

Bupa Health Assurance Limited

Return to the Financial Services Authority

Financial year ended 31 December 2010

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Bupa Health Assurance Limited

Return to the Financial Services Authority

Financial year ended 31 December 2010

Prepared in accordance with IPRU(INS)

Appendices 9.1, 9.3, 9.4 and 9.6

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

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2010	
	2774803	GL				£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		94188	55652
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13		94188	55652

Guarantee fund

Guarantee fund requirement	21		18917	16938
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22		75271	38714

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31		56750	50813
Resilience capital requirement	32			
Base capital resources requirement	33		3040	3128
Individual minimum capital requirement	34		56750	50813
Capital requirements of regulated related undertakings	35			
Minimum capital requirement (34+35)	36		56750	50813
Excess (deficiency) of available capital resources to cover 50% of MCR	37		65813	30246
Excess (deficiency) of available capital resources to cover 75% of MCR	38		51626	17543

Enhanced capital requirement

With-profits insurance capital component	39			
Enhanced capital requirement	40		56750	50813

Capital resources requirement (CRR)


Capital resources requirement (greater of 36 and 40)	41		56750	50813
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42		37438	4839


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

Name of insurer **Bupa Health Assurance Ltd**
Global business
Financial year ended **31 December 2010**


.....
S Payne
Director


.....
D Williams
Director


.....
A Parsons
Director

Date 4 March 2011

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	2774803	GL	31	12	2010	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Core tier one capital

Permanent share capital	11		170000	170000	130000
Profit and loss account and other reserves	12		(6709)	(6709)	(9468)
Share premium account	13				
Positive valuation differences	14		8948	8948	9758
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		172239	172239	130290

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		172239	172239	130290
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		172239	172239	130290

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	2774803	GL	31	12	2010	£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	

Tier two capital

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

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

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

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	2774803	GL	31	12	2010	£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	71				
Total capital resources before deductions (39+69+71)	72		172239	172239	130290
Inadmissible assets other than intangibles and own shares	73		78051	78051	74638
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		94188	94188	55652

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		94188	94188	55652
Available capital resources for 50% MCR requirement	82		94188	94188	55652
Available capital resources for 75% MCR requirement	83		94188	94188	55652

Financial engineering adjustments

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

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

Name of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/UK/CM	day month year			Units
R11		2774803	GL	31	12	2010	£000
		This financial year			Previous year		
		1			2		
Gross premiums written		11	106626			97637	
Premiums taxes and levies (included in line 11)		12					
Premiums written net of taxes and levies (11-12)		13	106626			97637	
Premiums for classes 11, 12 or 13 (included in line 13)		14					
Premiums for "actuarial health insurance" (included in line 13)		15	47870			45872	
Sub-total A (13 + 1/2 14 - 2/3 15)		16	74713			67056	
Gross premiums earned		21	108955			97617	
Premium taxes and levies (included in line 21)		22					
Premiums earned net of taxes and levies (21-22)		23	108955			97617	
Premiums for classes 11, 12 or 13 (included in line 23)		24					
Premiums for "actuarial health insurance" (included in line 23)		25	50199			45852	
Sub-total H (23 + 1/2 24 - 2/3 25)		26	75489			67049	
Sub-total I (higher of sub-total A and sub-total H)		30	75489			67056	
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	13588			12070	
	Excess (if any) over 57.5M EURO x 0.02	33	511			313	
Sub-total J (32-33)		34	13077			11757	
Claims paid in period of 3 financial years		41	107281			78775	
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	12701			13158	
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	8676			4044	
Sub-total C (41+42+43-44-45)		46	111306			87889	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	64472			54065	
Sub-total D (46-47)		48	46833			33824	
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	6539			5878	
Provision for claims outstanding (before discounting and net of reinsurance)		51	6259			5576	
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	5878			5234	
Greater of lines 50 and 53		54	6539			5878	

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units
		R12	GL	31	12	2010	£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		107281		78775	
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		12701		13158	
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		8676		4044	
Claims incurred in reference period (21+22+23-24-25)		26		111306		87889	
Claims incurred for classes 11, 12 or 13 (included in 26)		27					
Claims incurred for "actuarial health insurance" (included in 26)		28		44904		29069	
Sub-total E (26 +1/2 27 - 2/3 28)		29		81370		68510	
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		27123		22837	
Division of sub-total F (gross adjusted claims amount)	x 0.26	32		7052		5938	
	Excess (if any) over 40.3M EURO x 0.03	33					
Sub-total G (32-33)		39		7052		5938	
Claims amount Sub-total G x reinsurance ratio (11.49)		41		3526		2969	
Higher of premiums amount and brought forward amount (11.54)		42		6539		5878	
General insurance capital requirement (higher of lines 41 and 42)		43		6539		5878	

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

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	21788	15804	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45		
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	51904	32054
	More than one month withdrawal	55	20187	7000
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

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

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	309	794
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	94188	55652
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Analysis of admissible assetsName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2010**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	2010	£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	94188	55652
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	94188	55652
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2010**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	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	36714	26491
	Other	46	4365	4189
Variable interest securities	Approved	47	11106	30275
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	852	3613
	More than one month withdrawal	55	14000	
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	15011	19320
	Property linked	59		

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

Global business

Financial year ended **31 December 2010**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	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	6007	11450
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	5860	6098
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	346	231
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1152	748
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	272	163

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	95684	102577
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Analysis of admissible assetsName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2010**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	2010	£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	95684	102577
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1624	1441
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	76427	73197
Reinsurers' share of technical provisions excluded from line 89	100	81324	76818
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	255059	253928
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 2010**
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	73285	71482
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	73285	71482
Claims outstanding	Gross	15	16173	14812
	Reinsurers' share	16	9913	9236
	Net (15-16)	17	6260	5576
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	294	644
	Reinsurance accepted	32		
	Reinsurance ceded	33	8613	10659
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	380	715
	Other	38	6796	13382
Accruals and deferred income		39	55	120
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	22399	31095
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	95685	102577

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	2025	11055
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		

Total liabilities (11+12+49)		71	95685	102577
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	81324	76818
Other adjustments to liabilities (may be negative)		74	8948	9653
Capital and reserves and fund for future appropriations		75	69103	64880
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	255060	253928

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	2774803	GL	31	12	2010	£000
			As at end of this financial year 1			As at end of the previous year 2

Technical provisions (gross amount)

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

Provisions and creditors

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

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	94188	55652
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	94188	55652

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	2774803	GL	31	12	2010	£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			(2541)	(16667)	
Investment income	Income		14			1493	2388	
	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			(1048)	(14279)	
Tax on profit or loss on ordinary activities			31			418	508	
Profit or loss on ordinary activities after tax (29-31)			39			(1466)	(14787)	
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			(1466)	(14787)	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			(1466)	(14787)	

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 2010**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	87649	83308
Investment income receivable before deduction of tax	12	1707	1984
Increase (decrease) in the value of non-linked assets brought into account	13	1267	319
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	90623	85611

Expenditure

Claims incurred	21	31890	22825
Expenses payable	22	60068	74965
Interest payable before the deduction of tax	23		
Taxation	24	(598)	(4210)
Other expenditure	25		
Transfer to (from) non technical account	26	(2541)	(16667)
Total expenditure	29	88819	76913

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1803	8697
Fund brought forward	49	71482	62785
Fund carried forward (39+49)	59	73285	71482

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 2010**
 Units **£000**

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

Gross

Regular premiums	11	119836	32323		152158	144334
Single premiums	12					

Reinsurance - external

Regular premiums	13	46694	17815		64509	61026
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	73142	14508		87649	83308
Single premiums	18					

Total

Gross	19	119836	32323		152158	144334
Reinsurance	20	46694	17815		64509	61026
Net	21	73142	14508		87649	83308

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 2010**
 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	39360	28287		67646	54661
Disability periodic payments	12	10505			10505	9036
Surrender or partial surrender	13					
Annuity payments	14					
Lump sums on maturity	15					
Total	16	49865	28287		78151	63697

Reinsurance - external

Death or disability lump sums	21	23066	17281		40346	35750
Disability periodic payments	22	5915			5915	5122
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	28981	17281		46262	40872

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	16294	11006		27300	18911
Disability periodic payments	42	4590			4590	3914
Surrender or partial surrender	43					
Annuity payments	44					
Lump sums on maturity	45					
Total	46	20884	11006		31890	22825

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 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	34783	1522		36305	41852
Commission - other	12	470			470	349
Management - acquisition	13	14801	3347		18148	18708
Management - maintenance	14	3571	1574		5145	14056
Management - other	15					
Total	16	53625	6443		60068	74965

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	34783	1522		36305	41852
Commission - other	42	470			470	349
Management - acquisition	43	14801	3347		18148	18708
Management - maintenance	44	3571	1574		5145	14056
Management - other	45					
Total	46	53625	6443		60068	74965

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

Total business

Financial year ended **31 December 2010**Units **£000**

UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	113637	112413		226050	175311
Single premium business	12					
Total	13	113637	112413		226050	175311

**Amount of new regular
premiums**

Direct insurance business	21	32680	8902		41582	45586
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	32680	8902		41582	45586

**Amount of new single
premiums**

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

Long-term insurance business : Analysis of new business

Name of insurer

Bupa Health Assurance Ltd

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
325	Level term assurance	5342	2154		
330	Decreasing term assurance	3552	930		
340	Accelerated critical illness (guaranteed premiums)	20106	10475		
345	Accelerated critical illness (reviewable premiums)	7739	4400		
350	Stand-alone critical illness (guaranteed premiums)	1608	1133		
355	Stand-alone critical illness (reviewable premiums)	300	183		
360	Income protection non-profit (guaranteed premiums)	890	441		
365	Income protection non-profit (reviewable premiums)	1119	361		
380	Miscellaneous protection rider		151		
410	Group life	2108	410		
420	Group income protection	12584	2336		
430	Group critical illness	56284	8423		
910	Miscellaneous index linked	2005	1283		

Long-term insurance business : Analysis of new business

Name of insurer

Bupa Health Assurance Ltd

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
410	Group life	101526	7094		
411	Group death in service dependants' annuities	10887	1808		

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 2010**
 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	37101	37101	1885	2.55	
Other fixed interest securities	13	4377	4377	129	3.63	
Variable interest securities	14	11590	11590	625	0.68	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	27605	27605	105	0.38	
Total	19	80673	80673	2744	1.60	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Bupa Health Assurance Ltd**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	26432	8.56	2.70	2.70
Other approved fixed interest securities	21	10668	7.65	2.19	2.19
Other fixed interest securities					
AAA/Aaa	31	4377	4.35	3.63	1.95
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	4377	4.35	3.63	1.95
Approved variable interest securities	41	11590	0.23	0.68	0.68
Other variable interest securities	51				
Total (11+21+39+41+51)	61	53068	6.21	2.23	2.09

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 2010**
 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	74446	10747	85193	78477
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17	58381		58381	59531
Total	18	132827	10747	143574	138008

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	35163	5965	41128	37073
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27	29161		29161	29454
Total	28	64324	5965	70289	66527

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	39283	4782	44065	41404
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47	29220		29220	30078
Total	48	68503	4782	73285	71482

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 2010**
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	18448	4093730	9186				3896
330	Decreasing term assurance	11619	1898787	3798				
340	Accelerated critical illness (guaranteed premiums)	75991	9567372	49905				134
345	Accelerated critical illness (reviewable premiums)	24740	3228273	14768				
350	Stand-alone critical illness (guaranteed premiums)	10502	1228509	7712				2803
355	Stand-alone critical illness (reviewable premiums)	1473	163232	1050				69
360	Income protection non-profit (guaranteed premiums)	1856	28199	939				214
365	Income protection non-profit (reviewable premiums)	2464	30517	866				274
370	Long-term care policy - Future Care	81	3084	46				560
370	Long-term care policy - Immediate Care	19	340					1342
380	Miscellaneous protection rider		27413	608				
385	Income protection claims in payment	42	318					2118
410	Group life	32483	1876150	2819				815
420	Group income protection	45248	1094263	12127				5864
425	Group income protection claims in payment	281	5817					44815

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 2010**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
430	Group critical illness	102527	6833563	15390				3673
435	Miscellaneous non-profit	33	71	7				19
440	Additional reserves non-profit OB							7850

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 2010**
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	18448	3749724	4256				3882
330	Decreasing term assurance	11619	1682702	1976				
340	Accelerated critical illness (guaranteed premiums)	75991	5456359	18784				67
345	Accelerated critical illness (reviewable premiums)	24740	1609517	3567				
350	Stand-alone critical illness (guaranteed premiums)	10502	822714	3274				2789
355	Stand-alone critical illness (reviewable premiums)	1473	100112	315				52
360	Income protection non-profit (guaranteed premiums)	1856	15050	255				213
365	Income protection non-profit (reviewable premiums)	2464	16759	213				273
370	Long-term care policy - Future Care	81	2423	67				99
370	Long-term care policy - Immediate Care	19	170					90
380	Miscellaneous protection rider			53				
385	Income protection claims in payment	42	159					1451
410	Group life		1041586	1209				405
420	Group income protection		548619	5266				2836
425	Group income protection claims in payment		2071					22564

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
430	Group critical illness		3416782	7170				1562
440	Additional reserves non-profit OB							(1120)

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 2010**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
410	Group life	328619	30570612	31069				9808
411	Group death in service dependants' annuities	8911	1755547	2672				897
435	Miscellaneous non-profit (TETA)	18	3531	11				42

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
410	Group life		19279054	16758				5455
411	Group death in service dependants' annuities		1054232	1413				478
435	Miscellaneous non-profit (TETA)		3258	9				32

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 2010**
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	34	446				3033	3033
902	Group index linked income protection claims in payment	173	3686				28819	28819
910	Accelerated Critical Illness (guaranteed premiums)	109	8607	68			199	199
910	Group Income Protection	26512	625424	7964			6354	6354
910	Income Protection non-profit (guaranteed premiums)	3158	64720	2088			570	570
910	Income Protection non-profit (reviewable premiums)	1840	32254	1040			539	539
910	Long Term care policy - Future Care	1350	78304	888			13546	13546
910	Long Term care policy - Future Care claims in payment	110	1268				4126	4126
910	Long Term care policy - Immediate Care	10	187				898	898
910	Miscellaneous non-profit	1	3				4	4
910	Miscellaneous protection rider		4422	144				
910	Stand alone Critical Illness (guaranteed premiums)	308	30555	396			124	124
910	Stand alone Critical Illness (reviewable premiums)	22	1262	14			169	169

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 2010**
 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	34	213				2044	2044
902	Group index linked income protection claims in payment	173	2991				15642	15642
910	Accelerated Critical Illness (guaranteed premiums)	109	6811	30			131	131
910	Group Income Protection	26512	312712	3365			3113	3113
910	Income Protection non-profit (guaranteed premiums)	3158	39278	686			567	567
910	Income Protection non-profit (reviewable premiums)	1840	21573	327			536	536
910	Long Term care policy - Future Care	1350	52241	1429			3237	3237
910	Long Term care policy - Future Care claims in payment	110	1141				3695	3695
910	Long Term care policy - Immediate Care	10	94				64	64
910	Miscellaneous non profit	1	2				3	3
910	Miscellaneous protection rider			35				
910	Stand alone Critical Illness (guaranteed premiums)	308	25040	107			124	124
910	Stand alone Critical Illness (reviewable premiums)	22	998	5			5	5

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 2010**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	73285	71482
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	73285	71482
Mathematical reserves	21	73285	71482
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	2541	16667
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(2541)	(16667)
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 requirementName of insurer **Bupa Health Assurance Ltd**

Global business

Financial year ended **31 December 2010**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%	34190788	12822286	0.50	17095	15857
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	18796100	6291796		28194	24385
Classes III, VII and VIII	15	0.3%					
Total	16		52986888	19114082		45290	40242

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					6539	5878
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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%	20292	9278	0.85	172	188
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%	124462	64007	0.85	1058	985
Class V	37	1%					
Class VI	38	1%					
Total	39					1230	1173

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	20292	9278	0.85	517	563
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%	124462	64007	0.85	3174	2956
Class V	47	0%					
Class VI	48	3%					
Total	49		144754	73285		3691	3519

Long term insurance capital requirement	51					56750	50813
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Notes to Appendices 9.1 and 9.3

Name of Company Bupa Health Assurance Limited

0301 Reconciliation of net admissible assets to capital resources after deductions

	2010
	£'000
<i>Net assets as per FSA return</i>	
Form 13.89 (OLTB)	94,188
Form 13.89 (LTB)	95,684
<i>less long term business Liabilities</i>	
Form 14.11	(73,285)
Form 14.49	<u>(22,399)</u>
Line 79 on Form 3 <i>Available Capital resources after deductions</i>	<u>94,188</u>

0310 Details of positive and negative valuation differences

	£'000
Form 3.14 Deferred tax on deferred acquisition costs	17,918
Additional FSA Reserves	
Provision for expenses	(3,620)
Credit risk reserve	(1,120)
Discontinuance risk reserve	<u>(4,230)</u>
	<u>8,948</u>

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

Movement in Profit and loss account and other reserves

	2010	2009
	£'000	£'000
Form 3.12.3	(6,709)	(9,468)
Less Form 3.12.4	(9,468)	<u>(2,393)</u>
<i>Add</i>		
Valuation difference	0	105
Movement in inadmissible assets	(289)	333
Movement in additional FSA reserves	(750)	(4,270)
Movement in Deferred Acquisition Costs	(3,230)	(11,562)
Movement in Deferred tax on Deferred Acquisition costs	44	3,000
	<u>(4,225)</u>	<u>(12,394)</u>
	<u>(1,466)</u>	<u>(14,787)</u>

Notes to Appendices 9.1 and 9.3

Name of Company Bupa Health Assurance Limited

***1302/1309* Hybrid securities**

The company has no hybrid securities.

***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 £27m, (2009 - £23.4m).

On 05 August 2010, the Company purchased a £10m FRN of Wells Fargo and Company. This was found to be not on the approved financial institutions list maintained by the FSA, which meant that a 1% exposure limit should have been applied (as set out in INSPRU 21.22R) instead of a 10% limit. Applying the correct exposure limit resulted in the Company having a deficiency in its capital resources in breach of GENPRU 2.1.13 (a deficit of £4.4m as at 31 August 2010). As soon as the breach was identified steps were taken to rectify the situation and the investment was sold on 20 September 2010.

***1306/1312* Counterparty Exposure**

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

ANZ Banking Group Ltd	£14,000,000
Barclays Bank	£ 7,000,000
BNP Paribas	£13,909,150
Commonwealth Bank of Australia	£ 8,071,156
Cooperative Centrale Raiffeisen - Boerenleenbank BA	£14,000,000
Credit Industrial et Commercial	£14,000,000
National Bank of Abu Dhabi	£14,000,000
Lloyds TSB Bank Plc	£10,000,000
Santander	£ 4,000,000
Westpac Banking Corporation	£ 3,034,251

***1401* Adverse changes**

The Company does not invest in any assets that necessitate 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)

		£'000
Deferred tax on deferred acquisition costs		17,918
Additional FSA Reserves		
Provision for expenses	(3,620)	
Credit risk reserve	(1,120)	
Discontinuance risk reserve	<u>(4,230)</u>	<u>(8,970)</u>
		<u>8,948</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. hence there are no entries for this form and so the form has been omitted.

4008 Management service arrangements

1. The investments of the Company are managed by Bupa Finance Plc.
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.
3. On 31 January 2011, Friends Provident Life and Pensions Limited (FPL&P), a subsidiary of resolution Limited, acquired a 100% interest in the Company. FPL&P is the immediate parent undertaking of the Company as at the date of the signing of this return and the Company's ultimate parent undertaking is Resolution Limited, which is incorporated in Guernsey.

4009 Material connected party transactions

There was a material connection between the Company and Bupa Insurance Services Limited, another subsidiary of the Bupa Group. The value of these transactions during the year was £22.8m. This relates to expenses recharged from Bupa Insurance Services limited to Bupa Health Assurance.

Notes to Appendices 9.1 and 9.3

Name of Company Bupa Health Assurance Limited

***4901* Credit Rating**

The split of assets uses credit ratings from Standard & Poors.

***5101* Valuation Summary**

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

***5600* Index Linked business**

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

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

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

Introduction

- 1 (1) The date of the valuation was 31 December 2010.
- (2) The date of the previous valuation was 31 December 2009.
- (3) There have been no interim valuations between the above valuation dates pursuant to rule 9.4.
- 2 (1) Product range
- (2) An enhanced version of the Income Protection product was launched in May 2010. The following product enhancements were made:
 - Introduce guaranteed benefit so that no financial evidence required up to £15,600 per annum benefit and no reductions made above this for 12 months where benefit would have been restricted by less than 10%.
 - Additional deferred period options of 2 and 24 months.
 - Improve waiver of premium to be deferred 3 months for all deferred periods unless chosen deferred period is lower.
 - Introduce conversion option on a 2 year limited benefit to full benefit term.
 - Remove 52 week restriction on payment of proportionate benefit.
 - Addition of Trauma benefit paying lower of 6 times monthly benefit and £40k if member suffers blindness, deafness, loss of hand or foot, loss of independence, loss of speech or paralysis of limbs.
 - Addition of Hospital In Patient Benefit paying 1/30th monthly benefit up to max of £200 per night during the deferred period after 6 consecutive nights.
 - Addition of Fracture cover as an optional benefit.
 - Addition of premium reductions for total spine and mental illness exclusions.
 - Remove of war exclusion.
 - Addition of Best Doctors (as non contractual benefit) on all claims except mental illness.
 - Addition of Therapy benefit (as non contractual benefit) paying 50% of therapy costs up to max of £100 per policy year.
 - Addition of reviewable option to fixed term product.
 - Removal of mortgage outlay option.
- (3) For standalone Critical Illness and Accelerated Critical Illness the following product enhancements were made in November 2010:
 - Three new conditions added with full benefit payout - Advanced skin cancer, benign spinal cord tumour (resulting in permanent symptoms), severe Crohn's (with persistent symptoms that has not responded to surgical intestinal resection).
 - Three new conditions added with partial benefit payout (12.5% up to a maximum of £12,500) – carcinoma in-situ of the cervix uteri requiring hysterectomy, Crohn's disease requiring surgical intestinal resection, Ulcerative colitis requiring total colectomy.
 - Accelerate payment of benefit (25% up to a maximum of £25,000) for those on the waiting list for aorta graft surgery, coronary artery by-pass grafts, heart valve replacement or repair, open heart surgery.
 - Enhanced definitions for ten diseases
 - Remove the congenital exclusion from children's benefits
 - FIB has been added to stand alone CIC
- (4) For Life products fracture cover has been added to all benefits in November 2010.

Discretionary charges and benefits

- 3 (1) There are no products with an option to apply a market value reduction.

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Name of Company **Bupa Health Assurance**

(2) Changes to premiums on reviewable products are set out in the table below.

Product	No policies reviewable during 2010	Annualised/Single Premiums (£'000)	Minimum Premium Increase (%)	Maximum Premium Increase (%)
Stand Alone Critical Illness	44	42	0	84
Accelerated Critical Illness	33	21	-4	7
Income Protection	60	38	-13	188
Long Term Care (RP)	110	90	0	5
Long Term Care (SP)	16	162	0	0

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

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.

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.

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 2.42% to obtain a real yield.

Product Type	Valuation Interest rate at 31.12.2010 (%)		Valuation Interest rate at 31.12.2009 (%)	
	Policy as a Liability	Policy as an Asset	Policy as a Liability	Policy as an Asset

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Product Type	Valuation Interest rate at 31.12.2010 (%)		Valuation Interest rate at 31.12.2009 (%)	
Accelerated Critical Illness	2.65	4.56	2.55	4.46
Stand-alone Critical Illness	3.41	5.32	3.72	5.63
Life	2.65	4.56	2.55	4.46
Income Protection	3.41	5.32	3.72	5.63
Immediate Needs (Level)	2.27	n/a	1.47	n/a
Immediate Needs (Indexed)	0.13	n/a	0.60	n/a
Long Term Care	3.41	5.32	3.72	5.63
Claims in Payment	2.49	n/a	2.45	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 the statutory reduction of 2.5%. 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 adjustments set out in the previous paragraph 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 31.12.2010				Percentage of table at 31.12.2009			
		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 00S TFN/S 00S	72.45	81.65	74.75	75.90	72.45	81.65	74.75	75.90
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

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(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 31.12.2010				Inception Rates as Percentage of table at 31.12.2009			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Accelerated Critical Illness – Apr 2007	CIBT93A	46.7	77.0	63.1	89.6	46.7	75.8	60.6	87.1
Accelerated Critical Illness – Nov 2001	CIBT93A	49.1	80.9	66.3	94.2	49.1	79.5	63.6	91.5
Accelerated Critical Illness – Old series	See sample rates below ¹	140	140	140	140	140	140	140	140
Stand-alone Critical Illness – Apr 2007	CIBT93	61.1	97.5	76.7	92.3	62.4	102.7	76.7	89.7
Stand-alone Critical Illness – Nov 2001	CIBT93	64.2	102.4	80.6	97.0	65.5	107.9	80.6	94.3
Stand-alone Critical Illness – Old series	See sample rates below ²	140	140	140	140	140	140	140	140
Income Protection (pre 2006)	CMIR 12 Inceptions*	120	159.6	180	239.4	120	159.6	180	239.4
Income Protection – Jan 2006	CMIR 12 Inceptions*	118.2	165.5	224.6	314.4	118.2	165.5	224.6	314.4
Income Protection – Jul 2010	CMIR 12 Inceptions*	132.4	185.4	251.5	352.1	n/a	n/a	n/a	n/a

*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)	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Valuation Date				
1	90	90	90	90
2	120	120	95	95
3	190	190	125	125
4	290	290	180	180
5	390	390	250	250

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*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)	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
4	100	100	25	25
13	100	100	40	40
26	100	100	70	70
52	100	100	195	195

Termination/Recovery rates

Product Type	Table	Recovery Rates as Percentage of table at 31.12.2010				Recovery Rates as Percentage of table at 31.12.2009			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Income Protection	CMIR 12 Recovery Rates	60 y1 65 y2 75 y3	60 y1 65 y2 75 y3	60 y1 65 y2 75 y3	60 y1 65 y2 75 y3	50 y1 65 y2 75 y3	50 y1 65 y2 75 y3	50 y1 65 y2 75 y3	50 y1 65 y2 75 y3
Long Term Care	See sample rates below	116.4	128.4	116.4	128.4	116.4	128.4	116.4	128.4
Group Risk Claims in Payment (IP)	CMIR 12 Termination Rates	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2 85 y3+	40 y1 65 y2-3 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	60 y1 65 y2 75 y3+	60 y1 65 y2 75 y3+	60 y1 65 y2 75 y3+	60 y1 65 y2 75 y3+	50 y1 65 y2 75 y3+	50 y1 65 y2 75 y3+	50 y1 65 y2 75 y3+	50 y1 65 y2 75 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	
	31.12.2010	31.12.2009
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

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Stand-alone Critical Illness – Old series	2	2
Income Protection (pre 2006)	0	0
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	31.12.2010				31.12.2009				
	Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25		10.00	16.67	7.43	11.97	10.00	16.67	7.43	11.97
35		14.78	25.30	14.32	24.44	14.78	25.30	14.32	24.44
45		44.14	77.25	32.62	56.07	44.14	77.25	32.62	56.07
55		120.58	210.66	81.51	138.87	120.58	210.66	81.51	138.87

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

Stand Alone CI per £10,000 Sum Assured	31.12.2010				31.12.2009				
	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	31.12.2010				31.12.2009				
	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

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Future Care (Continuous) per £10,000 Sum Assured	31.12.2010				31.12.2009				
	Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
45		7.12	7.78	7.81	8.54	7.12	7.78	7.81	8.54
55		15.9	17.37	16.99	18.56	15.9	17.37	16.99	18.56
65		44.2	48.3	51.21	55.96	44.2	48.3	51.21	55.96
75		119.29	130.36	157.69	172.23	119.29	130.36	157.69	172.23
85		369.46	403.74	554.17	605.59	369.46	403.74	554.17	605.59

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

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

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

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

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 4.08% pa compound.

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

Product Type	Valuation Expenses at 31.12.2010 (%)		Valuation Expenses at 31.12.2009 (%)	
	Per policy loading £	Claims handling loading £	Per policy loading £	Claims handling loading £
Accelerated Critical Illness	20.90	n/a	30	n/a

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Product Type	Valuation Expenses at 31.12.2010 (%)		Valuation Expenses at 31.12.2009 (%)	
	Per policy loading £	Claims handling loading £	Per policy loading £	Claims handling loading £
Stand-alone Critical Illness	20.90	n/a	30	n/a
Life	20.90	n/a	30	n/a
Income Protection/WoP	20.90	100 – new claim 150 – on going	30	100 – new claim 150 – on going
Immediate Needs	20.90	n/a	30	n/a
Long Term Care	20.90	100 – new claim 150 – on going	30	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.

(8) There is no with profits business.

(9) 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

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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	40% of the average premiums in force over the last 6 months	15% of the average premiums in force over the last 2 months	10% of the average premiums in force.

(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.

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(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 £8,018,000
- (2) The valuation did not assume any implicit allowances for expenses.
- (3) 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 £3,620,000.
- (4) 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 £370,000.
- (5) 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 £3,860,000.
- 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 -£3,408,426.
- (c) The change in the aggregate amount of assets allocated to meet such liabilities was -£2,113,157.

Other special reserves

- 8 (1) An additional reserve of £1,120,000 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.

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

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(f) Premiums payable during the reporting period	£2,382,000		
(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	£14,000		
(j) The amount of mathematical reserves ceded under the treaty	£5,247,000		
(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	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	Nil

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

Name of Company **Bupa Health Assurance**

the treaty under any deposit back arrangements			
(h) Is the treaty closed to new business	Yes		
(i) The amount of any undischarged obligations of the insurer	Nil		
(j) The amount of mathematical reserves ceded under the treaty	£6,597,000		
(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	£30,754,000
(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	£1,935,000
(j) The amount of mathematical reserves	£45,720,000

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

Name of Company **Bupa Health Assurance**

ceded under the treaty			
(k) the retention by reinsurer	Product	Ceded Percentage	Maximum Retention
	Group Life pre 01/08/2006	70%	£200,000
	Group Life > 20 lives, from 01/08/2006	70%	£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	£5,863,000
(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	£321,000
(j) The amount of mathematical reserves ceded under the treaty	-£1,757,000

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 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

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

Name of Company **Bupa Health Assurance**

(f) Premiums payable during the reporting period	£13,142,000		
(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	£704,000		
(j) The amount of mathematical reserves ceded under the treaty	£3,139,000		
(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.

(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**

(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	£7,584,000		
(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	£801,000		
(j) The amount of mathematical reserves ceded under the treaty	£4,475,000		
(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.
- (p) There are no “financing arrangements”.

Reversionary (or annual) bonus

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

Statement pursuant to Regulation 9.29

Name of Company **Bupa Health Assurance Limited**
Financial year ended **31 December 2010**

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 2010**

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

At the end of the financial year the company was 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.

On 31 January 2011, Friends Provident Life and Pensions Limited (FPL&P) acquired 100% of the Company's shares. FPL&P's ultimate parent company is Resolution Limited, a Guernsey based public company with a primary listing on the London Stock Exchange.

Directors' Certificate required by Rule 9.34 of IPRU(INS) – page 1

Name of Company **Bupa Health Assurance Limited**
Global business
Financial year ended **31 December 2010**

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 December 2009 issued under section 148 of the Financial Services Act 2000; and

(b) except for the breaches of INSPRU and GENPRU outlined in note 3 below, 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.

3. (a) The Company has been in breach of INSPRU 1.1.20 as a result of the purchase of an FRN investment, Wells Fargo & Company, which was held between 5 August 2010 and 20 September 2010. The investment was found to be inadmissible under INSPRU 2.1.22R (3) which resulted in the Company having a deficiency of capital resources in breach of GENPRU 2.1.13. This deficiency was measured as £4.4m as at 31 August 2010.

Whilst management monitor solvency on a daily basis the inadmissible asset was only identified following an internal review of our investments.

- (b) The Company has been in breach of INSPRU 1.5.23 whereby separate accounting records have not been maintained for the policyholder and shareholder funds throughout the financial year.

Directors' Certificate required by Rule 9.34 of IPRU(INS) – page 2

Name of Company
Global business
Financial year ended

Bupa Health Assurance Limited

31 December 2010



S Payne
(Chief Executive)



D Williams
(Director)



A Parsons
(Director)

4 March 2011

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS) the Interim Prudential Sourcebook for Insurers.

Name of Company **Bupa Health Assurance Limited**
Global business
Financial year ended **31 December 2010**

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 16, 40 to 43, 48, 49, 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 59 ('the statement'); and
- the valuation report required by IPRU (INS) rule 9.31(a) (i) ('the valuation report').

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

- Forms 46, 47, and 50 to 54, (including the supplementary notes) on pages 23 – 25, 28 – 36;
- the statement required by IPRU (INS) rule 9.30 on page 60; and
- the certificate required by IPRU (INS) rule 9.34 on pages 61 - 62 ('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 work (including our examination) 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 work (including our examination), 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) 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 December 2009. Under IPRU (INS) rule 9.11, the Forms, the Statement, and the valuation report, 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 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or,
- the Forms, the Statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our examination.

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS) the Interim Prudential Sourcebook for Insurers.

Name of Company **Bupa Health Assurance Limited**
Global business
Financial year ended **31 December 2010**

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.

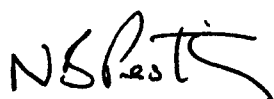
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused 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 IPRU (INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU (INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the Company.

Opinions

In our opinion:

- (a) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules as modified by a waiver dated 14 December 2009 issued under section 148 of the Financial Services Act 2000 and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.



N B Priestley
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

4 March 2011