



LMG Försäkrings AB

Solvency and Financial Condition Report

Report for year 2024





Table of contents

1. SUMMARY	3
2. BUSINESS AND PERFORMANCE	5
3. SYSTEM OF GOVERNANCE	12
4. RISK PROFILE	21
5. VALUATION FOR SOLVENCY PURPOSES	25
6. CAPITAL MANAGEMENT	29
7. ANNEXES	32
8. GLOSSARY	33





1. Summary

1.1 General information

LMG Försäkrings AB (hereinafter named as “the Company” or “LMG”) is incorporated in Sweden and has been operating since 2011. The Company is a wholly owned subsidiary of LUX MED sp. z o.o., which is a part of Bupa Group.

LMG main activity is offering healthcare insurance, principally Private Medical Insurance (PMI). Sales and operations take place only in Poland through the LMG Branch.

The Company does not have any employees in Sweden and is managed by the Board of Directors, with assistance from external consultants. LMG employs its staff solely by the Branch in Poland.

1.2 Purpose and scope of SFCR

The Solvency and Financial Condition Report (SFCR) provides information on the Solvency II capital position of LMG Försäkrings AB as at 31st December 2024. Under Article 51 of EU Directive 2009/138/EC insurance undertakings are required to disclose publicly, on an annual basis, a report on their solvency and financial condition.

SFCR includes a description of the Company's:

- Business and performance up to 31st December 2024
- System of governance
- Risk profile and appetite
- Methods used for valuation of assets and liabilities
- Capital management
- ESG activities

1.3 LMG Solvency position

In the table below, Solvency II capital position as at 31st December 2024 and 2023 is presented.

Solvency II capital position (EUR, '000s)			
Item	2023	2024	Yearly change
Eligible own funds (EOF)	16.480	26.334	+60%
Solvency Capital Requirement (SCR)	10.948	17.133	+56%
Surplus	5.532	9.201	+66%
Solvency coverage ratio	151%	154%	+3 p.p.





Further information on own funds is provided in section 6.1 (Own funds), while information on the valuation of assets and liabilities is provided in section 5 (Valuation for Solvency purposes).

The SCR is calculated in accordance with the full standard formula specified in the Solvency II legislation. Information on the SCR is provided in section 6.2 (Solvency Capital Requirement and Minimum Capital Requirement).

Solvency Capital Requirement has been continuously growing for the past quarters, due to the increasing Insurance Risk (business development), Market Risk (assets growth) and Operational Risk (company development). SCR elements share behaves in a stable way with no significant changes over the year. Own Funds value has increased in the last year, currently reaching the level of EUR 26,3 mln. The Company has been working extensively to maintain stable Solvency situation with the positive outlook for 2025, where Solvency coverage ratio is expected to grow and the maturity of the underwritten business will contribute to the improvement of the capital situation.

1.4 Significant developments during the year

During 2024 following events were affecting LMG's operations:

Internal (business) developments

Hospital insurance development

- LMG focused on expanding its **“Full Care” insurance**, as well as new hospital insurance variants to meet diverse customer needs.

Strategic partnerships

- Collaboration with other insurers to create specialized products and improved profitability of existing partnerships.

Cooperation with LUX MED

- Enhanced risk analysis, streamlined claims handling, and improved financial reporting for better compliance and efficiency.

Renewals and Pricing Strategy

- Intensified renewals and price hikes to balance revenue growth and customer retention.

Organizational growth

- Expanded structure, hired staff, and invested in technology to support business growth.





External and regulatory developments

Impact of Russian Invasion of Ukraine

- Rising inflation and costs prompted LMG to adjust pricing strategies and monitor economic conditions.

IT Systems and DORA Compliance

- Implementation a new IT policy system, start of works on claims IT system and strengthened cybersecurity to meet DORA requirements

2. Business and Performance

2.1 Company information

LMG Försäkrings AB is incorporated in Sweden under registration number 516406-0831. The Company is a wholly owned subsidiary of Lux Med sp. z o.o.

The ultimate parent undertaking of the Company is The British United Provident Association Limited (“Bupa”), the company incorporated in England and Wales. Bupa is the parent company of multiple entities (“the Bupa Group”). Bupa does not have shareholders. Governance over Bupa is exercised by approximately one hundred association members who vote at an Annual General Meeting as to director reappointments and adoption of the financial accounts. These association members are not entitled to any of the assets or income of Bupa. No individual has 10% or more voting rights or any other mechanism of control of Bupa.

The Company’s supervisor is the Finansinspektionen (SFSA), Brunnsgatan 3, 111 38 Stockholm.

The Company’s external auditor is PwC.

2.2 Business activity

The principle activity of LMG is providing healthcare insurance, mainly Private Medical Insurance (PMI).

LUX MED Group is the leading private medical services provider in Poland. The Group employs about 26.000 people (including about 10.000 MDs of a few dozen specialisations), owns a network of over 300 own facilities, cooperates with about 3.000 third-party clinics and provides care to over 2.500.000 patients.

As a leading international health and care company, Bupa offers health insurance and medical subscription products, runs care homes, retirement villages, hospitals, primary care and diagnostic centres and dental clinics. Bupa also provides workplace health services, home healthcare and health assessments. It funds healthcare for customers in over 190 countries, working in partnership with healthcare professionals to ensure customers receive access to the best possible care and advice. Bupa





has over 60 million customers and 85,000 employees worldwide, spanning both insurance and non-insurance businesses. Where possible, Bupa seeks to combine funding and provision activities as an effective approach to deliver better customer experiences and health outcomes in a financially sustainable way. Where there is broader and deeper participation across healthcare pathways, Bupa is better positioned to influence the patient's journey, ensuring the advice and care is right for them, while managing the associated risk.

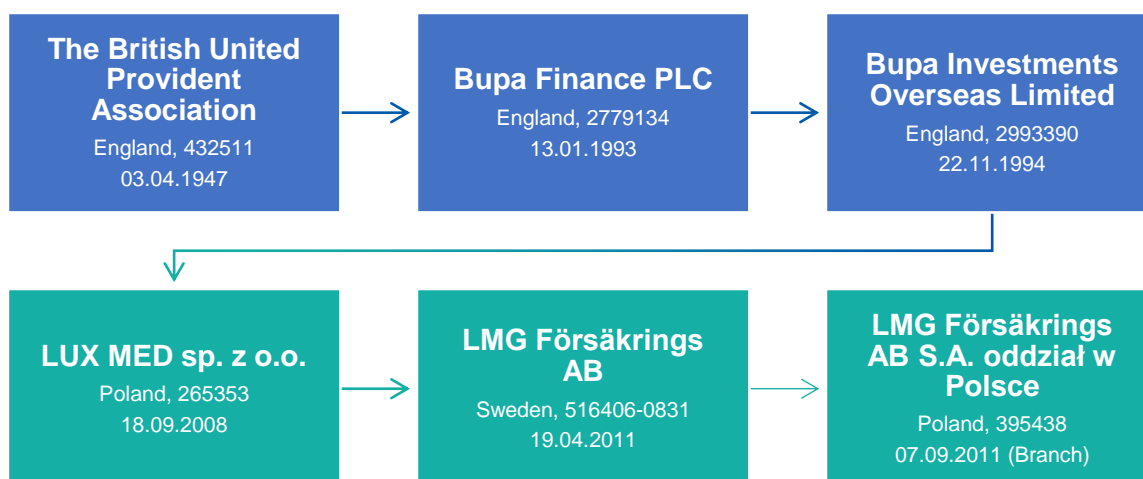
Bupa eagerly cooperates with other healthcare entities, including state healthcare systems, insurance companies and healthcare providers. For example, in Spain and United Kingdom, Bupa serves outpatient and long-term services on the basis of public-private partnership. Bupa reinvests profits to provide more and better healthcare.

LMG's five main segments of operation are:

- Outpatient Private medical insurance (PMI) provided for the employers and their employees, with the cover for reimbursement of externally provided services
- Hospital Inpatient insurance (InPMI)
- Other health insurances like hospital coordination, critical illness or drug insurance
- Accident insurance
- Freedom of Treatment, financial reimbursement for medical services

Sales and operations take place only in Poland through the LMG's Branch.

2.3 Legal structure



LMG is a wholly owned subsidiary of the LUX MED Group, which is part of Bupa Group. LMG was set up in 2011 with the first policies sold in March 2012. The Company has a branch in Poland.





2.4 Significant events in the year

Internal (business) developments

During 2024 following internal and business events were affecting LMG's operations:

Focus on hospital insurance development

- In 2024, LMG's primary strategic objective was the extensive development of its hospital insurance. The Company placed significant emphasis on boosting sales of its flagship product, "Full Care" insurance, which provided comprehensive coverage for hospital-related treatment. Additionally, LMG developed other hospital insurance variants in the first quarter of 2024, aiming to cater to diverse customer needs and expand its market share. These new products were designed to address gaps in the market and provide more flexible options for policyholders.

Strategic partnerships

- LMG also pursued strategic partnerships with other insurers to develop specialized insurance products. These partnerships allowed the Company to offer unique, co-branded solutions, such as combined hospital and outpatient coverage. LMG worked on improving the profitability of its existing partnerships.

Continued cooperation with LUX MED

LMG maintained its strong partnership with LUX MED, its primary provider of medical services. The collaboration focused on several critical areas:

- Risk Analysis and Portfolio Mix Optimization: Both entities worked together to analyse and mitigate potential risks within the insurance portfolio, ensuring a profitable mix of policies.
- Claims Handling Efficiency: Efforts were made to streamline the claims process, reducing service time and improving customer satisfaction.
- Financial Reporting Enhancements: The partnership also aimed to improve the accuracy and transparency of financial reporting, ensuring compliance with regulatory standards and better decision-making.

Renewals and Pricing Strategy Adjustments

- To address the rising costs driven by inflation, LMG intensified its renewal processes and implemented a Pricing Strategy. This strategy aimed to standardize price adjustments across its product portfolio and monitor the effectiveness of these hikes. The goal was to balance the need for increased revenue with the necessity of retaining customers in a competitive market.

Organizational Growth

- As LMG's business volume grew, the Company expanded its organizational structure to accommodate the increased workload. This growth included hiring additional staff, enhancing internal processes, and investing in technology to support scaling operations.





External and regulatory developments

2024 was a year marked also by developments of external factors, including:

Impact of the Russian invasion of Ukraine

- The ongoing Russian invasion of Ukraine continued to create significant economic and security uncertainties across the region. This situation put additional pressure on inflation, leading to increased costs for medical services and operational expenses. LMG had to navigate these challenges by adjusting its pricing strategies and closely monitoring the economic environment to maintain profitability.

Building of IT Systems and DORA implementation

- In 2024, LMG advanced its IT development efforts, implementing a new IT policy system and selecting a provider for a claims IT system to streamline operations. On top of that the Company needed to comply with the Digital Operational Resilience Act (DORA), an EU regulation requiring financial entities to strengthen digital resilience. LMG conducted risk assessments, enhanced cybersecurity, developed incident response plans, and improved third-party risk management to meet DORA standards. These steps ensured regulatory compliance and bolstered the Company's ability to manage digital risks effectively.

2.5 Underwriting Performance

This section summarizes the performance of the business underwritten.

2.5.1 Overview

Presented below is the Company's underwriting performance as reported in its financial statements.

Underwriting performance (EUR, '000s)			
Item	Type	2023	2024
Premiums written	Gross	50.104	90.375
	Reinsurance	216	204
	Net	49.888	90.170
Premiums earned	Net	40.727	70.223
Claims incurred	Gross	30.453	49.203
	Reinsurance	0	0





	Net	30.453	49.203
Operating expenses	Net	10.358	14.027
Total claims and expenses	Net	40.811	63.230
Loss Ratio		75%	70%
Combined Ratio		100%	90%

Loss Ratio (claims/premiums) at a level of 70% is an improvement comparing to the previous year (by 5p.p.). The situation of the ratio has been improving year over year, as we see changes in the portfolio mix. Increasing claims severity (due to high medical inflation) was compensated by premium increase strategy.

Combined Ratio (claims + expenses/premiums) decreased by 10p.p., even though there have been many operational and capital expenses that were incurred over the year. Those can be attributed to the dynamic expansion of the company (sales costs, hiring) and new initiatives (IT systems, product development, marketing).

In 2024, the only reinsurance contract in-force is for Best Help product, a treaty provided by Sirius RE (critical illness insurance). No new treaties were signed. The company has currently 4 active reinsurance proportional treaties.

2.5.2 Underwriting performance by Line of Business

Following products offered by LMG fall within Medical Expense Solvency II Line of Business:

- Outpatient care
- Hospital care
- Drug insurance
- Occupational medicine
- Freedom of treatment

The table below summarizes performance of the LoB

Medical Expense LoB performance (EUR, '000s)		
Item	2023	2024
Premium earned, Net	39.892	69.227
Claims incurred, Net	30.371	49.168
Operating expenses, Net	10.002	13.748



Underwriting profit/(loss) before investment income	-481	6.311
--	------	-------

In 2024 we have observed a significant growth of premium earned in the LoB (+74%) with slower increasing claims (but still with high claims inflation) with simultaneous increase of expenses incurred (CapEx). All those combined resulted in better underwriting result, as dynamics of premiums is better than dynamics of costs. There has also been a growth in IBNR level, which currently is over 5 mln EUR.

Following products offered by LMG fall within Income Protection Solvency II Line of Business:

- Accident Insurance (NNW)
- Best Help (critical illness)

The table below summarizes performance of the LoB

Income Protection LoB performance (EUR, '000s)		
Item	2023	2024
Premium earned, Net	835	996
Claims incurred, Net	82	35
Operating expenses, Net	314	279
Underwriting profit/loss before investment income	440	682

Gross premiums written and earned both increased in 2024 in the LoB and total level of net premium earned was much higher, comparing to 2023. Year 2024 ended with underwriting profit arising from the LoB. There were no changes in products construction as well as reserving methods.

2.6 Performance from investment activities

2.6.1 Investment income

Below all elements of investment income for the past year are presented.

Financial income (EUR, '000s)		
Item	2023	2024
Income from LUX MED Group undertakings:	118	96
Interest receivable	118	96



Rental income	0	0
Income from deposits with credit institutions	1	12
Realised capital gains on investments	83	88
Realised foreign exchange gains	0	0
Investment income as reported in the Company's profit and loss account	202	196
Unrealised gains on investments	0	0
Unrealised losses on investments	55	34
Total financial income	146	162

Interest income, except in relation to assets classified at fair value through profit or loss, is recognised in the profit and loss account as it accrues, using the effective interest method.

Changes in the value of financial assets designated as at fair value through profit or loss are recognised within financial income as an unrealised gain or loss while the asset is held. Upon realisation of these assets, the change in fair value since the last valuation is recognised within financial income as a realised gain or loss.

The majority of LMG investments are in cash and loan to parent company LUX MED. The Company has also invested in a limited portfolio of non-cash assets, principally bonds.

In the table below financial income by asset class is presented.

Financial income by asset class (EUR, '000s)		
Item	2023	2024
Government bonds	83	89
Corporate bonds	0	0
Investment funds	0	0
Cash and deposits	265	312
Bank interest	321	347
FX effect	-55	-34
Mortgages and loans	118	96
Property	0	0





Total financial income	466	498
------------------------	-----	-----

2.6.2 Investment expenses

Investment expense in the year amounted to EUR 2k, stable in comparison to 2023.

2.6.3 Gains/losses recognised directly in equity

There is no such position for LMG.

2.7 Performance from other activities

The Company's business plan does not include any other income or expenses other than those summarised in sections 3 (Underwriting performance) and section 4 (Performance from investment activities).

3. System of Governance

3.1 General information on the system of governance

3.1.1 Board of Management

The LMG Board of Management consist of Managing Director, Chief Executive Officer (CEO) and four other Board members.

The Board closely monitors developments in corporate governance and assess how these can be applied at LMG. The governance arrangements continue to be reviewed in line with developments in best practice. The Board believe the existing structure is appropriate for the size and complexity of the Company.

The responsibilities of the Board of Management are:

- Agreeing on LMG long-term directions and objectives
- Developing and maintaining LMG business model and aligning it with the Bupa Group strategy, while ensuring that local regulation, legislation and market practice are also met
- Determining the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives
- Oversight of LMG operations
- Ensuring the appropriate and necessary financial and human resources are in place to meet LMG objectives
- Providing constructive challenge to the executive directors and senior management





- Ensuring the highest standards of governance are followed
- Developing LMG culture

The Board normally meets four times a year and at other times as required. Minutes of all Board meetings are recorded and reflect the substance of the discussion, as well as the decisions made.

3.1.2 Managing Director

The Managing Director is, according to chapter 8 section 29 of Swedish Companies Act, responsible for the continuous management of the Company according to the guidelines and procedures approved by the Board of Directors. The Managing Director shall provide for that the Company's book-keeping is fulfilled in accordance with laws and regulations and that the management of funds is handled in a safe way.

The Managing Director handles the company's current affairs. They consist of:

- Leading the Company's business and execute the decisions of the Board of Directors
- Deciding on legal actions in the event of minor disputes in which the company is a party; in the event of major disputes the Board of Directors shall make the decision
- Employment policy and deciding on salaries and benefits
- Proposing goals and procedures for the business to the Board of Directors
- Fulfilling information duties in accordance with current law requirements
- Making decisions and deciding on matters required for the efficient management of the Company's current affairs

3.1.3 Key functions

Key functions enlisted in Solvency II directive are embedded throughout Bupa (and LMG) with clear responsibilities and segregation of duties. Those are:

- Risk Management Function

LMG established Risk Function on the Main Office level as well as for Branch Office. The Function ensures financial stability by identifying and monitoring risks. It ensures regulatory rules are implemented, strengthens cybersecurity, and supports strategic decisions. By collaborating with partners across the Company, it ensures that LMG activity is conducted with the accurate attention to risks.

- Compliance Function

The Compliance Function at LMG ensures adherence to regulatory requirements, such as Solvency II. It monitors risks, enforces policies, and provides training to maintain operational integrity. By





safeguarding compliance, the function supports LMG's reputation, minimizes legal risks, and ensures growth in a regulated industry.

- Internal Audit Function

LMG has Independent Monitoring Function (IMF) (Internal Audit) for Main Office and for Branch Office. The IMF attends the Risk Committees and can therefore escalate and report any findings of concern to the Board for their attention and action. Additionally, there is Bupa Global Internal Audit function for LUX MED and for LMG. The function helps LMG and Bupa to protect the assets, reputation and sustainability of the organisation.

- Actuarial Function

LMG actuarial activities are conducted by a qualified actuary in Sweden and Poland, as well as Actuarial Function which is set up in line with the Actuarial Operating Framework established by Bupa. The Branch Actuarial Function team consists of 5 people. The Actuarial Function at LMG ensures accurate reserving, risk assessment, and pricing. It analyzes data to set premiums, reserves, and capital requirements, while monitoring portfolio performance. By providing insights into risks and profitability, the function supports strategic decision-making.

3.1.4 Remuneration policy and practices

LMG's remuneration policy is designed to deliver market competitive reward to help attract, retain and motivate high calibre employees, and promote a prudent approach to risk.

LMG does not have a separate Remuneration Committee. The Bupa Group Remuneration Committee is responsible for devising and governing remuneration systems and packages across the Bupa Group that drive sustainable, long-term performance, with a clear link to Bupa's strategic goals and purpose.

The objective of the Company is to insure certain risks of the parent group, therefore the consequences of possible excessive risk-taking is limited to the parent group and will not directly affect third parties. The Company does not have any employees and is managed by the Board of Directors, with assistance from external consultants. LMG's only employees are employed by the Polish branch.

This remuneration policy does not encourage excessive risk-taking and should therefore be considered to be in accordance with effective risk management.

Remuneration in the year for the LMG directors was as presented in the table.

Directors' remuneration (EUR, '000s)				
2024	2023	2022	2021	2020
466	377	233	48	42





3.2 Fit and proper requirements

LMG's "Fit and Proper Persons" policy sets out the principles and minimum standards for determining the 'fit and proper' analysis of individuals who hold, or are being considered for, appointment to a Director role. Compliance with the policy provides assurance to the Board, customers, suppliers and regulators that all of the Directors are personally and professionally equipped to fulfil their responsibilities effectively.

Before appointment, and on an ongoing annual basis, the Company reviews each role holder's qualifications, knowledge, experience and propriety to ensure that they have, and maintain, the relevant expertise and integrity to provide the Company with sound and prudent management. The fitness assessment is not limited to the moment at which a Board member/senior manager is employed. It includes arranging for further professional training as necessary, so that the individual is also able to meet changing or increasing requirements of their particular responsibilities.

Individuals are not each expected to possess expert knowledge, competence and experience within all areas of the undertaking. However, the collective knowledge, competence and experience of the Board and senior management team as a whole have to provide for a sound and prudent management of the business. When changes occur within the Board or the management team (like replacement of one of the members), the Company must be able to demonstrate at all times that the collective knowledge of the members of the Board/senior management team is maintained at an adequate level.

LMG implements set of policies and procedures to ensure the clear allocation of director and senior manager responsibilities and notification to regulators (where required). An individual's fitness to perform their role includes an assessment of their competence and capability, tailored to their particular role, such as an individual's knowledge and understanding of:

- Markets knowledge - an awareness and understanding of the wider business, economic and market environment in which the business operates and an awareness of the level of knowledge of and needs of customers, proportionate to the nature of the role.
- Business strategy and business model knowledge - a detailed understanding of the business' strategy and model.
- System of governance knowledge - an awareness and understanding of the risks the business is facing and the capability of managing them. It also includes the ability to assess the effectiveness of the business' arrangements to deliver effective governance, oversight and controls and, if necessary, oversee changes in these areas.
- Financial and, where relevant, actuarial analysis knowledge - the ability to interpret the business' financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information.
- Regulatory framework and requirements knowledge - awareness and understanding of the regulatory framework in which the business operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes to the regulatory framework without delay.





On completion of the background screening check LMG undertakes an assessment with the information provided to determine if the individual meets requirements. Subsequently, if the individual does meet these requirements, and is considered fit and proper, confirmation is provided to the regulator.

3.3 Risk management system including the own risk solvency assessment

The Company has adopted a “three lines of defence” approach to risk management.

- The first line of defence encompasses management and staff in the Company. LMG’s Directors are responsible for the identification and management of their risks. The risk committee, chaired by Risk and Compliance Director, scrutinise their risk profiles and generate mitigating actions where necessary covering both the funding and provision businesses.
- The second line of defence comprises of risk management professionals. The LMG Risk Function is led by the Risk and Compliance. Its role is to advise, challenge and oversee the first line risk management activities and to collate reports for management on his independent views on risk issues.
- The third line of defence is Internal Audit. The Function on the Main Office level is outsourced and Bupa has a global Internal Audit Function led by the Chief Internal Auditor at its HQ. The Chief Internal Auditor oversees the execution of the Bupa approved Audit Plan, this includes also LMG and LUX MED audits.

Risk appetite

The Company’s risk appetite reflects Bupa’s purpose and expresses the degree of risk LMG is prepared to accept while working to deliver on our strategy. The core risk appetite statements are focussed on:

- Management of our financial strength
- The treatment of customers and employees
- The sustainability of the business
- Operational risk

Our risk appetite statements are a key consideration in our business planning process and a central reference point for key decisions. These statements are not intended to automatically prevent activity outside of LUX MED’s (LMG’s) risk appetite, but rather to help identify any such instances in a timely manner so that the Managers can consider an appropriate response.

We review our risk appetite statements on an annual basis.

Risk management framework

LUX MED Group manages risks according to a Board approved Risk Management Framework covering funding and healthcare provision. This sets out the principles underpinning a robust and continuous risk management system for the first line. This ensures that:





- Current and emerging risks to the business are identified and the potential consequences of them are understood
- Appropriate and effective steps are taken to mitigate and manage identified risks
- Risk management information is utilised to make risk based decisions across the business
- There is clear ownership of and accountability for risk
- There is a culture in which appropriate risk behaviours are encouraged and rewarded, inappropriate behaviours are challenged and sanctioned, risk events are communicated as quickly as good news without fear of being blamed

There are well-established regular reporting mechanisms in place which ensure that all relevant top risks for all businesses are appropriately identified and escalated. These processes also ensure that strategies to manage and mitigate the risks to acceptable levels are identified and executed.

The business standards and policies define the way LMG does its business and covers funding and healthcare provision. These standards and policies are reviewed on an annual basis with material changes going to the appropriate Committees for approval and non-material changes going to the appropriate Committees for noting.

The Risk Management Framework articulates consistent methodologies for risks assessment and measurement across funding and healthcare provision. This ensures that the significance of each risk identified is understood and the appropriate mitigating actions are put in place. We also utilise a consistent risk categorisation model across Bupa which provides a standard approach for classifying the universe of different types of risks faced in pursuit of our purpose

The processes used to identify, measure, manage, monitor and report risks, include a programme of stress and scenario testing. We also undertake specific detailed reviews and deep dives on particular risks where considered necessary.

The effectiveness of the implementation of the Risk Management Framework is tested through the Internal Control and Risk Management Assessment. This aims to provide a mechanism to assess how well internal control and risk management practices are embedded across Bupa. This is a first line of defence self-assessment, subject to review and challenge by the second and third lines. It includes the results of the work of the operation of material controls (financial, operational and regulatory compliance) and compliance with enterprise policies. This assessment is conducted on a quarterly basis.

Risk Management Function

LMG outsources the Risk Management Function (RMF) to AON via an agreement for captive and insurance management services.

RMF, answerable to the Board, executes an independent risk control and shall, when needed, inform the Company's board of directors, management and others who might need the information. The Risk Management Function makes sure that the board of directors has set up guidelines regarding the





Company's risk management and that the company has a process for the continuous update of these documents.

The Function at least once a year audit the Company's management and control of risks and report to the managing director and the board of directors in connection with a board meeting. A copy of the reports produced by the risk control function is handed to the Independent Monitoring Function.

LMG established Risk Function on the Main Office level as well as for Branch Office where we have dedicated Risk Team and also Risk and Compliance Department for whole LUX MED Group. Risk Team is responsible for the operation of the functions on Branch level.

In addition, the Risk Committee is appointed and holds meetings once a quarter. The Committee regularly reviews the risks for LMG and the mitigating actions in place to reduce the level of risk. The Risk Committee reports to the Board of Directors.

Own Risk and Solvency Assessment

LMG' Own Risk and Solvency Assessment (ORSA) comprises the series of activities by which it assesses all the risks inherent in its business and determines the corresponding capital needs. It therefore includes the following activities:

- The projection of own funds and future capital requirements as part of the three-year business plan presented to the Board for approval in December each year
- Annual review of capital risk appetite which is approved by the Board each year
- Quarterly review of risks and risk appetite
- Stress and scenario testing and reverse stress testing carried out at least annually

The outputs of the above activities are set out in the annual ORSA report which is approved by the Board latest in November or December.

The process for carrying out the ORSA is reviewed following the strategy sessions to take account of decisions made there and also to consider any other enhancements that can be made to the ORSA process. Proposed changes to the ORSA process are considered by the Bupa Risk Committee and then subsequently incorporated into the ORSA Policy which is approved by the Bupa Board for the whole Bupa Group (incl. LMG).

LMG determines its own solvency needs by reference to the projected own funds and future capital requirements reflecting the risk profile of the Company, its policy of maintaining a substantial buffer over the capital requirements.

3.4 Internal control system

The LUX MED Group has an ongoing process for the identification and management of its principle Risks and conducts the Internal Control and Risk Management Assessment (ICRMA) to review the





effectiveness of internal controls and how well risk management and policy compliance is embedded in Bupa.

We test the effectiveness of our implementation of the Risk Management Framework through our SAI360 system, the aim of which is to provide a mechanism to assess how well internal control and risk management practices are embedded across Bupa Group. This is a first line of defence self-assessment, subject to review and challenge by the second and third lines, and includes the results of the work of internal audit; the operation of material controls (financial, operational and regulatory compliance) and Enterprise Policy compliance. This assessment is conducted on a half yearly basis and the results are presented to the Audit Committee of Bupa.

The Audit Committee considered the result of the ICRMA at both the half and full year, which considered all material internal controls relevant to the preparation of the financial statements. During these reviews, the Committee identified a number of weaknesses, however, none of these were determined to be significant to the preparation of the financial statements.

The approach to the ICRMA continues to be subject to regular review and enhancement by the management to ensure its continued effectiveness.

3.5 Compliance function

LMG has established an Enterprise Regulatory Compliance Policy which is sponsored and owned by the Compliance function. This policy is reviewed annually. The Compliance function also maintains an operating model. Together these define the responsibilities, competencies and reporting duties of the Compliance function. The Regulatory Compliance Policy includes a requirement to maintain an annual compliance plan (including a monitoring plan). The enterprise compliance plan is approved by the LMG's the Board annually. The compliance plan sets out planned activities of the Compliance function which take into account relevant areas of the activities of the insurance and reinsurance undertakings within the Group and their exposure to compliance risk.

The Compliance function has authority to review all areas of the Bupa group and has full and unrestricted access to all activities, records, property and personnel necessary to complete its work.

The Enterprise Regulatory Compliance Policy requires LMG to clearly identify the regulatory requirements that apply to our businesses and ensure that appropriate compliance resources are allocated to:

- Proactively identify and assess potential regulatory risks
- Advise on risk mitigation strategies
- Monitor adherence to regulatory requirements

The Compliance Function undertakes assurance activities to assess the adequacy of the measures adopted to prevent any non-compliance.





3.6 Internal audit function

LMG has Internal Audit for Main Office (outsourced to Aon Commercial Services) and employees for Branch Office. Members of the Function for Branch attend the Risk Committees and can therefore escalate and report any findings of concern to the Board for their attention and action, independent of the Executive. Additionally, there is Bupa's Global Internal Audit function for LUX MED and for LMG. The function helps LMG and Bupa to protect the assets, reputation and sustainability of the organization.

3.7 Actuarial function

Actuarial function activities for LMG are conducted by qualified actuaries. The actuarial function has authority to review all areas of the LMG and has full and unrestricted access to all activities, records, property and personnel necessary to complete its work. The function is fulfilled by the main office and the branch office teams.

Key activities (including all mandatory tasks set out in Article 48 of Directive 2009/138/EC) are as follows:

- Coordinating and consolidating technical provisions (for IFRS and Solvency II reporting)
- Assessing the appropriateness of technical provision methodology and assumptions used
- Setting methodologies and ensuring consistency of use
- Ensuring that data quality and information technology systems meet the required standards
- Contributing to risk management activities by undertaking the solvency capital requirement calculation

An actuarial function report containing the actuarial function opinions and recommendations is prepared every year.

3.8 Outsourcing

LMG has implemented an Enterprise External Suppliers Policy. The purpose of this policy is to ensure that LMG has effective processes for selection, contracting and management of all external suppliers, allowing the risks posed by external suppliers to be managed throughout the supplier relationship lifecycle. The policy is based on four main principles; knowing, selecting, contracting with and managing our external suppliers. There are 21 specific requirements to fulfil.

Specifically around outsourcing, all key, critical or important outsourced arrangements are required to be identified and managed with additional rigour. The appointment of these arrangements must follow supplier selection criteria, with appropriate due diligence and robust contracts in place following legal terms. Contingency measures must be in place. The arrangements are reported to the local risk and compliance team to assess the need for regulatory notification.

- Outsourcing to Aon Global Risk (AON)





LMG outsources the company and insurance administration activities to AON via an agreement for captive and insurance management services. The activities undertaken by AON include company secretarial, finance, actuarial function, compliance function and risk control function. AON holds the necessary assets and employs staff to carry out these functions under the agreement.

- Outsourcing to Aon Commercial Services (ACS)

LMG outsources the internal audit function to Aon Commercial Services Ireland Limited via an agreement for services. ACS holds the necessary assets and employs staff to carry out these functions under the agreement.

4. Risk profile

The Solvency Capital Requirement (SCR) is calculated in accordance with the standard formula specified in the Solvency II legislation.

Under Solvency II, LMG' risk profile is a key driver of the SCR. The distribution of the Company's quantifiable risks, as reflected in the SCR, is as presented in the table below.

Analysis of the Solvency Capital Requirement (EUR, '000s)				
Item	2023		2024	
Insurance Risk	7.861	72%	16.344	95%
Counterparty Risk	1.221	11%	2.341	14%
Market Risk	2.631	24%	3.835	22%
Diversification	-2.388	-22%	-4.019	-23%
Operational Risk	1.623	15%	2.726	16%
LAC of Deferred Taxes	0	0%	-4.094	-24%
Total	10.948	100%	17.133	100%

Information on each of the risk categories is provided in sections below, as well as information on the calculation of the SCR.





4.1 Underwriting risk

Underwriting risk affects future cash flows of the Company. It can be subdivided into claims risk and pricing risk which represent the risk of adverse variances in claims outflows and premium inflows respectively.

- Pricing risk

Pricing risk arises from routine revisions to premium tariffs and from the processes, in certain businesses, to set bespoke premiums for large corporate health insurance customers. The adequacy of pricing tests on thorough actuarial analyses of past and most recent claims levels, combined with forward projections of the most recent observed trends. Pricing risk affects only future cash flows since new tariffs impact on levels of premium earned when health insurance contracts renew.

The Company's dominant product is an annually renewable health insurance contract. The annual renewability feature permits tariff revisions to be made in response to changes in claim experience. This is a significant mitigant to pricing risk.

- Claims risk

Claims risk is managed and controlled by the use of doctors networks in own LUX MED clinics and agreed networks of hospitals and charges.

Future adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements.

Generally, the Company's health insurance contracts contain terms and conditions that provide for the reimbursement of incurred medical expenses for treatment related to acute medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore claims experience is necessarily underpinned by prevailing rates of illness. Additionally, claims risk is generally mitigated by the Company running control processes to ensure that both the treatments and the consequent reimbursements are appropriate.

- Reserving risk

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

The amount of claims provision at any given time that relates to potential claims payments that have not been resolved within one year is not material.





- Geographical concentration of risk

LMG is not exposed for such risks as the whole business is underwritten in Poland.

- Catastrophe risk

LMG is exposed for pandemic risks. It is related with the nature of the LMG's business, which is in majority outpatient services. By this we are taken into consideration risks of mass (pandemic) situation like e.g. flu pandemic.

4.2 Market risk

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

The Company actively manages price risk by ensuring that the majority of its cash and investments are held with highly rated credit institutions.

- Market concentration risk

The Company is exposed to Market Concentration Risk due to the partnership with LUX MED and mutual financial relationships between entities.

- Currency risk

The Company is exposed to foreign exchange risks as our main currency is Polish Zloty and this is currency of premium and claims but the same time the reporting currency is EUR.

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to Interest rate risks as we have some (limited) financial instruments in our portfolio.

- Spread rate risk

The Company is exposed to spread risk as there are some (limited) financial instruments in the portfolio.

- Equity risk

Equity risk is the risk that the Company will suffer a financial loss as a result of an unfavourable development of contractual obligations related to held equity. In case of LMG this risk is insignificant.

4.3 Credit Risk





The Company is calculating Credit Risk based on the rating of the counterparties that are issuers of securities and debtors. The rules of calculation are in line with the requirements of the Standard Formula. Total value of the risk in 2024 is similar as in the previous year, as the amount of the instruments has not changed significantly over the last year.

4.4 Liquidity risk

Liquidity risk is the risk that the Company will not have available funds to meet its liabilities when they fall due. The Company enjoys a strong liquidity position and adheres to strict liquidity management policies as set by its Risk Committee.

The Company's liquidity risk is addressed by holding liquid assets and through controls.

Liquidity is managed by limitation in type of assets which could be bought by the Company. As end of 2024 LMG has only Governmental Bond and cash.

4.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, or from personnel, systems or external events. This includes conduct risk – the risk that LMG behaviour or actions result in unfair outcomes or detriment for customers.

- Whilst LMG has a low tolerance for operational risk arising from the health funding business that it conducts, it seeks to minimise operational risk where it is cost effective to do so. It is done thanks to maintenance of robust internal control processes and governance frameworks, the approval of risk policies.

Operational Risk is forecasted to increase in line with business volumes with no significant anticipated change in the nature or management of operational risks.

The Company has Business Continuity Plans in place to ensure appropriate operation of key processes and controls. Business continuity issues are reported to the Business Continuity Committee of the LUX MED Group, with significant issues being escalated to the Group Risk Committee, which is responsible for ensuring appropriate controls are in place to mitigate potential risks. As a result of the governance structures and controls in place, there was no event disrupted operations of LMG during 2024.

The services provided by the Company are underpinned by information technology systems and infrastructure that enable the delivery of core processes and products. Failure of these systems may reduce the ability of the Company to deliver products and services to its customer base or increase the risk of information security breaches.

The Company's information technology (IT) services are provided by LUX MED and LMG internally, which have a number of dedicated IT teams who are responsible for the development, maintenance and



monitoring of IT services. A programme of work is in place to ensure the continued development and enhancement of all IT services to provide the levels of services required by the business and adequately protect sensitive customer and business data.

4.6 Other material risks - stress and scenario testing

A key part of LMG' risk management framework involves identifying the scenarios that could adversely impact the Company and assessing its ability to withstand them. The assessment takes the form of stress and scenario testing. The stress and scenario testing evaluates the impact of adverse scenarios on the Company's business plans, including an assessment of whether the Company will continue to have sufficient capital resources to cover both its own assessment of risks and regulatory minimum capital requirements.

Stress testing generally relates to a single risk factor e.g. adverse claims experience. Scenario analysis generally relates to combinations of risks tied to a single event e.g. economic recession triggering higher lapses and falling asset values.

There are two parts to the stress and scenario exercise:

- Bupa Group exercise, which applies consistent stress and scenario tests across the Group (worldwide scenario)
- LMG specific exercise (local scenario)

The results of the stress and scenario testing are reviewed by the Risk Committee and are a key element of the ORSA. The scenarios have historically considered a number of macro and microeconomic impacts on the business such as an economic slowdown in China, hypothetical Greek exit from the EU and the resulting impact on the Eurozone, a strengthening of the US economy and the US dollar and rising interest rates or changes in the tax law. The 2024 scenarios considered the economy slowdown as an effect of adverse geopolitical changes.

5. Valuation for Solvency purposes

Solvency II requires an economic market consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements included in LMG Försäkrings Annual Report and Accounts for the year ended 31 December 2024. The financial statements were prepared under International Financial Reporting Standards (IFRS). The table below provides a summary of the Solvency II and the IFRS valuation of assets. An explanation of the Solvency II valuation methods is provided in the sections following the table below.

Assets and liabilities under Solvency II and IFRS (EUR, '000s)			
	Solvency II	IFRS	SII-IFRS difference





Assets	2023	2024	2023	2024	2023	2024
Intangible assets	0	0	4.024	6.218	-4.024	-6.218
Deferred tax assets	0	0	0	0	0	0
Property, plant and equipment	120	153	120	153	0	0
Investments	2.143	2.959	2.143	2.959	0	0
Loans and mortgages	1.968	1.614	1.968	1.614	0	0
Reinsurance recoverable	-7	-9	53	53	-60	-62
Insurance and intermediaries receivables	3.807	7.648	26.762	49.448	-22.955	-41.801
Reinsurance receivables	0	0	0	0	0	0
Receivables (trade, not insurance)	-64	1.083	-64	1.083	0	0
Cash and cash equivalents	11.176	17.732	11.176	17.732	0	0
Any other assets, not shown elsewhere	1.584	2.136	1.584	2.136	0	0
Total assets	20.727	33.316	47.765	81.396	-27.038	-48.080
Liabilities	2023	2024	2023	2024	2023	2024
Technical provisions	2.323	2.579	30.585	55.174	-28.262	-52.595
Provisions other than technical provisions	190	434	190	434	0	0
Insurance & intermediaries payables	0	0	2.242	3.020	-2.242	-3.020
Deferred tax liabilities	732	1.579	-4	6	736	1.573
Derivatives	0	0	0	0	0	0
Reinsurance payables	0	0	108	104	-108	-104
Payables (trade, not insurance)	951	2.350	951	2.350	0	0
Subordinated liabilities in BOF	0	0	0	0	0	0
Any other liabilities, not elsewhere shown	51	40	51	40	0	0
Total liabilities	4.247	6.982	34.122	61.128	-29.875	-54.145
Excess of assets over liabilities	16.480	26.334	13.644	20.269	2.836	6.065





5.1 Assets

- Tangible assets

Tangible assets represent mainly system and small software.

- Property, plant and equipment held for own use.

The Company has no property and plant held for own use, has IT equipment not amortised.

- Investments, loans and mortgages

The majority of LMG investments are in cash and loan to parent company LUX MED. The Company has also invested in a limited portfolio of non-cash assets, principally bonds.

The Company has no participations.

Financial investments (government bonds and deposits other than cash equivalents) are recognised in the Solvency II balance sheet at fair value.

The Company has loan to parent company LUX MED.

- Reinsurance recoverable

Reinsurance recoverable represent the reinsurer's share of technical provisions.

- Insurance and intermediaries receivables, reinsurance receivables

In the Solvency II balance sheet insurance and intermediaries receivables and reinsurance receivables represent amounts due or past due at the balance sheet date and are carried at fair value. In the IFRS insurance balance sheet these assets are held at amortised cost less impairment losses. Those receivables that are not yet due at the balance sheet date are transferred to technical provisions and form part of the valuation of technical provisions. Therefore, due to the short term nature of the assets remaining in the insurance and intermediaries payables line in the Solvency II balance sheet, the IFRS carrying value is not materially different from the fair value under Solvency II. Therefore, other than the reclassification described no adjustment is necessary to calculate the Solvency II value.

- Receivables (trade, not insurance)

Receivables (trade, not insurance) are carried at fair value in the Solvency II balance sheet. The IFRS current trade and other receivables are carried at amortised cost less impairment losses. Due to the short term nature of the receivables, the invoice amount is considered to be a fair approximation of fair value and therefore the Solvency II value is considered equal to the IFRS value. A fair value review is performed on an annual basis to ensure that there are no material differences between the carrying value and fair value.

- Cash and cash equivalents





Cash and cash equivalents in the Solvency II balance sheet consists of deposits that can be exchanged for currency on demand at par value and are valued at their par value.

- Any other assets, not shown elsewhere

There are no material differences between IFRS and Solvency II valuation.

Taking into consideration assets structure of LMG it not necessary to apply any specific assumptions or judgments.

5.2 Technical provisions and other liabilities

The technical provisions for solvency purposes are an estimate of the cost at which insurance contracts could be transferred to another knowledgeable insurer in an arm's length transaction.

The technical provisions have been calculated as the sum of the Best Estimate Liability (BEL) and a Risk Margin. The BEL comprises a claims provision (for claims and expenses incurred prior to the valuation date) and a premium provision (for claims and expenses expected to be incurred between the valuation date and the contract boundary).

It should be noted that due to the inclusion of the future premiums, premium provision calculated using above cash-flow methodology might be negative regardless of the estimated claim and combined ratio, especially for the profitable business with premiums paid in instalments. Such situation is also in line with the market benchmarks.

The value of technical provisions for solvency purposes, as at 31 December 2024 was as presented in the table below.

Technical provisions – Year End (EUR, '000s)		
Item	Medical Expense	Income Protection
Claims provision	9.102	134
Premium provision	-7.775	-40
Risk Margin	1.147	20
Total technical provisions	2.474	114

The technical provisions calculations do not apply the matching adjustment, volatility adjustment or transitional measures referred to in Articles 77 (b),(d) and 308(c),(d) of Directive 2009/138/EC.

- Claims provision

Claims provision represents the estimated cost of claims incurred but not settled as at the balance sheet date. The provision includes an allowance for claims management and claims handling expenses.





The ultimate cost of outstanding claims is estimated using “triangles” projection techniques. It should be noted that the only minor part of the LMG’s OCP is calculated in this manner. This comes from the fact of the business model between LMG and LUX MED.

LMG OCP processes are subject to annual review against Bupa’s Claims Reserving Standards.

- Premium Provision

Premium provision represents the estimated cost of future claims and expenses arising from current and bound insurance contracts, net of future premium receipts.

The cost of future claims and expenses is estimated using actuarial projections of members covered by current insurance contracts and assumptions for expected claims and expenses incurred per member. These assumptions are based on current year experience appropriately adjusted for trends, inflation and discounting.

- Risk Margin

Risk Margin is added to the best estimate provisions to allow for the inherent uncertainty of future cashflow projections. This uncertainty generally relates to the risk that past claims patterns and trends may not apply in the future; for example, as a result of changes in public healthcare provision, economic conditions or LMG claims management procedures.

The Risk Margin has been calculated based on the cost of capital methods as prescribed in regulation.

- Methodology and assumption changes

There have been no material changes in the methodology to calculate technical provisions during the reporting period.

- Other liabilities

Other liabilities are those which include tax, social security and accrued expenses and prepaid income.

- Alternative methods for valuation

There are no material assets or liabilities for which alternative valuation methods are used.

- Any other information

There is no other material information to be disclosed in this section.

6. Capital management

6.1 Own funds

The Company’s own funds represent net assets valued on a Solvency II basis, together with eligible subordinated liabilities. The summary of own funds level is presented below.





Own funds (EUR, '000s)		
Item	2023	2024
Share capital	4.800	5.800
Other capital	11.680	20.534
Capital – Tier 1 unrestricted	16.480	26.334
Capital – Tiers 2 and 3, Tier 1 restricted	0	0
Total available own funds to meet the MCR	16.480	26.334

6.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

The LMG SCR has been calculated using the standard formula specified in the Solvency II directive. We do not use simplification calculations as allowed for under the Solvency II in determining the standard formula Solvency Capital Requirement.

The overall level of the SCR has increased since December 2023, but during the same time the Own Funds increased with the similar pace, so overall solvency ratio is close to the level observed at the end of December 2023.

The table below shows the breakdown of the LMG solvency capital requirement by the standard formula risk modules.

Solvency Capital Requirement by risk module (EUR, '000s)		
Item	2023	2024
Market risk	2.631	3.835
Interest rate	154	147
Currency	2.151	3.600
Equity	60	79
Spread	118	48
Market risk concentration	1.373	1.103
Diversification	-1.225	-1.143





Underwriting risk	7.861	16.345
Premium and reserve	7.771	16.235
Including Lapse	1.109	2.505
Health Cat	335	417
Diversification	-245	-308
Counterparty risk	1.221	2.340
Basic SCR after diversification	9.325	18.500
Operational risk	1.623	2.726
LAC DT	0	-4.094
Total	10.948	17.133

- Use of the duration-based equity risk sub-module in the calculation of the SCR

This section is not applicable to LMG. LMG does not use the duration-based equity risk sub-module.

- Differences between standard formula and any internal model used

This section is not applicable to LMG. LMG does not use the internal model for Solvency validations.

- Non-compliance with the minimum capital requirement and solvency capital requirement

There was no non-compliance with either the MCR or the SCR during the reporting period and no non-compliance is foreseen over the business planning period.





7. Annexes

- Board approval

As it is expected for the governing body to acknowledge and evidence in writing its responsibility for the SFCR and to make this available to potential readers of the SFCR by signing the SFCR and attaching the written acknowledgment to the SFCR.

Hereof, the Board confirms that:

(a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the SFSA rules and Solvency II Regulations as applicable to the insurer; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

Board Members:

- Anna Rulkiewicz, Managing Director
- Michał Rybak, Chief Executive Officer
- Tomasz Koniecki, Board Member
- Sławomir Łopalewski, Board Member
- Grzegorz Maliszewski, Board Member
- Jacob Schlawitz, Board Member

- Reporting templates

The commission implementing regulation 2015/2452 specifies the QRTs to be included in the SFCR, as a minimum. These are listed below.

S.02.01.02 Balance sheet

S.04.05.21 Premiums, claims and expenses by country

S.05.01.02 Premiums, claims and expenses

S.17.01.02 Non-life technical provisions

S.19.01.21 Non-life insurance claims

S.23.01.01 Own funds

S.25.01.21 Solvency Capital Requirement using standard formula

S.28.01.01 Minimum Capital Requirement





8. Glossary

Definitions	
LMG or the Company	LMG Försäkrings AB
Branch Office	Branch in Poland, which conducts active sales and operations
Bupa	The British United Provident Association Limited
the Bupa Group	The British United Provident Association Limited and subsidiaries
InPMI	LMG's hospital insurance introduced in 2022
the LUX MED Group or the Group	LUX MED sp. z o.o. and subsidiaries
Delegated Regulation	Commission Delegated Regulation (EU) 2015/35
Main Office	Sweden HQ overseeing Branch in Poland
Plan	Three-year plan from 2024 to 2026
The Regulated Entities	Collectively Bupa's Solvency II regulated entities (like LMG)
Solvency II Directive	Directive 2009/138/EC of the European Parliament and of the Council
Solvency II Requirements	The Directive, the Delegated Regulation and the Technical Standards combined

