

Bupa Global Designated Activity Company

**Directors' Report and Financial Statements for the
financial year ended 31 December 2019**

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Directors and other information

Directors

Mark Duffy
Conor Heery
Taryn McHarg (appointed 6 March 2019)

Non-Executive Director
Martin Potkins

Independent Non-Executive Directors
Mary Fulton
David Swanton

Secretary

Bupa Secretaries Limited
1 Angel Court
London
EC2R 7HJ

Company number

623889

Registered office

10 Pembroke Place
Ballsbridge
Dublin 4
D04 V1W6

Auditor

KPMG
1 Harbourmaster Place, IFSC
Dublin 1

Head of Actuarial Function

Milliman
7 Grand Canal Street Lower
Dublin 2

Bankers

HSBC Bank Plc
1 Grand Canal Square
Dublin 2

Citibank
33 Canada Square
Canary Wharf
London
E14 5LB

Standard Chartered
1 Basinghall Avenue
London
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Bank of Valletta
BOV Centre Cannon Road
Sta. Venera SVR 9030
Malta

Danske Bank
Holmens Kanal 2-12
DK-1092 Copenhagen

Directors' report

The Directors present their annual report, together with the audited financial statements of the Bupa Global Designated Activity Company ("the Company"), for the financial year ended 31 December 2019.

Principal activities

The principal activity of the Company is to write International Private Medical Insurance (IPMI) and Travel Insurance to customers based within the European Economic Area (EEA).

Following the UK's decision to leave the EU, Bupa Insurance Limited's EU based IPMI and Travel members are migrating to the Company upon renewal.

The Company was incorporated on 5 April 2018 and was granted a license to sell insurance by the Central Bank of Ireland (CBI) in November 2018.

The Company commenced underwriting insurance policies from 29 March 2019.

The Company is wholly owned by the Bupa Group ("Bupa"), an international health insurer and provider. Over the past 70 years Bupa's global footprint has grown from origins in the UK to Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Turkey, the US, Brazil, the Middle East and Ireland as well as having valuable partnerships with associate businesses in Saudi Arabia and India. Bupa has 17.5m health insurance customers, provides healthcare to over 15.8m people in its health clinics, hospitals and dental centres, and looks after around 22,000 aged care residents and employs around 83,000 people globally. Bupa was established in 1947 when 17 British provident associates and other UK funding organisations such as hospital contributory schemes came together. Their aim was to enable people to fund high-quality healthcare. Bupa is a company limited by guarantee with no shareholders, with profits reinvested in the business for the benefit of current and future customers.

The Company is driven by Bupa's purpose, helping people live longer, healthier, happier lives. This defines everything the Company does for its customers, inspiring and motivating the Company to improve its performance. The Company provides personal, corporate and small to medium enterprise (SME) health insurance, as well as travel insurance.

The main segment is international private medical insurance (IPMI) provided for individual consumers and employees requiring cover beyond their usual country of residence.

The principal operations take place in the Republic of Ireland, with branches sited in Denmark, Netherlands and Malta. The provision of mediation and administrative services are provided by Bupa Insurance Services Limited in the UK and BUPA Denmark Services Limited in Denmark.

Key performance indicators

	2019
Insured lives (thousands)	43
Net premiums earned (€'m)	27.1
Loss before taxation (€'m)	4.5
Loss ratio	55%
Combined operating ratio	119%
Solvency II (SII) coverage ratio (estimated)	200%

Principal risks and uncertainties

Both the business performance and operations are subject to a number of risks and uncertainties. The Directors consider that the key risks and uncertainties relate to, operational risk (including outsourcing risk and information security risk), external market conditions, insurance risk, investment risk, strategic risk, government and policy change and regulatory risk.

Performance is monitored by the Board and senior management using operational, financial and other data. The Company's Chief Risk Officer provides regular reporting to the Board Risk Committee on the risk profile of the Company and the key mitigation activities in place.

Market and competitor activity

IPMI markets are highly competitive with companies seeking to attract customers through new products and benefits. There is also demand for innovation to meet the different needs of corporate customers and individuals. The Company keeps its competitive position in each of its markets under continuous scrutiny and regularly reviews strategic and tactical objectives.

Directors' report (continued)

Principal risks and uncertainties (continued)

Insurance risk

The Company seeks to keep insurance risk, in the natural course of business, within the Board's risk appetite.

There is a risk that the frequency, size or timing of claims on insurance policies varies from that expected, leading to an unexpected impact on financial returns. The Company is exposed to a number of factors due to writing medical insurance business, including medical inflation, shifts in demographics, changes in population health, developments in healthcare delivery and technology, and catastrophes. Each of these factors could affect product pricing, reserving, and claim risk accumulation. In addition, general macroeconomic trends and changes in government policies could affect the lapse and persistency behaviour of current and prospective customers.

Insurance risks are managed in a variety of ways. The Company uses its data and experience to develop products that meet customers' needs and are priced competitively and fairly. In addition, the operations apply controls to underwriting and claims settlement. A significant mitigating factor is that the vast majority of business written is for short-term risks, which enable regular opportunities for re-pricing in the event of changes in claims trends. Refer to management of insurance risk in note 25.

COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments are taking restrictive measures to contain the spread and the situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

As the implications of COVID-19 are indicative of conditions that arose after the end of the reporting period end, it is a subsequent event that does not require any adjustments to the annual accounts for the financial year 2019. Whilst it is not possible, at this stage, to accurately estimate the financial impacts of this crisis, the Board note, as at the date of approval of these financial statements, there has been no significant disruption in the Company's business up to the date of approval of these financial statements and currently there is not expected to be a material adverse impact to claims. The Board continue to monitor the business for potential impacts and to manage the associated risks.

Investment risk

The long-term financial strategy is to facilitate growth without undue balance sheet risk. The Company manages investment risk through setting risk appetites with respect to interest rate and credit risk, in order to limit the investment risk charge contribution of the Company's Solvency Capital Requirement (SCR). The Company holds its cash on account with highly rated banks.

Operational Risk

A detailed Business Continuity Plan for all branches with dedicated specialised resource is in place to ensure appropriate operation of key processes and controls. Business continuity issues are reported to the Executive Risk Committee, with significant issues being escalated to the Board Risk Committee, which is responsible for ensuring appropriate controls are in place to mitigate potential risks.

Outsourcing risks exist as the Company engages with a number of service providers, most notably Bupa Insurance Services Limited (BISL), a Bupa group servicing company in the UK to carry out a number of activities on its behalf. The risk is mitigated as all pre-approved controlled function roles and key oversight functions are based in the Company.

Information security risks, including those associated with non-compliance with data protection, privacy, and information governance requirements remain key risks for the Company as they are for all insurance companies. The Company continues to ensure that controls are in place and strengthened where necessary to address these risks, including enhancing the event monitoring and incident management.

The Company's IT services are provided by teams within the wider Bupa Group which are overseen by the Company's Director of Operations. These IT teams are responsible for the development, maintenance and monitoring of IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide the level of services required by the business and adequately protect sensitive customer and business data.

Undertaking significant change programmes introduces risks in relation to the capacity and capability of staff and senior management to continue to deliver on the strategic objectives, as well as on the change programmes themselves. The Company is focused on ensuring it has the right levels and amount of experience and succession plans to manage the business and deliver on change management.

Directors' report (continued)

Future developments

The economic and regulatory environments in our markets are constantly changing. Competition remains strong, with customer experience an increasingly important differentiator and technology playing a crucial role.

In IPMI our focus on strong retention of the book is continuing to show results. With increasing lead generation and a wider distribution network we are making progress in generating new business and improving customer satisfaction with Net Promoter Score (NPS) steadily increasing.

Like many other companies, we are closely monitoring the COVID-19 outbreak as it evolves. The situation is dynamic and developing rapidly, and at this stage our efforts are focusing on managing the potential impacts on our customers, people and supply chain.

Solvency

As at 31 December 2019, the Company's Eligible Own Funds to meet the SCR were €36.0m (2018: €38.1m), which exceeded the Company's SCR of €18.0m (2018: €3.8m). This represented a SCR ratio of 200% (2018: 994%). Own Funds have decreased with 9 months trading activity increasing both cash and insurance debtor balances, but also leading to higher technical provisions. The higher SCR is primarily due to the higher expectation of earned premium over the future rolling 12-month period from end December. The most significant renewal season is Q1 with significant volume of new business projected through the quarter, Own Funds is expected to increase and continue to offset the impacts from setting up operations.

Eligible Own Funds of €36.0m is comprised primarily of cash at bank of €67.0m (2018: €38.7m), technical provisions of €25.1m (2018: €nil) (including a risk margin of €1.1m) and other liabilities (primarily intercompany balances and other payables) of €17.3m (2018: €nil).

The SCR of €18.0m has been calculated in line with the SII Standard Formula. The most material modules for the Company at 31 December 2019 are Health Insurance (€13.7m), Non-Life (€3.0m) insurance risk in relation to expected 2019 IPMI and Travel earned premiums and Market risk relating to net exposure to currencies within the eligible own funds (€2.6m). The increase in the SCR is predominantly due to the increasing volume of policies on the books of the Company since beginning to trade at the end of March, expectations of premium income going forward and the currency profile of that business. Diversification credit between generic risk groups amounts to €5.8m.

Solvency II Capital position

	2019 ¹	2018
	€m	€m
Eligible Own Funds	36.0	38.1
Solvency Capital Requirement	18.0	3.8
Surplus	18.0	34.3
Solvency ratio	200%	994%

¹The Solvency Capital Position and related disclosures are estimated values

Solvency II Eligible Own Funds

	2019 ¹	2018
	€m	€m
Total capital and reserves	32.6	38.1
Valuation differences	3.4	-
Solvency II Eligible Own Funds	36.0	38.1

¹The Solvency Capital Position and related disclosures are estimated values

Analysis of the Solvency Capital Requirement

	2019 ¹	2018
	€m	€m
Market Risk	2.9	0.1
Health Insurance Risk	13.9	2.8
Non - Life Risk	3.0	1.4
Counterparty Risk	2.4	1.2
Operational Risk	1.6	-
Diversification	(5.8)	(1.7)
	18.0	3.8

¹The Solvency Capital Position and related disclosures are estimated values

Directors' report (continued)

Results and dividends

The results for the period are set out in the Profit and Loss account on page 13 and in the related notes, showing a loss for the year of €4.5m (2018 Loss €1.5m). A loss in 2019 was expected on the basis that this is the first full 12 month period, with the Company only underwriting policies from 29 March 2019, and still in start-up phase.

On 5 November 2018, a capital injection of €39.6m was paid into the Company by its parent, Bupa Global Holdings Limited.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in operation for the next 12 months. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

The Company did not pay a dividend during the year (2018: nil).

Directors, secretary and their interests

The Directors of the Company are listed on page 2.

The Directors and Secretary who held office at 31 December 2019 had no interests in the shares in, or debentures or loan stock of, the Company and no options to acquire shares in the Company.

Accounting records

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. These accounting records are maintained at the Company's registered office, 10 Pembroke Place, Ballsbridge, Dublin 4, D04 V1W6.

Relevant audit information

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditor is unaware.

Audit Committee

The Company has established an Audit Committee with responsibility for monitoring the financial reporting process; monitoring the effectiveness of the Company's systems of internal control, internal audit and risk management, monitoring the statutory auditors, and in particular the provision of additional services to the Company, by the auditors.

Directors' compliance statement

The Directors in accordance with 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with the obligations specified in that section arising from the Companies Act 2014 and Tax Laws ("relevant obligations").

The Directors confirm that:

- appropriate arrangements and structures that are, in our opinion, designated to secure material compliance with the Company's relevant obligations, have been put in place; and
- a review has been conducted, during the financial year, of the arrangements and structures that have been put in place to secure the Company's compliance with its relevant obligations.

Political donations

The Company made no political donations and incurred no political expenditure during the year.

Post balance sheet events

There have been no significant post balance sheet events which affect the financial statements of the Company.

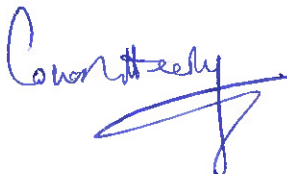
Central Bank of Ireland Corporate Governance Code

The Company is in compliance with the Corporate Governance Requirements for Insurance Undertakings 2015 issued by the Central Bank of Ireland. The Company is not required to comply with the additional requirements for high impact designated insurance undertakings.

Auditors

KPMG, Chartered Accountants, were appointed statutory auditor on 4 December 2018 and pursuant to section 383(2) will continue in office.

Conor Heery
Director



Mark Duffy
Director



31 March 2020

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

On behalf of the board

Conor Heery
Director



Mark Duffy
Director



31 March 2020

Independent auditor's report to the members of Bupa Global Designated Activity Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bupa Global Designated Activity Company ('the Company') for the year ended 31 December 2019, which comprise the profit and loss: technical account – non-life business, profit and loss: non-technical account, statement of other comprehensive income, balance sheet, statement of changes in equity and the related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and Financial Reporting Standard 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*;
- have been properly prepared in accordance with the requirements of the Companies Act 2014.; and
- have been properly prepared in accordance with the requirements of the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 4 December 2018. The period of total uninterrupted engagement is the 2 years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Bupa Global Designated Activity Company (continued)

In arriving at our audit opinion above, the key audit matter was as follows:

Valuation of insurance contract liabilities €6.9m

Refer to pages 18, 21 and 23 (accounting policy) and pages 27 to 29 (financial disclosures)

The key audit matter

The valuation of insurance contract liabilities requires significant judgement and actuarial expertise.

Calculation of the actuarial best estimate and the margin over best estimate uses historical data, which is sensitive to external inputs including claims cost inflation and medical trends and requires assumptions to be made in respect of current and future experience. Small changes in assumptions and estimates used to value the insurance contract liabilities can have a significant impact on the overall liability valuation.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contract liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

How the matter was addressed in our audit

Our procedures included but were not limited to:

- Obtaining and documenting our understanding of the process and testing the design and operating effectiveness of selected key controls over actuarial methodology, integrity of data used in the actuarial valuation, and the assumptions setting processes used by the Company related to the valuation of the actuarially determined insurance provision.
- Testing the completeness and accuracy of the key data used in the valuation of the insurance contract liabilities.
- Involving our insurance actuarial specialists to independently test and challenge the Company's methodology and the assumptions used, with particular consideration of recognised actuarial practices, regulatory and reporting requirements and industry standards.

Based on the procedures performed, we considered the assumptions and methodology relating to the valuation of the Company's insurance contract liabilities are reasonable and found no material misstatements as part of our testing of the valuation of the insurance contract liabilities.

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at €0.648 million (2018: €0.38 million) determined with reference to a benchmark of forecasted gross written premiums (2018: total assets) of which it represents 1% (2018: 1%). We revised the materiality benchmark in the current year as the Company commenced writing insurance business during the year and hence forecasted gross written premium was deemed to be the most appropriate benchmark.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €0.03 million (2018: €0.02 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed in Dublin and at the Company's service providers offices in Brighton and Copenhagen.

**Independent auditor's report to the members of Bupa Global Designated Activity Company
(continued)**

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information we report that:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited, information and returns for our audit have been received from branches of the Company not visited by us and the Company's balance sheet and profit and loss account is in agreement with the accounting records.

**Independent auditor's report to the members of Bupa Global Designated Activity Company
(continued)**

We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation and not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report 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 members, as a body, for our audit work, for our report, or for the opinions we have formed.

Niall Naughton
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

31 March 2020

Profit and Loss account

for the financial year ended 31 December 2019

	Notes	For year ended 2019 €'000	For period ended 2018 €'000
Profit and Loss: technical account – non-life business			
Gross premium written	3	63,071	-
Change in the gross provision of unearned premiums	21	(35,964)	-
Earned premium, net of reinsurance		27,107	-
Other technical income, net of reinsurance		738	-
Total technical income		27,845	-
Claims incurred, net of reinsurance		(8,117)	-
Change in the provision for claims	22	(6,917)	-
Claims incurred, net of reinsurance		(15,034)	-
Net operating expenses	4	(17,134)	(1,481)
Total technical charges, net of reinsurance		(32,168)	(1,481)
Balance on the technical account – non-life insurance business		(4,323)	(1,481)

All losses are derived from continuing activities.

The accompanying notes on pages 17 to 33 form an integral part of these financial statements.

Profit and Loss account

for the financial year ended 31 December 2019

	Notes	For year ended 2019 €'000	For period ended 2018 €'000
Profit and loss: non- technical account			
Balance on the technical account – non-life insurance business		(4,323)	(1,481)
Investment income	8	47	-
Investment charges	9	(228)	-
		(181)	-
Loss on ordinary activities before taxation		(4,504)	(1,481)
Tax on loss on ordinary activities	11	-	-
Loss on ordinary activities after taxation		(4,504)	(1,481)
Statement of Other Comprehensive income			
Loss on ordinary activities after taxation		(4,504)	(1,481)
Amortisation of merger reserve		(148)	-
Other comprehensive expense for the year, net of tax		(148)	-
Total comprehensive loss for the year		(4,652)	-

All losses are derived from continuing activities.

The accompanying notes on pages 17 to 33 form an integral part of these financial statements.

Balance sheet
as at 31 December 2019

	Notes	2019 €'000	2018 €'000
Assets			
Intangible assets	12	3	1
Investments			
Land and buildings	13	3,182	-
Debtors			
Debtors arising out of direct insurance operations	14	17,724	-
Other debtors	15	509	27
		18,233	27
Other assets			
Tangible assets	16	972	28
Cash at bank and in hand	17	66,940	38,710
		67,912	38,738
Prepayments and accrued income			
Deferred acquisition costs	18	4,684	-
Prepayments		16	-
		4,700	-
Total assets		94,030	38,766

The accompanying notes on pages 17 to 33 form an integral part of these financial statements.

Balance sheet
as at 31 December 2019

	Notes	2019	2018
		€'000	€'000
Equity and liabilities			
Capital and reserves			
Called up share capital	19	39,600	39,600
Merger reserve	20	(840)	-
Profit and loss reserve		(6,133)	(1,481)
Total capital and reserves		32,627	38,119
Liabilities			
Technical Provisions			
Provision for unearned premiums	21	35,964	-
Claims outstanding	22	6,944	-
		42,908	-
Other provisions		113	-
Creditors			
Creditors arising out of direct insurance operations		4,771	-
Other creditors including tax and social welfare	24	10,245	647
		15,016	647
Lease liabilities	23	3,366	-
Total liabilities		61,403	647
Total equity and liabilities		94,030	38,766

The accompanying notes on pages 17 to 33 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 31 March 2020 and were signed on its behalf by:



 Conor Heery Mark Duffy
 Director Director

Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital account €'000	Merger reserve €'000	Profit and loss reserve €'000	Total €'000
At the beginning of the year		39,600	-	(1,481)	38,119
Purchase during the year	20		(988)	-	(988)
Amortisation of Merger Reserve			148	(148)	-
Loss for the year			-	(4,504)	(4,504)
Total comprehensive loss for the year				(4,652)	
At the end of the year		39,600	(840)	(6,133)	32,627

For the period ended 31 December 2018

	Share capital account €'000	Merger reserve €'000	Profit and loss reserve €'000	Total €'000
At the beginning of the period	-	-	-	-
Share capital issued	39,600	-	-	39,600
Loss for the period	-	-	(1,481)	(1,481)
Total comprehensive loss for the period			(1,481)	(1,481)
At the end of the period	39,600	-	(1,481)	38,119

The accompanying notes on pages 17 to 33 form an integral part of these financial statements.

Notes forming part of the financial statements

1. Basis of Preparation

Bupa Global Designated Activity Company, is a company limited by shares and incorporated and domiciled in Ireland. The Company is authorised by the Central Bank of Ireland to carry out non-life insurance business.

The financial statements are presented in Euro, which is the Company's functional currency. The financial statements have been prepared on the going concern basis in accordance with the historical cost convention. All amounts have been rounded to the nearest €1,000.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") under the historical cost convention. The Company have elected to change the financial statements from International Financial Reporting Standards (IFRS) to ensure consistency with other insurance companies within the Group and therefore are not directly comparable.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As the Company is a wholly owned subsidiary undertaking of Bupa, a company registered in England and Wales, which publishes consolidated accounts, the Company has not included details of transactions with other Bupa Group companies which are subsidiary undertakings of Bupa.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of cash flows and related notes;
- Disclosures in respect of the compensation of key management personnel;
- Related party transactions with fellow Bupa Group companies; and
- The effects of new but not yet effective IFRSs.

The Company has consistently applied the accounting policies to all periods presented in these financial statements.

2. Accounting policies

Summary of significant accounting policies

The Company has identified the accounting policies that are most significant to its current business operations and the understanding of its results.

The accounting policies set out below have been applied consistently throughout the period presented in these financial statements, unless otherwise stated.

They are prepared under the historical cost convention except for financial assets, which are stated at fair value.

2.1 Foreign currencies

a) Foreign branches

The activities of the foreign branches are carried out as an extension of the Company. Should the functional currency of a branch be assessed as non-Euro, the assets and liabilities are translated from their functional currency into Euro's at the exchange rate at the balance sheet date. Income and expenses are translated at average rates for the period, provided that the average rate approximates the rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised in the profit and loss account. On the disposal of a foreign branch, the foreign exchange amount accumulated in reserves related to that foreign branch is reclassified to profit and loss as part of the gains or loss on disposal.

Notes forming part of the financial statements (continued)

2. Accounting policies (continued)

b) Foreign transactions

Transactions in foreign currencies other than the functional currency of the Company are translated to the respective functional currency of the Company or its foreign operations. Realised exchange differences arising on transactions of foreign currency amounts are recorded in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities and then it is presented in financial income or expense as appropriate. Non-monetary assets and liabilities denominated in a foreign currency at historic cost are translated using the exchange rate at the date of the transaction; no exchange differences therefore arise. Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined.

2.2 Income tax

The Company is subject to Irish corporation tax. The tax expense for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised, in respect of all timing differences that have originated but not reversed by the balance sheet date, except that;

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Where they relate to timing differences in respect of branches and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.3 Basis of accounting for underwriting activities

Underwriting activities are accounted for on an annual "accident year" basis.

2.4 Net premiums earned

Net premiums earned represent the premiums earned relating to risk exposure for the reported financial year. They comprise gross premiums written, net of reinsurance, adjusted for the change in the net provision for unearned premiums during the financial year.

The unearned premium provision represents the proportion of premiums written in the financial year that relate to periods of risk in future accounting years.

Premiums are shown gross of commissions payable and net of insurance premium taxes that may apply in certain jurisdictions.

2.5 Net claims incurred

Net claims incurred represent the cost of all claims occurring during the year whether paid or provided for.

The gross technical provision for claims represents the estimated liability arising from claims episodes which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses.

The gross technical provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the technical account in the financial year in which the change is made.

Provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year, in respect of contracts commencing before that date, are expected to exceed the related unearned premiums, less related deferred acquisition costs. The methods used, and estimates made for claims provisions are reviewed regularly.

Notes forming part of the financial statements (continued)

Accounting policies (continued)

2.6 Acquisition costs

Acquisition costs included within net operating expenses, represent commissions payable and other direct expenses related to the acquisition of insurance contract revenues written during the financial year. Acquisition costs that have been paid that relate to subsequent periods are deferred and recognised in the technical account across the period in which the benefit has been recognised, on a straight-line basis.

2.7 Expenses

Operating expenses include staff costs, overheads, depreciation, amortisation of intangible assets and gains or losses on foreign exchange transactions incurred as a consequence of operating our business. Operating expenses are recognised as an expense in the period in which they are incurred.

2.8 Investment income and expenses

Investment income comprises interest income, realised gains on investments and foreign exchange gains and losses. Interest income except in relation to assets classified as fair value through profit and loss, is recognised in the non-technical account as it accrues, using the effective interest method.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

2.9 Intangible assets

Intangible assets are non-physical assets used by the Company to generate revenues.

Costs relating to the development of intangible assets, including computer software, are capitalised once all the development phase recognition criteria are met.

Amortisation is charged to the Profit and Loss Account on a straight-line basis as follows:

- Computer software 2-7 years

Intangible assets that are subject to amortisation are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Profit and Loss account to reduce the carrying amount to the recoverable amount.

2.10 Property, Plant and Equipment

Equipment (including leasehold improvements) are stated at cost less accumulated depreciation and accumulated impairment losses. The Company undertakes impairment reviews at least annually, or where there are indications that the carrying value of an asset may not be recoverable.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of assets. The estimated useful lives are as follows:

Leasehold improvements	Shorter of useful life or lease term
Equipment	3-10 years
Fixture and Fittings	3-8 years

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the Balance Sheet at amortised cost.

Cash and cash equivalents which are held for operating purposes are classified as cash and cash equivalents on the Balance Sheet.

2.12 Debtors

Insurance debtors are carried at amortised cost less provision for impairment. Non-insurance debtors are carried at amortised cost less expected credit losses.

Notes forming part of the financial statements (continued)

Accounting policies (continued)

2.13 Financial instruments

The Directors determine the classification of all financial investments at initial recognition. The Company has classified all its financial investments as amortised cost.

Non-derivative debt instruments where the contractual characteristics of the financial assets represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows over its life. Any disposals are expected to be infrequent or insignificant. The investments are measured at amortised cost using the effective interest method, less any impairment losses. Any discount or premium on purchase is amortised over the life of the investment through the Profit and Loss Account.

Recognition

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Under IFRS 9, impairment provisions for expected credit losses are recognised for financial investments measured at amortised cost. An allowance for either 12-month or life-time expected credit losses (ECL) is required depending on whether there has been a significant increase in credit risk since initial recognition. However, an assumption can be made that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. it is investment grade). The Company applies a 12-month ECL allowance, as all relevant financial investments are either investment grade or short term.

The measurement of ECL should reflect a probability-weighted outcome, the time value of money and the best available forward-looking information. At 31 December 2019 the Company considered the ECL provision as immaterial and therefore no ECL provision has been recognised.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised in the Balance Sheet.

Financial liabilities

The Company's financial liabilities consists of trade and other payables which are recognised initially at fair value net of transaction cost incurred. They are subsequently recognised at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as profit or loss in the Statement of Comprehensive Income over the financial period using the effective interest rate method. The Company derecognises financial liabilities when its contractual obligations are discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Creditors

Creditors are carried at amortised cost.

2.15 Leases of property

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate, taking into account the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Company changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option.

Notes forming part of the financial statements (continued)

Accounting policies (continued)

2.15 Leases of property (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restorations costs, is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the IFRS 16 contractual lease term.

The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (€4,720). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

2.16 Common control transactions

Common control transactions are acquisition / disposal of assets or businesses that occur between companies with the same ultimate parent as the Company. Any assets or liabilities transferred at book value as recorded within the transferring company. Any amounts in excess of book value are recognised in a merger reserve.

2.17 Related party transactions

As the Company is a wholly owned subsidiary undertaking of British United Provident Association Limited ('Bupa'), a company registered in England and Wales, which publishes consolidated accounts, the Company has not included details of transactions with other Bupa Group companies which are subsidiary undertakings of Bupa.

FRS 101 exempts entities from disclosure of compensation for key management personnel as required by IAS 24. There were no other related party transactions.

2.18 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires the Directors to exercise judgement in applying the Company's accounting policies. The estimates and assumptions are based on historical experience and other related variables, updated to reflect current trading performance. The estimates and assumptions are reviewed on an ongoing basis and are considered to be appropriate but actual results may differ from these estimates.

Judgements made by management in applying the Company's accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in subsequent periods, are set out below:

Assumptions for general insurance business

The process of recognising liabilities arising from general insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing whether additional provisions for unexpired risk are required. The principal assumptions in the estimation of the liability relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends. The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made. The resulting provisions for outstanding claims incorporate a margin for adverse deviation, over and above the best estimate liability, the quantum of which reflects the level of this uncertainty.

Estimation techniques are used in the calculation of the claims outstanding which are valued at a point estimate. The claims outstanding comprises the estimated costs of claims and claims handling expense for the two claims components as follows:

- Claims reported but not paid;
- Claims incurred but not reported (IBNR)

Claims reported but not paid are computed from direct data extraction from claims administration and accounting systems. For IBNR the method of computation is based upon the development of previously settled claims and the extrapolation of payments to date for each prior month.

Claims development patterns are analysed; where distinct sub-portfolios with different claims cost and development characteristics exist, further analysis is undertaken to derive assumptions for reserving that are appropriate and can be applied to relatively homogeneous groups of policies. Such sub-portfolios may be defined by product line, risk profile, geography or market sector. Various established reserving methods for general insurance are considered, typically basic chain ladder, Bornhuetter-Ferguson and pure risk cost methods. Additional consideration is given to the treatment of large claims, claim seasonality, claims inflation and currency effects, for which appropriate adjustments to assumptions and methods are made.

Notes forming part of the financial statements (continued)

Accounting policies (continued)

2.17 Accounting estimates and judgements (continued)

While there is some diversity in the development profile of health insurance claims across the Company, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which the benefit is claimed. Medical expenses claims are typically, substantially fully-settled within just a few months. Claims management practices such as pre-authorisation of the claim with the insured, electronic claims settlement and effective network provider arrangements can reduce the development period to four to six months.

Insurance provisions are best estimates. Actual experience of claims costs and/or administrative expenses may well vary from that anticipated in the reserving estimates.

3. Segmental analysis of gross premiums written

	IPMI For year ended 2019 €'000	Travel For year ended 2019 €'000	Total For year ended 2019 €'000
Current Year			
Gross premiums written – Ireland	-	-	-
Gross premiums written – Other E.U. countries	51,951	11,120	63,071
Earned premium, net of reinsurance	21,132	5,975	27,107
Other technical income, net of reinsurance	738	-	738
Claims incurred, net of reinsurance	(11,424)	(3,610)	(15,034)
Net operating expenses	(12,731)	(4,403)	(17,134)
Balance on the technical account – non-life insurance business	(2,285)	(2,038)	(4,323)

All premiums are written in the European Economic Area. There were no premiums written for the period ended 2018.

4. Net operating expenses

	For year ended 2019 €'000	For period ended 2018 €'000
Commission and other acquisition costs	8,243	-
Changes in deferred acquisition costs	(4,684)	-
Administration expenses	13,076	1,481
Depreciation	499	-
	17,134	1,481

5. Employees

The average number of employees, including Executive Directors, employed by the Company, in the year was 69 (2018 : 5).

	For year ended 2019	For period ended 2018
Employees categorised as sales	11	-
Employees categorised as administration	58	5

Notes forming part of the financial statements (continued)

6. Staff costs

	For year ended 2019 €'000	For period ended 2018 €'000
Wages and salaries	6,678	888
Social insurance costs	1,117	65
Pension costs	591	70
Other compensation costs	176	22
	8,562	1,045

Included in Wages and salaries are costs included within Commission and other acquisition costs of €1,074k (2018: nil). Acquisition wages and salary costs of €655k were deferred during the year (2018: nil).

7. Directors' remuneration

	For year ended 2019 €'000	For period ended 2018 €'000
Emoluments	927	578
Company contributions to defined contribution pension schemes	85	58
Amounts receivable under long-term incentive schemes	488	74
	1,500	710

There are no loans, quasi loans of credit transactions with Directors that require disclosure.

There are 3 directors who are members of a defined contribution pension scheme.

8. Investment income

	For year ended 2019 €'000	For period ended 2018 €'000
Interest receivable	47	-

9. Investment charges

	For year ended 2019 €'000	For period ended 2018 €'000
Realised foreign exchange losses	33	-
Interest expense on lease liabilities	67	-
Interest payable	128	-
	228	-

10. Auditor's remuneration

	For year ended 2019 €'000	For period ended 2018 €'000
Fees payable to the Company's auditors for the audit services	75	20
Other assurance services	45	15
	120	35

Notes forming part of the financial statements (continued)

11. Taxation on profit on ordinary activities

(i) Analysis of taxation charge in the financial year

	For year ended 2019	For period ended 2018
	€'000	€'000
Loss on ordinary activities before taxation	4,504	1,481
Tax credit on loss on ordinary activities at taxation rate of 12.5% (2018: 12.5%)	(563)	(185)
Effects of:		
Current-year losses for which no deferred tax asset is recognised	563	185
Total current taxation charge for the year	-	-

(ii) Unrecognised deferred tax assets

The Company is in its first year of insurance operations and has made losses which need to be recouped before any tax liability arises, therefore it is not appropriate, at this point, to recognise a deferred tax asset as at the period ended 31 December 2019. As at 31 December 2019, the Company had tax adjusted unused losses of €6.0m (2018 €1.5m) available to carry forward for offset against future profits of the same trade.

12. Intangible assets

Intangible assets held at 31 December 2019 relate to a license capitalized in December 2018 and software development.

	2019	2018
	€'000	€'000
Balance at 1 January	1	-
Additions	2	1
Balance at 31 December	3	1
Accumulated Amortisation	-	-
Total	3	1

13. Land and buildings

	2019	2018
	€'000	€'000
Property right-of-use assets		
Balance at 1 January	-	-
Additions	3,530	-
Balance at 31 December	3,530	-
Accumulated Amortisation	(348)	-
Total	3,182	-

Notes forming part of the financial statements (continued)

14. Debtors arising out of direct insurance operations

	2019	2018
	€'000	€'000
Policyholders	17,634	-
Bad debt provision	(108)	-
Intermediaries	198	-
Total	17,724	-

15. Other debtors

	2019	2018
	€'000	€'000
Amounts owed by Bupa Group undertakings	267	27
Sundry debtors	119	-
VAT recoverable	123	-
Total	509	27

16. Tangible assets

	Computer Equipment €'000	Fixture and Fittings €'000	Total €'000
Cost			
At 1 January 2019	23	5	28
Additions	5	1,090	1,095
At 31 December 2019	28	1,095	1,123
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge during the year	(9)	(142)	(151)
At 31 December 2019	(9)	(142)	(151)
Net book value			
At 1 January 2019	23	5	28
At 31 December 2019	19	953	972

17. Cash at bank and in hand

	2019	2018
	€'000	€'000
Cash at bank and in hand	66,940	38,710

18. Deferred acquisition costs

The movement in deferred acquisition costs is as follows:

	2019	2018
	€'000	€'000
Balance at 1 January	-	-
Acquisition costs deferred	8,243	-
Amounts amortised to Profit and Loss	(3,559)	-
Balance at 31 December	4,684	-

Notes forming part of the financial statements (continued)

19. Called up share capital

	2019	2018
	€	€
Allotted, called up and fully paid 39,600,001 ordinary shares of €1 each (2018: 39,600,001 ordinary shares of €1 each)	39,600,001	39,600,001

20. Merger reserve

The merger reserve represents a €988k purchase of trade and assets of branches from Bupa Insurance Limited. The payment represents renewal rights, which is amortised over its useful life to the profit and loss reserve over of 5 years.

21. Technical provisions

Provision for unearned premiums	2019	2018
	€'000	€'000
Balance at 1 January	-	-
Premiums written	63,071	-
Deferred premiums released to income	(27,107)	-
Balance at 31 December	35,964	-

22. Claims outstanding

	2019	2018
	€'000	€'000
Balance at 1 January	-	-
Increase in current year claims	15,160	-
Cash paid to settle claims	(8,243)	-
Foreign exchange movements	27	-
Balance at 31 December	6,944	-

23. Lease liabilities

	2019	2018
	€'000	€'000
Balance at 1 January	-	-
Additions	3,419	-
Repayment of debt	(120)	-
Interest on lease liability	67	-
	3,366	-
Falling due within one year	340	-
Falling due between one year and five years	1,428	-
Falling due after more than five years	1,598	-

Notes forming part of the financial statements (continued)

24. Other creditors including tax and social welfare

	2019	2018
	€'000	€'000
Amounts owed to Bupa Group undertakings	6,039	332
Accruals and deferred income	1,232	315
Premium tax	1,495	-
PAYE	116	-
Other payables	1,363	-
	10,245	647

25. Risk management

The Directors are responsible for identifying, evaluating and managing risks faced by the Company and consider the acceptable level of risk, the likelihood of these risks materialising, how to reduce the risk and the cost of operating particular controls relative to the benefit from managing the related risks.

The Company operates the three lines of defense model:

1. Business management is responsible for the identification and assessment of risks and controls;
2. Risk and compliance functions provide support and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans, and ensure that the Company is in compliance with the various regulatory and other requirements; and
3. Internal audit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls.

The principal significant risks of the Company and how they are mitigated are described on pages 3 to 4.

The Company has adopted a risk management strategy that endeavours to mitigate these risks, which is approved by the Board.

The Company has exposure to a number of risks from its use of financial instruments and risks associated with its insurance business. These have been categorised into the following types of risk, and details of the nature, extent and how the Company has managed these risks is described below:

1. Insurance risk
2. Market risk
3. Credit risk
4. Liquidity risk

Notes forming part of the financial statements (continued)

25. Risk management (continued)

Insurance risk

Insurance risk consists of underwriting and pricing risks which relate to inadequate tariffs of insurance products as well as reserving risk which relates to the potential inadequacy of claims provision.

i. Underwriting risk

Underwriting risk refers to the potential deviation from the actuarial assumptions used for setting insurance premium rates which could lead to premium inadequacy. Underwriting risk is therefore concerned with both the setting of adequate premium rates (pricing risk) and the management of claims (claims risk) for insurance policies.

ii. Pricing risk

Pricing risk relates to the setting of adequate premium rates taking into consideration the volume and characteristics of the insurance policies issued, such as future claim projections. External influences on pricing risk include (but are not limited to) competitors' pricing and product design initiatives, and regulatory environments. The level of influence from these external factors can vary significantly between regions and largely depend on the maturity of health insurance markets and the role of the regulator. Actuarial analysis performed on a regular basis combined with an understanding of local market dynamics and the ability to change premium rates when necessary are effective risk mitigations.

The Company's dominant product is an annually renewable international private medical insurance contract. This permits insurance premium rate revisions to respond quickly to changes in customer risk profiles, claims experience and market considerations.

The ability to review premium rates is a significant mitigant to pricing risk. In addition the Company does not underwrite material insurance business that commits it to cover risks at premiums fixed beyond a 12-month period from inception or renewal.

iii. Claims risk

Claims risk is the risk of claims exceeding the amounts assumed in the premium rates. This can be driven by an adverse fluctuation in the amount and incidence of claims incurred and external factors such as medical inflation greater than that included in the premium rates.

Claims risk is managed and controlled by means such as pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges. Specific claims management processes vary across the Company depending on local requirements, market environment and practice.

Adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements. Recent claims experience is reflected in these financial statements in claims paid and in the movement in the claims provisions.

Generally, the Company's health insurance contracts provide for the reimbursement of incurred medical expenses, typically in-hospital for treatment related to acute, rather than chronic, medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore, claims experience is necessarily underpinned by prevailing rates of illness giving rise to hospitalisations. Claims risk is generally mitigated by the Company having processes to ensure that both the treatments and the consequent reimbursements are appropriate.

iv. Reserving risk

Reserving risk is the risk that provisions made for claims incurred prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk compared to underwriting risk due to the very short-term nature of the claims development patterns. The short-term nature of the Company's insurance contracts means that movements in claims development assumptions are generally not significant. The development claims patterns are kept under constant review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised insurance liabilities.

The amount of claims provision at any given time that relates to potential claims payments that have not been resolved within one year is not material. The small provisions that relates to longer than one year can be calculated with reasonable confidence.

v. Other risks relating to underwriting health insurance business

Claims provisions are not discounted and their short-term nature means that changes in interest rates have no impact on reserving risk. In addition, the future premium income and claims outflows of health insurance premium liabilities are largely unaffected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical cost inflation affect the value of future claims outflows.

Notes forming part of the financial statements (continued)

25. Risk management (continued)

v. Other risks relating to underwriting health insurance business

The Company is exposed to foreign currency risk through some of the insurance liabilities which are settled in a local currency. Where possible these liabilities are matched to assets in the relevant currency to provide an economic hedge to this exposure.

The majority of the Company's insurance activities are single line health portfolios. Even though only one line of business is involved, the Company does not have significant concentrations of insurance risk for the following reasons:

- It is sold to customers resident across a large number of different countries
- product diversity between individual and corporate health insurance; and
- a variety of claims type exposures across diverse medical providers - consultants, nursing staff, clinics, individual hospitals and hospital groups.

vi. Geographical concentrations of risk

The Company is exposed to the risk that a single event occurs in a location which would result in a large number of claims arising under a group risk policy. This is mitigated by the nature of the IPMI business which, diversifies the Company's portfolio of risks across a number of countries.

vii. Catastrophe risk

A natural disaster or a man-made disaster could potentially lead to a large number of claims and thus higher than expected claims costs. In the majority of jurisdictions, the Company is not liable for such claims. Risks are further reduced by the geographical diversity of the portfolio of risks. Consideration of pandemics forms part of our regular stress and scenario testing.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates, commodity prices, credit spread and equity prices. The focus of the Company's long-term financial strategy is to facilitate growth without undue balance sheet risk.

The Company actively manages price risk by ensuring that the majority of its cash is held with highly rated credit institutions, in line with the Company's Risk Appetite Statement.

i. Foreign exchange risk

The Company is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities and investments in overseas operations. The Company is exposed to both transaction and translation risk.

Transactional exposures arise as a result of differences between the currency of local revenues and costs. Key exposures are to the US dollar, Danish krone and Sterling.

The carrying value of net liabilities categorised by foreign currency is as follows:

	Net currency exposure 2019 €'000	Net currency exposure 2018 €'000
US dollar	(634)	-
Danish krone	(5,674)	-
Sterling	(11,257)	-
Total foreign currency denominated net liabilities	(17,565)	-

Notes forming part of the financial statements (continued)

25. Risk management (continued)

i. Foreign exchange risk

The rates used by the Company were the same as those applied across Bupa and the following exchange rates applied during the financial year.

	Average rate 2019	Closing rate 2019
Danish krone	7.4703	7.4723
Sterling	0.8773	0.8472
US dollar	1.1200	1.1217

The impact of a hypothetical 10% strengthening and weakening of Euro against the currencies below, with all other variables constant, would have increased / (decreased) profit before taxation and reserves by the amounts shown below:

	Gain/(loss) include in PL, strengthening 10% €'000	Gain/(loss) include in PL, weakening 10% €'000
US dollar	180	(148)
Danish krone	(115)	94
Sterling	(3)	(23)
Total Sensitivity	62	(77)

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

To minimise this risk the Company holds the majority of funds on account with highly rated banks.

The impact of a hypothetical rise of 100 bps in interest rates at the reporting date, on an annualised basis, would have decreased profit and reserves by €0.7m (2018: decrease €0.4m). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Credit risk

Credit risk is the risk that the Company will suffer a financial loss as a result of a counterparty failing to meet all or part of their contractual obligations. Bupa Group Treasury manages the Company's credit risk under the guidance of the Investment Committee.

Information regarding the credit rating of financial assets held at amortised cost is provided below:

	Cash and cash Equivalents €'000	Debtors arising out of direct insurance operations €'000	Other debtors €'000
2019			
AAA to A-	65,772	-	-
BBB+ and below	1,168	-	-
Not rated	-	17,724	509
Total	66,940	17,724	509
ECL	-	-	-
Carrying amount	66,940	17,724	509

Notes forming part of the financial statements (continued)

25. Risk management (continued)

	Cash and cash Equivalents €'000	Debtors arising out of direct insurance operations €'000	Other debtors €'000
2018			
AAA to A-	38,710	-	-
BBB+ and below	-	-	-
Not rated	-	-	27
Total	38,710	-	27
ECL	-	-	-
Carrying amount	38,710	-	27

Information regarding the ageing of financial assets arising from insurance operations, and the value of the impairment made against these assets, is provided below:

	Financial assets that are past due but not impaired					Total carrying value €'000
	Not past due or impaired €'000	0 to 3 months €'000	3 months to 6 months €'000	6 months to 1 year €'000	Impairment €'000	
2019						
Policyholders	13,833	3,144	440	217	-	17,634
Intermediaries	198	-	-	-	-	198
Provision for bad debt - insurance debtors – direct	-	(68)	(33)	(7)	-	(108)
Debtors arising out of direct insurance operations	14,031	3,076	407	210	-	17,724
Other debtors	456	53	-	-	-	509
ECL provision	-	-	-	-	-	-
Total	14,487	3,129	407	210	-	18,233

Information regarding the ECL allowance by class of financial investments at amortised cost and fair value through profit or loss is shown below.

	Other debtors €'000 Gross Carrying Value	Debtors arising out of direct insurance operations €'000 Gross Carrying Value	Cash and cash equivalents €'000 Gross Carrying Value
2019			
At beginning of year	27	-	38,710
Recognition and settlement	456	17,537	28,190
Foreign exchange and other movements	26	187	40
At end of year	509	17,724	66,940

In the table above no ECL charge has been recognised.

Notes forming part of the financial statements (continued)

25. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities when they fall due. The Company enjoys a strong liquidity position.

Liquidity risk is managed by holding assets in current accounts.

The contractual maturities of financial liabilities and the expected maturities of other liabilities including estimated interest payments of the Company as at 31 December are as follows:

	Provision for unearned premiums €'000	Claims outstanding €'000	Total Creditors €'000	Lease liability €'000	Total €'000
As at 31 December 2019					
2020	35,964	6,944	15,016	403	58,327
2021	-	-	-	403	403
2022	-	-	-	403	403
2023	-	-	-	403	403
2024	-	-	-	403	403
2025 -2028	-	-	-	1,647	1,647
Total	35,964	6,944	15,016	3,662	61,586
Carrying value	35,964	6,944	15,016	3,366	61,290

The Company manages liquid cash and deposits with financial institutions against a short-term duration benchmark. The maturity profile of financial assets at 31 December are all one year in duration.

26. Capital management

The total capital of the Company as at 31 December 2019 consists of shareholder's equity of €32.6m (2018: €38.1m).

The Company's capital management objective is to maintain sufficient capital to safeguard the Company's ability to continue as a going concern and to protect the interests of all its customers, investors, regulator and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development.

Management reviews capital on an on-going basis with a view to maintaining a level of capital sufficient to cover significant balance sheet risks and regulatory requirements.

The Company's capital position is kept under constant review and is reported monthly to the Board.

The Company is subject to the requirements of the SII Directive and must hold sufficient capital to cover its Solvency Capital Requirement (SCR). In addition, the Company maintains a buffer in excess of this capital requirement, calibrated in line with the capital risk appetite set by the Board. The SCR is calculated in accordance with the Standard Formula specified in the SII regulations.

At least annually, the Company will carry out an Economic Capital Assessment (ECA) in which it makes its own quantification of how much capital is required to support its risks. The ECA is used to assess how well the Standard Formula SCR reflects the Company's actual risk profile.

The ECA forms part of the Own Risk and Solvency Assessment (ORSA) which comprises all the activities by which the Company establishes the level of capital required to meet its solvency needs over the planning period given the Company's strategy and risk appetite. The conclusions from these activities are summarised in the ORSA Report which is reviewed by the Risk Committee, approved by the Board and submitted to the CBI at least annually.

The Company's Eligible Own Funds, determined in accordance with the SII valuation rules, were €36.0m (2018: €38.1m) which was in excess of the estimated SCR of €18.0m (2018: €3.8m). This represented a SCR ratio of 200% (2018: 994%). This decrease in coverage is due to a decrease in regulatory capital driven by 9 months of trading activity currently generating losses.

Notes forming part of the financial statements (continued)

27. Immediate and ultimate parent company

The Company's immediate parent undertaking is Bupa Global Holdings Limited and the ultimate parent undertaking is Bupa, a company incorporated in the UK. The smallest and largest group into which these financial statements are consolidated are that headed by Bupa Finance plc and Bupa respectively. The consolidated financial statements for both Bupa Finance plc and Bupa may be obtained in offices located at 1 Angel Court, London, EC2R 7HJ, United Kingdom and are available at www.bupa.com.

28. Subsequent events

On March 11, 2020, the World Health Organization declared Coronavirus COVID-19 a pandemic, due to its rapid spread throughout the world. Most governments are taking restrictive measures to contain the spread and the situation is significantly affecting the global economy, due to the interruption or slowdown of supply chains and the significant increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and a decrease in long-term interest rates.

As the implications of COVID-19 are indicative of conditions that arose after the end of the reporting period end, it is a subsequent event that does not require any adjustments to the annual accounts for the financial year 2019. Whilst it is not possible, at this stage, to accurately estimate the financial impacts of this crisis, the Board note, as at the date of approval of these financial statements, there has been no significant disruption in the Company's business up to the date of approval of these financial statements and currently there is not expected to be a material adverse impact to claims. The Board continue to monitor the business for potential impacts and to manage the associated risks.

29. Approval of financial statements

The board approved these financial statements on 31 March 2020.