Solvency and Financial Condition Report 2023

Vhi Insurance DAC

Table of Contents

All amounts in the Solvency and Financial Condition Report, unless otherwise stated, are shown in Euros, rounded to the nearest thousand or million, with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Summary

About US

Vhi Insurance DAC ("Vhi" or "Vhi Insurance" or the "Company") is Ireland's leading health insurance company by market share. Vhi is the only health insurer that exists solely to meet the healthcare needs of its customers and is unique in Ireland in that respect. All premium income received is dedicated to delivering and meeting the healthcare needs of our customers and patients. The Vhi Group seeks to continually review and improve its customer product and service offerings and aims to deliver the highest quality, innovative healthcare and wellbeing services. Vhi supports over 1,215k customers to live longer, stronger and healthier lives through its partnership with a network of professional healthcare and wellbeing facilities and professionals. Our aim is to maintain our position as the leading health insurance company while continuing to grow our reputation as a major healthcare provider.

In 2023, the Vhi Group continued to expand its footprint and introduced a range of new benefits and services including a rapid access dermatology service, a sports exercise and musculoskeletal clinic, a women's health clinic, a positive mind programme delivered by clinical psychologists and significantly increased capacity on the online health team.

Business and Performance

Vhi Insurance incurred a loss after tax for the financial year of €48.2m (2022: profit €7.7m). Vhi operated in a challenging commercial environment in 2023 as demand for healthcare services increased significantly following years of Covid disruption. Claim volumes rose by more than 20% in the year. In parallel, there has also been a significant increase in the costs associated with the delivery of healthcare due to increases in wages, energy and other costs. Advances in drugs, procedures and other medical innovations have also impacted on the cost of providing care to our members. Many of these supply cost pressures are amplified by world events, impacting all sectors and all industries.

Despite a challenging year, Vhi continued to grow its membership portfolio and ended the year with 1,215k members (2022: 1,178k). This is the ninth successive year of customer portfolio growth, with a continued strong focus on service and benefit innovation for our members, as well as prudent cost and financial management.

+ **Further Information** A. Business and Performance

System of Governance

The Board of Directors of Vhi Insurance ("Insurance Board") has ultimate responsibility for setting the strategy and oversight of Vhi Insurance DAC ("Vhi Insurance"). The Insurance Board recognises that an effective system of governance is essential for the Executive Management Team ("EMT") of Vhi Insurance.
This system comprises:

- Setting the business strategy and risk appetite for Vhi Insurance;
- Effective oversight and leadership to ensure prudent sustainable underwriting in line with relevant legislation and regulations;
- A clear organisational structure with well-defined and transparent lines of responsibility, with effective reporting channels;
- Effective procedures and processes to identify, manage, monitor and report risks to which Vhi Insurance is or may be exposed;
- An effective framework and organisation-wide procedures and processes to implement regulatory change, to oversee ongoing compliance with regulatory obligations and address remediation where required;
- An adequate and effective internal control framework which provides reasonable assurance regarding the achievement of business objectives;
- Policies and procedures to ensure persons holding roles in key functions within Vhi Insurance are on appointment, and throughout their career with Vhi Insurance, fit and proper;
- Making timely decisions on key matters for the purpose of promoting sustainable success;
- Ensuring the necessary financial, human resources and operational capabilities are in place to meet strategic objectives; and
- The use, by the Board, of the Own Risk and Solvency Assessment ("ORSA") as a tool to support informed decision making, enabling the Board to understand risks Vhi Insurance is or may be exposed in the future and how these risks may impact strategic objectives or capital needs;
- Promoting diversity and inclusion at all levels of Vhi Insurance.

The Board seeks to ensure that governance structures are fit for purpose and effective for the nature, scale and complexity of the risks inherent in Vhi Insurance's business. The governance system also supports Vhi Insurance in complying with all applicable regulatory requirements, including the Central Bank's Corporate Governance Requirements for Insurance Undertakings and the Code of Practice for the Governance of State Bodies. Vhi Insurance is subject to regulatory oversight by the Central Bank of Ireland ("Central Bank") and its products are subject to regulation by the Health Insurance Authority ("HIA"), the statutory regulator of the private medical insurance market in the Irish Republic.

As at 31 December 2023, the Board consisted of 10 members, a majority (7) being independent non-executive directors ("INEDs"). During 2023 one INED, Joyce Brennan, resigned on 3 October 2023. Following approval received from the Central Bank of Ireland, a new executive director, Martin Kelly, was appointed to the Board on 11 May 2023.

The Board carried out its duties in 2023 with the support of:

- 4 Board committees, all of which are chaired by an INED; namely the Risk Management and Compliance Committee ("RMCC"), Audit Committee, Remuneration Committee, and the Nomination and Governance Committee;
- 3 Executive committees, namely the Reserving Committee (chaired by an INED), Investment Committee and the Executive Risk Committee ("ERC"), and
- The EMT, to whom day-to-day management of Vhi Insurance is delegated.

Vhi Insurance implements the “three lines of defence” model which is used to structure roles and responsibilities for risk and control activity comprising the key functions of Risk Management, Compliance, Actuarial and Internal Audit. These functions are delegated responsibility to monitor and independently challenge the business and to report their findings to a Board committee and/or the Board itself.

Vhi Insurance continually monitors its systems of governance and its Risk Management Framework and implements enhancements where appropriate.

+ Further Information B. System of Governance

Risk Profile

The principal risks and uncertainties of Vhi Insurance have been determined by assessing potential risks in the categories of Finance and Capital, Operational, Strategic, People and Culture, and Customer Value and Conduct. Vhi Insurance’s risk tolerance levels are recorded in the Risk Appetite Statement (“RAS”) which is approved by the Board of Vhi Insurance. Risks are monitored and managed on an ongoing basis and overseen by the Board.

The level of regulatory capital required to be held by Vhi Insurance is determined by assessing Health Underwriting, Market, Operational and Counterparty Default risk components. Health underwriting risk and market risk are the biggest contributors to the level of solvency capital required to be held by Vhi Insurance. Health underwriting risk relates to the risk of premiums and reserves for insurance liabilities being insufficient to pay claims and for the risk of catastrophic events. One of Vhi’s main health underwriting risks is pricing risk which is the risk associated with inaccurate pricing applied to products. Other significant factors affecting underwriting risk are our business mix, claims volatility and reserving risk. Market risk refers principally to the risks to which Vhi Insurance’s investment portfolio is exposed including equity, concentration, spread, interest rate and property risks.

Vhi Insurance recently reviewed its RAS in quarter 4 2023 and there were no material changes. Updates were made to refine its risk appetite tolerances and key risk indicators in the short, medium and long term to reflect the current risk environment.

The risks in our strategy and business model include: the partially effective Risk Equalisation Scheme (“RES”) as Vhi covers a disproportionate share of higher health risk policy members in the market; supply and demand changes for private healthcare due to the ageing population, pressures on capacity in healthcare and public policy changes; and risks associated with the successful delivery of our transformation programme; economic risks like affordability and the changing customer expectations (including digital engagement) in a competitive market environment.

We focus on the finance and capital risks that can negatively affect the solvency of the business, such as the risk of not meeting regulatory solvency requirements, financial losses, reserving risks; volatile financial markets (market, credit and liquidity risks) and uncertainty in claims costs and development as can be caused by medical inflation, changes to hospital treatment and billing practices and the actions of the public sector (e.g. using private capacity for public patients). Other sources of volatility could come from further pandemic surges and cost pressures on healthcare providers.

The main operational risks include information security and data protection as cyber criminals become more sophisticated. Risks from 3rd parties, including outsourcing, become more important as the networks of suppliers on which we depend extends as we implement new technology.

Customer value and conduct risks are anything that would threaten the business’ objective to treat customers fairly and with due skill, care and diligence. These risks include miscommunication of services and advice to members and are increased when we introduce new services and digitising. Another risk is that we fail to meet our customers’ reasonable expectations of access to product benefits, including cover from 3rd party hospitals and other medical treatment providers, which will be affected by developments affecting the wider healthcare community.

Current people risks include the high level of competition for key skills which increases the risk that we cannot deliver improvements to the quality services for our customers at the pace we would like.

Environmental Social and Governmental ("ESG") risks will become progressively more important for us. Our main ESG risks are focused on climate change transition risks and physical risks. They include reputation risk, costs associated with emission reduction/decarbonisation and environmental requirements, reduction on the affordability of health insurance and increases in the cost of care, claims shocks due, for example, to pandemics, and operational outages and disruption events due to physical climate risk events.

Vhi Insurance conducts, at least annually, an ORSA, the purpose of which is to identify Vhi Insurance's risks and conduct stress tests on these. For the purposes of Solvency II, the ORSA enables Vhi Insurance DAC to determine an appropriate level of solvency capital to protect policyholders and other beneficiaries. This capital level is called the Solvency Capital Requirement ("SCR").

The 2023 assessment supports the continued use of the Standard Formula, as prescribed by the European Insurance and Occupational Pensions Authority, for the purposes of determination of Vhi Insurance's regulatory capital requirements. Vhi Insurance's capital cover projected over the medium term demonstrates that Vhi Insurance is well capitalised and projects continued compliance with Solvency II capital requirements and risk appetite tolerances approved by the Board. The ORSA continues to inform the development and progress of Vhi Insurance's risk management plans.

The Company's SCR coverage reduced over 2023 but remains well above the levels required by regulations and is within the preferred range as defined by the Company's RAS.

+ Further Information C. Risk Profile

Valuation for Solvency Purposes

Vhi Insurance prepares its annual statutory Financial Statements under the historical cost convention, modified to include certain items at fair value, and in accordance with the Companies Act 2014 and Financial Reporting Standard 102 (FRS 102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council. Vhi Insurance is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statement) Regulations 2015.

For Solvency II, all assets and liabilities held at the reporting date are valued according to the rules prescribed in the Solvency II regulations. Additionally, the prescribed headings required for Solvency II disclosures differ from those used by Vhi Insurance in its statutory Financial Statements. The principal differences relate to the insurance technical provisions, reinsurance recoverable and deferred tax assets and liabilities.

Vhi Insurance's excess of assets over liabilities for Solvency II purposes was €640.1m (2022: €719.9m).

The valuation basis for insurance technical provisions differ between the statutory Financial Statements and Solvency II. This valuation is detailed in section D.2 of this document. The valuation of the technical provisions under Solvency II gives rise to a revaluation of the related reinsurance and deferred tax assets and liabilities and these are detailed in section D.1 and section D.3 of this document.

Vhi Insurance submitted regulatory returns to the Central Bank during the period in accordance with Solvency II requirements and has materially complied with the regulations during 2023.

+ Further Information D. Valuation for Solvency Purposes

Capital Management

It is a regulatory requirement that Vhi Insurance maintains a prudent level of capital which will secure its ability to meet its current and future commitments to policyholders and other beneficiaries. Vhi Insurance acknowledges that the maintenance of an appropriate level of capital is fundamental to meeting its obligations to policyholders.

On an ongoing basis, Vhi Insurance determines the appropriate amount and composition of its capital in line with its risk profile and performance objectives. In order to support this objective a Medium-Term Capital Plan is prepared on an annual basis.

Vhi Insurance's capital coverage at year end 2023, as measured under the Solvency II Solvency Capital Requirement, is within the risk appetite range for Vhi Insurance and comfortably exceeds the minimum requirement under Solvency II.

At 31 December 2023, the Solvency ratio was 175% (2022: 197%). Vhi Insurance had Eligible Own Funds of €640.1m (2022: €719.9m), comprising Tier 1 funds of accumulated insurance underwriting profits of €635.1m (2022: €714.9m) and €5.0m (2022: €5.0m) in equity.

+ Further Information E. Capital Management

A. Business and Performance

A.1 Business

This is a solo Solvency and Financial Condition Report ("SFCR") for Vhi Insurance Designated Activity Company trading as "Vhi Insurance" for the year end 31 December 2023. Vhi Insurance underwrites one line of business, private medical insurance (PMI). This report is published annually in accordance with Solvency II requirements to disclose information with regard to the solvency and financial condition of Vhi Insurance.

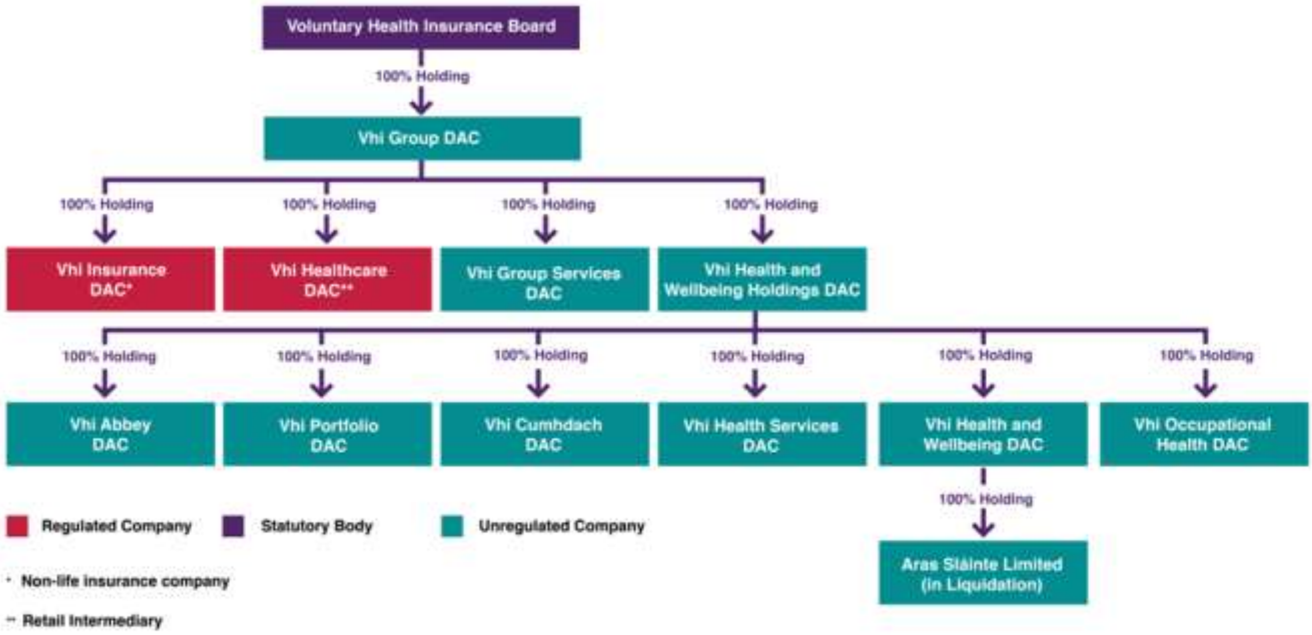
Supervisory Authority	The Central Bank of Ireland
Supervisor Contact Details	PO Box 559, New Wapping Street, North Wall Quay, Dublin 1
External Auditor	Deloitte Ireland LLP
External Auditor Contact Details	Deloitte & Touche House, Earlsfort Terrace, Dublin 2, D02AY28

This report was approved by the Board of Vhi Insurance on 28 March 2024 following the recommendation of its Audit Committee. Sections D and E of this report and the related Quantitative Reporting Templates attached have been subject to external audit.

A.1.1 Vhi Insurance DAC and the Vhi group

Vhi Insurance DAC is a part of the Vhi group, which operates exclusively in the Republic of Ireland. The corporate structure of the group and details of the activities of each entity in the group are summarised below.

Vhi Insurance DAC and the Vhi group, as at 31 December 2023



The Voluntary Health Insurance Board is a statutory body established under The Voluntary Health Insurance Act, 1957. The Board oversees the activities of the Vhi group.

Vhi Group DAC is a wholly owned subsidiary of the Voluntary Health Insurance Board and acts as a holding company for the subsidiaries within the Vhi group, all of which are wholly owned.

Company Number: 527605 Registered Office: Vhi House, Lower Abbey St., Dublin 1

Vhi Insurance DAC is a regulated subsidiary which trades as "Vhi Insurance". It is the Relevant Subsidiary for the purposes of the Voluntary Health Insurance (Amendment) Act 2008 and it is responsible for the health insurance business as a regulated non-life insurance undertaking. Private Medical Insurance ("PMI"), which is classified under Solvency II as 'Medical Expense' insurance, is Vhi Insurance's only line of business.

Vhi Group DAC is the sole shareholder of Vhi Insurance DAC. There are no other direct shareholders of Vhi Insurance DAC.

The Voluntary Health Insurance Board, which holds all shares in Vhi Group DAC, is an indirect qualifying shareholder of Vhi Insurance. The State's ownership is held through the Voluntary Health Insurance Board. The Minister for Health is the "sponsoring" Minister of the Voluntary Health Insurance Board and is not deemed a shareholder, as no shares have ever been issued by the Voluntary Health Insurance Board. However, in terms of ownership and control, the Minister could be considered the ultimate qualifying shareholder of Vhi Insurance DAC.

Company Number: 527606 Registered Office: Vhi House, Lower Abbey St., Dublin 1

The Vhi Health and Wellbeing group companies supply medical, health and wellbeing services to Vhi Insurance customers. Two other active subsidiaries of Vhi Group DAC are significant providers of services to Vhi Insurance DAC and are detailed below:

- **Vhi Healthcare DAC** trading as Vhi Healthcare is regulated by the Central Bank of Ireland. Vhi Healthcare is tied to Vhi Insurance for health insurance in the Republic of Ireland which is underwritten by Vhi Insurance DAC.

  Vhi Healthcare is tied to Collinson Insurance Europe Limited (CIEL) for Vhi Multitrip Travel Insurance, Vhi International Health Insurance and Vhi Dental Insurance which are underwritten by CIEL. Collinson Insurance Europe Limited and Collinson Insurance Solutions Europe Limited are authorised by the Malta Financial Services Authority in Malta and are regulated by the Central Bank of Ireland for conduct of business rules. Vhi Healthcare is tied to and underwritten by Zurich Life Assurance plc for Vhi Life Term Insurance/Vhi Mortgage Protection.

Company Number: 527604 Registered Office: Vhi House, Lower Abbey St., Dublin 1

- **Vhi Group Services DAC** is a subsidiary which provides shared services to each of the companies in the Vhi group.

Company Number: 538110 Registered Office: Vhi House, Lower Abbey St., Dublin 1

There were no changes made to the corporate structure of the Vhi group during 2023. Further information on the entities within the group is available from Vhi.ie/about/corporate-structure.

A.2 Underwriting Performance

The table below gives a summary of the key components of Vhi Insurance's underwriting performance for the respective accounting years and the factors contributing to the change in underwriting performance in 2023 are outlined in the subsequent notes.

Underwriting Performance	Notes	2023 €'000	2022 €'000
Earned premium, net of reinsurance	1	1,612,474	1,603,719
Other technical income, net of reinsurance	2	162,180	62,663
Claims incurred, net of reinsurance	3	(1,685,264)	(1,420,630)
Operating expenses	4	(190,797)	(173,635)
Return of value	5	1,987	(44,356)
Total underwriting result		**(99,420)**	**27,761**

Reconciliation of the total underwriting result to the Financial Statements		2023 €'000	2022 €'000
Total underwriting result		(99,420)	27,761
Net investment income	See A3	45,191	(18,647)
Balance on the health insurance technical account		**(54,229)**	**9,114**

Please note there may be minor differences to the information included in the Appendix due to rounding.

Note 1: Earned premium

The earned premium net of reinsurance for Vhi Insurance has increased year on year. This is primarily due to an increase of 37.1k in our PMI membership to 1,215k (2022: 1,178k).

Note 2: Other technical income, net of reinsurance

Other technical income includes the net impact of risk equalisation premium credits and levies under the RES as well as the reinsurers share.

Note 3: Claims incurred, net of reinsurance

Claims incurred net of reinsurance represents the estimated cost of claims which occurred during the year together with changes in estimate for prior years. The year-on-year increase is due to the significant increase in demand for healthcare services following years of COVID disruption. The increase in demand as well as the persistent increases in costs associated with healthcare delivery resulted in a significant increase in claims costs in 2023.

Note 4: Operating Expenses

Operating expenses consist of a combination of acquisition costs and administration expenses.

Note 5: Return of value

In 2020, Vhi first implemented a programme to return value to customers as part of its commitment to not profit from the global COVID pandemic. A return of premium was made in 2020 with additional amounts also provided for and paid in the subsequent years 2021 and 2022. In 2023 the amount provided for reduced by €2.0m.

A.3 Investment Performance

The investment strategy of Vhi Insurance prioritises the protection of capital over the earning of high investment returns and we deem that this is in the best interest of both Vhi Insurance and its policyholders. As a result, Vhi Insurance primarily invests in highly rated and short-dated corporate and government bonds.

As of 31 December 2023, Vhi Insurance held €1,076.7m in investments on a Solvency II basis (2022: €1,191.3m). The decrease in the value of our portfolio of investments is mainly explained by the performance of the business, as set out in section A2 above.

In 2023, the investment return, net of related investment expenses, was a gain of €45.2m (2022: loss €18.6m). The increase from the prior year primarily relates to price gains on our portfolio of fixed rate investments. These gains primarily relate to an expectation among market participants that inflation has been brought under control, and that central banks will accordingly decrease interest rates from current levels. This raises the value of our existing portfolio of fixed rate investments, although it does reduce the potential future returns from the portfolio if those expectations are realised, and interest rates are decreased.

Investment expenses included in the net return were €1.0m for 2023 compared with €1.3m for 2022. The table below illustrates the investment return by asset class, net of related expenses:

Net investment return by asset class	2023 €'000	2022 €'000
Government Bonds	7,506	(20,379)
Corporate Bonds	26,719	(25,792)
Collective Investments Undertakings	12,699	(1,483)
Derivatives*	(1,691)	23,485
Deposits other than cash equivalents	471	(48)
Property (other than for own use)	(510)	5,570
Total investment return by asset class	**45,191**	**(18,647)**

*Vhi Insurance *uses forward contracts, swaps and futures to hedge against adverse changes in interest rates or exchange rates.*

Income from property (other than for own use) is primarily made up of rent charged by Vhi Insurance to other Vhi group companies for the use of office properties that it owns, as well as gain or loss on revaluation to reflect any changes in the market value of those offices.

A.3.1 Gains and/or Losses Recognised Directly in Equity

The total value of gains recognised directly in equity through the Statement of Other Comprehensive Income in 2023 was €3.0m (2022: €0.3m). These gains relate to mark-to-market gains on bonds that are purchased and held to match the insurance liabilities, and so are classified as 'available for sale' but are not expected to be sold prior to their maturity. Such securities are recorded at their market value in the Financial Statements, but any changes in market value are not included in the net investment return in the Statement of Profit or Loss unless the security is disposed of prior to maturity.

A.3.2 Investments in Securitisation

There were no direct or indirect investments in securitised assets during the year (2022: nil).

A.4 Performance of Other Activities

Vhi Insurance had no other material income during the reporting period.

A.4.1 Leasing Arrangements

Vhi Insurance had no material financial or operating leasing arrangements in 2023.

A.5 Any Other Information

There are no other additional significant events or material information regarding business and performance that have not been disclosed above.

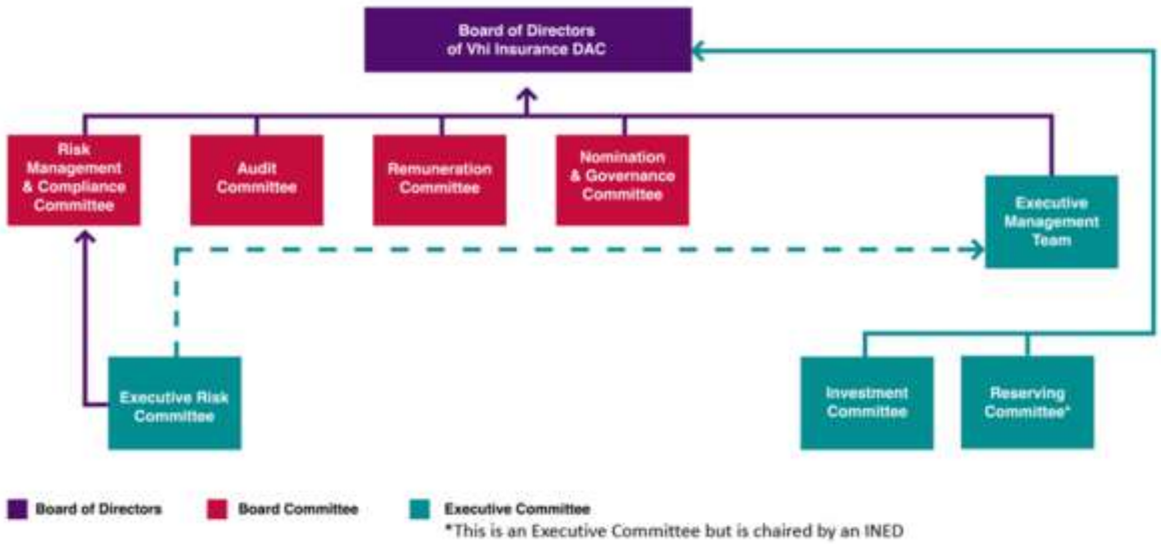
B. System of Governance

B.1 General Information on the System of Governance

The Board of Directors of Vhi Insurance (the "Board") understands that an effective system of governance is essential for the successful management of Vhi Insurance. The Board seeks to ensure that its governance structures are fit for purpose and effective for the nature, scale and complexity of the risks inherent in Vhi Insurance. It is committed to ensuring that Vhi Insurance is well directed and managed in accordance with the highest standards of corporate governance, business integrity, transparency and professionalism required to deliver on Vhi Insurance's ambitions for the business. Vhi Insurance is subject to the relevant provisions of the Central Bank Corporate Governance Requirements for Insurance Undertakings, the Code of Practice for the Governance of State Bodies and related regulations and codes. The Board attests to compliance with relevant regulatory requirements in its annual Compliance Statements. Compliance, Internal Audit and Risk Management programmes are maintained, documented, monitored and reported upon. Accordingly, the Board considers the system of governance is appropriate and effective for the nature, scale and complexity of the risks inherent in its business.

The primary components of the system of governance are described in the sections below.

The Board, Sub-Committees, Executive Management Team and Executive Committees, as at 31 December 2023



B.1.1 The Board of Directors of Vhi Insurance

At the end of 2023 the Board consisted of 10 members, of which a majority (7) are independent non-executive directors ("INED") with 2 executive directors ("ED") and 1 non-executive directors ("NED"). Vhi Insurance considers the independence of a majority of its Board members to be a key feature to good corporate governance. All independent non-executive directors, can exercise sound judgement and decision making, independent of the views of management, political interests or outside interests.

The Board recognises that diversity is key to the Board's ability to function effectively. It is the view of the Board that diversity of skill sets, experiences, qualifications, gender and background help to maximise and balance the decision-making process and reduce behaviour and culture risks. The Board currently benefits from the broad professional and educational backgrounds of its directors, which collectively include accounting, actuarial, medical, financial, governance, risk management, information technology and regulatory experience as well as experience in both domestic and international organisations.

As at 31 December 2023, there were a number of vacancies on the Board. A recruitment process is currently underway. The Board believes its composition comprises an appropriate balance of executive and non-executive directors and it is suitably qualified to meet its strategic objectives and any applicable regulatory requirements.

The Board of Directors of Vhi Insurance, as at 31 December 2023

Director	Type
Peter Cross	INED
Mike Frazer	INED
Karen Furlong	INED
Mary Halton	INED
Dean Holden	INED
Martin Kelly (Appointed 11 May 2023)	ED
Aaron Keogh (Managing Director ("MD") Insurance)	ED
Greg Sparks	INED
Brian Walsh	NED
Paul Zollinger-Read	INED

The Role and Responsibilities of the Board

The Board, along with management, are responsible for the effective, prudent and ethical oversight of Vhi Insurance and the setting and oversight of:

- Vhi Insurance's business strategy.
- Vhi Insurance's RAS.
- The amounts, types and distribution of both internal capital and own funds adequate to cover the risks of Vhi Insurance.
- The strategy for the on-going management of material risks.
- A robust and transparent organisational structure with effective communication and reporting channels.
- A remuneration framework that is in line with the risk strategies of Vhi Insurance.
- The ORSA process.
- An adequate and effective internal control framework.
- The corporate culture in line with Vhi's values and People Strategy.
- Agreeing and implementing Vhi's ESG ambitions.

The Board seeks to ensure it has:

- The necessary knowledge, skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out its duties.
- A full understanding of the nature of Vhi Insurance's business, activities and related risks.
- An understanding of Vhi Insurance's Financial Statements.

The Board gives effect to the above through its receipt and review of appropriate management information, regular oversight of the business and an annual cycle of training and briefings, support received from the Board's Committees and executive committees and by having in place structures to enable the appointment of appropriate employees.

Reserved Powers and Delegated Authority

The Board reserves certain key matters for itself and delegates others (within specified limits) to Board committees and to the MD Insurance, who in turn delegates authority to executive committees and management. The Terms of Reference of the Board stipulate which decisions are reserved for the Board and which decision-making powers it has chosen to delegate. These matters reserved to the Board were most recently reviewed and approved by the Board on 14 December 2023 as part of the annual governance review cycle.

Vhi Insurance has a delegated authority framework which includes processes and structures which are reviewed on an ongoing basis. It identifies those situations in which it is appropriate to use delegations of authority in order to ensure the effective management of the business and the procedures that should be followed when such delegations are made.

Vhi Insurance recognises certain roles and activities require specific skills, knowledge and expertise, and these should only be performed by suitably competent people. It is on this basis that individuals are delegated the authority to perform tasks and this delegation comes from the top down.

B.1.2 Board and Committee Structure

The Board has established committees and authorises these committees to undertake certain work on its behalf. However, ultimate decision-making authority rests with the Board and all decisions remain the responsibility of the Board. The Board has delegated authority to a number of committees and the MD Insurance, who acts on behalf of the Board in respect of certain matters. Each committee has detailed Terms of Reference that articulate the role and position of the committee in the governance framework. The Terms of Reference are reviewed annually by the committees to ensure continuing appropriateness, are approved by the Board and require Board approval for material alteration. Minor updates to the Terms of Reference for the Risk Management and Compliance Committee and the Audit Committee were approved by the Board in December 2023.

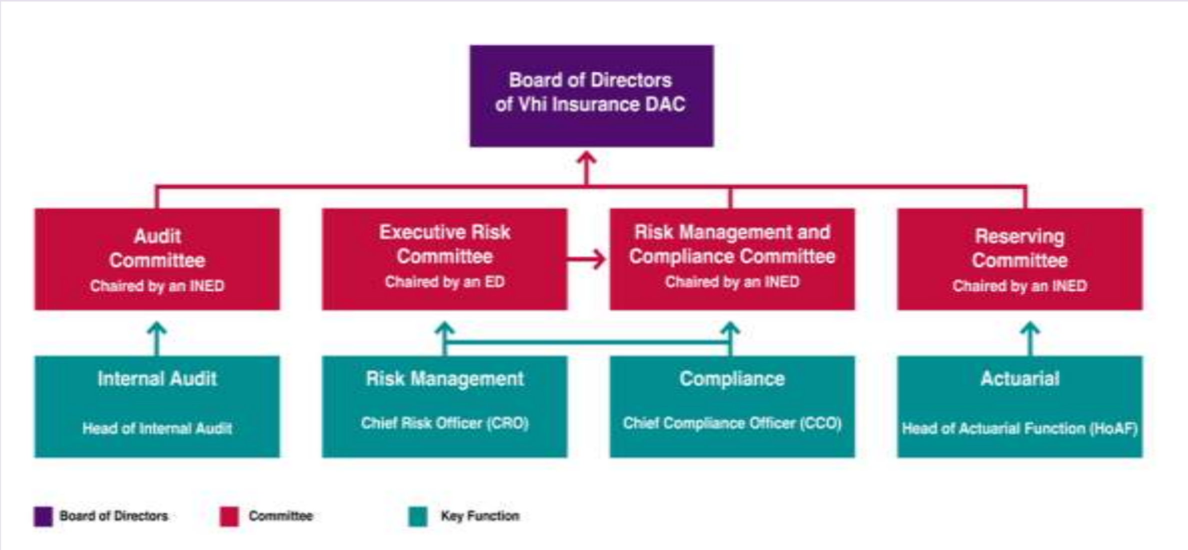
Committee	Meeting Frequency Minimum	Responsibilities
Risk Management and Compliance Committee	6 meetings per annum	Promotes the overall effectiveness of corporate governance including a culture of compliance and risk management, and in particular monitors and reviews the scope, effectiveness, resources and activities of the Risk Management and Compliance functions. In addition, ensures that the Risk Appetite Statement is appropriate to the strategy and risk appetite of Vhi Insurance and its business; reviews annually the ORSA and reviews and recommends for approval of the Board the annual Risk Management and Compliance Plans.
Audit Committee	4 meetings per annum	Provides an independent review of financial reporting and satisfies itself as to the effectiveness of Vhi Insurance's internal controls and as to the adequacy and sufficiency of external and internal audits. In addition, it monitors the activities of the Internal Audit Function and approves the annual Audit Plan.
Remuneration Committee	At least 4 meetings per annum, or as required	The purpose of the Committee is to support the Insurance Board in ensuring that Insurance DAC's overall reward philosophy for senior Insurance DAC executives is consistent and aligned with the Group's Remuneration Policy and the Group's purpose, values and strategic objectives. The annual remuneration levels for the Chair and each non-executive director of the Voluntary Health Insurance Board are set by Government. The Chair and non-executive directors of the Board of Vhi Insurance are remunerated on the same basis as the Voluntary Health Insurance Board. Executive board members do not receive remuneration for their roles on the Board. The Chair and non-executive directors are not remunerated for additional chairpersonship/directorship they hold in the Vhi group. They are remunerated for one position only.
Nomination and Governance Committee	At least 4 meetings per annum, or as required	The purpose of the Committee is to support the Board in decisions relating to the composition of the board and the committees of Insurance DAC through the provision, to the Insurance Board, of proposals and recommendations for board and committee appointments, renewals and board succession planning. The Committee also supports the Insurance Board in the appointment of senior executives and PCFs as well as succession planning and performance management for senior executives. In addition, the Committee supports the Insurance Board in relation to oversight of the appropriateness of Insurance DAC's overall governance arrangements as well as oversight of the implementation of the Group's Sustainability programme.

Committee	Meeting Frequency Minimum	Responsibilities
Reserving Committee	5 meetings per annum	An advisory and oversight committee which is chaired by an INED, the purpose of which is to oversee the governance of the setting of Vhi Insurance's reserves and its compliance with the Board approved Reserving Policy. On a quarterly basis, the Committee considers the adequacy of the reserves, related governance, data and control considerations. In addition, it reviews the Actuarial Report on Technical Provisions on an annual basis and it reviews the Peer Review Report at least every two years.
Investment Committee	At least Quarterly, or as required	Advises on and monitors the management of Vhi Insurance's investments to ensure they align with investment policy, solvency requirements and risk considerations. It keeps under review, monitors and makes recommendations to the Board on investment policy, the investment mandate, the investment managers and the custodian. This Committee is an Executive Committee with the Insurance Board retaining responsibility for setting the investment strategy.
Executive Risk Committee	Monthly	Assists the Risk Management and Compliance Committee in fulfilling its oversight responsibilities, with respect to risk management, ensure that the Risk Management Framework is implemented across the business and the Risk Management Framework is appropriately designed and implemented.
Executive Management Team	Fortnightly	The EMT, led by the MD Insurance, is the executive leadership team of Vhi Insurance. It is responsible for, in conjunction with the Board, the effective, prudent and ethical oversight of Vhi Insurance, developing and presenting strategic proposals for consideration by the Insurance Board, executing the agreed Board approved business plan and ensuring that risk and compliance are properly managed.

B.1.3 Key Functions

Vhi Insurance has four key functions; Risk Management, Compliance, Actuarial and Internal Audit.

Key Functions and Reporting Lines, as at 31 December 2023



Key Function	Main Roles and Responsibilities
Internal Audit Function	Provides an independent appraisal service to the Board and management. It provides independent assurance on the adequacy and effectiveness of the system of internal control and elements of the system of governance. Where appropriate, this role extends to the relevant controls surrounding outsourced service providers and other external parties, as well as Vhi Insurance's own internal controls. + **Further Information** Section B.5
Risk Management Function	Oversees the operation of the Risk Management Framework and, the methodologies and standards to enable business units to identify, measure, monitor and manage their own risks and for providing advice, support and challenge to business units in relation to risk and associated controls. In addition, the function also monitors and reports on the overall risk profile of Vhi Insurance, including new and emerging risks to the Board in addition to monitoring the effectiveness of adherence to the requirements of the Risk Management Framework. The Risk Management Function is a 2nd line function headed by the CRO who is responsible for the Risk Management Framework on behalf of the Board. + **Further Information** Section B.3
Compliance Function	The Compliance Function is an independent function established to act as strategic business partner, provide business advice, challenge, education and training, undertake second line of defence risk-based compliance monitoring and reporting and act as primary point of contact with various regulators and industry bodies. It oversees and seeks to ensure that Vhi Insurance operates in accordance with the compliance objectives set by the Board, compliance with legislation, with guidelines issued by insurance supervisory authorities, and with approved internal processes and procedures. + **Further Information** Section B.4.3
Actuarial Function	Coordinates the calculation of the technical provisions, capital management programme and supports the provision of pricing and management information. The function is accountable for setting actuarial methodology, reporting to the Board on the adequacy of reserves and capital requirements, and on the adequacy of underwriting and reinsurance arrangements. + **Further Information** Section B.6

Vhi Insurance is committed to ensuring that an effective structure is in place providing for co-operation and information sharing between key functions; however, each has defined responsibilities as set by the Board. The four key functions are integrated into the group organisational structure in a way that seeks to ensure no undue influence, control or constraint is exercised on the functions with respect to the performance of their duties and responsibilities by other functions, senior management or the Board. Each key function is led by a senior manager, employed by Vhi Insurance, who is assessed to ensure they are 'fit and proper' and are approved for appointment by the Central Bank. Key function employees have the appropriate skills, qualifications and experience to fulfil the requirements of their roles.

Each key function:

- Reports directly to a Committee chaired by an INED of the Board.
- Has the necessary authority and appropriate standing within Vhi Insurance, as well as access to all information necessary to carry out its responsibilities and sufficient resources to discharge its role. Confirmation of these arrangements being in place is provided by the heads of the key functions to relevant Committees.
- The Chief Risk Officer ("CRO") and Chief Compliance Officer ("CCO") each individually meets with the Chair of the RMCC.
- The Head of Internal Audit meets regularly with the Chair of the Audit Committee.
- The Head of Actuarial meets regularly with the Chair of Reserving Committee.
- The Head of each key function also has on-going direct access to the Board Chair, as required.
- Each key function provides regular scheduled reports to their reporting Committee and may escalate issues of concern to the Committee(s) or the Board, as deemed appropriate. The Board receives copies of the reports and are provided with updates as to the activities of the key functions from the Committee Chairs.

B.1.4 Material Changes in the System of Governance

A second line of defence compliance monitoring team was established in 2023 for the purposes of delivering the Board approved risk-based compliance monitoring programme. Previously quality assurance monitoring activities were carried out.

B.1.5 Material Transactions with Shareholders, with persons who exercise a significant influence on Vhi Insurance and/or with members of the Board

- **Shareholders:** Vhi Insurance has one shareholder, Vhi Group DAC. In 2023, there were no material transactions between Vhi Insurance and its parent company, Vhi Group DAC.

- **Persons who exercise a significant influence on Vhi Insurance:** There were no material transactions with any persons who exercise a significant influence on Vhi Insurance in 2023.

- **Members of the Board of Directors of Vhi Insurance:** There were no material transactions with members of the Board of Directors of Vhi Insurance in 2023.

B.1.6 Remuneration Policy and Practices

Vhi Insurance's remuneration policies seek to ensure that the approach to remuneration is aligned with Vhi Insurance's operations, business environment, strategic objectives, effective risk management, best practice and any regulatory or legislative requirements.

Remuneration policies are designed to attract, retain and motivate colleagues of the required calibre for the successful delivery of Vhi Insurance's strategic and operational objectives. The remuneration framework and policy are kept under review to ensure they remain fit for purpose and are consistent with and promote sound and effective risk management. The remuneration arrangements for Board members and the EMT are set out in section B.1.2 and section B.1.6. The table below sets out Vhi Insurance's remuneration framework which incorporates four components.

Fixed Pay Components	
Fixed Remuneration (Base Pay)	Vhi Insurance aims to clearly define expected performance through a structured system of performance management and uses this as the basis for remuneration decisions. Any remuneration increases made are in line with National Wage Agreements or other collective negotiation procedures, subject to Vhi Insurance's ability to pay. Performance is reviewed at least annually. Fixed remuneration also includes specific role required supplements including car and travel allowances which are provided in accordance with approved expenses and company car policies.
Pensions	Pension schemes for Vhi Insurance employees are linked to the Voluntary Health Insurance Board, the ultimate parent entity of Vhi Insurance. The general terms of the pension schemes are subject to collective bargaining agreements and oversight from the Department of Health and the Department of Public Expenditure and Reform. The Scheme Rules of the Vhi group's pension schemes do not permit supplementary pension or early retirement schemes.
Benefits	Colleagues are provided with a range of benefits based on individual employment contracts and market practice.

Variable Pay Components	
Performance Based Remuneration	Performance based remuneration is subject to the achievement of individual qualitative objectives, in certain cases quantitative objectives and the business performance of Vhi Insurance and the wider Vhi group. It is carefully managed with objectives designed and balanced to ensure they foster an appropriate culture that unwanted behaviour, including excessive risk taking, are not incentivised. There are no contractual commitments to pay a minimum level of performance based remuneration.

There are no options for directors, executive management or employees to acquire shares or share options in Vhi Insurance.

B.2 Fit and Proper Requirements

Vhi Insurance adheres to the Central Bank's Fitness and Probity regime, including the Enhanced Fitness and Probity Regime as set out under the Individual Accountability Framework Act (2023), which sets minimum standards aimed to ensure that all persons who effectively run Vhi Insurance, or have other key functions, are at all times competent and capable, act honestly, ethically and with integrity and are financially sound. In addition to complying with these minimum standards, Vhi Insurance applies its own internal business requirements and standards and is responsible for ensuring that colleagues meet the required standards, both on joining Vhi Insurance, and throughout their careers with Vhi Insurance.

Vhi Insurance requires Board members and employees to meet Vhi's ethical standards and to have the qualifications, skills and experience which are essential for them to carry out their duties and responsibilities. Vhi Insurance gives effect to the fitness and probity regime through a Fitness and Probity Standards Policy and supporting processes. Vhi Insurance has identified and documented in the Fitness and Probity Standards Policy Vhi roles which are subject to the fitness and probity regime as controlled functions.

For appointments to the Board of Directors of Vhi Insurance, the Nomination and Governance Committee take full account of the Central Bank's fitness and probity requirements and Corporate Governance Requirements for Insurance Undertakings, in addition to Vhi Insurance's internal requirements, when making recommendations for Board vacancies. The Committee takes into consideration factors including but not limited to; the time commitment required for the role, the challenges and opportunities facing Vhi Insurance, possible conflicts of interests, the independence of any proposed non-executive director and the balance of executive and non-executive directors on the Board. In addition, the evaluation of persons for Board positions is supported by a Diversity Policy and Skills Matrix, which seek to ensure the Board consists of members with diversity of backgrounds, viewpoints, skills, knowledge and expertise to meet both current and future anticipated needs and enable sound and prudent management of Vhi Insurance.

With regard to Vhi Insurance employees in controlled functions, required role specific competencies are set out in written job descriptions. Assessment of applicants against role specific requirements, in addition to their ethical and culture fit for Vhi, are carried out during the recruitment process, which includes both internal assessment and external verification processes. If a candidate meets the role requirements due diligence checks are carried out. They include, but are not limited to; copies of relevant qualifications and transcripts, professional body checks, previous employer reference checks, self-certification of potential conflicts of interest, regulatory checks and judgement searches, as relevant. Candidates also complete a self-attestation, which provides scope for candidates to make any declarations, through a Fitness and Probity questionnaire to confirm their adherence to Fitness and Probity. Compliance with minimum competency code requirements and concurrent responsibilities are also checked, as appropriate and required.

Certain candidates for controlled functions are subject to pre-approval by the Central Bank before appointment ("PCFs"), including members of the Board and the heads of key functions. Before taking up a PCF position the candidate must complete and submit an Individual Questionnaire to the Central Bank for its consideration. If approval is not given the candidate is not appointed to the position.

The fitness and probity assessment processes are carried out in advance of final position offers and appointments. The assessment process for Board members is facilitated by the Nomination and Governance Committee, CCO and the Department of Health. The assessment process for other key function holders is carried out by the CCO and HR Function.

Vhi Insurance does not allow a person to perform a controlled function unless it is satisfied that the person complies with the fitness and probity requirements of the Central Bank and has agreed to abide by them on an ongoing basis. This includes a commitment to continuing their professional development and continuing in their roles is contingent on their retention of required qualifications. Annually, persons in controlled functions attest, through the completion of an F&P questionnaire, to their adherence and ability to meet the fitness and probity requirements of the Central Bank. This questionnaire also requires persons in controlled functions to make any relevant declarations that may impact on their Fitness and Probity. Colleagues, including Board members or other key function holders, who no longer meet fitness and probity requirements can be removed from their position.

B.3 Risk Management System including the Own Risk and Solvency Assessment

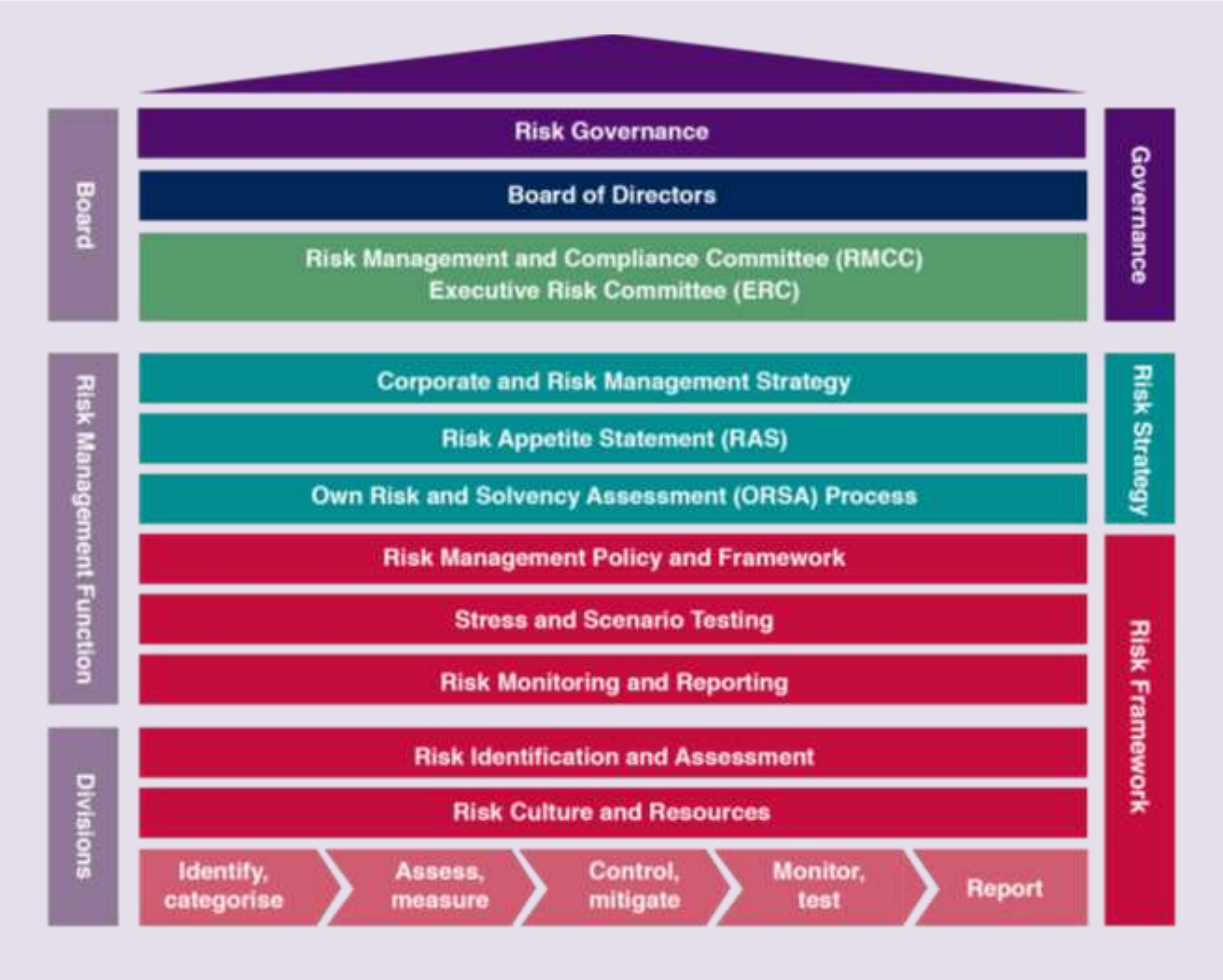
B.3.1 The Risk Management System

Vhi Insurance is subject to internal risks arising from its business operations and external risks arising from economic conditions in Ireland and global financial markets in general, as they affect the PMI sector.

Delivering on the strategic intent of Vhi Insurance requires an understanding of the nature and significance of the risks to which it is exposed. This enables Vhi Insurance to make the best decisions for Vhi Insurance, customers and stakeholders and enables it to sustainably deliver on its objectives into the future.

Vhi Insurance operates a Risk Management Framework which ensures an integrated and consistent approach to managing risk with processes to identify, measure, control, monitor and report on risks to enable the achievement of Vhi Insurance's goals and objectives. This is implemented through a 'three lines of defence' approach, described in section B.4.1, to manage risk; incorporating roles, responsibilities and accountabilities including governance and risk-based decision-making. Vhi Insurance engages in continual review and enhancement of its Risk Management Framework on an ongoing basis.

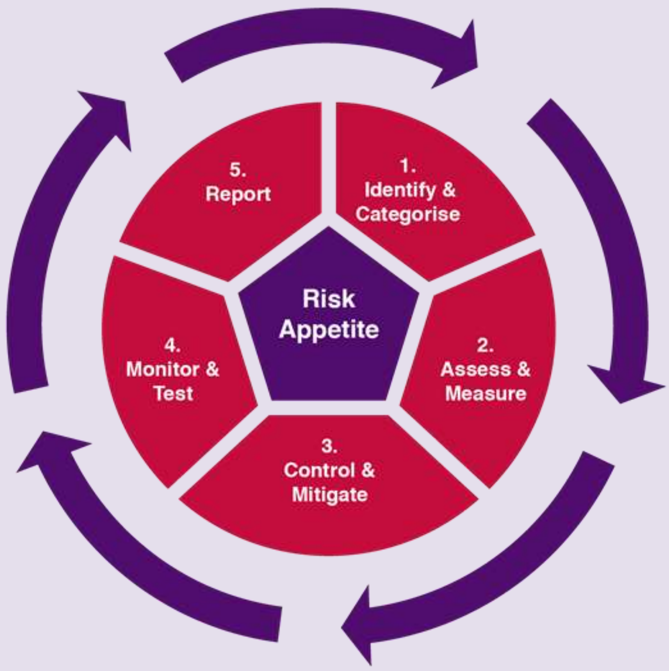
Vhi Insurance Risk Management Framework



The Risk Management System is underpinned by:	
Risk Governance	Risk Governance comprises the practice, procedures, attitudes, responsibilities and approaches to enable the consistent and effective operation and oversight of the management of risk. It includes rules, oversight, control and assurance in the management of risk principally through the setting of risk appetite, policies, roles and responsibilities with the ‘three lines of defence’ model and oversight provided through reporting processes.
Risk Strategy	Vhi Insurance’s Risk Management Strategy is to identify, understand and assess the risks to the business and stakeholders in order to manage these risks, to stay within Risk Appetite and support business objectives, and preserve value in the long as well as short term. Vhi Insurance assess risks as part of business operations and decision making in order to decide where to take risk, where to avoid it, and how to manage it by implementing controls to prevent, detect, limit, and recover from risk events. The Risk Management Framework is used to prioritise investment in control improvement and to monitor control effectiveness. • Vhi Insurance take strategic and financial risk to grow the business where returns justify the risk. However, we maintain high levels of capital, diversify risk (investment and portfolio) and monitor pricing assumptions closely to ensure the Company can pay policyholders’ claims. Vhi Insurance’s approach to managing strategic risk is to; challenge assumptions, monitor competitors, customers, and providers, ensure the Company has business options if things do not follow plan, focus on the risks that most threaten our competitive position and a sound strategy to build competitive advantage in areas we can bring value to our customers. • The customer is at the core of our business and the Company seeks to minimise conduct and customer value in line with the expectations members have of Vhi. In managing these risks, Vhi Insurance operate clear processes within risk and quality review and oversight frameworks at all levels in the organisation. Vhi Insurance focus on high standards for training and for seeking and monitoring customer feedback in managing these risks. • Vhi Insurance manage operational and people risks on an ongoing basis to ensure they do not significantly disrupt our business or commitments to members and other stakeholders. Vhi Insurance do not seek to minimise all of these risks but we ensure we invest appropriately in our control operations and systems & process and supplier resilience as well as our recovery capabilities. Ensuring adherence to policies, quantifying risks consistently, testing controls, monitoring incidents and feedback, and promoting a risk aware and accountable culture are key parts of our risk management strategy that are particularly important for these risks. Our Risk Management Strategy includes setting out a framework that enables all colleagues within Vhi to make risk weighted decisions in a timely manner with due consideration and recognition of risks.
Risk Appetite Statement	The level and type of risk Vhi Insurance is prepared to accept to achieve its strategic objectives with limits and tolerances set for the main business risks. Risk appetite informs the strategy, business planning and operational processes and seeks to ensure their execution is in line with the risk appetite statements set by the Board.
Risk Framework	Processes through which risk is managed as a continuous cycle of activity and enables understanding of the nature and significance of the risks (at an individual and aggregated level) to which Vhi Insurance is exposed, including the sensitivity to those risks and its ability to mitigate them.

Enterprise Risk Management (“ERM”) is the methodology and process, which seeks to understand and manage risk, to support the achievement of Vhi Insurance’s objectives and minimise the effects of risk on capital requirements, by addressing the full spectrum of risks Vhi Insurance is exposed to and managing the combined impact of those risks. The processes supporting ERM are described below. Vhi Insurance made a number of changes to improve its Risk Management Framework throughout 2023 including enhancements suggested by an external review. We will continue to embed these changes in 2024 to further ensure that there is a consistent and holistic approach to risk management across the business.

Enterprise Risk Management (ERM) Life Cycle/ Risk Control Cycle



Risk Framework

1. Identify and Categorise	Risks, including emerging risks, are identified at business unit (bottom-up) and organisational (top-down) level.
2. Assess and Measure	Risks are assessed in terms of likelihood of occurrence and impact, with key risk indicators and underlying drivers considered, to determine how they interact. Where risk appetite tolerance breaches or risk events are identified, a mitigation plan is put in place with controls assessed to determine adequacy and effectiveness. Business change proposals are subject to a risk assessment to seek to ensure proposals are in line with risk appetite before the change is implemented.
3. Control and Mitigate	Controls are implemented to mitigate risk. Control effectiveness is assessed on a regular basis, with shortcomings reported to the Risk Management Function. Risk assessments of business change proposals consider control adequacy and effectiveness. The regular review and aggregation of risks identifies the amount of capital Vhi Insurance requires and any requirement for additional controls.
4. Monitor and Test	The business units monitor key risk indicators and underlying risk factors regularly to inform risk self-assessments, which includes an assessment of control adequacy and effectiveness. The Risk Management Function reviews and challenges these risk self-assessments. The Risk Management Function carry out the activities as set out in their annual monitoring plan. The internal and external auditors test key controls and processes. The EMT, the ERC, RMCC and Board review the material risks, controls, mitigation plans and capital adequacy on a regular scheduled basis.
5. Report	Risk reporting is a key component of the Risk Management Life Cycle including regular (e.g. risk assessments) and ad-hoc (e.g. risk appetite tolerance breaches, risk events) reporting by business units to the Risk Management Function. The Risk Management Function provides the ERC, EMT, RMCC and the Board with regular updates on the effectiveness of the Risk Management Framework including details of the material risks facing Vhi Insurance and management's implementation of mitigating actions. This is provided through the risk appetite, risk profile, control framework and risk event reporting.

B.3.2 How the risk management system including the risk management function are implemented and integrated into the organisational structure and decision-making

The Board is ultimately responsible for ensuring an appropriate Risk Management Framework is in place and operates effectively across Vhi Insurance.

Oversight on the appropriateness and effectiveness of the Risk Management Framework is underpinned by a governance framework which includes:

- An organisational structure with responsibilities delegated from the Board to management.
- Clear Terms of Reference for the Board, its sub- committees and executive committees.
- An ERC which supports the EMT, Board and RMCC in their responsibilities.
- Right of access for the CRO to the Board and reporting on specific areas of risks initiated at the request of the Board or on the initiatives of the Risk Management Function.
- Ownership of policies.
- Risk and Compliance functions overseeing adherence and compliance.

Risk Appetite	Risk appetite makes explicit the Board's risk management requirements. The Risk Appetite Statement focuses on the following areas: • Managing financial strength. • Strategic risk and engaging in sustainable business activity. • Operating in an effective and efficient manner. • Treating customers in a responsible, fair and compliant manner. • Managing people and culture risks. The Risk Appetite Statement is reviewed at least annually and in the event of material changes to Vhi Insurance's activities or operating environment. Decision making in running the business is necessitated by change, including strategic change and changes in the business environment, with a risk assessment performed on business change proposals.
Risk Policies	Risk policies define the high-level rules, standards and underlying principles for the management of risk. These policies are reviewed at least annually or where there is a material change to risk appetite.
Risk Framework	The Risk Management Framework sets out the roles and responsibilities and accountability for ensuring that risk is managed appropriately and consistently across the organisation. This includes the 'bottom-up' approach to identifying, assessing, managing and reporting on risks through the Risk and Control Self-Assessment process. It also sets out the key behaviours and culture that indicate a sound risk culture across Vhi Insurance. The 'top-down' approach includes an annual identification exercise completed with input from across the business and the ERC and presented to the RMCC which considers the nature and significance of the risks to which Vhi Insurance is exposed.
Own Risk and Solvency Assessment ("ORSA") Process	The ORSA process is a continuous process comprising annual and recurring activities, undertaken at various times throughout the year, that consider risks, the drivers and correlations, the likelihood, and the potential impact on the business's solvency and financial sustainability as well as how we would manage risk events and is used to inform decision making and, in particular, business and financial planning. + **Further Information** Section B.3.3

Together with the other three key functions, Risk Management play a significant role in ensuring the effectiveness of the Risk Management Framework. These functions retain responsibility for taking the decisions necessary for the proper performance of their duties without undue interference from other functions or senior management.

B.3.3 The ORSA

The ORSA process assesses the main risks to Vhi Insurance, including relevant considerations from the wider Vhi group, and is a key part of our Risk Management Framework. It is a process whereby the company identifies and assesses its risks and controls and identifies its capital requirements in light of these risks and its business plans.

Own:	Reflects our business plan, business environment and strategy.
Risk:	Provides a risk assessment of business plans, quantifies potential risk impact over the medium term and informs our review of our Risk Appetite Statement and Recovery Plan.
Solvency:	Evaluates possible impacts on solvency of stress events and our capital requirements.
Assessment:	Assesses projected solvency needs considering our risk profile, reaches conclusions for its capital requirements and makes recommendations for management actions within the business plan.

The period (at least three years) under which solvency cover is projected and assessed aligns with the strategic planning process. The planning process considers the key financial and capital metrics over the period. To aid this assessment, the plan is stressed for risks that Vhi Insurance is or could be exposed to. A number of stresses and scenarios are developed to test the planning process and to determine the potential impacts on capital requirements and solvency cover. The stresses and scenarios selected cover the material risks (e.g. claims volatility, market, and operational risks) which Vhi Insurance is or could be exposed to and are designed to be plausible and sufficiently challenging in order to provide a sound basis upon which to assess the overall solvency needs of Vhi Insurance.

Vhi Insurance uses the Standard Formula to calculate the amount of capital Vhi Insurance must hold under Solvency II regulations. This is referred to as the SCR. As part of the ORSA process, Vhi Insurance evaluates the risk profile of its business and tests the appropriateness of the Standard Formula for the business. The assessment carried out in 2023 indicated that the Standard Formula continues to be appropriate for Vhi Insurance.

The ORSA process comprises annual and recurring activities undertaken over the year which informs decisions on strategy, growth, risk control and capital. The activities are:

Annual Activities	Recurring Activities
• Business planning • Risk appetite review • Stress and scenario testing • Risk policies review	• Financial reporting • Capital projections • Risk assessment

The key components of the ORSA process are:

Risk Identification	Material risks are identified and informed by risk assessments conducted by business units and risks assessed as part of the strategic planning processes. This includes the consideration of emerging risks and trends and analysis of the economic environment.
Risk Assessment and Aggregation	Risk is considered on a forward-looking basis to determine the capital requirements and solvency, informed by stress and scenario testing.
Results	The results highlight the appropriateness of solvency cover, resilience of capital to stress tests and adequacy of capital to meet risk appetite requirements. They provide insights to focus mitigation and contingency planning.
Report	The final output, the ORSA Report, documents the risk and solvency assessment and includes a prospective assessment of the solvency position.

The outcome of the process determines the adequacy of capital to continue to meet regulatory capital requirements and Vhi Insurance's capital and risk appetite requirements over the period. It assists the Board and management in making decisions relating to strategy and planning, risk appetite changes, capital management and funding plans. Additionally, it informs management actions on growth, product development and pricing.

The ORSA process requires the engagement and participation of a wide group of stakeholders including the Board, management and, in particular, the Finance, Actuarial, Strategy and Risk Management functions. Risk, capital and planning activities, performed by these functions, link the strategic management process with the decision-making processes. In particular, the Board and RMCC take an active part in directing the ORSA process including how the assessment is performed, challenging the results and recommending plans based on the results and conclusions from the ORSA process. The Board's review and challenge of the ORSA aims to ensure that a robust assessment of material risks facing Vhi Insurance has been performed. This review also seeks to ensure risks that would threaten Vhi Insurance's business model, financial performance and solvency have been appropriately accounted for and Vhi Insurance can meet its obligations and liabilities over the period of the assessment.

An ORSA report is produced on an annual basis, where there is a significant change in the risk profile of Vhi Insurance or for significant strategic decisions that require Board approval. The CRO is responsible for the oversight and implementation of the ORSA process. Following Board approval of the annual ORSA Report, it is submitted to the Central Bank.

B.4 Internal Control System

The Internal Control System within Vhi Insurance is designed to provide reasonable assurance regarding the achievement of business objectives. An effective internal control system increases the effectiveness and efficiency of operations, the reliability, completeness and accuracy of financial and non-financial data for reporting and aims to ensure compliance with legal and regulatory obligations. It can provide only reasonable, not absolute, assurance.

The Board is ultimately responsible for ensuring that adequate and effective internal controls exist within Vhi Insurance. However, responsibility for management of this is devolved to board sub-committees and executive management which is responsible for establishing and maintaining adequate internal control.

For consistency internal control principles are set at a group level and apply group-wide in line with the Group Internal Control Policy. The recommendations of the following have been taken into account in establishing the systems of internal control:

- The Central Bank's Corporate Governance Requirements for Insurance Undertakings.
- The Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- Solvency II.
- The relevant provisions of the Code of Practice for the Governance of State Bodies.

B.4.1 Three Lines of Defence

Vhi Insurance operates the 'Three Lines of Defence' model which is used to structure roles and responsibilities for risk and control activity, including risk governance and risk-based decision-making within the business.

The Three Lines of Defence	
1st Line of Defence	The 1st line of defence incorporates all of the business functions which carry out the day-to-day operations of Vhi Insurance. 1st line activities require employees to operate in accordance with and adhere to policies and frameworks, to identify, manage and own risks and controls.
2nd Line of Defence	The 2nd line of defence develops, maintains and implements control policies and frameworks across Vhi Insurance, undertakes monitoring of front-line business operations along with advising, supporting and challenging the 1st line of defence. The Risk Management and Compliance Functions are part of the 2nd Line of Defence.
3rd Line of Defence	The 3rd line of defence undertakes independent monitoring and assurance activities. The Internal Audit Function and external auditors provide the Board and management with independent objective assurance that the policies, various frameworks and controls in place are appropriate, proportionate and adequately adhered to across the group in the 1st and 2nd lines of defence.
Oversight	Although the Board, board sub-committees and the executive committees are not considered to be among the three "lines" in this model, they are the primary stakeholders served by the "lines," and they are the parties best positioned to help ensure that the three lines of defence model is reflected in Vhi Insurance's risk management and control processes. They do this by overseeing the management of risk, the internal control system, setting policy and monitoring the performance of the key control functions, internal audit and any external assurance providers.

B.4.2 The Internal Control Framework

The Internal Control Policy sets out the principles, expectations, philosophy and framework of internal control within Vhi Insurance for all colleagues. The policy is intended to support the implementation and maintenance of a transparent and effective internal control system, underscored by accountability, sufficient in terms of the group's business scale and complexity and facilitating the accomplishment of the group's business goals. The Internal Control Framework of Vhi Insurance has five key elements, in line with the COSO internal control principles.

Components of the Internal Control Framework	
1. The Control Environment	The control environment is defined by and reflects organisational culture. It provides the foundation for all other components of internal control and has a pervasive influence on all decisions and activities throughout Vhi Insurance. It is the general attitude and behaviour towards internal control as set by the Board and executive management which influences the consciousness of Vhi colleagues.
2. Risk Assessment	Risk assessment is the identification and analysis of the risks that Vhi Insurance is exposed to in pursuit of its business objectives. It forms a basis for determining how the identified risks should be managed. Once risks have been assessed a determination can be made on the scale and nature of the internal controls that are required to prevent, detect or mitigate these risks.
3. Control Activities	Control activities are the actions or process steps that help to ensure that management objectives are carried out in a risk-conscious manner. They are tools, both manual and automated which can prevent or reduce risk and encompass many activities such as approval and authorisation, reconciliations and segregation of duties, supervision, business continuity, back up and disaster recovery.
4. Monitoring	Monitoring of internal control is an essential process that assesses the quality of internal control performance over time, to ensure controls remain fit for purpose and are functioning as expected. Regular monitoring allows performance expectations to be established and any variances from these can be identified and investigated, possibly providing an early indicator of potential incidents.
5. Information and Communication	Vhi Insurance recognises that a good system of communication is essential for Vhi Insurance to maintain an effective system of internal control. The communication of relevant information supports decision making and the co-ordination of activities. Relevant information must be identified, captured and communicated within a timeframe, in a manner that enables employees to carry out their duties and responsibilities. The dissemination and sharing of data from all three lines of defence ensures that the highest levels of the group are provided with a holistic view of the operations of the entire group and companies within it.

Through its internal control system, Vhi Insurance ensures all colleagues are aware of their role in the system, thereby promoting the importance of performing appropriate internal controls for the sound operation of the business.

B.4.3 How the Compliance Function is implemented

The role of the Compliance Function is to manage the overall compliance risk of Vhi Insurance and to support Vhi Insurance to achieve its strategic objectives and:

- To conduct its business prudently and in accordance with both the letter and the spirit of relevant laws and regulation.
- To ensure compliance with those related internal policies and standards, designed to achieve Vhi Insurance's compliance objectives.
- To act ethically, professionally and with integrity, honestly and fairly in dealing with customers.

The Compliance Function is led by the CCO (a PCF) and is an independent second line of defence assurance provider. This means it operates independently of day to day business operations. The Compliance Function reports directly to the RMCC, and administratively to the CFO. The planned activities of the function are detailed in an annual Compliance Plan which sets out the focus of the function for the coming year.
The plan is presented annually to the RMCC and Board, for approval. Updates on Vhi Insurance's compliance profile with progress against the Compliance Plan are provided to the RMCC throughout the year.

The key responsibilities of the Compliance Function include:

- Developing and maintaining compliance standards and frameworks within which Vhi Insurance operates.
- Managing the compliance universe, including identification and assessment of the impact of any regulatory/legislative changes on Vhi Insurance and co-ordinating the implementation of business changes required.
- Overseeing and investigating with management any potential or actual breaches of regulation.
- Guiding compliance implementation programmes.
- Implementation of the Compliance Monitoring Framework to provide assurance as to the levels of regulatory compliance.
- Conducting sales monitoring of Vhi Insurance underwritten products.
- Managing Vhi Insurance’s relationship with regulators.
- Being a strategic business partner in providing advice to the first line on regulatory matters, including regulatory requirements relating to marketing and customer materials, product changes and business change initiatives.
- Building and promoting a culture of compliance and ethical business in Vhi Insurance through training and awareness programmes.
- Collaborating with Risk Management and Internal Audit to ensure there is an integrated assurance model.

B.5 Internal Audit Function

B.5.1 How the Internal Audit Function is implemented

The role of the Internal Audit Function is to support the achievement of Vhi Insurance's business objectives, by providing independent assurance on the adequacy and effectiveness of the system of internal control and identifying areas where improvements in efficiency can be made. This role extends to the relevant controls surrounding outsourced service providers and other external parties.

The Internal Audit Function is an independent third line of defence assurance provider which reports functionally to the Audit Committee, and administratively to the Group CEO. The planned activities of the function are detailed in an annual Internal Audit Plan which sets out the focus of the function for the coming year. The plan is presented annually to the Audit Committee for its approval.

It is the policy of the Board that the Internal Audit Function operates to the best national and international professional standards. In this context, the Internal Audit Function is given the multi-disciplinary resources necessary to effectively discharge its responsibilities. Audit colleagues must comply with the integrity, objectivity, confidentiality and competency principles contained in the ethical guidelines from the Chartered Institute of Internal Auditors and where appropriate their own various professional associations.

The Internal Audit Function discharges its responsibilities by critically reviewing, on a risk focussed basis:

- The effectiveness and efficiency of the system of internal control;
- The reliability, timeliness and integrity of financial and operating information, and the processes used to identify, measure and report such information;
- Clinical governance and oversight controls relating to Vhi's health provisioning activities;
- Compliance with policies, plans, procedures, laws and regulations;
- The means for safeguarding assets and information, including information stored on computer systems and databases; and
- The adequacy and effectiveness of management actions to address issues identified by both Internal Audit and the external auditors.

As well as the points mentioned above, the Internal Audit Function also evaluates and contributes to the improvement of Vhi's governance and risk management processes. In carrying out its responsibilities the Internal Audit Function has unrestricted access to all information, explanations, records, assets and colleagues necessary for audit purposes and is facilitated by management and colleagues in this regard.

The Internal Audit Function is also responsible for ensuring that audit work takes due account of the potential for fraud and for investigating fraud, either suspected or uncovered. Internal Audit colleagues are not however expected to have the expertise of any person(s) whose primary responsibility is detecting and investigating fraud.

In meeting its objectives, the Internal Audit Function liaises with the external auditors, external advisors, and the other control functions to ensure that assurance from all internal and external sources is, insofar as possible, managed in an integrated, complementary and cost-effective manner.

The independence of the Internal Audit Function is achieved through:

- the objectivity of internal audit colleagues;
- the absence of executive responsibility or authority over the activities or operations it reviews and audits;
- the avoidance of conflicts of interest and compliance with the Vhi Conflict of Interest Policy;
- ensuring that internally recruited auditors do not audit activities or functions they previously performed during the timeframe covered by the audit;
- ongoing rotation of audit assignments across the audit team;
- the functional reporting line to the Audit Committee and the administrative reporting line to the Group Chief Executive;
- attendance at meetings of the Audit Committee, including time alone with the Audit Committee on a regular basis;
- regular private meetings with the Chair of the Audit Committee;
- attendance at meetings of the Risk Management and Compliance Committee and the Group Risk Committee;
- regular private meetings with the Group CEO; and
- right of access to the Board Chair at any time.

The Head of Internal Audit's Year-end Report to the Audit Committee includes a section concerning the independence of both the Head of Internal Audit and the Internal Audit Function.

B.6 Actuarial Function

B.6.1 How the Actuarial Function is implemented

The Actuarial Function supports the business primarily in three broad areas: reserving, capital and pricing. The Function is overseen by the Head of Actuarial Function ("HoAF") a PCF who reports administratively to the Group CFO and is responsible for the management and reporting of actuarial matters to the Board.

The Actuarial Function's responsibilities include, but are not limited to:

- Co-ordination of the calculation of the Technical Provisions, both on a statutory and Solvency II basis. A key component of this process is the determination of the best estimate Outstanding Claims Reserves ("OSCR"), which is calculated using a range of standard actuarial reserving methodologies using both paid and incurred claims data.
- Provision of a formal opinion on the adequacy of the Solvency II Technical Provisions. The Actuarial Opinion on Technical Provisions ("AOTP") is submitted to the regulator annually and the Actuarial Report on Technical Provisions ("ARTP"), which supports the AOTP, is provided to the Board by the HoAF.
- Management of the Board approved Reserving Policy for Vhi Insurance.
- The function prepares and presents an information pack to the Reserving Committee, which meets quarterly to review the Technical Provisions for appropriateness and compliance with the Reserving Policy.
- Management of the Board approved Capital Management Policy and Asset Liability Management Policy for Vhi Insurance. The capital requirements of Vhi Insurance are monitored continuously over the year through a number of processes either owned by the Actuarial Function or with input from the Actuarial Function. It is also responsible for the annual preparation of a Medium Term Capital Plan.
- Calculation of the SCR on a quarterly basis and also on an ad-hoc basis as may be required.

The HoAF also provides the following to the Board annually:

- Actuarial opinion on relevant aspects of the ORSA process.
- Actuarial opinion on the underwriting policy.
- Actuarial opinion on the reinsurance arrangements.

In addition to the provision of an actuarial opinion on the underwriting policy, the Actuarial Function is also responsible for monitoring the experience of the portfolio and providing actuarial input for pricing decisions.

The Actuarial Function activities undertaken throughout the year are presented in the Actuarial Function Report which is submitted to the Board annually.

B.7 Outsourcing

B.7.1 Outsourcing Policy

The Vhi group's Outsourcing Policy, which applies to Vhi Insurance, sets out the principles used to manage internal and external outsourcing across not only Vhi Insurance but also Vhi Healthcare DAC and Vhi Group Services DAC. The policy is approved by the Board and is intended to support the governance of an effective and ethical outsourcing regime which is sufficient and proportionate in terms of the 3 entities business scale and complexity and complies with regulatory requirements. It recognises that to conduct operations as effectively and efficiently as possible, it may be advantageous to outsource certain functions or activities.

The policy addresses outsourcing roles and responsibilities, the due diligence to be performed, the contractual requirements, risk management requirements, operational supervision, monitoring and reporting requirements and contingency/termination plans to be implemented to oversee outsourcing arrangements. The policy requires the Board to approve the outsourcing and renewal of any critical or important operational functions or activities in advance of any contract being signed and for the Board to receive regular updates on the approved arrangements.

B.7.2 Outsourced Functions/Activities

Vhi Insurance, VHI Healthcare DAC and Vhi Group Services DAC outsource some critical or important operational functions or activities to outsourcing providers' external of the Vhi group. Such external outsourced arrangements include:

- Investment management arrangements which are outsourced to professional investment managers in France (Vhi Insurance but managed by Vhi Group Services DAC).
- Claims scanning services and claims third party recoveries, which are outsourced to providers in Ireland (Vhi Insurance).
- Claims data entry and ICD coding which are outsourced to a provider in the Republic of Mauritius (Vhi Insurance).
- Software testing which is outsourced to a provider in Ireland and India (Vhi Group Services DAC).

In addition to external outsourcing Vhi Insurance also engages in intra group outsourcing within the Vhi group. Services outsourced to other Vhi group companies include the provision of services by the Control Functions, Internal Audit, Risk Management, Actuarial and Compliance. Other internally outsourced critical or important operational functions include but are not limited to; Finance, People & Sustainability, IT, Legal and Secretarial, Marketing and Corporate Communications. All intra group services are conducted in Ireland.

Although not considered outsourcing, Vhi Insurance also has a tied agency agreement in place with Vhi Healthcare DAC, which acts as a Retail Insurance Intermediary. The agreement allows Vhi Healthcare DAC to sell the insurance company's products to customers on its behalf.

B.8 Any Other Information

There is no additional material information regarding the system of governance that has not been disclosed above.

C. Risk Profile

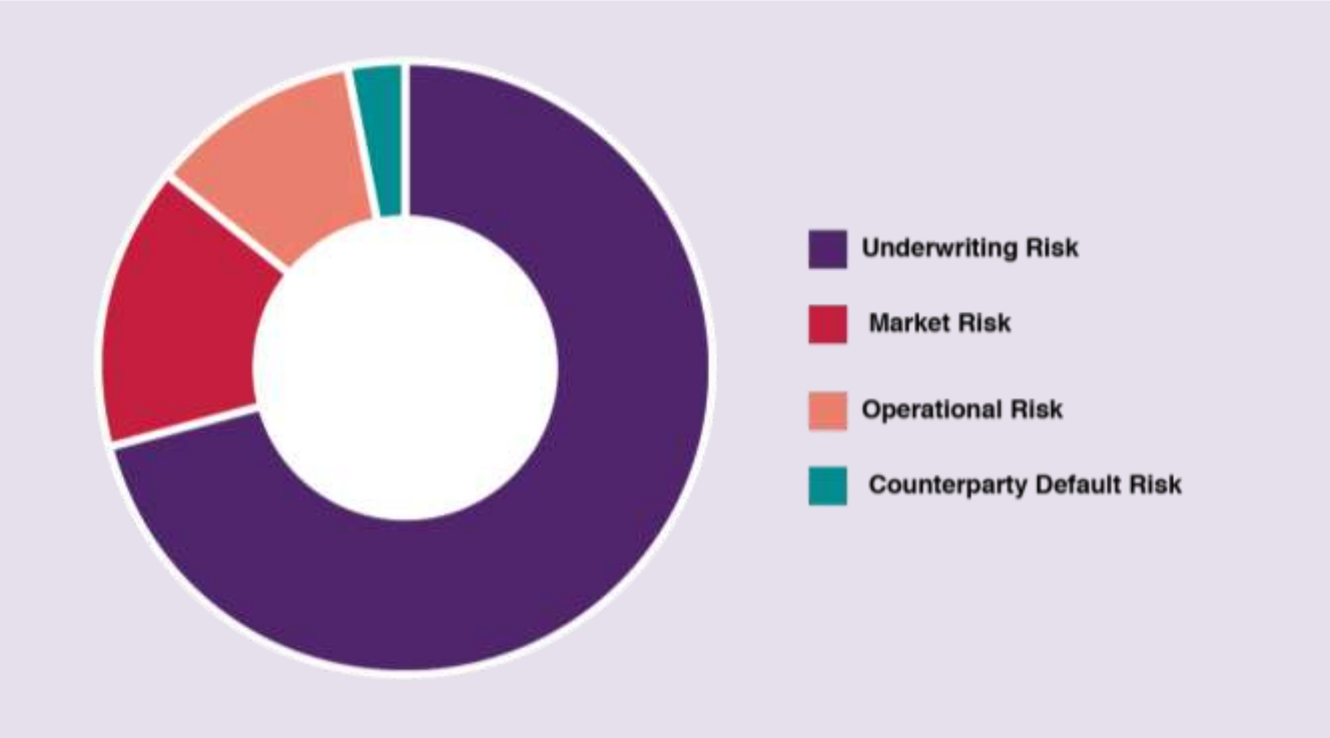
The risk profile of Vhi Insurance includes all risks which could impact on the achievement of Vhi Insurance's objectives, in particular those relating to Finance and Capital, Operational, Strategic, People and Culture, and Customer Value and Conduct. The main risks in Vhi Insurance's risk profile are distributed in the SCR components as underwriting risk, market risk, counterparty default risk and operational risk. Vhi Insurance also monitors and manages other risks to its business model and strategy as noted in the Summary section above.

Vhi Insurance actively seeks to be risk aware, understand where risks are being taken and how much risk is regarded as acceptable in the pursuit of business objectives that provide a reasonable opportunity to earn a financial return. Risks are regularly reviewed through the ERM Life Cycle, incorporating the identification, measurement, assessment and reporting of risk to determine whether Vhi Insurance is prepared to accept the risk and to consider the adequacy of planned mitigating actions.

A description of the main risks together with the strategies to mitigate risk is set out in this section.

Risk Exposure

The SCR capital calculation demonstrates the relative exposure to the different components of capital risk. Underwriting and market risk are the main drivers of the SCR. Other components of the SCR include operational risk and counterparty default risk.



+ Further Information

The risk exposure by risk category is detailed in Section E.2 SCR and MCR. The risk sensitivities are discussed in Section C.7.

There are no off-balance sheet positions and no element of risk transferred to special purpose vehicles.

C.1 Underwriting Risk

Underwriting risk is the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions, e.g. value of claims is higher than assumed in the pricing basis. Factors affecting risk exposure include: macroeconomic trends, medical costs, lapse rates, longevity, morbidity risk, demographics, customer and provider behaviour and technology developments.

The main underwriting risks are:

- Premium and reserve risk – risk of inadequate premiums and/or technical provisions for claims.
- Claims risk – risk of adverse future claims experience.
- Competition and regulation risk – risk of Vhi Insurance being at a competitive disadvantage and risk of adverse regulatory changes.

The legacy of COVID continued to be a source of volatility in underwriting risk in 2023. In particular the volumes of treatment and the extent to which private facilities were utilised for public patients. The risk of further surges in similar pandemics remains an important risk consideration for our business. Uncertainty in claim cost development is higher where medical inflation is high and where there are other disruptions to the provision of private healthcare such as, public policy & public hospital charges, shortages of skilled colleagues, energy costs and technology driven changes in treatments and setting.

Vhi Insurance gross written premium increased from 2022 due to an increase in membership. The higher premium volume is the main underlying cause of an increase in the health underwriting risk component of the SCR from €304.0m as at 31 December 2022 to €336.0m as at 31 December 2023.

Vhi Insurance assesses its underwriting risk using analysis of business mix and product profitability, pricing and reserving analysis, and stress and scenario testing, the results of which can be seen in Section C.7.

Risk Mitigation

Vhi Insurance use the following risk mitigation techniques to ensure underwriting risk is in line with Vhi Insurance's overall risk profile:

- Pricing appropriate to the level of risk underwritten and in line with community rating requirements.
- Reserving control, with effective claims management to reduce exposure to large claims.
- Monitoring indicators of inflation and pricing.
- Managing our relationships with hospital providers.
- Ensuring our PMI plans are valuable for the target market sectors they are designed for.

The Board has responsibility for monitoring the effectiveness of these risk mitigation techniques and in doing so relies on reasonable assurance provided by:

- The Risk Management Function, which provides support and independent challenge to business units on the completeness, accuracy and consistency of risk self-assessments, reporting on adherence and compliance with risk appetite together with the outcome of the risk assessment process, which considers risk selection, pricing, claims management, reserving and related risks (credit risk, liquidity risk) quarterly.
- The Actuarial Function, which proposes the optimum reinsurance solution for Vhi Insurance and the adequacy of its reinsurance arrangements given the current and future business plans.

Risk Concentration

- Product concentration is monitored and reported regularly with mitigating actions taken on product design, as appropriate.
- Concentration of risk is not high given the scale of Vhi Insurance's portfolio. Vhi Insurance does underwrite large group arrangements, however there is a degree of profit divergence by plan.

C.2 Market Risk

Market risk is the risk of losses on the value of investments due to changes in financial markets e.g., increased interest rates resulting in fall of value in bond investments. In pursuit of its growth objectives, Vhi Insurance seeks some level of market risk as part of its investment strategy, however it does so on the basis that it does not introduce any significant solvency risk.

The main market risks are:

- Interest rate risk– risk of change in assets and liabilities caused by fluctuations in interest rates.
- Spread risk – risk of change caused by fluctuations in the level or the volatility of credit spreads.
- Equity risk – risk of adverse movements in equity prices.
- Concentration risk – risk of amplified losses that may occur from having a large portion of Vhi Insurance's holdings in a particular investment, asset class or market segment relative to Vhi Insurance's overall portfolio.
- Property risk – risk of adverse movements in property prices.

Vhi Insurance has an Investment Policy in place which was approved by the Board and is reviewed annually by the Investment Committee. All investments made by Vhi Insurance must adhere to the Investment Policy which is written in line with the Prudent Person Principle as required under Solvency II regulations. Vhi Insurance assesses its market risk by periodically reviewing its investment strategy, by regularly reviewing the performance of its investment manager(s) and by conducting stress and scenario testing, - the results of which can be found in Section C.7.

Market risk is affected by uncertainty and volatility in financial markets, economic and geopolitical developments, the actions of central banks and changes in the economic environment (in particular for our portfolio, factors that impact the ability of companies to service their corporate bonds).

Vhi Insurance had total Solvency II investment assets of €1,076.7m as at 31 December 2023 (2022: €1,191.4m). The market risk component of the SCR was €57.1m as at 31 December 2023 (2022: €62.7m).

Market risk component has decreased over the year due to the decrease in Vhi Insurance's assets over the year and changes in its asset mix implemented as part of its ongoing review of its investment strategy.

Risk Mitigation

To control its market risk, Vhi Insurance agrees an investment mandate with each investment manager it appoints that sets guidelines, including limits and restrictions, on the investments that they may make on its behalf. Vhi Insurance regularly monitors compliance with these guidelines. Vhi Insurance mitigates excessive interest rate risk by adopting asset and liability matching criteria and setting maximum limits. It also carries out periodic stress testing, the results of which can be found in Section C.7.

To ensure its risk was appropriately managed during the year, Vhi Insurance reviewed its investment strategy in 2023, revising its strategic asset allocation, benchmark and updated the relevant mandate guidelines provided to investment managers.

The Board has responsibility for monitoring the effectiveness of these risk mitigation techniques and in doing so relies on reasonable assurance provided by:

- The executive Investment Committee that oversees the management of the investment portfolio and ensures that it is being managed in accordance with the investment policy, the investment mandate, any solvency requirements or other risk considerations. This includes reviewing the performance of the investment managers.
- The investment managers, who present to the Investment Committee, and the Finance and Risk Management Functions on performance, market and economic issues and risks.
- The Finance Function, which monitors the investment mandate and investment managers.
- The Risk Management Function, which provides support and independent challenge to business units.

Risk Concentration

- Interest rate risk arises primarily from Vhi Insurance's investment portfolio, which is largely in fixed rate corporate and government bonds. As Vhi Insurance's health insurance claims are typically settled within six months, there is limited interest rate risk arising from the insurance liabilities.
- There is no material concentration of interest rate risk from any one investment.
- Market price risk arises from fluctuations in the value of financial instruments as a result of changes in market prices and the risks inherent in making investments. There is limited concentration of price risk as investments are diversified by sector and geography.

Application of the Prudent Person Principle

Vhi Insurance invests in assets in accordance with the Prudent Person Principle as set out in Regulation 141 of the *European Union (Insurance and Reinsurance) Regulations 2015*. The company's investment strategy aims to ensure that assets are invested in a manner appropriate to the nature and duration of the insurance liabilities and to ensure the security, quality, liquidity and profitability of the investment portfolio as a whole, and that the invested assets are held in locations which ensure their availability. All assets are invested in the best interests of policyholders.

The portfolio consists of assets managed by an outsourced investment manager and short-term bank deposit and money-market investments managed within the Vhi group. The outsourced investment manager must manage assets within parameters as agreed between Vhi Insurance and the manager, as set out in a written investment mandate. Similarly, the internally managed short-term investments are managed within parameters approved by the Board.

The investment mandate agreed with the manager contains specific restrictions to ensure that Vhi Insurance only invests in assets that have risks that it can properly identify, measure, monitor, manage, control and report on. The parameters in the mandate ensure that the portfolio is appropriately diversified in such a way that avoids excessive reliance on any particular asset, issuer, geographical area or an accumulation of risk in the portfolio as a whole. The parameters are aligned with the Board's RAS and business strategy, and are set independently of third parties, such as financial institutions, asset managers and rating agencies.

Vhi Insurance invests in derivatives primarily to reduce the risks to which it is exposed, and to enable the Portfolio to be managed more efficiently. Investments in assets that are not admitted to trading on a regulated financial market are kept to prudent levels.

C.3 Credit Risk

Credit risk is the risk of a change in the value of assets and liabilities caused by an unexpected default or deterioration in the credit rating of counterparties and debtors. Debtors include policyholders (where premiums are overdue), corporate policyholders, reinsurers and other third parties. Factors affecting risk exposure include: volatility of asset prices, volatility of liabilities and economic contraction where default rates are elevated or the ability of individuals to pay premiums is impacted. Despite rising inflation and geopolitical events, favourable economic conditions have persisted over the period in relation to credit risk. The main credit risk is counterparty default risk.

Vhi Insurance's gross written premium has increased year on year reflecting higher membership. The counterparty default risk component of the SCR decreased slightly from €11.8m as at 31 December 2022 to €11.1m as at 31 December 2023.

Methods of risk assessment include measuring and monitoring credit risk exposure (including monitoring debtor days and debtor values) and the credit ratings of counterparties. Vhi Insurance also undertakes stress and scenario testing, the results of which are shown in Section C.7.

Risk Mitigation

Vhi Insurance's investment mandate is limited by restrictions aligned to Vhi Insurance's Risk Appetite. Vhi Insurance monitors the appropriateness of credit ratings applied to its portfolio of assets. Vhi Insurance also monitors arrears with a view to ceasing cover if premiums are not paid within specific timelines.

The Board has responsibility for monitoring the effectiveness of these risk mitigation techniques and in doing so relies on reasonable assurance provided by:

- The Investment Committee, which engages with the investment manager to oversee the credit quality of the investment portfolio. This includes reviewing the performance of the investment manager.
- The Finance Function, which monitors the investment mandate and investment managers. It also monitors premium bookings and receipts and reports against credit management targets
- The Risk Management Function, which provides support and independent challenge to business units on the completeness, accuracy and consistency of risk self-assessments, reporting on adherence and compliance with its risk appetite and policy management frameworks.
- The Credit Management team which monitors and reports on debtor days and debtor values.

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Risk Concentration

There is no material concentration of credit risk, with Vhi Insurance exposure to credit risk managed through limits and diversification requirements in Vhi Insurance's investment mandate aligned to risk appetite.

C.4 Liquidity Risk

Liquidity risk is the risk that Vhi cannot meet its short term financial or cashflow demands. This could result in the forced early realisation of assets causing Vhi Insurance a financial cost. Factors affecting risk exposure include net cash flows, investment strategy, credit cycles, external effects on the level of interest rates and other penalties charged on early realisation of assets. The main liquidity risk faced by Vhi Insurance is having insufficient liquid or realisable assets to meet liabilities as they fall due over the short or medium term. Vhi Insurance held €47.4m in cash and short-term deposits as at 31 December 2023 (2022: €25.4m), with an additional €152.7m (2022: €163.5m) available in money market funds.

The total amount of the expected profit included in future premiums is detailed in the appendix in QRT S.23.01.01.

There has been no material change to Vhi Insurance's liquidity risk exposure, with diversification limits and credit rating restrictions on banks, and limits on investment in illiquid assets.

Vhi Insurance assesses its liquidity risk through monitoring of short-term and medium-term liquidity. Vhi Insurance also monitors projected and actual cash flows, and undertakes stress and scenario testing.

Risk Mitigation

Vhi Insurance maintains access to liquidity through its investment strategy, which sets limits for investment in high quality and liquid assets to ensure portfolio liquidity, and sets minimum requirements for the maturity of its investments to ensure liabilities can be met as they arise by matching cash flows from maturing assets. Vhi Insurance also monitors and projects cash flows arising from premiums, claims and other sources and, together with its investment managers, prepares plans to realise cash flows from its portfolio assets to meet any other shortfalls as they arise.

The Board has responsibility for monitoring the effectiveness of these risk mitigation techniques and in doing so relies on reasonable assurance provided by:

- The Investment Committee, which engages with the investment manager to oversee the management of Vhi Insurance's funds.
- The Finance Function, which provides cash flow projections to the investment managers, monitors the investment managers' performance and, seeks to ensure investments are being managed in accordance with the investment mandate, solvency requirements and other risk considerations.

Risk Concentration

Vhi Insurance's liabilities arise from health insurance claims, which are by nature high in volume and comparatively low in value. There is low correlation between premium inflows, claims outflows and asset redemptions and, accordingly, the concentration of risk is very low.

C.5 Operational Risk

Operational risk is the risk of financial loss or reputational damage resulting from inadequate or failed internal processes, people or systems that affect Vhi group's business operations including but not limited to cybersecurity, data protection, and business continuity. Operational risk is inherent in all business units and can have many impacts, including but not limited to, unexpected losses, reputational damage due to negative publicity, legal, regulatory and compliance risks. The operational risk component of the SCR was €48.4m as at 31 December 2023 (2022: €48.1m).

In 2023, we introduced operational changes to reduce the risk of service disruption. Going forward further investment in automation, system & recovery testing and 3rd party oversight will further improve our operational resilience.

Whilst there has been some increase in the overall level of Vhi Insurance's operational risk component, the nature of the risk has not changed significantly and Vhi Insurance believes cyber-attack, data protection, 3rd party suppliers and operational resilience are risk areas that continue to merit attention. As a result, Vhi Insurance continues to implement plans to address potential risk increases in these areas taking account of the high degree of change in our business.

Vhi Insurance monitor incidents and near misses in relation to all operational risks and assesses the adequacy and effectiveness of controls in place to provide assurances regarding the effectiveness of the operating environment and business continuity plans and undertake stress and scenario testing.

Risk Mitigation

Vhi Insurance maintains an effective control environment which includes controls on IT security, data protection and third party supplier contracts and have implemented a limits framework that is aligned to the risk appetite of Vhi Insurance.

The Board has responsibility for monitoring the effectiveness of these risk mitigation techniques and in doing so relies on reasonable assurance provided by the Risk Management Function. The Risk Management Function monitors and supports operational risk management activities, providing policies, guidance and independent challenge to business units on the completeness, accuracy and consistency of operational risk assessments and controls, reporting on adherence and compliance with risk appetite and company risk policies.

Risk Concentration

Before the pandemic, most Vhi Insurance operations were carried out in Dublin and Kilkenny. Having two sites and the move to remote working for most colleagues required during the pandemic, mitigates concentration of operational risk. There is low risk concentration in operational risk outside of systemic risks.

C.6 Other Material Risks

Strategic risk including specific regulation risk

This is the risk that Vhi Group DAC's strategy does not enable it to compete effectively. Strategic risk covers the inherent risk in its strategy (i.e. the risk that the strategy may not be successful), and in the business model (i.e. the risk that the business model may not be sustainable). Vhi is making a significant investment in transforming our healthcare proposition for our members. A key focus of our risk management activity is to manage the risks to the successful, timely and effective delivery of this transformation programme. Strategic risk may result from both internal factors (such as incorrect assessment by Management of its market and environment), or external factors (such as changes in the market, economic conditions, or regulations). Factors affecting strategic risk exposure include Vhi Insurance's internal processes and systems as well as the macro-economic environment that could alter Vhi Insurance's ability to meet these strategic targets. There is considerable uncertainty over the outlook for inflation, with the risk this becomes entrenched in the economy leading to higher interest rates and lower economic activity and consequent impact on consumer disposable income and spending behaviour. There is also the risk of loss due to an inadequate community rating system as Vhi Insurance, in operation from 1957, has a disproportionate share of higher risk customers in the PMI market. Vhi Insurance believes that the RES in Ireland remains only partially effective and places insurers covering a disproportionate share of less healthy policyholders at a competitive disadvantage. There is a continuing risk that changes in public health provision as well as regulations and political developments could reduce access to private healthcare. This, with the risks of economic contraction and higher healthcare costs, present threats to the attractiveness and affordability of PMI and the size of the market. Vhi Insurance is making significant investments in customer services and engagements as part of its strategic development plans. These bring risks associated with new ventures, customer reactions and supplier engagement.

Customer value and conduct risk

This risk relates to the risk of anything that would threaten the business's objective to treat customers fairly and with due skill, care and diligence. This could lead to damage to the Vhi brand and loss of customers and impairment to Vhi Insurance's business model, reputation and financial condition. The risk that our behaviours result in detriment or unfair outcomes for our customers are increased where we are introducing new services and changing the way we interact with customers (including more online interactions). There is also the risk that we fail to meet our customers' reasonable expectations of access to product benefits. This may be due to, for example, colleague capacity in Vhi's own healthcare services or waiting times for private treatment which will be affected by developments affecting the wider healthcare community.

People and culture risk

These are risks that have an adverse impact on our customers which primarily originate from employee behaviours and / or non- adherence to Vhi Group DAC's policies, procedures, practices and / or rules.

The competition for key skills is high and this increases the risk that we cannot deliver improvements to the quality services for our customers at the pace we would like. There is also the risk of exposure of healthcare colleagues to sickness in the community as the health and safety of our colleagues is an important part of our ability to deliver services to customers.

Sustainability risk

Vhi is also subject to a range of other risks including Environmental Social and Governance ("ESG") risks. ESG risks could impact on our reputation and consequently have the potential to undermine our strategy and achievement of our objectives. Risks arising from climate change can already be seen today and will become progressively more important over the medium term. The health and wellbeing of our customers and wider communities are core principles of our purpose and strategy and our sustainability strategy recognises the interconnectedness of the health of people, the planet and our business.

Our main ESG risks are focused on climate change transition risks and physical risks. They include reputation risk, costs associated with emission reduction/decarbonisation and environmental requirements, reduction in the affordability of health insurance and increases in the costs of care, claims shocks due, for example, to pandemics, and operational outages and disruption events due to physical climate risk events.

Risk Mitigation

For the following risks, the Board and RMCC have responsibility for monitoring the effectiveness of these risk mitigation techniques and in doing so relies on reasonable assurance provided by:

- The EMT, which seeks to ensure these risks are identified and managed across all business units with ownership assigned at executive level.
- The ERC, which fosters a culture of transparency and accountability.
- The Risk Management Function/CRO which provides support and independent challenge to business units on the completeness, accuracy and consistency of risk self-assessments, reporting on adherence and compliance with its risk appetite and policy management frameworks together with the outcome of the risk assessment process quarterly.
- Business units, through Risk Coordinators in each unit, identify, measure and report on risk management, escalating material changes and breaches to the Risk Management function.

Vhi Insurance has risk control and compliance obligation monitoring programme and an effective control environment with contingency plans to deal with incidents that may arise.

Strategic risk including specific regulation risk

Vhi Insurance conduct regular reviews of strategy, business plans and the performance of the underwriting portfolio. Vhi Insurance mitigates this risk through assessing product relevance, differentiated propositions, business mix and pricing. Vhi Insurance focus on sales and relationship management and also managing capital. Developing our care model is at the core of the way in which we will offer better value and stronger relationships with our members.

Vhi Insurance actively reviews the support offered by risk equalisation to community rating and engages with the relevant regulatory bodies to improve regulation and its impact on market sustainability and long term affordability for consumers. Efforts to improve the effectiveness of risk equalisation are likely to focus on introducing progressively more sophisticated measures of health status. As risk equalisation is deemed a form of state aid, it requires periodic approval by the European Commission. The current risk equalisation scheme was approved in March 2022 for a period of five years.

Customer value and conduct risk

Vhi took a number of steps throughout 2023 to ensure customers were treated fairly and continued to have good access to quality healthcare and to ensure we were clear and timely in our communications, including digital engagements. We continue to monitor this risk and undertake measures to ensure we keep customers at the heart of our business.

Conduct risks are fully assessed in business change risk assessments with input from subject matter experts. We monitor customer engagements to fully understand impacts on and experiences of all types of customers particularly where plan benefits are changing.

People and culture risk

Having begun the process of embedding Vhi Insurance’s new Corporate Culture and Values in 2022, the business has continued to undertake activities in 2023, led by the HR Function, to further establish our culture and values. We monitor people risks and cultural misalignment across the business and are seeing improvements in many of these measures.

Active communications throughout the business continues to be an important risk mitigant, as well as ensuring the business is an attractive environment to work in and we can retain and attract colleagues with the skills we need to succeed.

Sustainability risk

Vhi’s Sustainability programme was further progressed during 2023 with the completion of the Sustainability Strategy. Our strategic plans take account of the Sustainability Programme. We are integrating sustainability into our Risk Management Framework which sets out how we identify, assess, manage and report on risks. We will focus on fully embedding ESG risks across the business.

Risk Concentration

- **Strategic including specific regulation risk:** Vhi Insurance's operations are based in Ireland, therefore, Vhi Insurance is exposed to macroeconomic conditions in Ireland and turbulence in the wider Eurozone and global economy. A deterioration in the effectiveness of the RES impacts value and profit concentrations, increasing Vhi Insurance's exposure to business mix risk.
- **Customer value and conduct risk:** We won't always be able to eliminate errors in customer interactions, however, we focus on ensuring that systems we rely on to provide customer advice are sound. We do this through activities such as training, maintaining policies and procedures, customer communication standards and oversight.
- **People and Culture Risk:** The culture of an organisation relates to the way its colleagues operate, in general. There are variations and exceptions but Vhi Insurance particularly focuses on the manner in which things are done by the majority of colleagues given that behaviours can spread and become commonplace throughout organisations.
- **Sustainability risk:** Vhi Insurance's operations are based in Ireland, therefore, Vhi Insurance is exposed to sustainability conditions in Ireland in particular.

Risk Sensitivity

Assessments utilising expertise across the business are used to agree relevant stresses for the components of the material risks, and to assess and validate impacts as well as controls and agreed management actions. This enables Vhi Insurance to quantify, in the ORSA, the solvency impact potential of risks using suitable scenarios that are plausible, sufficiently challenging, and provide a sound basis upon which to assess solvency for each material risk.

The main assumptions underlying the stress tests and scenario analysis are consistent with those used in the business and financial planning processes. The management actions are a key assumption in scenario testing as these are critical in containing the impact of the incidents modelled. Vhi Insurance ensures the management actions are validated by the relevant decision makers and consistent with Vhi Insurance's Recovery Plan and the ORSA process. In assessing solvency impact, Vhi Insurance look over the planning horizon and allow for the delay in the impact of rectifying management actions so that Vhi Insurance understand the timing of the most adverse impacts.

C.7 Any Other Information

Stress / Scenario		
Underwriting Risk	• Economic downturn • Regulatory Change	• Claims surge • Business mix changes adversely
Market Risk	• Equity risk • Spread risk • Interest rate risk	• Property risk • Concentration risk
Credit Risk	• Counterparty default risk	
Liquidity Risk	• Equity risk • Spread risk	• Interest rate risk
Operational Risk	• Cyber Risk	
Other Material Risks	• Strategic, Value Growth, Specific Regulation, Sustainability and Reputation Risks: Vhi Insurance stresses a number of risks including litigation, regulations affecting Vhi Insurance's markets, competition, risk equalisation and market disruption.	

Stress tests are used to understand the sensitivity of the capital cover to material risks. Vhi Insurance calculates these for a range of risks in deriving and testing solvency cover. Vhi Insurance also performs more detailed scenario projections to allow better understanding of the impact of shocks and the management actions required to mitigate risk. High impact / low likelihood stress tests of this nature are used in the ORSA process to test the resilience of capital buffers.

The ORSA considers a range of scenarios and the main scenarios for risks in this document are included below. The impact of the specific scenarios developed for the most recent ORSA are summarised below and are all based on the Standard Formula parameters:

Risk		Method description	Change in Solvency Cover as a %*	Change in Solvency Capital Requirement (€000s)
Market and Liquidity Risk Sensitivities	Concentration Risk	• Stress reflecting risk that arises from large investment in individual counterparties and single name exposures.	-3%	9,384
	Interest Rate Risk	• Stress reflecting changes in the level of the basic risk free interest rates is captured.	-6%	20,664
	Spread Risk	• Stress reflecting sensitivity of the value of assets and liabilities to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.	-14%	50,937
	Property Risk	• Stress reflecting risk that arises as a result of sensitivity of assets, liabilities and financial investments to the level or volatility of market prices of property.	-3%	10,585

Credit Risk Sensitivities	Equity Risk	• Stress reflecting risk that the value of an asset or liability will change due to fluctuations in the level or volatility of the market prices for equities.	-2%	6,670
	Counterparty Default Risk	• Stress to reflect possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings.	-3%	11,280
ORSA Scenarios	Underwriting and Market	• Stress test where claims increases materially both on a one off and recurring basis and investment losses.	-25%	13,747
	Underwriting	• Stress test where regulatory conditions adversely change.	-13%	-1,572
	Operational	• Stress test under a cyber-attack scenario.	-15%	-16,408

* Change in Solvency Cover as a percentage reflects the impact on both Solvency Capital Requirement and Own Funds, Vhi's regulatory capital

Stress and scenario testing in the ORSA validates Vhi Insurance's SCR assessment and additional capital buffers and capital risk appetite as well as guiding the development of Vhi Insurance's business and risk management plans. Under each of the ORSA scenarios tested, Vhi Insurance continues to have adequate capital buffers over the business planning period after implementing considered management actions. Management actions include the possibility of increasing prices.

D. Valuation for Solvency Purposes

D.1 Assets

This section has been completed in the order of how the assets appear on QRT S.02.01.02 Balance Sheet.

Vhi Insurance DAC Solvency II Balance Sheet Extract*	Notes	Solvency II Value 2023 €'000	Statutory Accounts** 2023 €'000
Assets			
Deferred acquisition costs	1	-	42,401
Pension benefit surplus		84	84
Property, plant & equipment held for own use	2	8,186	8,186
Investments			
Property (other than for own use)		29,499	29,499
Equities		-	-
Government Bonds		217,328	217,328
Corporate Bonds		603,908	603,908
Collateralised securities		-	-
Collective Investments Undertakings		216,798	216,798
Derivatives***		2,994	2,994
Deposits other than cash equivalents		6,203	6,203
Total Investments	3	**1,076,729**	**1,076,729**
Reinsurance recoverable from non-life and health similar to non-life	4	214	3,822
Deferred Tax	5	-	6,080
Insurance and intermediaries' receivables	6	209,024	822,102
Reinsurance receivables	4	-	-
Cash and cash equivalents	3	47,442	47,442
Any other assets, not elsewhere shown	7	5,430	152,336
Total Assets		**1,347,108**	**2,159,181**

**Please note there may be minor differences to the information included in the Appendix due to rounding.*
*** The statutory accounts figures shown have been reclassified to match prescribed SOL II Balance Sheet headings.*
**** Vhi Insurance uses forward rate contracts to hedge against foreign exchange rate movements. It also uses interest rate futures and swaps to hedge against interest rate movements.*

Note 1: Deferred Acquisition Costs

The costs incurred during the financial year that are directly attributable to the acquisition of new business are expensed in the same accounting period as the premiums to which they relate are earned.

Deferred acquisition costs are not recognised under Solvency II.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Deferred acquisition costs	-	42,401	(42,401)

Note 2: Property Plant and Equipment Held For Own Use

Property, plant and equipment held for own use is a combination of 'Tangible assets' and 'Land and buildings' in the statutory accounts.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Tangible Assets	3,737	3,737	-
Property - held for own use	4,449	4,449	-
Property, plant & equipment held for own use	**8,186**	**8,186**	**-**

Tangible Assets

For the statutory accounts, tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated so as to write off the cost of the assets over their estimated useful lives on a straight line basis.

Under Solvency II guidelines, tangible assets must be measured at economic fair value. No adjustment has been made to the tangible assets for Solvency II purposes, as having considered impairment and replacement costs, Vhi believe that the carrying value of tangible assets materially equates to their fair value.

Property

Property is valued annually on an open market value basis. Valuations are made by independent, professionally qualified valuers with recent experience in the location and class of the properties held. These valuations are based on recent market prices adjusted to reflect the condition and location of the specific properties. Valuations are carried out as close as possible to each year end.

Most property held is shared by Vhi Insurance with other Vhi group companies. The property value is split between *Property - held for own use* and *Property - other than for own use* based on the occupation ratio of the buildings by employees of Vhi Insurance and employees of other Vhi group companies.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Property - held for own use	4,449	4,449	-
Property - other than for own use	29,499	29,499	-
Total Property	**33,948**	**33,948**	**-**

Note 3: Investments and Cash

In line with the statutory accounts, investment assets under Solvency II are held at fair value. Fair value is determined as the market value which represents the bid price, inclusive of any accrued interest, at the balance sheet date.

Where available, market prices are determined by reference to publicly available prices of identical assets in active markets. Vhi Insurance considers a market active in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information to market participants on an ongoing basis. Where actual market prices are not publicly available, valuations are calculated by valuation services with access to private market information. Where prices for identical assets are not available, valuations are calculated by reference to prices for similar assets trading on active markets, with appropriate adjustments for differences between the assets.

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

At 31 December 2023, all assets included in the categories of Government Bonds, Corporate Bonds, Collateralised Securities and Derivatives:

- were considered to be trading in active markets as prices were available to market participants; and/or
- were valued by valuation services using quoted prices for identical or similar assets; and

- were subject to minimal valuation uncertainty.

Bank deposits are carried at face value plus or minus any accrued interest at the balance sheet date. The directors believe that this value does not need to be further adjusted under Solvency II as all such accounts mature within less than one year.

+ Further Information Section D.4. Alternative Methods for Valuation discusses the valuation of unlisted equities.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Equities - unlisted	-	-	-
Government bonds	217,328	217,328	-
Corporate bonds	603,908	603,908	-
Collective investments undertakings	216,798	216,798	-
Derivatives	6,203	6,203	-
Investment portfolio assets at fair value	**1,044,236**	**1,044,236**	**-**
Deposits other than cash equivalents	2,994	2,994	-
Property (other than for own use)	29,499	29,499	-
Total investment assets	**1,076,729**	**1,076,729**	**-**
Cash and cash equivalents	47,442	47,442	-
Total	**1,124,171**	**1,124,171**	**-**

Note 4: Reinsurance Recoverable and Reinsurance Receivables

Reinsurance recoverable is recognised where Vhi Insurance has purchased reinsurance and expects to be able to recover claims amounts which are outstanding or yet to be incurred under insurance contracts issued.

Premiums retained from the reinsurer until settlement of the underlying claims are recognised as a liability – *deposits from reinsurers*. Vhi Insurance currently retains premiums equal to the recoverable at all times.

Under Solvency II, these amounts are reduced as underlying provision for claims outstanding is lower due to the elimination of prudence.

Asset & Liability	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Asset Reinsurance recoverable from non-life and health similar to non-life	214	3,822	3,608
Liability Deposits from reinsurers	(214)	(3,822)	(3,608)

Reinsurance receivables and Reinsurance payables:
Reinsurance receivables or payables are valued at the expected immediate cash inflow or outflow under reinsurance contracts entered into.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Reinsurance payables	258	187	71

Note 5: Deferred Tax Asset

Vhi Insurance recognises a deferred tax asset under GAAP at its undiscounted face value. This the taxable value of losses incurred, which can be carried forward to reduce future tax

Under Solvency II, a deferred tax liability is held, as discussed in Section D.3 below.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Deferred tax Asset	-	6,080	(6,080)

Note 6: Insurance and Intermediaries Receivables

Insurance and intermediaries' receivables include amounts receivable from policyholders via intermediaries and related tax relief-at-source and risk equalisation credits for insurance policies incepted.

In the statutory accounts, receivables are valued at face value net of an allowance for potential doubtful debts estimated using historical data and regularly tested against experience.

Under Solvency II, cash flows in respect of unexpired insurance coverage are removed and included in the calculation of the premium provision. The cash flows include an amount for the unexpired risk equalisation as well as policyholder debtors. No other valuation adjustment is made as all receivables are receivable within one year.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Insurance & intermediaries' receivables	209,024	822,102	(613,079)

Note 7: Any Other Assets, Not Elsewhere Shown

Other assets consist of deferred expenses under the Risk Equalisation Scheme and prepayments. Deferred risk equalisation expenses are included in the calculation of the premium provision under Solvency II. Prepayments are considered to be valued consistently for Solvency II purposes.

Asset	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Any other assets, not elsewhere shown	5,430	152,336	(146,906)

D.2 Technical Provisions

D.2.1 Technical Provisions Methodology and Bases

The main actuarial methodologies used in the calculation of Technical Provisions are described below. There have been no material changes in the use of these methods during the reporting period.

- **Development Factor Method ("DFM")** A DFM (or otherwise known as basic chain ladder method) assumes that for any particular Accident Period ("AccPeriod"), the proportion of the total ultimate claim costs, which has developed by each period, follows past trends. This method is applied using both paid and incurred claims data.

- **Estimated Loss Ratio ("ELR") Method** For this method, a projected LR is estimated independently of the claims experience to date for that AccPeriod. The ELR method is used for recent AccPeriods which are relatively less developed as DFMs may not be appropriate given they have relatively less data at these early stages.

- **Bornhuetter-Ferguson ("BF") Method** This method combines features of the DFM and ELR methods, by creating a weighted average calculation. The DFM weight is linked to the proportion of claims which have developed to date for the relevant period. As such it places more emphasis on DFMs for older, more developed periods, and more on ELRs for more recent, less developed periods. This is most useful for more recent periods, reducing the reliance on less developed claims experience.

In calculating the Technical Provisions, the probability weighted discounted average of all possible future outcomes is considered, this includes an allowance for events not in historic claims data.

The Technical Provisions include a Provision for Claims Outstanding which represents the provision for unpaid cash flows relating to claim events prior to the valuation date with respect to expired business. It also includes the Premium Provision which covers all future cash flows associated with future risk which is bound to the business at the valuation date.

The payoff profile for the cash flows projected within the Technical Provisions is constructed using the historic claim payment trends. These cash flows are discounted using the year end 2023 risk free term structure of interest rates published by the European Insurance and Occupational Pension Authority ("EIOPA").

+ Further Information Section D.2.7 outlines the calculation of the Risk Margin.

A reinsurance contract was in place up to accident year 2017 and when calculating the net Technical Provisions the reinsurer's proportionate share of future cash flows are allowed for in the Technical Provisions.

Medical Expense Insurance	**Gross 2023 €'000**	**Net 2023 €'000**
Provision for Claims Outstanding	321,070	320,856
Premium Provision	81,678	81,678
Risk Margin	26,346	26,346
Total Technical Provisions	**429,094**	**428,880**

D.2.2 Level of uncertainty associated with the value of technical provisions

Vhi Insurance underwrites medical expense insurance which is short tailed in nature and under a normal course of business experiences a relatively low degree of volatility. This is recognised in the volatility assumption applied under the Solvency II standard formula guidelines, which is one of the lowest, amongst other non-life business lines.

There were elevated levels of claims inflation in 2023, which has been reflected in the Technical Provisions but this is a key source of uncertainty in the assumptions underlying the calculation. The Board are monitoring developments closely and will continue to seek to assure prudent conduct of business and fair customer outcomes.

D.2.3 Explanation of any material differences between the bases, methods and main assumptions

The table below compares the valuation of Technical Provisions for both the Financial Statements and under Solvency II.

Medical Expense Insurance	2023 €'000	2022 €'000
Technical Provisions in Financial Statements	1,071,154	985,908
Solvency II Technical Provisions	429,094	360,744

The reasons for the difference in the Technical Provisions in Financial Statements and Solvency II Technical Provisions are due to different valuation bases for the respective calculations.

The Solvency II Technical Provisions are on a discounted, best estimate basis, allowing for all future cash flows associated with claims and expenses for all business to which Vhi Insurance is obligated as at 31 December 2023.

The Financial Statements Technical Provisions have been prepared in accordance with FRS 102 and FRS 103. These allow for reasonably foreseeable events and need not be on a best estimate basis.

The differences between the two bases are mainly explained by the allowance for future premium receivable in the Solvency II Technical Provisions, as well as the removal of any margins for prudence and the recognition of profits within unexpired risk and risk equalisation cash flows.

D.2.4 Matching adjustment, volatility adjustment or transitional measures applied to the technical provisions

Vhi Insurance does not apply:

- a matching adjustment;
- a volatility adjustment;
- transitional interest rate risk free structure; or
- transitional measures.

D.2.5 Description of recoverables from reinsurance contracts

From 2013, Vhi Insurance had a multi-year quota share reinsurance agreement in place. This arrangement expired at the end of 2017 and is currently in run-off from 31 December 2017.

The reinsurance counterparty is the National Indemnity Company, part of the Berkshire Hathaway group (the "Reinsurer"), who have a strong credit rating, AA+ with Standard & Poor's at 31 December 2023. Under Solvency II this corresponds to a credit quality step of 1. Any reinsurance recoverable is adjusted for expected default of the Reinsurer in line with Article 61 of Delegated Regulation 2015/35/EU.

Vhi Insurance has calculated the reinsurer's share of cash flows underpinning the Gross Technical Provisions.
The Net Technical Provisions have been calculated by deducting the reinsurer's share of Gross Technical Provisions from the Gross Technical Provisions.

Vhi Insurance does not use special purpose vehicles in relation to reinsurance.

D.2.6 Material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period

There have been no material changes to the assumptions underlying the technical provisions throughout the year.

D.2.7 Risk Margin

The Solvency II Risk Margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount an insurance and reinsurance undertaking would be expected to require in order to take over and meet the insurance obligations of Vhi Insurance.

This component should be calculated using a cost of capital approach. The cost of capital approach requires the Solvency II Risk Margin to be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the obligations over their lifetime.

In EIOPA's "Guidelines on the Valuation of Technical Provisions" a hierarchy of methods is specified for the estimation of future SCR. Vhi Insurance adopts the top method in this hierarchy, "Method 1".

The cost of capital applied in calculating the Solvency II Risk Margin is 6%. The Solvency II Risk Margin calculated at 31 December 2023 was €26.3m (2022: €23.2m).

D.3 Other Liabilities

This section has been completed in the order of how the liabilities appear on QRT S.02.01.02 Balance Sheet.

Vhi Insurance DAC Solvency II Balance Sheet Extract*	Notes	Solvency II Value 2023 €'000	Statutory Accounts** 2023 €'000
Other Liabilities			
Provisions Other Than Technical Provisions	10	6,865	6,865
Deposits from reinsurers	4	214	3,822
Deferred tax liabilities	7	7,473	0
Derivatives		3,021	3,021
Debts owed to credit institutions		2,088	2,088
Debts owed to non-credit institutions resident domestically		136,184	136,184
Insurance & intermediaries payables	8	110,285	217,390
Reinsurance payable		258	187
Any other liabilities, not elsewhere shown	9	11,550	124,624
Total Other liabilities		**277,938**	**494,180**

* *Please note there may be minor differences to the information included in the Appendix due to rounding.*
** *The statutory accounts figures shown have been reclassified to match prescribed SOL II Balance Sheet headings.*

Note 7: Deferred Tax Liabilities

Under GAAP Vhi Insurance recognises a deferred tax asset, as discussed in Section D.1 above.

Under Solvency II, the deferred tax liability is held for the taxable value of the unrealised gain which results from recalculation of the technical provisions in line with Solvency II principles.

Liability	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Deferred tax liabilities	7,473	-	7,473

Note 8: Insurance and Intermediaries Payables

Insurance and intermediaries' payables include amounts due to hospitals and doctors for policyholder claims assessed at the balance sheet date and not yet paid, along with amounts due for the Health Insurance Levy to fund the Risk Equalisation Scheme, and commission payable to intermediaries for policies sold.

Under Solvency II, commission payable and risk equalisation scheme creditors which relate to the unexpired portion of in force contracts are included in the calculation of the premium provision. No further adjustment is made to these values as all amounts are expected to settle within one year.

Liability	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Insurance & intermediaries' payables	110,285	217,390	(107,104)

Note 9: Any Other Liabilities, Not Elsewhere Shown

Deferred Risk Equalisation Scheme income is included in the calculation of the premium provision under Solvency II but included in Other Creditors in the statutory accounts. Accruals and other payables are valued at the undiscounted face value under GAAP and are considered to be valued consistently under Solvency II.

Liability	Solvency II Value 2023 €'000	Statutory Accounts 2023 €'000	Difference 2023 €'000
Any other Liabilities, not elsewhere shown	11,550	124,624	(113,074)

Note 10: Provisions other than technical provisions

Deferred Risk Equalisation Scheme income is included in the calculation of the premium provision under Solvency II but included in Other Creditors in the statutory accounts. Accruals, Provisions and other payables are valued at the undiscounted face value under GAAP and are considered to be valued consistently under Solvency II.

D.4 Alternative Methods for Valuation

Vhi Insurance uses alternative valuation methods to value assets and liabilities where markets are not active or quoted prices are not available. Maximum possible use is made of relevant market inputs where available. There were no such assets at 31 December 2023 (2022: €0m).

D.5 Any Other Information

There is no additional material information regarding the valuation of assets and liabilities for solvency purposes for Vhi Insurance that has not been disclosed above.

E. Capital Management

E.1 Own Funds

Vhi Insurance manages its own funds with the main objective of satisfying solvency requirements in line with Vhi Insurance's Risk Appetite Statement. Vhi Insurance prepares a Medium Term Capital Plan which is updated annually in line with the Board's Capital Management Policy. This includes the projection of own funds over a four-year time horizon and aims to ensure that Vhi Insurance continues to hold own funds within the preferred risk appetite range throughout this horizon.

E.1.1 The Structure, Amount and Quality of Own Funds

The below table sets out, separately for each tier, information on the structure, amount and quality of own funds at 31 December 2023 including the eligible amount of own funds to cover the SCR, classified by tiers and the eligible amount of basic own funds to cover the MCR, classified by tiers.

Basic Own Funds for SCR	2023 €'000	2022 €'000
Tier 1	640,076	719,893
Tier 2	-	-
Tier 3	-	-
Total Basic Own Funds	**640,076**	**719,893**
Eligible Own Funds for SCR		
Tier 1	640,076	719,893
Tier 2	-	-
Tier 3	-	-
Total Eligible Own Funds for SCR	**640,076**	**719,893**
Eligible Own Funds for MCR		
Tier 1	640,076	719,893
Tier 2	-	-
Tier 3	-	-
Total Eligible Own Funds for MCR	**640,076**	**719,893**

The decrease in Tier 1 own funds is primarily due to losses as a result of increased claims inflation in the year as well as increased Technical Provisions related to the same.

E.1.2 Differences between equity as shown in the Financial Statements and the excess of assets over liabilities

The financial statements of Vhi Insurance show equity of €5.0m (2022: €5.0m) and retained earnings of €588.8m (2022: €634.4m). The breakdown of the movement between the Financial Statements and Solvency II are outlined in the table below.

Excess of assets over liabilities – Attribution of valuation difference	2023 €'000	2022 €'000
Total of reserves and retained earnings from financial statements	588,847	634,438
Difference in the valuation of assets	(812,073)	(752,760)
Difference in the valuation of technical provisions	642,060	625,164
Difference in the valuation of other liabilities	216,242	208,051
Reserves from Financial Statements adjusted for Solvency II valuation differences	**635,076**	**714,893**
Excess of assets over liabilities attributable to basic own fund items (excluding the reconciliation reserve)	5,000	5,000
Excess of assets over liabilities	**640,076**	**719,893**

The excess of assets over liabilities presented in the above tables are fully available for the absorption of policyholder losses

E.1.3 Information on Own Fund Items

Tier 1	The Tier 1 own funds of Vhi Insurance comprise the reconciliation reserve and €5.0m equity. These funds can be called on demand and are fully available to absorb losses on a going concern basis and in the case of winding up.
Tier 2	Vhi Insurance held no Tier 2 own funds at year end.

Tier 3	Vhi Insurance held no Tier 3 own funds at year end.

Per Section E1.1 above, the movement in Tier 1 own funds over the year is due to losses as a result of increased claims inflation in the year as well as increased Technical Provisions related to the same increase in claims.

The reconciliation reserve represents the net asset value under Solvency II for Vhi Insurance less equity and subordinated debt own fund items. The reconciliation reserve has decreased from €714.9m in 2022 to €635.1m in 2023.

There are no restrictions or adjustments applied to own fund items.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Vhi Insurance calculates the SCR using the standard formula. The table below sets out the SCR and MCR for Vhi Insurance as at year end 31 December 2023.

Capital Requirements	2023 €'000	2022 €'000
Solvency Capital Requirement (SCR)	**365,615**	**365,411**
Minimum Capital Requirement (MCR)	**98,314**	**91,521**

Solvency Capital Requirement (SCR) Requirements by sub-module	2023 €'000	2022 €'000
Market Risk	57,141	62,675
Counterparty Default Risk	11,149	11,826
Health Underwriting Risk	335,987	303,955
Operational Risk	48,374	48,112
Adjustments	(40,624)	(11,561)
Diversification	(46,412)	(49,595)
Solvency Capital Requirement (SCR)	**365,615**	**365,411**

No simplified calculations or undertaking specific parameters are applied in the calculation of the standard formula SCR for Vhi Insurance.

The MCR is bound by a maximum of 45% and a minimum of 25% of the SCR. Its calculation is based on a straight-line formula including net Technical Provisions and premium written for the previous 12 months.

There was minimal change in the SCR over the year as a result of offsetting movements across the sub-modules. The increase in health underwriting risk is primarily as a result of higher premium volume. The increase in health underwriting risk is offset by increased loss absorbing capacity of deferred tax and reduced market risk. Further details on the increase in loss absorbing capacity of deferred tax are provided in Section E.6 below.

E.3 Use of the duration – based equity risk sub-module in the calculation of the Solvency Capital Requirement

This section is not applicable to Vhi Insurance.

E.4 Differences between the standard formula and any internal model used

This section is not applicable to Vhi Insurance.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

This section is not applicable to Vhi Insurance.

E.6 Loss Absorbing Capacity of Deferred Taxes

The SCR has been reduced by €40.6m for the loss absorbing capacity of deferred taxes at 31 December 2023. This allows Vhi Insurance to reflect that a loss in profits may also result in a reduction in future tax liabilities.
The source of the loss absorbing capacity of deferred taxes is as follows:

Loss Absorbing Capacity of Deferred Taxes	2023 €'000	2022 €'000
Deferred Tax Liability	7,473	11,561
Probable Future Profits	33,151	-
Total Loss Absorbing Capacity of Deferred Taxes	**40,624**	**11,561**

It is anticipated that there will be a deferred tax asset of €33.1m after allowing for the loss absorbing capacity of deferred taxes. Vhi Insurance considers it probable that this tax asset will be recovered from future profits. This is based on assumptions around macro-economic conditions, the business strategy and possible and realistic management actions after an exceptional loss scenario. This consideration has been approved by the Board.

E.7 Any Other Information

There is no additional material information regarding the capital management of Vhi Insurance that has not been disclosed above.

Appendix: Quantitative Reporting Templates

This appendix includes the annual Quantitative Reporting Templates (QRTs) for Vhi Insurance DAC in respect of year end 31 December 2023. All figures are shown in thousands (€'000). Please note there may be minor differences in totals due to rounding.

Reference	Template Name	Audited
S.02.01.02	Balance Sheet	✓
S.05.01.02	Premiums, Claims and Expenses by line of business	n/a
S.17.01.02	Non-Life Technical Provisions	✓
S.19.01.21	Non-Life Insurance Claims Information	✓
S.23.01.01	Own Funds	✓
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula	✓
S.28.01.01	Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity	✓

S.02.01.02 Balance Sheet

CHM	Assets	Solvency II Value 2023
		C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	84
R0060	Property, plant & equipment held for own use	8,186
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,076,729
R0080	*Property (other than for own use)*	29,499
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	821,236
R0140	*Government Bonds*	217,328
R0150	*Corporate Bonds*	603,908
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	216,798
R0190	*Derivatives*	2,994
R0200	*Deposits other than cash equivalents*	6,203
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	214
R0280	*Non-life and health similar to non-life*	214
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	214
R0310	*Life and health similar to life, excluding health and index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries’ receivables	209,024
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	0
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	47,442
R0420	Any other assets, not elsewhere shown	5,430
R0500	**Total assets**	1,347,108

	Liabilities	**Solvency II Value 2023**
		C0010
R0510	Technical provisions – non-life	429,094
R0520	*Technical provisions – non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	429,094
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	402,748
R0590	*Risk margin*	26,346
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions – life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions – index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	6,865
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	214
R0780	Deferred tax liabilities	7,473
R0790	Derivatives	3,021
R0800	Debts owed to credit institutions	2,088
R0810	Financial liabilities other than debts owed to credit institutions	136,184
R0820	Insurance & intermediaries payables	110,285
R0830	Reinsurance payables	258
R0840	Payables (trade, not insurance)	0
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basic Own Funds*	0
R0870	*Subordinated liabilities in Basic Own Funds*	0
R0880	Any other liabilities, not elsewhere shown	11,550
R0900	**Total liabilities**	707,033
R1000	**Excess of assets over liabilities**	**640,076**

S.05.01.02.01 Premiums, Claims and Expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) — Medical expense insurance	Total
		C0010	C0200
	Premiums written		
R0110	Gross - Direct Business	1,689,245	1,689,245
R0120	Gross - Proportional reinsurance accepted	0	0
R0130	Gross - Non-proportional reinsurance accepted		0
R0140	Reinsurers' share	0	0
R0200	Net	1,689,245	1,689,245
	Premiums earned		
R0210	Gross - Direct Business	1,612,474	1,612,474
R0220	Gross - Proportional reinsurance accepted	0	0
R0230	Gross - Non-proportional reinsurance accepted		0
R0240	Reinsurers' share	0	0
R0300	Net	1,612,474	1,612,474
	Claims incurred		
R0310	Gross - Direct Business	1,655,502	1,655,502
R0320	Gross - Proportional reinsurance accepted	0	0
R0330	Gross - Non-proportional reinsurance accepted		0
R0340	Reinsurers' share	-2,297	-2,297
R0400	Net	1,657,799	1,657,799
R0550	**Expenses incurred**	219,235	219,235
R1210	**Balance - other technical expenses/income**		-164,104
R1300	**Total technical expenses**		55,131

S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance – Medical expense insurance	Total Non-Life obligation
		C0020	C0180
R0010	**Technical provisions calculated as a whole**	0	0
R0050	Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
	Premium provisions		
R0060	Gross	81,678	81,678
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0
R0150	Net Best Estimate of Premium Provisions	81,678	81,678
	Claims provisions		
R0160	Gross	321,070	321,070
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	214	214
R0250	Net Best Estimate of Claims Provisions	320,856	320,856
R0260	**Total Best estimate - gross**	**402,748**	**402,748**
R0270	**Total Best estimate - net**	**402,534**	**402,534**
R0280	**Risk margin**	**26,346**	**26,346**
	Technical provisions – total		
R0320	Technical provisions - total	429,094	429,094
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	214	214
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	428,880	428,880

S.19.01.21 Non-Life Insurance Claims Information

Total Non-Life Business

Z0010	Accident year / Underwriting year	**Z0020**	Accident year [AY]

Gross Claims Paid (non-cumulative)
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
R0100	**Prior**											-397	-397	-397
R0160	**N-9**	936,638	304,728	29,322	5,928	1,820	316	91	-377	20	-70		-70	**1,278,416**
R0170	**N-8**	983,275	279,748	16,518	2,476	659	112	-284	-337	36			36	**1,282,202**
R0180	**N-7**	1,022,873	272,728	18,950	2,562	428	-353	-244	-98				-98	**1,316,846**
R0190	**N-6**	1,016,955	259,881	16,400	2,947	-323	539	-33					-33	**1,296,364**
R0200	**N-5**	1,029,959	265,019	12,771	2,700	638	-73						-73	**1,311,015**
R0210	**N-4**	1,075,248	286,141	13,501	843	1,236							1,236	**1,376,969**
R0220	**N-3**	829,927	216,534	8,261	3,423								3,423	**1,058,144**
R0230	**N-2**	1,012,831	261,037	24,661									24,661	**1,298,530**
R0240	**N-1**	1,135,823	298,479										298,479	**1,434,303**
R0250	**N**	1,296,898											1,296,898	**1,296,898**
R0260													**1,624,063**	**12,949,291**

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
R0100	Prior											748	734
R0160	N-9	0	32,368	8,038	6,513	4,326	3,260	1,462	975	914	857		840
R0170	N-8	311,648	29,580	11,116	5,611	3,384	2,905	1,658	811	654			641
R0180	N-7	269,346	32,233	12,045	7,867	7,201	6,527	4,833	4,291				4,207
R0190	N-6	260,558	27,698	8,522	6,080	4,733	2,845	-111					-109
R0200	N-5	237,860	21,524	6,310	1,833	-350	-1,825						-1,789
R0210	N-4	266,616	25,983	9,535	5,239	2,840							2,785
R0220	N-3	228,925	21,926	7,324	3,880								3,804
R0230	N-2	246,353	28,405	6,463									6,337
R0240	N-1	252,445	22,528										22,090
R0250	N	287,112											281,529
R0260													**321,070**

S.23.01.01 Own Funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
R0010	Ordinary share capital (gross of own shares)	5,000	5,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	635,076	635,076			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
	Own funds from the Financial Statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0	0	0	0	
R0290	**Total basic own funds after deductions**	640,076	640,076	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0

R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	640,076	640,076	0	0	0
R0510	Total available own funds to meet the MCR	640,076	640,076	0	0	
R0540	Total eligible own funds to meet the SCR	640,076	640,076	0	0	0
R0550	Total eligible own funds to meet the MCR	640,076	640,076	0	0	
R0580	**SCR**	**365,615**				
R0600	**MCR**	**98,314**				
R0620	**Ratio of Eligible own funds to SCR**	**1.7507**				
R0640	**Ratio of Eligible own funds to MCR**	**6.5105**				
	Reconciliation reserve					
R0700	Excess of assets over liabilities	640,076				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges	0				
R0730	Other basic own fund items	5,000				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	**635,076**				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	0				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0				
R0790	**Total Expected profits included in future premiums (EPIFP)**	**0**				

S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula

		Gross solvency capital requirement
		C0110
R0010	Market risk	57,141
R0020	Counterparty default risk	11,149
R0030	Life underwriting risk	0
R0040	Health underwriting risk	335,987
R0050	Non-life underwriting risk	0
R0060	Diversification	-46,412
R0070	Intangible asset risk	0
R0100	**Basic Solvency Capital Requirement**	**357,865**
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	48,374
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-40,624
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	**365,615**
R0210	Capital add-on already set	0
R0211	Of which, capital add-ons already set – Article 37 (1) Type a	0
R0212	Of which, capital add-ons already set – Article 37 (1) Type b	0
R0213	Of which, capital add-ons already set – Article 37 (1) Type c	0
R0214	Of which, capital add-ons already set – Article 37 (1) Type d	0
R0220	**Solvency capital requirement**	**365,615**
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

		Yes/No
	Approach to tax rate	C0109
R0590	Approach based on average tax rate	2 - No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
R0600	DTA	
R0610	DTA carry forward	
R0620	DTA due to deductible temporary differences	
R0630	DTL	
R0640	LAC DT	-40,624
R0650	LAC DT justified by reversion of deferred tax liabilities	-7,473
R0660	LAC DT justified by reference to probable future taxable economic profit	-33,151
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	-50,780

S.28.01.01 Minimum Capital Requirement – Only Life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCRNL Result	98,314

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expenses insurance and proportional reinsurance	402,534	1,689,245
R0030	Income protection insurance and proportional reinsurance	0	0
R0040	Workers' compensation insurance and proportional reinsurance	0	0
R0050	Motor vehicle liability insurance and proportional reinsurance	0	0
R0060	Other motor insurance and proportional reinsurance	0	0
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	0
R0080	Fire and other damage to property insurance and proportional reinsurance	0	0
R0090	General liability insurance and proportional reinsurance	0	0
R0100	Credit and suretyship insurance and proportional reinsurance	0	0
R0110	Legal expenses insurance and proportional reinsurance	0	0
R0120	Assistance and proportional reinsurance	0	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	0
R0140	Non-proportional health reinsurance	0	0
R0150	Non-proportional casualty reinsurance	0	0
R0160	Non-proportional marine, aviation and transport reinsurance	0	0
R0170	Non-proportional property reinsurance	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCRL Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	0	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	98,314
R0310	SCR	365,615
R0320	MCR cap	164,527
R0330	MCR floor	91,404
R0340	Combined MCR	98,314
R0350	Absolute floor of the MCR	2,700
R0400	**Minimum Capital Requirement**	98,314

Glossary

Community rating	PMI policyholders are charged the same premium for a particular PMI contract irrespective of age, gender or state of health, subject to certain prescribed exceptions.
Lifetime cover	PMI policyholders are entitled to renew their PMI contracts irrespective of factors such as age, health status or claims history.
Minimum benefits	PMI policyholders must be provided with certain minimum in-patient hospital cover.
Minimum Capital Requirement (MCR)	The level of capital below which an insurer is not permitted to go. It represents the final threshold that triggers supervisory action in the event that it is breached.
Generally Accepted Accounting Principles (GAAP) / Financial Reporting Standard (FRS)	These are accounting standards used for the preparation of Financial Statements.
Open enrolment	PMI insurers must accept all applicants for cover regardless of current age, sex or state of health, subject to certain waiting periods before claims may be made.
Own Funds	Own Funds are comprised of basic and ancillary own funds. Basic own funds refer to the excess of assets over liabilities, valued in accordance with Solvency II requirements. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. They are categorised, i.e. tiered, based on set criteria.
Own Risk and Solvency Assessment (ORSA)	A set of processes used to provide insight, over the business planning time horizon, into the risk profile, capital requirements and strategy of an insurer. The information produced by these processes is used to support decision making.
Private medical insurance (PMI)	Insurance providing cover for costs incurred by private medical treatment or care due to illness, accident, infirmity or disability. Under Solvency II this is classified as Medical Expense Insurance.
Quantitative Reporting Templates (QRTs)	A set of standardised templates detailing financial and monetary information about an insurer.
Reinsurance	Insurance purchased by an insurer, used to transfer risk.
Risk Appetite Statement	The document which sets out the level and type of risk that an insurer is willing to take in order to achieve its business objectives.
Risk Profile	The specific risks to which an insurer is exposed. The risk profile of every insurer is different.
Risk-mitigation techniques	The methods used by an insurer to reduce risk exposure.
Solvency Capital Requirement (SCR)	The amount of capital that an insurer must hold that will enable them to absorb significant losses and gives reasonable assurance to policyholders and stakeholders that claims will be paid as they fall due. This amount is set at the worst 1 year loss that would be expected to occur in 200 years. The SCR can be calculated using the Standard Formula, an internal model or a partial internal model.

Solvency II	A harmonising risk based prudential regulatory regime that applies to all insurance and reinsurance undertakings in the European Union, which came into force on 1 January 2016.
Solvency II Risk Margin	The value above the technical provisions equivalent to a theoretical amount of money needed for a third party to take over and meet all of the insurance obligations.
Solvency II Technical Provisions	A liability on the Solvency II Balance Sheet. Technical provisions are a 'probability weighted best estimate' of the future cash flows associated with insurance obligations, which have been recognised at the valuation date.
Standard Formula	A formula set out within the Solvency II regime which details the calculations for generating the Solvency Capital Requirement (SCR). An insurer which chooses not to use the standard formula to calculate the SCR may use an internal model or partial internal model, subject to supervisory approval.
System of Governance	The system through which an insurer is organised and controlled.