: Summary of mathematical reserves	28
51	Long term business: Valuation summary of non linked contracts, (other than accumulating with-profit policies)	29
54	Long term business: Valuation summary of index linked contracts	35
58	Long term business: Distribution of surplus	37
60	Long term business: Required minimum margin	38
	Notes to Appendices 9.1 and 9.3	39
	Abstract of Valuation Report	43
	Statement pursuant to Regulation 9.29	62
	Statement pursuant to Regulation 9.30	63
	Directors' certificate	64
	Auditors' report	65



Bupa Health Assurance Limited

Return to the Financial Services Authority

Financial year ended 31 December 2009

Prepared in accordance with IPRU(INS)

Appendices 9.1, 9.3, 9.4 and 9.6

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

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

Solo solvency calculation							
	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	2774803	GL	31	12	2009	£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	55652	50938
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	55652	50938

**Guarantee fund**

Guarantee fund requirement	21	16938	14026
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	38714	36912

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	50813	42078
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	50813	42078
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	50813	42078
Excess (deficiency) of available capital resources to cover 50% of MCR	37	30246	29899
Excess (deficiency) of available capital resources to cover 75% of MCR	38	17543	19380

**Enhanced capital requirement**

With-profits insurance capital component	39		
Enhanced capital requirement	40	50813	42078

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	50813	42078
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	4839	8860

**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 2009



F Kee

Chief Executive



R King

Director



T Singer

Director

Date

24 March 2010

## Components of capital resources

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	2774803	GL	31	12	2009	£000
			General insurance business	Long-term insurance business		Total as at the end of this financial year	Total as at the end of the previous year
			1	2		3	4

## Core tier one capital

Permanent share capital	11		130000	130000	110500
Profit and loss account and other reserves	12		(9468)	(9468)	(7075)
Share premium account	13				
Positive valuation differences	14		9758	9758	10922
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		130290	130290	114347

## 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				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	31		130290	130290	114347
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				
<b>Total tier one capital after deductions (31-37)</b>	39		130290	130290	114347

**Form 3**  
**(Sheet 2)**

**Components of capital resources**

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>2774803</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		<b>1</b>			<b>3</b>	<b>4</b>

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	2774803	GL	31	12	2009	£000
			General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year
			1	2	3		4

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		<b>130290</b>	<b>130290</b>	<b>114347</b>
Inadmissible assets other than intangibles and own shares	<b>73</b>		<b>74638</b>	<b>74638</b>	<b>63409</b>
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		<b>55652</b>	<b>55652</b>	<b>50938</b>

**Available capital resources for GENPRU/NSPRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		<b>55652</b>	<b>55652</b>	<b>50938</b>
Available capital resources for 50% MCR requirement	<b>82</b>		<b>55652</b>	<b>55652</b>	<b>50938</b>
Available capital resources for 75% MCR requirement	<b>83</b>		<b>55652</b>	<b>55652</b>	<b>50938</b>

**Financial engineering adjustments**

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



## Calculation of general insurance capital requirement - premiums amount and brought forward amount

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day	month	year	Units
R11		2774803	GL	31	12	2009	£000
				This financial year 1		Previous year 2	
Gross premiums written			11	97637		90039	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13	97637		90039	
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15	45872		44756	
Sub-total A (13 + 1/2 14 - 2/3 15)			16	67056		60202	
Gross premiums earned			21	97617		89712	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23	97617		89712	
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25	45852		44429	
Sub-total H (23 + 1/2 24 - 2/3 25)			26	67049		60093	
Sub-total I (higher of sub-total A and sub-total H)			30	67058		60202	
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	12070		10836	
	Excess (if any) over 57.5M EURO x 0.02		33	313		368	
Sub-total J (32-33)			34	11757		10468	
Claims paid in period of 3 financial years			41	78775		55103	
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	13158		10812	
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	4044		5078	
Sub-total C (41+42+43-44-45)			46	87889		60837	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	54065		39028	
Sub-total D (46-47)			48	33824		21809	
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	5878		5234	
Provision for claims outstanding (before discounting and net of reinsurance)			51	5576		4408	
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	5234		3794	
Greater of lines 50 and 53			54	5878		5234	

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

Global business

Financial year ended **31 December 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	2774803	GL	31	12	2009	£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	78775			55103
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	13158			10812
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	4044			5078
Claims incurred in reference period (21+22+23-24-25)				26	87889			60837
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	29069			16836
Sub-total E (26 +1/2 27 - 2/3 28)				29	68510			49613
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	22837			16538
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	5938			4300
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	5938			4300
Claims amount Sub-total G x reinsurance ratio (11.49)				41	2969			2150
Higher of premiums amount and brought forward amount (11.54)				42	5878			5234
General Insurance capital requirement (higher of lines 41 and 42)				43	5878			5234

Form 13  
(Sheet 1)

## Analysis of admissible assets

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>2774803</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>1</b>
						As at end of this financial year	As at end of the previous year
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

Investments in group undertakings and participating  
interests

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

## Other financial investments

Equity shares		<b>41</b>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	15804	
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>		
	Other	<b>46</b>		
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>		
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	32054	18179
	More than one month withdrawal	<b>55</b>	7000	31800
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>2774803</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

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

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	<b>794</b>	<b>959</b>
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	<b>55652</b>	<b>50938</b>
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**Analysis of admissible assets**Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	2774803	GL	31	12	2009	£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	55652	50938
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	55652	50938
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Form 13  
(Sheet 1)

## Analysis of admissible assets

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**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	2009	£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	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

## Other financial investments

Equity shares		<b>41</b>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>		
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	28491	20493
	Other	<b>46</b>	4189	4761
Variable interest securities	Approved	<b>47</b>	30275	2500
	Other	<b>48</b>		
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>		
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	3613	5527
	More than one month withdrawal	<b>55</b>		15850
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	19320	20235
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**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	2009	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	11450	6209
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	6098	7155
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	231	269
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	748	1337
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	163	141

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	102577	84477
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## Analysis of admissible assets

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**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	2009	£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	102577	84477
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1441	1774
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	(105)	
Deferred acquisition costs excluded from line 89	99	73197	61635
Reinsurers' share of technical provisions excluded from line 89	100	76818	70692
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	253928	218578
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		



**Long term insurance business liabilities and margins**

Name of insurer **Bupa Health Assurance Ltd**  
 Global business  
 Financial year ended **31 December 2009**  
 Total business/Sub fund **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	71482	62785
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	71482	62785
Claims outstanding	Gross	15	14812	12611
	Reinsurers' share	16	9236	8203
	Net (15-16)	17	5576	4408
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	644	27
	Reinsurance accepted	32		
	Reinsurance ceded	33	10659	9106
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	715	3479
	Other	38	13382	4615
Accruals and deferred income		39	120	57
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	31095	21692
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	102577	84477

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11055	2641
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	102577	84477
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	76818	70692
Other adjustments to liabilities (may be negative)	74	9653	10922
Capital and reserves and fund for future appropriations	75	64880	52487
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	253928	218578

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

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R15</b>	<b>2774803</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
			As at end of this financial year 1			As at end of the previous year 2

**Technical provisions (gross amount)**

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

**Provisions and creditors**

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

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>		
Capital and reserves	<b>84</b>	55652	50938
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)	<b>85</b>	55652	50938

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	2774803	GL	31	12	2009	£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			(16667)	(9374)		
Investment income	Income	14			2388	2622		
	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			(14279)	(6752)		
Tax on profit or loss on ordinary activities		31			508	404		
Profit or loss on ordinary activities after tax (29-31)		39			(14787)	(7156)		
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			(14787)	(7156)		
Dividends (paid or foreseeable)		51						
Profit or loss retained for the financial year (49-51)		59			(14787)	(7156)		

## Long-term insurance business : Revenue account

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year 1	Previous year 2
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## Income

Earned premiums	11	83308	72355
Investment income receivable before deduction of tax	12	1984	3392
Increase (decrease) in the value of non-linked assets brought into account	13	319	449
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>85611</b>	<b>76196</b>

## Expenditure

Claims incurred	21	22825	19490
Expenses payable	22	74965	62742
Interest payable before the deduction of tax	23		39
Taxation	24	(4210)	(2214)
Other expenditure	25		
Transfer to (from) non technical account	26	(16667)	(9374)
<b>Total expenditure</b>	<b>29</b>	<b>76913</b>	<b>70683</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	8697	5513
Fund brought forward	49	62785	57272
Fund carried forward (39+49)	59	71482	62785

## Long-term insurance business : Analysis of premiums

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

## Gross

Regular premiums	11	108884	35449		144334	131863
Single premiums	12					

## Reinsurance - external

Regular premiums	13	39111	21914		61026	59508
Single premiums	14					

## Reinsurance - Intra-group

Regular premiums	15					
Single premiums	16					

## Net of reinsurance

Regular premiums	17	69773	13535		83308	72355
Single premiums	18					

## Total

Gross	19	108884	35449		144334	131863
Reinsurance	20	39111	21914		61026	59508
Net	21	69773	13535		83308	72355

**Long-term insurance business : Analysis of claims**

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 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	30993	23668		54661	44464
Disability periodic payments	12	9036			9036	8180
Surrender or partial surrender	13					
Annuity payments	14					
Lump sums on maturity	15					
<b>Total</b>	<b>16</b>	<b>40029</b>	<b>23668</b>		<b>63697</b>	<b>52644</b>

**Reinsurance - external**

Death or disability lump sums	21	19392	16358		35750	28327
Disability periodic payments	22	5122			5122	4827
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>24514</b>	<b>16358</b>		<b>40872</b>	<b>33154</b>

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	11601	7310		18911	16137
Disability periodic payments	42	3914			3914	3353
Surrender or partial surrender	43					
Annuity payments	44					
Lump sums on maturity	45					
<b>Total</b>	<b>46</b>	<b>15515</b>	<b>7310</b>		<b>22825</b>	<b>19490</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	40060	1792		41852	38696
Commission - other	12	349			349	246
Management - acquisition	13	15590	3118		18708	17562
Management - maintenance	14	6647	7409		14056	6238
Management - other	15					
<b>Total</b>	<b>16</b>	<b>62646</b>	<b>12319</b>		<b>74965</b>	<b>62742</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	40060	1792		41852	38696
Commission - other	42	349			349	246
Management - acquisition	43	15590	3118		18708	17562
Management - maintenance	44	6647	7409		14056	6238
Management - other	45					
<b>Total</b>	<b>46</b>	<b>62646</b>	<b>12319</b>		<b>74965</b>	<b>62742</b>

## Long-term insurance business : Summary of new business

Name of insurer **Bupa Health Assurance Ltd**

Total business

Financial year ended **31 December 2009**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	87447	87864		175311	144891
Single premium business	12					
<b>Total</b>	<b>13</b>	<b>87447</b>	<b>87864</b>		<b>175311</b>	<b>144891</b>

Amount of new regular  
premiums

Direct insurance business	21	32238	13348		45586	36304
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>32238</b>	<b>13348</b>		<b>45586</b>	<b>36304</b>

Amount of new single  
premiums

Direct insurance business	25					
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>					



## Long-term insurance business : Analysis of new business

Name of insurer Bupa Health Assurance Ltd

Total business

Financial year ended

31 December 2009

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	6417	2994		
330	Decreasing term assurance	3653	1167		
340	Accelerated critical illness (guaranteed premiums)	20390	11818		
345	Accelerated critical illness (reviewable premiums)	11232	6376		
350	Stand-alone critical illness (guaranteed premiums)	1690	1430		
355	Stand-alone critical illness (reviewable premiums)	425	272		
360	Income protection non-profit (guaranteed premiums)	413	235		
365	Income protection non-profit (reviewable premiums)	665	221		
380	Miscellaneous protection rider		149		
410	Group life	801	190		
420	Group income protection	21297	4559		
430	Group critical illness	18163	2132		
910	Miscellaneous index linked	2301	695		

### Long-term insurance business : Analysis of new business

**Bupa Health Assurance Ltd**

**31 December 2009**

Financial year ended

£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 2009**  
 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	26845	26845	1417	3.57	
Other fixed interest securities	13	4201	4201	129	4.77	
Variable interest securities	14	30439	30439	630	0.94	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	21772	21772	32	0.16	
<b>Total</b>	<b>19</b>	<b>83257</b>	<b>83257</b>	<b>2208</b>	<b>1.78</b>	

## 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					
<b>Total</b>	<b>29</b>					

## 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 **####**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	18408	8.65	3.93	3.93

Other approved fixed interest securities	21	8438	4.46	2.80	2.80
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## Other fixed interest securities

AAA/Aaa	31	4201	5.07	4.77	3.02
AA/Aa	32				
A/A	33				
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	4201	5.07	4.77	3.02

Approved variable interest securities	41	30439	0.69	0.94	0.94
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	61485	3.89	2.35	2.23
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**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 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	64624	13853		78477	60825
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17	59531			59531	63597
<b>Total</b>	<b>18</b>	<b>124155</b>	<b>13853</b>		<b>138008</b>	<b>124422</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	29122	7951		37073	30731
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27	29454			29454	30906
<b>Total</b>	<b>28</b>	<b>58576</b>	<b>7951</b>		<b>66527</b>	<b>61637</b>

**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					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	35502	5902		41404	30094
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47	30078			30078	32691
<b>Total</b>	<b>48</b>	<b>65580</b>	<b>5902</b>		<b>71482</b>	<b>62785</b>

## 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 **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 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	15400	3466178	8329				1995
330	Decreasing term assurance	9321	1491805	3317				
340	Accelerated critical illness (guaranteed premiums)	67220	8517734	45769				217
345	Accelerated critical illness (reviewable premiums)	20917	2770651	13036				
350	Stand-alone critical illness (guaranteed premiums)	10228	1220149	7644				2689
355	Stand-alone critical illness (reviewable premiums)	1382	153003	989				58
360	Income protection non-profit (guaranteed premiums)	1155	17279	602				98
365	Income protection non-profit (reviewable premiums)	1743	21770	650				238
370	Long-term care policy - Future Care	83	3240	45				544
370	Long-term care policy - Immediate Care	28	470					1922
380	Miscellaneous protection rider		122	3				2
385	Income protection claims in payment	22	190					1386
410	Group life	73244	1639919	2497				1100
420	Group income protection	24653	669876	7956				6387
425	Group income protection claims in payment	225	4995					38518

**Form 51**  
**(Sheet 2)**

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

<b>Name of insurer</b>	<b>Bupa Health Assurance Ltd</b>
<b>Total business / subfund</b>	<b>Ordinary long term business</b>
<b>Financial year ended</b>	<b>31 December 2009</b>
<b>Units</b>	<b>£000</b>
<b>UK Life / Gross</b>	

[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

Ordinary long term business

Financial year ended

31 December 2009

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	15400	3258439	3902				1985
330	Decreasing term assurance	9321	1377863	1785				
340	Accelerated critical illness (guaranteed premiums)	67220	5153740	15970				108
345	Accelerated critical illness (reviewable premiums)	20917	1452718	3202				
350	Stand-alone critical illness (guaranteed premiums)	10228	848597	3051				2676
355	Stand-alone critical illness (reviewable premiums)	1382	97510	293				41
360	Income protection non-profit (guaranteed premiums)	1155	10521	202				97
365	Income protection non-profit (reviewable premiums)	1743	13503	184				237
370	Long-term care policy - Future Care	83	2534	60				96
370	Long-term care policy - Immediate Care	28	235					130
380	Miscellaneous protection rider							
385	Income protection claims in payment		136					1018
410	Group life		863861	965				522
420	Group income protection		334838	3529				3113
425	Group income protection claims in payment		21778					19037



Name of insurer	Bupa Health Assurance Ltd
Total business / subfund	Ordinary long term business
Financial year ended	31 December 2009
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

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

<b>Name of insurer</b>	<b>Bupa Health Assurance Ltd</b>
<b>Total business / subfund</b>	<b>Ordinary long term business</b>
<b>Financial year ended</b>	<b>31 December 2009</b>
<b>Units</b>	<b>£000</b>
<b>UK Pension / Gross</b>	

[illegible]

## Name of insurer

**Bupa Health Assurance Ltd**

**Total business / subfund**

### Ordinary long term business

Financial year ended

**31 December 2009**

Units

£000

UK Pension / Reinsurance ceded external

[illegible]

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

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 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	22	287				1739	1739
902	Group index linked income protection claims in payment	166	3834				27070	27070
910	Accelerated Critical Illness (guaranteed premiums)	113	8443	68			184	184
910	Group Income Protection	48848	1317819	16329			11547	11547
910	Income Protection non-profit (guaranteed premiums)	2226	44750	1452			310	310
910	Income Protection non-profit (reviewable premiums)	1569	27616	892			743	743
910	Long Term care policy - Future Care	1410	80363	907			12897	12897
910	Long Term care policy - Future Care claims in payment	97	1043				3468	3468
910	Long Term care policy - Immediate Care	14	287				1254	1254
910	Miscellaneous non-profit	1	3				3	3
910	Miscellaneous protection rider		3960	136				
910	Stand alone Critical Illness (guaranteed premiums)	368	35092	405			154	154
910	Stand alone Critical Illness (reviewable premiums)	28	1421	16			162	162

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

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 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		213				1210	1210
902	Group index linked income protection claims in payment		25468				15109	15109
910	Accelerated Critical Illness (guaranteed premiums)	113	6648	28			135	135
910	Group Income Protection		658909	7266			5591	5591
910	Income Protection non-profit (guaranteed premiums)	2226	29709	546			308	308
910	Income Protection non-profit (reviewable premiums)	1569	20020	310			739	739
910	Long Term care policy - Future Care	1410	53227	1393			3006	3006
910	Long Term care policy - Future Care claims in payment	97	939				3106	3106
910	Long Term care policy - Immediate Care	14	143				89	89
910	Miscellaneous protection rider			33				
910	Stand alone Critical Illness (guaranteed premiums)	368	28669	126			153	153
910	Stand alone Critical Illness (reviewable premiums)	28	1114	5			8	8

**Long-term insurance business : Distribution of surplus**

Name of insurer **Bupa Health Assurance Ltd**  
 Total business / subfund **Ordinary long term business**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Valuation result**

Fund carried forward	11	71482	62785
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	71482	62785
Mathematical reserves	21	71482	62785
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		

**Composition of surplus**

Balance brought forward	31		
Transfer from non-technical account	32	16667	9374
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(16667)	(9374)
Total	39		

**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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49		
Total (48+49)	59		

**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 requirement**Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2009**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%	31713342	12618661	0.50	15857	13868
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	16256799	5005737		24385	18745
Classes III, VII and VIII	15	0.3%					
<b>Total</b>	<b>16</b>		<b>47970141</b>	<b>17624398</b>		<b>40242</b>	<b>32613</b>

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					5878	5234
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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%	22082	11043	0.85	188	134
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%	115930	60439	0.85	985	924
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>1173</b>	<b>1058</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	22082	11043	0.85	563	402
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%	115930	60439	0.85	2956	2771
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>138012</b>	<b>71482</b>		<b>3519</b>	<b>3173</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>50813</b>	<b>42078</b>
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# Notes to Appendices 9.1 and 9.3

Name of Company      Bupa Health Assurance Limited

<b>*0301*</b>	Reconciliation of net admissible assets to capital resources after deductions	2009
	<i>Net assets as per FSA return</i>	£'000
	Form 13.89 (OLTB)	55,652
	Form 13.89 (LTB)	102,577
	<i>less long term business Liabilities</i>	
	Form 14.11	(71,482)
	Form 14.49	<u>(31,095)</u>
	Line 79 on Form 3 <i>Available Capital resources after deductions</i>	<u>55,652</u>

<b>*0310*</b>	Details of positive and negative valuation differences	£'000
Form 3.14	Deferred tax on deferred acquisition costs	17,873
	Valuation difference	105
	<b>Additional FSA Reserves</b>	
	Provision for expenses	(4,270)
	Credit risk reserve	(1,050)
	Discontinuance risk reserve	(2,800)
	Tax risk reserve	<u>( 100)</u>
		<u>9,758</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>			
		2009	2008
		£'000	£'000
Form 3.12.3	(9,468)	(7,075)	
Less Form 3.12.4	(7,075)	(7,652)	
		<u>(2,393)</u>	<u>577</u>
<i>Add</i>			
Valuation difference	105		
Movement in inadmissible assets	333	( 508)	
Movement in additional FSA reserves	(4,270)	3,950	
Movement in Deferred Acquisition Costs	(11,562)	(13,494)	
Movement in Deferred tax on Deferred Acquisition costs	3,000	2,319	
		<u>(12,394)</u>	<u>(7,733)</u>
Form 16.59		<u>(14,787)</u>	<u>(7,156)</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 £23.4m, (2008 - £24.7m).

### **\*1306/1312\* Counterparty Exposure**

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

ANZ Banking Group Ltd	£10,000,000
Barclays Bank	£10,000,000
BNP Paribas	£ 4,101,304
Clydesdale Bank	£ 2,600,000
Credit Industrial et Commercial	£ 8,000,000
DnB Nor Bank ASA	£ 8,000,000
HSBC	£ 3,758,872
Royal Bank of Scotland	£15,803,936
Lloyds TSB Bank Plc	£ 9,985,592
Santander	£10,072,566
Wells Fargo Bank International	£ 8,201,759
Westpac Banking Corporation	£10,111,469

### **\*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.

# Notes to Appendices 9.1 and 9.3

Name of Company      **Bupa Health Assurance Limited**

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

		<b>£'000</b>
Deferred tax on deferred acquisition costs		17,873
<b>Additional FSA Reserves</b>		
Provision for expenses	(4,270)	
Credit risk reserve	(1,050)	
Discontinuance risk reserve	(2,800)	
Tax risk reserve	<u>( 100)</u>	<u>(8,220)</u>
		<u><b>9,653</b></u>

## **\*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 £32.3m. 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.

## **Notes to Appendices 9.1 and 9.3**

**Name of Company**      **Bupa Health Assurance Limited**

### **\*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 2009.
- (2) The date of the previous valuation was 31 December 2008.
- (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 Critical Illness product was launched in April 2009. The following product enhancements were made:
  - Reduced underlying cost where certain critical illnesses are excluded for those with cardiovascular and diabetic conditions.
  - Members may no longer need to be repatriated to be diagnosed.
  - Age condition of 65 years has been removed for Alzheimer's disease, motor neurone disease, Parkinson's disease and dementia.
  - Extending cover to age 70 for waiver of premium and total permanent disability benefit.
  - Additional partial benefit payment for low grade prostate cancer and mastectomy in the presence of ductal carcinoma.
  - Reducing the number of general exclusions applied to cover one self inflicted injury.
  - Removal of the alcohol and drug misuse exclusion from cardiomyopathy and liver failure.

## 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 2009	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.

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

(7) - (10) There are no internal linked funds.

**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 reinsurance 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 3.11% to obtain a real yield.

Product Type	Valuation Interest rate at 31.12.2009 (%)		Valuation Interest rate at 31.12.2008 (%)	
	Policy as a Liability	Policy as an Asset	Policy as a Liability	Policy as an Asset
Accelerated Critical Illness	2.55	4.46	2.00	3.91
Stand-alone Critical Illness	3.72	5.63	3.23	5.14
Life	2.55	4.46	2.00	3.91
Income Protection	3.72	5.63	3.23	5.14
Immediate Needs (Level)	1.47	n/a	2.24	n/a
Immediate Needs (Indexed)	0.60	n/a	1.90	n/a
Long Term Care	3.72	5.63	3.23	5.14

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

	Valuation Interest rate at 31.12.2009 (%)		Valuation Interest rate at 31.12.2008 (%)	
Claims in Payment	2.45	n/a	2.65	n/a

- (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 31.12.2009				Percentage of table at 31.12.2008			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Stand-alone Critical Illness	TM92 Ult. TF92 Ult.	37.5	75	37.5	75	37.5	75	37.5	75
Life	TMN/S OOS TFN/S OOS	72.45	81.65	74.75	75.90	70	75	65	65
Income Protection	AM80 Sel. AF80 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	PMA80 Ult PFA80 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.

These rates apply to guaranteed policies. There is a reduction of 5% in the provision for adverse deviation on reviewable CIC policies.

**Inceptions**

Product Type	Table	Inception Rates as Percentage of table at 31.12.2009				Inception Rates as Percentage of table at 31.12.2008			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Sex Smoker									

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

 Name of Company **Bupa Health Assurance**

Product Type	Table	Inception Rates as Percentage of table at 31.12.2009				Inception Rates as Percentage of table at 31.12.2008			
Sex Smoker		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Accelerated Critical Illness - Apr 2007	CIBT93A	46.7	75.8	60.6	87.1	48.2	85.6	66.9	92.3
Accelerated Critical Illness - Nov 2001	CIBT93A	49.1	79.5	63.6	91.5	50.6	89.9	70.2	97.0
Accelerated Critical Illness - Old series	See sample rates below <sup>1</sup>	140	140	140	140	140	140	140	140
Stand-alone Critical Illness - Apr 2007	CIBT93	62.4	102.7	76.7	89.7	67.2	117.6	79.8	96.6
Stand-alone Critical Illness - Nov 2001	CIBT93	65.5	107.9	80.6	94.3	70.6	123.5	83.9	101.5
Stand-alone Critical Illness - Old series	See sample rates below <sup>2</sup>	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	224.6	314.4	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	31.12.2009	31.12.2008	31.12.2009	31.12.2008
1	90	90	90	95
2	120	120	95	110
3	190	190	125	140
4	290	290	180	170
5	390	390	250	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	31.12.2009	31.12.2008	31.12.2009	31.12.2008
4	100	100	25	30
13	100	100	40	55
26	100	100	70	105
52	100	100	195	195

Termination/Recovery rates

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

Product Type	Table	Recovery Rates as Percentage of table at 31.12.2009				Recovery Rates as Percentage of table at 31.12.2008			
Sex Smoker		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Income Protection	CMIR 12 Recovery Rates	50 y1 65 y2 75 y3	50 y1 65 y2 75 y3	50 y1 65 y2 75 y3	50 y1 65 y2 75 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
Long Term Care	See sample rates below	116.4	128.4	116.4	128.4	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	50 y1 65 y2 75 y3+	50 y1 65 y2 75 y3+	50 y1 65 y2 75 y3+	50 y1 65 y2 75 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	31.12.2009	31.12.2008
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)	0	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	31.12.2009				31.12.2008			
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



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

Name of Company **Bupa Health Assurance**

Accelerated CI Rates per £10,000 Sum Assured	31.12.2009				31.12.2008			
Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
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).

Stand Alone CI per £10,000 Sum Assured	31.12.2009				31.12.2008			
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	31.12.2009				31.12.2008			
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

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

Name of Company **Bupa Health Assurance**

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.)

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 3.63% 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 31.12.2009 (%)		Valuation Expenses at 31.12.2008 (%)	
	Per policy loading £	Claims handling loading £	Per policy loading £	Claims handling loading £
Accelerated Critical Illness	30	n/a	36	n/a
Stand-alone Critical Illness	30	n/a	36	n/a
Life	30	n/a	36	n/a
Income Protection/WoP	30	100 - new claim 150 - on going	36	100 - new claim 150 - on going
Immediate Needs	30	n/a	36	n/a
Long Term Care	30	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	4.5% of reserves

- (7) There is no unit linked business.

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

(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 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)	7.0	4.2	3.6	3.6	16.4	9.8	8.4	8.4
Critical Illness (Accelerated)	7.6	4.2	3.6	3.6	17.6	9.9	8.4	8.4
Life Cover	7.3	4.2	3.6	3.6	17.0	9.8	8.4	8.4
Income Protection	7.6	4.2	3.6	3.6	17.7	9.9	8.4	8.4
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.

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

**Name of Company      Bupa Health Assurance**

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

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 £10,826,000

(2) The valuation did not assume any implicit allowances for expenses.

(3) The form 43 maintenance expenses were £13,974,000, this compares to planned expenses for 2009 of £5,239,000. The main reason for increased expenses in 2009 is the write-off of £8.1m development costs of a new Group Risk administration system.

(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 £4,000,000.

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

- (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 £270,000.
- (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 £2,800,000.
- 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 £1,486,000.
- (c) The change in the aggregate amount of assets allocated to meet such liabilities was £2,596,000.

**Other special reserves**

- 8 (1) An additional reserve of £1,050,000 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	£2,273,000
(g) Amount deposited at the valuation date in respect of the treaty under any deposit	Nil

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

back arrangements			
(h) Is the treaty closed to new business	Yes		
(i) The amount of any undischarged obligations of the insurer	£115,000		
(j) The amount of mathematical reserves ceded under the treaty	£5,361,000		
(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 series 1-4	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	£1,192,000
(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

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

(i) The amount of any undischarged obligations of the insurer	£100,000		
(j) The amount of mathematical reserves ceded under the treaty	-£636,000		
(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

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

(i) The amount of any undischarged obligations of the insurer	Nil		
(j) The amount of mathematical reserves ceded under the treaty	£5,885,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	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	£33,909,000		
(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	£3,707,000		
(j) The amount of mathematical reserves ceded under the treaty	£46,778,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention



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

	Group Life pre 01/08/2006	70%	£200,000
	Group Life > 20 lives, from 01/08/2006	70%	£375,000
	Group Life < 20 lives, from 01/08/2006	NIL	£375,000
	Miscellaneous Group Life	50% - 95%	£50,000 - £625,000
	Group Critical Illness	50%	£150,000
	Group Income Protection	50%	£60,000pa

(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	£6,029,000
(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	£173,000
(j) The amount of mathematical reserves ceded under the treaty	-£2,247,000

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

Name of Company **Bupa Health Assurance**

(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 - 5	10% of 90%	£25,000
	Life series 6 (pre 15/04/2009)	10% of 90%	£25,000
	Life series 6 (post 14/04/2009)	10% of 50%	£50,000
	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 7-8	10% of 50%	£5,000pa
	WOP Life series 1-6	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".

(d) Name of reinsurer	SCOR Reinsurance Ireland Ltd
(e) Nature and extent of	The treaty covers Life, Critical Illness and Critical Illness with life and provides

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

cover	cover on a quota share basis and for benefits in excess of the Company's retention limit		
(f) Premiums payable during the reporting period	£10,305,000		
(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	£183,000		
(j) The amount of mathematical reserves ceded under the treaty	£953,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Life series 2 post 2003	90% of 90%	£25,000
	Life series 3 - 4	50% of 90%	£25,000
	Life series 5	90% of 90%	£25,000
	Life series 6 (pre 15/04/2009)	90% of 90%	£25,000
	Life series 6 (post 14/04/2009)	90% of 50%	£50,000
	Critical Illness series 7	90% of 60%	£50,000
	Critical Illness series 8	50% of 60%	£50,000
	Critical Illness with life series 7	90% of 60%	£50,000
	Critical Illness with life series 8	50% of 60%	£50,000
	Term Assurance with Tax Relief	50% of 90%	£25,000
	WOP CI and CIA series 7	90% 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.

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

Name of Company **Bupa Health Assurance**

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

(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	£4,576,000		
(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	£208,000		
(j) The amount of mathematical reserves ceded under the treaty	£4,336,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Critical Illness series 9	90% of 50%	£100,000
	Critical Illness series 10 - 11	90% of 40%	£150,000
	Critical Illness with life series 9	90% of 50%	£100,000
	Critical Illness with life series 10 - 11	90% of 40%	£150,000

(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.

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

**Name of Company      Bupa Health Assurance**

(p) There are no "financing arrangements".

(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	£560,000		
(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	£26,000		
(j) The amount of mathematical reserves ceded under the treaty	£482,000		
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Critical Illness series 9	10% of 50%	£100,000
	Critical Illness series 10 - 11	10% of 40%	£150,000
	Critical Illness with life series 9	10% of 50%	£100,000
	Critical Illness with life series 10 - 11	10% of 40%	£150,000

(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".

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

**Name of Company**      **Bupa Health Assurance**

**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 2009**

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 2009**

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 2009

We certify that:

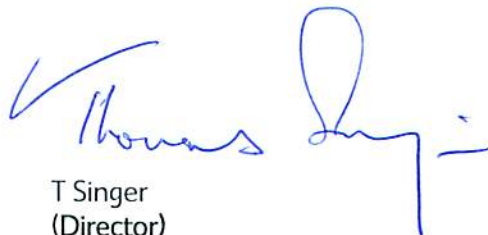
1. (a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU, and INSPRU as modified by a waiver dated 14/12/09 issued under section 148 of the Financial Services Act 2000; and  
  
(b) we are satisfied that:
  - (i) throughout the financial year in question, 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) that 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) that 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)



R King  
(Director)



T Singer  
(Director)

24 March 2010

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

Bupa Health Assurance Limited

Financial year ended 31 December 2009

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 3 to 42 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 62 ('the Statement');
- the valuation report required by IPRU(INS) rule 9.31(a)(i) ('the valuation report'); and

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) on pages 23-25, 28-37 and 39 to 42 ;
- the statements required by IPRU(INS) rules 9.30 on page 63; and
- the certificate required by IPRU(INS) rule 9.34 on page 64 ('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, as a body, 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 statements not examined by us and the certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under Section 148 of the Financial Services and Markets Act 2000 on 14/12/2009. Under IPRU(INS) rule 9.11, the Forms, the Statement, valuation report, the forms and statements 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 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 rule IPRU(INS) 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.

### **Opinion**

In our opinion:

- i) 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
- ii) 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.



N B Priestley

for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
1 Canada Square, London, E14 5AG  
24 March 2010