

**SOLVENCY AND FINANCIAL
CONDITION REPORT**

2023

Welcome from the Chair

Dear Members,

As the people responsible for your Society, the regulator requires us to report to you on the extent to which your benefits are secure in a document called the Solvency and Financial Condition Report ('SFCR'). I am delighted to present the SFCR for the year ended 31 December 2023.

Our job is to be there when you need us most. When you are too ill to work, we provide a replacement income. We manage the Society to provide these benefits in two ways. First, we make sure that the Society has a healthy financial position, now and in the future (called 'having sufficient capital'). Second, we make sure that we run the Society properly (called 'having effective governance'). This report describes the work we have done in 2023 to demonstrate that we have sufficient capital and effective governance, and so ensure the security of your benefits.

Running any business involves risk. There is always a risk that our finances deteriorate. We, the Board, are obliged to take every reasonable step to ensure that we identify and manage the risks that the Society faces.

The SFCR is organised into six sections. The sections and their contents are set by the regulator. We include explanatory boxes throughout the report to explain terms as

they are used and have summarised them in a glossary at the end. We have deliberately tried to avoid technical language as much as possible.

I hope you enjoy reading this report. We are always delighted to discuss the Society with our Members at the Annual General Meeting or at any other time. If you have any comments, questions or suggestions, please do not hesitate to contact me.

Summary

Business and Performance

The past 12 months have seen continued social, economic, and political turmoil, both in the UK and across the globe, combined with significant regulatory developments in the UK that have impacted the operating environment for all financial services businesses.

Of particular note are:

- The ongoing conflict in Ukraine, resulting in higher energy prices in the UK (amongst other things)
- A new conflict between Israel and Palestine in Gaza, which has the potential to spread across the Middle East
- High inflation and high interest rates, impacting many people in the UK
- Political instability in the UK, with the resultant impact on stock market volatility
- A new regulatory requirement called Consumer Duty, requiring financial services firms to act to deliver good outcomes for retail customers (as we already aim to) and to evidence this

Consumer and business confidence in 2023 did not recover to pre-pandemic levels, resulting in very challenging market conditions for financial services firms – both for manufacturers and

financial advisers. The consumer confidence index for the UK was 100.7 in December 2019 and 97.8 in November 2023.

We have experienced higher-than-expected claims outgo (with claims recoveries taking a little longer than expected) from our in-force book of policies. To reflect this experience, we strengthened our claims reserving basis for 2023 year-end and will keep this under review for the future. In November 2023 we entered in to an arrangement with Munich Re which resulted in a contingent advance claim being received in the accounting period.

We saw some cost increases in the management of new claims driven by claimants being unable to access the required NHS services to support their rehabilitation due to the scale of NHS backlogs in 2023. We see little likelihood of the availability of NHS services improving over the short- to medium-term, unfortunately.

In addition, we experienced more Members withdrawing some or all of their with-profits balances in response to cost-of-living pressures and needing to access their funds.

As a Member-centric Society, we have remained focused on providing products and services to meet their needs. We have increased our Member-support activity by providing extended payment breaks and made available a hardship fund for our Members to access. We believe it is

important to support our Members where we can in order that they do not lose important cover for themselves and their families by lapsing their policies through affordability concerns.

Our core product, MySickPay, continues to be well-received by financial advisers, and business volumes increased markedly in 2023, driven by competitive pricing and the digital underwriting process improvements we implemented last year. These changes, combined with the ongoing continuous improvements we have made to our core back-office administration platform, PRISM, have significantly reduced our processing times – something that is welcomed by financial advisers.

Our secondary product, HomeProtector – which is a unique Income Protection product designed for the mortgage and rental market – is beginning to gather traction with a group of supporting financial advisers and we hope to see further growth in this product line over the coming months and years.

We delivered several important projects during the year, perhaps the most important being moving PRISM to the cloud. This change delivers improved operational resilience for our systems and processes and reduces our reliance on on-premise servers. The final strategic project in our IT transformation programme (which is to re-platform our front-end systems) was delivered in the early part of 2024.

Summary

Our strategy is to grow by providing useful plans to new and existing Members, and we are confident that the strategy remains appropriate.

Our business model describes how we will implement our strategy. Our view is that our best chance of success is to develop new products and features that Members and Advisers see as attractive and which are competitively priced.

Given that we are a relatively small insurer, our business model includes buying in specialist services which we cannot carry out ourselves.

As a result of our strategy, business model and plans, we expect to grow the value of the Society for our Members.

Risk Profile

All insurers manage risk. It is management's job to organise the firm's affairs to ensure that benefits can be reliably paid when an insured event happens and a claim is made.

The Society's risk profile has remained broadly stable over 2023. It underwrites one type of risk (sickness) and has done so throughout the period. The overall size of the Society has remained similar therefore maintaining the risk profile.

Managing Our Risk Profile

Risk is managed by having sufficient capital and having an effective system of governance. **We have sufficient capital and an effective system of governance.** This report sets out how we have concluded that this is the case.

Having Sufficient Capital

Every year, we estimate the benefits that we expect to pay our Members and the assets that we have to meet them. We assume that most existing Members continue their policies, we make assumptions about expected sickness and we allow for a proportion of Members to stop their plans. This review is called the annual valuation.

The valuation proves that the Society has enough capital to meet Member benefits.

We calculate the risk in the Society's business using the regulatory formula. The cost of risk is called the Solvency Capital Requirement or SCR. It is a measure of how much extra capital the Society needs to be 99.5% sure that it can meet all Member benefits in the next year. If an insurer has more capital than the SCR, the chance of there being a problem in the next twelve months is even lower than 0.5%. We have more capital than the SCR.

The Society's Valuation

This year, our valuation showed a healthy buffer of assets over liabilities (technical provisions plus current liabilities). This buffer is called, in regulatory jargon, 'Own Funds'.

The SCR is the capital needed to cover the cost of the risks calculated by the regulatory formula.

Surplus capital is the term used for the difference between Own Funds and the SCR. The surplus capital provides extra protection to Members and is available for other purposes, such as investment in the Society's strategy.

Table 1 shows that the Society has over £33m of surplus capital.

Table 1: Surplus Capital, £000	31 Dec 2023	31 Dec 2022
(a) Own Funds	70,413	54,843
(b) Solvency Capital Requirement ('SCR')	(37,378)	(31,281)
(c) Surplus Capital (a) – (b)	33,035	23,562

Surplus capital has increased over 2023. The main factor driving the increase is the change to the calculation of risk margin following revisions to regulations.

Summary

We expect our surplus capital to be broadly similar over the next year. Management will continue to monitor the SCR and the surplus capital monthly.

The regulator sets a minimum level of capital called the Minimum Capital Requirement or MCR which, for the Society, is one quarter of the SCR.

In conclusion, we have more than enough capital to confidently support the payment of Member benefits over the next twelve months.

An effective system of governance

The Society has an effective system of governance.

We have procedures in place to make sure that those working for the Society, especially at a senior level, are fit and proper. The risk management system has been reviewed this year and is effective.

Pay is properly managed.

The internal control system has similarly been reviewed and strengthened. The Society has effective compliance, actuarial, risk management and internal audit functions.

Our Independent Auditor is BDO LLP, unchanged from last year.

Our Internal Auditor for 2023 was RSM UK Risk Assurance Services LLP.

Alison Carr FIA of Steve Dixon Associates LLP is our Chief and With-Profits Actuary.

We have a robust process of assessing potential partner firms before we outsource any activity to them, and we continue to monitor those firms to whom we have outsourced services.

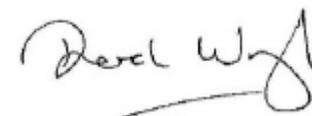
In conclusion, we are satisfied that our system of governance is effective, given the nature, scale and complexity of the Society's risks.

Our Responsibility

The Directors are responsible for preparing this, the 2023 Solvency and Financial Condition Report, so that it meets the regulator's financial reporting rules and the rules that apply to insurance companies. The Directors are responsible for making sure that the working environment is robust enough to ensure that this report is accurate and free from any material mistakes, from any cause, including fraud or someone's error.

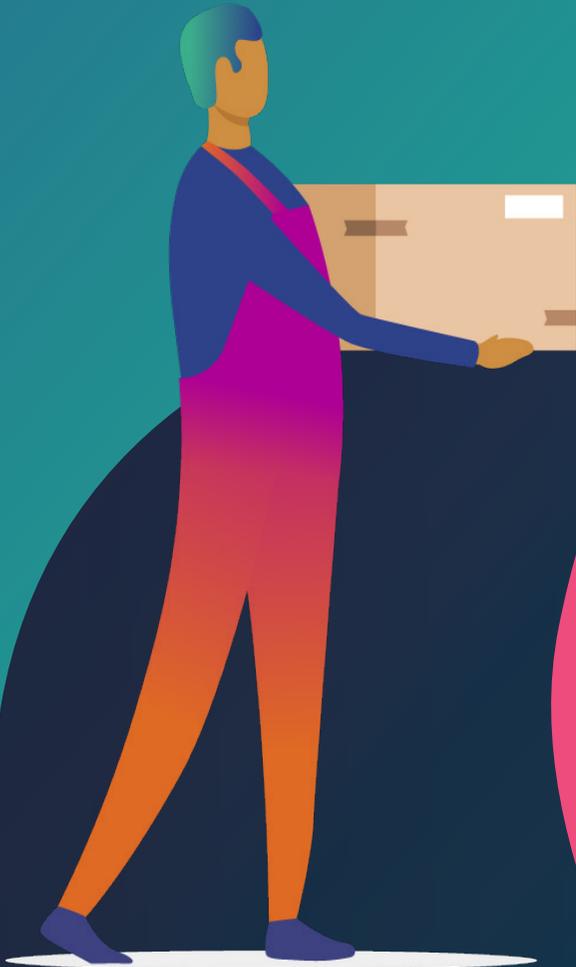
We are satisfied that, throughout 2023, the Society complied in all material respects with the requirements of the regulators' rules and the Solvency II regulations. It is reasonable to believe that the Society has continued to comply since and will continue to do so in future.

By Order of the Board



Derek Wright
Executive Chair
3 April 2024

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Solvency and Financial
Condition Report 2023

A. Business and Performance

A. Business and Performance

A.1 Business

The Original Holloway Friendly Society Limited (‘the Society’) exists primarily to provide a replacement income when you, one of our Members, cannot work because of illness or injury (which we call ‘sickness’). We protect a proportion of your income when you cannot work and try to help you get back to work where we can.

In September 2023, we reviewed our strategy and concluded that, for the medium term, we would pursue a slightly more ambitious growth strategy than in 2022. This is best characterised as

- Aiming to grow our business, with a focus on increasing product reach without sacrificing quality
- Managing the cost base to reduce unit costs over time
- Remaining as an Income Protection specialist and developing a small number of new products over time with an increasing focus on “light touch” products to reduce manual touch points
- Retaining focus on the intermediary market for our core protection products whilst diversifying distribution through selected advisory firms
- Investing modestly to further improve our service

to Members and advisers and to drive further operational efficiencies

Products

MySickPay and Home Protector were launched in 2022.

Alongside our new product set we have listened to market feedback and invested in simplifying our point-of-sale journey for our Members and their supporting advisers. We have introduced automated underwriting by deploying UnderwriteMe into our processes which has significantly reduced the time spent assessing and underwriting new business applications. We have continued to invest in our PRISM administration platform by moving PRISM to the cloud which will improve operational resilience for our systems and processes.

We have continued to evolve our Membership proposition and we have now launched a virtual GP service for all Members from quarter 1 2024, which is in addition to the other Member assistance/support options that we make available to our Members.

We also offer a Holloway product. This pays you an income if you cannot work with an additional benefit of some savings and the right to share in the Society’s profits. We call this our With-Profits (or ‘WP’) product.

What is a Holloway product?

We understand that we were the first firm to combine income protection and savings. The resulting innovative product, introduced around 1875, was named after our founder, George Holloway, MP for Stroud.

We may, in the future, offer new products or adjust or stop offering existing products.

As you might realise, this is a simplified description. Our products are available only through appropriately qualified Financial Advisers who can explain them, including how they can be adjusted for your needs and what options are available. Advisers act for you, not for us, although we do pay commission to them for every new product which is bought. They can usually offer products from a range of providers, not just from us.

We manage a number of products, some of which are no longer available. These can be divided into three types: Income Protection, With-Profits or Unit Linked products.

The Unit Linked product is closed to new business. It was a savings product where the benefit was linked to investment performance.

A. Business and Performance

Everyone who has a product issued by the Society becomes a Member.

Membership

The Society is owned by its Members. It has no shareholders. Therefore, everyone at the Society works for you, our Members. The Society's Board of Management ('Board') makes decisions on your behalf. You elect the Directors who serve on the Board.

What is a Board?

Most companies are run by a Board of Directors. These are the people who direct the company, decide its strategy and ensure its governance. The Board oversees plans, performance and activity and, if not satisfied, makes changes.

The Board is chosen by the owners of the company. For us, the Board is chosen by you, our Members, at the annual general meeting.

The Society has Members throughout the UK, the Channel Islands and the Isle of Man. It offers its products throughout the UK and in the Isle of Man.

We are, legally speaking, a friendly society, registered and incorporated under the UK Friendly Societies Act 1992 with the registered number 145F. We are authorised and regulated by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA'). Our Firm Reference Number is 109986, which you can use if you want to write to either regulator.

The PRA is responsible for ensuring that we can pay benefits when they are needed. It is the regulator that requires this document to be produced and when we use the term 'regulator', we mean the PRA. You can contact the PRA by writing to Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA or by calling 0203 461 7000.

We are also regulated by the FCA, which is responsible for regulating our conduct. You can contact the FCA by writing to the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN or calling 0207 066 1000.

Our independent auditor is BDO LLP ('BDO'). BDO can be contacted by writing to 55 Baker St, Marylebone, London W1U 7EU or by phoning 020 7486 5888.

What is an independent auditor?

An independent auditor is a firm appointed mainly to provide independent assurance to Members that a Society's accounts are broadly accurate.

The economic uncertainty arising from the war in Europe and energy and subsequent cost of living crisis continues to affect sales in the insurance market. The Society has considered this in its assessment of future prospects. It will continue to refine its assessments as the situation evolves.

A. Business and Performance

A.2 Underwriting Performance

What is underwriting?

Underwriting is the insurance term for setting the prices to be paid for the benefits offered at the right level for the risks accepted. For us, this means agreeing prices for individual Members that are competitive as well as ensuring that we can meet the claims of all Members and cover the Society's administration costs.

Underwriting success can be judged by the difference between payments received and claims paid. Underwriting is effective if the payments received are greater than the claims paid. We look first at payments received and claims. Table 2 shows payments and claims for the three products described earlier (Income Protection (IP), With-Profits (WP) or Unit Linked (UL)). Reinsurance is included and is explained a little later.

	IP		WP		UL		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Net Earned Payment Income								
Gross Payments (P)	9,567	8,606	2,320	2,454	-	-	11,887	11,060
Reinsurance Out	-	-	(49)	(50)	-	-	(49)	(50)
Gross Claims	(3,659)	(2,952)	(611)	(530)	(57)	(40)	(4,327)	(3,522)
Reinsurance In	-	-	9	11	-	-	9	11
Surplus (by how much does income, exceed claims)								
Surplus (S)	5,908	5,654	1,669	1,885	(57)	(40)	7,520	7,499
% Surplus (S+P)	61.7%	65.7%	71.9%	76.8%	-	-	63.2%	67.8%
Key: IP = Income Protection, WP = With-Profits, UL = Unit Linked								
Note: 'Reinsurance In' does not include the contingent advance claim from Munich Re								
'Reinsurance Out' does not include the repayment of the contingent advance claim to Munich Re								

The Surplus is the difference between income from Members and claim payments to Members. The bigger the number, the more money the Society has to support Member benefits, expenses and the Society's growth.

Very little new With-Profits business was sold in 2023. The With-Profits results include Members

claiming their investment balances. The Unit Linked plans are closed to new business and have all completed their payment-paying term.

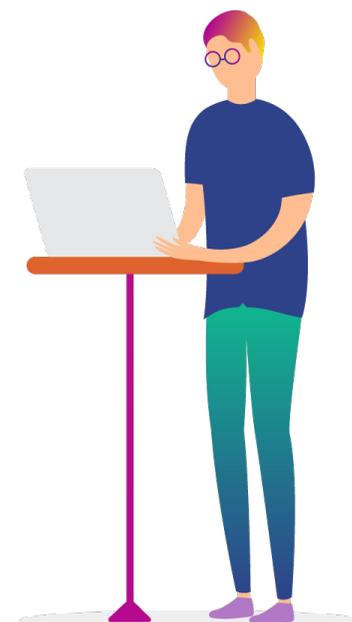
Our main source of income is payments from Members. We also receive income from our investments. Details of this income are in section A.3.

A. Business and Performance

Having identified in Table 2 the difference between payments from Members and claims paid to Members, we consider the expenses. Table 3 shows the expenses.

Table 3: Operating Expenses, £000			
Expense Type		2023	2022
Acquisition	Commission	2,449	1,668
	Sales-related Expenses	4,351	4,274
Total Acquisition Expenses		6,800	5,942
Administrative	Maintenance Expenses	3,090	3,147
	One-off Expenses	138	833
Total Administrative Expenses		3,228	3,980
Total Operating Expenses		10,028	9,922

Commission is in line with the higher new business.



A. Business and Performance

A.3 Investment Performance

The Society's investments are managed by a firm called LGT Vestra Wealth Management UK LLP. We classify our investments into three categories: equities (shares), fixed interest (UK gilts and bonds) and cash. Table 4 below shows how our investments have performed:

Return Type \ Asset Type	Equities		Fixed Interest		Cash		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Realised Capital Gain/(Loss)	78	(68)	39	(118)	-	-	117	(186)
Income Received	59	58	318	438	80	19	457	515
Unrealised Capital Gain/(Loss)	57	(60)	471	(1,794)	-	-	528	(1,854)
Investment Expenses	(4)	(5)	(41)	(49)	(9)	(5)	(54)	(59)
TOTAL	190	(75)	787	(1,523)	71	14	1,048	(1,584)

During the year, interest rates fluctuated owing to continued uncertainty in global market conditions and inflationary outlook. Fixed interest asset values ended the year around 5% higher than one year ago. We have not made any changes to our investment profile.

At the end of the year, we held no securitised assets. The Society has a small portfolio of assets to support its Unit Linked plans, which is also managed by LGT Vestra.

A. Business and Performance

A.4 Performance of Other Activities

The Society did not perform any other activities.

A.5 Any Other Information

There is nothing additional to report.



Solvency and Financial
Condition Report 2023

B. System of Governance

B. System of Governance

What is governance?

Governance is a system that provides a framework for managing organisations. It identifies who can make decisions, who has the authority to act on behalf of the organisation and who is accountable for how an organisation and its people behave and perform.

B.1 General Information on the System of Governance

What is a system of governance?

This means everything that is in place to make sure that the Society is well governed.

The system of governance reflects our size, the range of products that we offer and our historic expertise in the work that we do. The system of governance for a large company is different to that of a small one. It is important that the approach chosen fits the company. We think that ours does.

Regulation asks for three things in the system of governance: (a) a transparent organisational structure, (b) clear and appropriate segregation

of responsibilities, and (c) a well-established and effective system for ensuring the transmission of information. We have these in place. In short, (a) all of our Colleagues know what their jobs are and who does what, (b) we insist that everyone's work is checked by someone else and that no-one is allowed to do work where there might be a conflict, and (c) we work hard to make sure that everyone knows what is going on, and if not, that it is clear where to go for help.

The system of governance is regularly reviewed by the Board and its Audit and Risk Committee.

What is the Audit and Risk Committee?

The Board has set up Committees to help it with oversight. The Audit and Risk Committee oversees internal and independent audit, compliance, actuarial and risk management activities. It ensures that the risk management and internal control systems are effective.

About the Board

The Board is a group of people, called Directors, who, together, run the Society at a high level. It is chosen by our Members and is responsible to them and to the regulators.

The Board is made up of Non-Executive and Executive Directors.

The Non-Executive Directors are independent. Primarily this means that they don't work in the Society other than as Directors, nor do they have any personal interest in the Society, other than owning one of the Society's products.

The Executive Directors work in the Society as well as being Directors. They too own products issued by the Society.

Directors are explicitly allowed to own products issued by the Society under the Society's rules.

As everyone knows about this, it is not deemed to be a conflict.

There are more Non-Executive Directors on the Board than there are Executive Directors. If it comes to a vote, Executive Directors cannot out-vote the independent Non-Executive Directors.

The Board was, as at 31 December 2023, made up of eight people: six Non-Executive Directors, the Chief Executive and the Chief Financial Officer (who is also the Chief Risk Officer). The Chief Financial Officer will leave the Society at the end of March 2024. The Chief Executive left the Society at the end of February 2024 and the Chair has been appointed as interim Chief Executive whilst a permanent replacement is recruited.

B. System of Governance

The Board decides the strategy, hires the Chief Executive and other senior people, and monitors performance. The Board can consider anything it chooses. Mainly, it considers business plans, culture, financial and other reporting, the quality of the system of governance, risk management, the prudential management of the Society and its own succession. The Board is led by the Chair. This year, the focus has been primarily on developing the next strategic plan.

What is the Chair?

The Chair is the Non-Executive Director who leads the Board. It is an important role with specific responsibilities to the regulator and to Members.

There are three Board Committees which help the Board do its work. These Committees and the Board hold the Executive to account.

What (or who) is the Executive?

The Executive refers to a small group of senior employees. At the end of 2023, the Executive comprised the Chief Executive, the Sales & Marketing Director, the Chief Operating Officer (appointed on 1 June 2022) and the Chief Financial Officer.

These are the employees who run the Society, led by the Chief Executive, responsible to the Board.

The Nomination and Remuneration Committee is two committees sitting at the same time.

The Nomination Committee is, as at 31 December 2023, made up of four people: two independent Non-Executive Directors, the Chair and the Chief Executive. It considers the Board's performance and its current and future make up. The Remuneration Committee is made up of three people: two independent Non-Executive Directors and the Chair. It considers all aspects of pay, including Executive

pay, and bonus plans (annual, enhanced and sales). This joint Committee meets at least twice a year. It helps the Board by making sure that the Board and its Committees work effectively, including having a plan for succession, and that there is effective oversight of pay and benefits. No Director is involved in setting their own pay.

The Audit and Risk Committee (or 'ARC') is, at 31 December 2023, made up of four people, all of whom are independent Non-Executive Directors. It considers the effectiveness of our financial management, risk management and internal controls systems and the controls around compliance.

The Committee draws on the work of the independent auditor, the internal auditor, the risk management function, the actuarial function and the compliance function. The Committee meets at least four times every year. It helps the Board have confidence in the quality of our system of governance and the accuracy of our financial statements.

B. System of Governance

Main Business Functions

There are three main functions of the business:

- Sales and marketing,
- Member services, IT and operations, and
- Finance, risk, compliance and actuarial.

The sales and marketing function is responsible for:

- presenting us to Members and Advisers before and after a product has been bought
- dealing with press enquiries
- writing and designing material
- finding new Advisers
- managing the relationship with Advisers
- agreeing commission rates, and
- designing new propositions and products and making sure existing ones remain fit for purpose.

Its role is to make sure there is a healthy flow of new Members.

The Member services, IT and operations function are responsible for:

- the handling of our Head Office activities involving Members and their products
- dealing with Members, underwriting and administration
- handling claims when Members cannot work
- keeping the IT systems going
- managing new IT developments
- looking after all aspects of the Head Office building
- disaster recovery planning (how the Society would cope in an emergency)
- people management, and
- project and change management.

Its role is to handle all aspects of supporting Members, as well as ensuring that the computer systems are working, the buildings are safe and so on.

The finance, risk, compliance and actuarial function is responsible for the money, be it money coming in from Members, money being paid to Members who are ill or injured (claims), or money being paid to cover commissions, wages, suppliers, training, insurance, consultancy fees etc. Part of this responsibility is the proper accounting for every penny received and spent. The function includes:

- the risk management systems (does the Society understand the risks it is running and has it thought about how to manage risks to prevent a problem?)
- the actuarial function (is there sufficient capital, now and over the long term?)
- the compliance function (does the Society meet the rules?)
- liaison with independent and internal audit, the Chief Actuary and the With-Profit Actuary.

Its role is to ensure that the Society is managed and controlled to the high standards expected of an insurer and that benefits can be paid when needed.

B. System of Governance

How the system of governance has changed during 2023

There were no substantive changes to the system of governance in 2023.

Remuneration policy and practice

We will only be successful if our people work hard and do a good job. The Society's future is in the hands of its employees, whom we call Colleagues, who need to be rewarded properly for doing a good job.

The Society's approach to paying Colleagues is set out in its Remuneration Policy. Our Remuneration Policy tries to make sure that the right behaviour at work is rewarded. This is a balance between continuing doing everyday work to the right standards and coping with the changes that growth requires.

We have a clear idea why the Society exists (to be there when Members need us the most – our mission) and what it has to be if it is to grow (to be the most recommended specialist provider – our vision). We have a clear idea of what makes the Society special (our values).



B. System of Governance

The Remuneration Policy supports the mission, vision and values and tries to recognise and reward those who support them through their behaviour at work.

Rewards have to be in proportion to the overall success of the Society. They have to reflect each person's contribution.

Our Remuneration Policy is based on the following:

- there needs to be a balance between achievements and risk taking
- rules must be met, values demonstrated and standards maintained
- no-one should benefit through an accident or because the rules did not cover every possible situation (so payments are discretionary), and
- everyone should have the opportunity to earn a bonus based on how well they work.

Pay at the Society is made up of (i) salary, benefits and pension, (ii) a sales incentive plan or (iii) an annual bonus plan and enhanced bonus plan.

(i) Salary, benefits and pension are paid to all Colleagues.

The salary, benefits and pension are competitive.

They are regularly compared with the pay and benefits of similar firms, at every level.

Benefits include car allowance, private medical and dental and other standard benefits (death-in-service, paid holiday, sick pay etc.). The benefits offered differ according to role and seniority.

(ii) The sales incentive plan is open to all Colleagues working directly in the sales function.

The sales incentive plan generates bonuses based on quarterly and annual sales performance, and performance on a number of conduct and capability measures.

(iii) Annual Bonus Plan and Enhanced Bonus Plan is open to all Colleagues excluding the sales function.

The amount of bonus available for both plans is calculated by reference to the Society's cash flow relative to the business plan approved by the Remuneration Committee for this purpose. The available bonus is split 75% annual bonus plan; 25% enhanced bonus plan.

The annual bonus plan requires thresholds on solvency, cash flow and conduct to be achieved. If they are, a bonus linked to performance against a set of numeric and activity targets may become payable with the overall amounts available determined as above.

The enhanced bonus plan is open to the Executive and may pay a bonus depending on performance against a number of measures, subject to meeting a number of higher thresholds. Payments are staged: 50% payable following the end of the next year, 25% one year later and 25% one further year later. Subject to agreement, a new plan begins each year.

In 2023, a final payment was made from the 2018-2020 long-term incentive plan to the Chief Executive.

The Purpose of Remuneration

We use pay to attract and keep good people who have the skills and experience that the Society needs to grow and serve existing Members well. Salary, pension and benefits are set in comparison with similar firms and to attract people to the Society.

All bonus plans are structured to encourage the activities needed for the Society to grow and be affordable.

Terms of appointment of Executive Directors and other members of the Executive

The employment terms, including pay, for the Society's most senior executive functions are overseen by the Remuneration Committee. No

B. System of Governance

individual is involved in setting her or his own remuneration.

The incentive plans are intended to attract and retain Executives of the right quality and the Balanced Scorecard (which records the performance of the Society against a number of metrics under the headings of: Financial, Customer and Member, Enablers and Controllers and People) should encourage focus on the most important elements that contribute to the Society's strategy. The Remuneration Committee is responsible for all payments under this bonus plan. It can choose to ignore the amounts calculated from the bonus formulas, and instead to increase or reduce bonuses payable. It is expected that this would only happen to fairly reflect contributions made, where not to do so would be harmful to the Society's long-term success. The Committee can reduce, withdraw or claw back any payments under the long term or enhanced incentive plan in certain circumstances.

No Executive service agreement has a notice period longer than one year and there are no loss-of-office or other benefits linked to resignation, except pay during notice periods. Any severance package for an Executive is subject to agreement by the Remuneration Committee. There are no early retirement or supplementary pension schemes.

Terms of appointment of Non-Executive Directors

Non-Executive Directors are paid fixed fees. The fees reflect the work required of each role. There are no other benefits offered. The notice period is one month. There are no loss-of-office or other benefits linked to resignation from the Board. Re-election varies depending on time served, but no Director may serve for more than three years following their election at the Society's Annual General Meeting without re-election. Serving for more than six years requires particular consideration. There are no early retirement or supplementary pension schemes.

Remuneration throughout the Society

The Remuneration Policy applies to all Colleagues. The annual bonus plan is open to all non-sales Colleagues. The sales incentive plan is open to members of the sales team, but not senior sales management (who instead are part of the annual bonus plan).

Transactions with connected parties

During 2023, the Society did not do any paid work with people or firms which are closely connected with its Directors or senior managers.

B.2 Fit and Proper Requirements

We need our Executive and Senior Leadership Teams to have the skills, knowledge and expertise to run the Society properly and to develop and implement our strategy. The most important quality is experience. Professional qualifications are important for some roles, as is a willingness to make the changes necessary to allow us to be there for our Members in their times of need and to demonstrate our strengths to Advisers.

What is the Senior Leadership Team?

This is the group of people who work for members of the Executive. On a day-to-day basis, the Senior Leadership Team makes sure that the Society is properly run. Members of this team attend the monthly Executive, and some other Committee, meetings and, depending on their job, may occasionally attend or present at Board meetings.

Our Board ensures that those running the Society are properly qualified and have the knowledge and experience to do their work properly. They must have good reputations and have integrity. The regulator calls this being fit and proper. For the most senior people, the Nomination Committee ensures that applicants are fit and proper. For other roles, the Executive has this responsibility.

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The regulator is kept up to date with all changes in senior management, including key function holders (the regulator's label for specific functions). We share the information used to confirm that someone is fit and proper. In particular, if someone was thought to be no longer fit and proper, we would tell the regulators.

When someone joins our Executive or Senior Leadership Team for a role that requires regulatory approval, a specialist firm is hired to collect the information needed to decide whether they are fit and proper. This firm considers fitness mainly by validating statements made by the candidate, including qualifications earned. It considers probity (a word used by the regulation to mean honesty or integrity) by searching for indicators of poor behaviour, including criminal record checks. It asks for references from previous employers. The Board ultimately decides whether it feels that someone at this level is fit and proper. For these roles, having made its assessment, the Board has to propose the individual to the regulator to be approved before the person can begin in the role.

In all other roles, the checking process is tailored for the role.

B.3 Risk Management System, Risk Function and the Own Risk and Solvency Assessment

(a) Risk Management System

Insurers are required to have an effective risk management system. This system must include strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis, the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies. This statement of what must be covered by the risk management system is taken from the regulations. Management keeps the Risk Management System under review and makes adjustments as necessary.

Our Risk Management System considers all risks to which the Society is exposed within the categories of Financial, Strategic and Operational. Risks to the business plan are automatically considered when it is developed.

The Board periodically gets an independent review of the Risk Management System. Overall, the Board is satisfied that the Risk Management System is effective. It is well integrated into the Board processes and is becoming embedded into other parts of the Society.

The Society's Risk Management System starts by defining the risks that the Society faces. A risk threshold and/or tolerance is defined for each risk which may be qualitative or quantitative. The thresholds and tolerances are set to balance the

consequences of risks arising versus the cost of maintaining appropriate controls. Management then reports to the Board if one or more thresholds are, or looks like they might be, exceeded.

What is a risk tolerance?

This is the point at which the level of risk being run by the Society becomes unacceptable. Where we can, we have quantitative measures, for example the number of process errors that are acceptable.

The Executive continually monitors risks, including operational risks, that come to light. Where appropriate, reports are made to the Board, to ensure that Directors are informed about the risks that materialise.

What is operational risk?

Operational risk is the risk of some planned activity going wrong because a process fails, a system fails, or someone does something wrong.

The regulator includes fraud and legal problems as operational risks.

The Society maintains a risk register.

B. System of Governance

What is a risk register?

The Society's risk register is a list of the risks that it faces, with details of how the risks are identified, measured, monitored, managed, and reported.

We have established a management committee called the Risk and Controls Committee to assist the Chief Risk Officer ("CRO") review risk and internal control information, and to decide what escalations may be required both to Executive Management and the Board.

The CRO (who is also the Chief Financial Officer) is an Executive Director of the Society. The CRO is responsible for ensuring that risk consequences are properly considered.

We regularly discuss how risk might affect outcomes and our solvency, even if no change is expected. We especially consider risk and the impact on future solvency when developing new products or business initiatives.

When the Board or a Committee has a decision to make, the papers describing the decision include CRO comment. The CRO is expected to cover the impact of the decision on our risks and our solvency. The result is that the Board makes decisions in full knowledge of the possible impacts

of the decision on risk, on solvency and on the system of governance.

(b) Risk management function

Insurers are required to have a risk management function as part of their Risk Management System. The Society's CRO runs the risk management function. The risk management function makes sure that the Risk Management System works properly.

The CRO reports to the Chair of the ARC on risk matters. The CRO attends board meetings. These arrangements provide the authority necessary for the role. The CRO regularly discusses the work for the risk management function, its resources, and the Risk Management System, with the ARC.

(c) Own risk and solvency assessment

What is an Own Risk and Solvency Assessment?

The regulations require insurers to undertake an Own Risk and Solvency Assessment, or ORSA, at least annually and whenever its risk profile significantly changes.

The ORSA is a judgement by the Board of the insurer's risks and the impact on the insurer's solvency. Importantly, it is the Board's view, not the regulator's (and not necessarily the view using the regulatory formula).

The starting point for the own risk and solvency assessment (ORSA) is the ORSA policy. This is a document required by the regulator to set out how an ORSA is to be done.

The ORSA process is a series of steps. The Board and others consider all of the risks that we face and their possible impact. The impact of each risk might be how it affects capital, how management has to behave to manage the risk, or a mixture of both.

What is capital?

Capital is the name for the resources available to meet the Society's outgoings.

For the Society, capital is made up of cash, investments, and the difference between payments from Members (inflow) and future claims and expenses (both outflow).

We design a number of risk tests. Some just look at a single risk and suggest the extent to which it might move. Others look at groups of risks occurring together. The tests are used to see the impact on the Society if risks occur as suggested. The Board considers the results and may ask for new tests when it sees what the first results reveal.

When the Board is satisfied that it has considered all possible risks, it can start to think about the right level of solvency given those risks. The Board needs

B. System of Governance

to decide how much surplus capital it needs to be sure that Member benefits can be paid when due, despite all the risks.

What is surplus capital?

Surplus capital is the capital over and above that needed to meet expected Member benefits and the SCR.

We then perform a number of routine checks before drawing up a draft ORSA report for the ARC to consider. Based on the ARC's views, a final report is presented to the Board. This includes the Board's proposal on the necessary level of surplus capital that we need to have confidence that Member benefits can be paid. Once agreed by the Board, the report is sent to the regulator.

Throughout this process, an ORSA record is kept containing details of the intermediate results and discussions on risk matters.

Once the ORSA report is agreed, the Board conducts a review of the process. The results of the review are fed into the review of the ORSA policy and the next scheduled ORSA.

The results of the ORSA have to be shared throughout the Society. Integrating the ORSA is part

of the risk management function work described earlier.

The ORSA is expected to be undertaken annually, or if there is a significant change to the Society's risk profile. This year's ORSA is due to be completed in September 2024.

(d) Decision making

Insurers are required to write down their decision-making procedure as part of their Risk Management System. We have done this.

We have taken steps to ensure that the Board does not make decisions without understanding the risks to that decision. One of the purposes of the Risk Management System is to ensure that all of the risks affecting major decisions are understood and that ways to manage or remove risks are considered before the decision is made. Thinking about risk as a day-to-day feature of decisions, rather than something separate, should improve the quality of Board and Committee decisions.

B.4 Internal Control System

(a) About the internal control system

Insurers are expected to have an effective internal control system.

We have an effective internal control system, which covers administrative and accounting procedures, an internal control framework, appropriate reporting arrangements at all levels of the Society and a compliance function.

Our internal controls are generally managed by the person responsible for each function. These managers are responsible for making sure that there is the right mix of controls and for managing changes safely within their functions.

Each manager assesses the effectiveness of their controls and discusses their plans to improve controls where necessary with the Head of Risk and their manager. After each quarterly meeting with the Risk Officer, a report is produced for the Risk and Controls Committee, which in turn produces a report for the ARC.

The Risk Officer is responsible for documenting and managing internal controls.

These structures and accountabilities (regulatory jargon) form the Society's internal control system.

In conclusion, the Board is satisfied that the Society has an effective internal control system.

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(b) Compliance function

The regulator requires that every insurer has an effective compliance function.

The compliance function advises the Board on the effectiveness and completeness of the structures in place to ensure that the Society complies with the laws, regulations and rules of Solvency II and a number of other regulations. It considers changes in regulations and how they might affect the Society. The function considers the risk of non-compliance.

What is Solvency II?

Solvency II is the name given to the regulations that UK insurers have to follow. It sets out what insurers have to do to protect Member benefits.

The areas discussed in this document are all required under Solvency II, as is the production of this document.

The Compliance Officer is appointed by the Board and has a direct reporting line to the ARC Chair and to the Chief Executive as well as a day-to-day reporting line to the Chief Financial Officer. These arrangements provide the authority necessary for the role.

The Compliance Officer is industry-experienced and has access to external support should it be needed. Their responsibility covers compliance, money laundering, other financial crime prevention and data protection. The Chief Financial Officer is the Board-appointed Director responsible for money laundering and financial crime controls.

It is important that, while the Compliance Officer is employed by the Society, she or he can independently decide whether something is in accordance with the rules, without being swayed by her or his manager or by wider management. The Board is satisfied that the Compliance Officer has operational independence by nature and professional training, and that this is maintained through the reporting line to the ARC.

The Society's planned compliance activities, including compliance monitoring, are set out in an annual compliance plan that is considered by the ARC. It reports progress on this and any other compliance work at regular ARC meetings. It is available to all other functions of the Society to offer advice.

The activities selected for inclusion in the plan depend on the Compliance Officer's assessment of the areas that require review in the light of both the Society's business plan and issues emerging which have a compliance implication. The Compliance Officer regularly considers whether the function

has enough time and resource to ensure that the Society is appropriately compliant and reports her conclusions on this subject to the ARC.

The Board periodically asks for the Internal Auditor to review the effectiveness of the Compliance Function. In conclusion, the Board is satisfied that the Society has an effective compliance function.

B.5 Internal Audit Function

The regulator requires that every insurer has an effective internal audit function.

The internal audit function considers the adequacy and effectiveness of the internal control system and other elements of the system of governance. It is objective and independent from the operational functions. These are regulatory requirements.

Internal audit performs an independent risk assessment and agrees the areas it will investigate with the ARC. It produces a report after each investigation describing its findings and its recommendations. This report is presented to management, which ensures that appropriate actions are taken within an appropriate timescale. A summary of activity and investigation results, including progress towards implementing the recommendations, is provided to the ARC by the internal audit function.

B. System of Governance

The internal audit function, in 2023, has been provided by RSM UK Risk Assurance Services LLP.

Over a multi-year cycle, RSM agrees the areas to be investigated with the ARC and produces a work plan for the next year. During 2023, a number of investigations were carried out, covering the areas deemed highest risk by the ARC. A report was produced after each investigation as well as an annual report on our governance, risk and controls.

By using an external firm as internal auditor, we judge that internal audit is independent and objective. RSM does not provide any additional services to the Society.

The Chair of the Audit & Risk Committee serves as the Head of Internal Audit. A member of the compliance team liaises between the Head of Internal Audit, the internal auditor and the ARC. These arrangements ensure that the function has appropriate authority.

As part of continuing review, the Head of Internal Audit regularly considers whether there is enough resource, in terms of days of RSM time, directed to internal audit work, and discusses his conclusions on this subject to the ARC. In conclusion, the Board is satisfied that the Society has an effective internal audit function.

B.6 Actuarial Function

The regulator requires that every insurer has an effective actuarial function.

What is an actuary?

An actuary is a specialist insurance professional who is trained in actuarial work.

Actuarial work tends to involve projecting events over the long term. Events include sickness, investment returns and expenses.

Actuaries use these projections to confirm the financial health of insurers.

Alison Carr of Steve Dixon Associates LLP carried out the function of Chief Actuary. Alison was approved in this role by the regulators on 18 November 2021.

The actuarial function carries out a number of tasks set out in the regulations and provides a number of required reports to the Board.

The Chief Actuary heads the actuarial function and reports to the Chief Financial Officer, with explicit additional reporting lines to the ARC. These arrangements ensure that the function has appropriate authority.

The Chief Financial Officer commissions advice from the Chief Actuary as necessary. The Chief Actuary is always available to members of the Executive and Board to discuss matters of actuarial interest. The Chief Actuary is industry-experienced and has access to external support should it be needed.

It is important that the Chief Actuary can independently decide whether something is in accordance with the rules or guidance, without being swayed by her or his manager or by wider management. The Board is satisfied that the Chief Actuary has operational independence by her nature and professional training, and that it is maintained through the reporting line to the ARC.

The Chief Actuary takes steps to ensure that any conflicts are managed, and discusses these with the ARC where necessary. The Chief Actuary liaises with the Chief Financial Officer to plan the work required and to ensure that there is sufficient resource available to perform it to the appropriate standard.

Alison Carr of Steve Dixon Associates LLP also provides our With Profit Actuary service. The contract is an annual one. The With-Profits Actuary is industry-experienced. She carries out several tasks set out in the regulations, including recommending bonus rates on With-Profits plans to the Board.

B. System of Governance

The With-Profits Actuary reports to the Chief Financial Officer with an explicit additional reporting line to the ARC. These arrangements ensure that the With-Profits Actuary has appropriate authority. By using an external firm, we judge that the With-Profits Actuary is independent and objective.

In conclusion, the Board is satisfied that the Society has an effective actuarial function, including the Chief Actuary and the With-Profits Actuary.

B.7 Outsourcing

We outsource some functions of our business, including:

- investment services
- hosting of web-based services
- telephone interviewing and data collection, to aid underwriting
- medical reviews and nurse triage
- mailing and AGM voting management
- call recording
- internal audit (see B5)
- Chief Actuary services, (see B6), and

- With-Profits-Actuary services (see B6).

In all cases, we remain fully responsible to our Members for the quality of the service.

We do not outsource critical or important operational functions or activities if we judge that the result would unduly increase operational risk, would reduce the regulator's ability to oversee the extent of our compliance with its rules, or would undermine continuous and satisfactory service to Members.

We outsource typically to UK-based organisations, although some work may be done elsewhere in the world. In these cases, we take steps to ensure that the provider agrees that no personal information is sent outside the UK without proper measures to keep it safe.

We alert our regulator prior to any outsourcing of critical or important functions or activities as well as to any subsequent material developments regarding those functions or activities.

B.8 Any Other Information

None.

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C. Risk profile

C. Risk Profile

The Society's key risks, which together make up its risk profile are described in the following paragraphs.

C.1 Underwriting Risk

Underwriting risk is the risk that we don't charge our Members enough to cover the claims payments that we need to make and the expenses that we have to cover. In assessing our underwriting risk, we have to think about the health of new Members, the health of existing Members, how many claims we are receiving and their length, how long Members keep paying for cover, what we can earn on our investments at what risk, and how much it costs us to run the Society, including paying commission to Advisers for new sales.

The main way to assess our underwriting risk is to compare what we assumed when we determine how much to charge for insurance cover with our experience.

What is experience?

Insurers make a lot of assumptions in their planning and projections. Experience is the term used to describe what actually happened rather than the assumption that was made.

Sickness

We assess every potential new Member's health and lifestyle so that we can decide the insurance cover that we can offer and the cost and conditions of that insurance. There is a risk that Members are ill or injured more often or for longer than the average that we assume.

We compare the total sickness and other benefit payments made each year with our average assumptions. If the number, value or duration of claims is materially higher or lower than assumed, we consider whether we need to change our prices and/or reflect this difference in our valuation.

What is a valuation?

Every year, we are required to calculate the value of the products that we administer, primarily to make sure that we have enough capital to meet the benefits that are due to Members. This process is called the valuation.

Most of our products have fixed premiums, so it is important that over the long term, the average experience does not vary materially to that assumed.

We assess the risk of worsening sickness by close

monitoring of new claims and active management of existing claims. We mitigate it by increasing the amount of capital held against the risk, reviewing underwriting practice where necessary, increasingly active claims management and re-pricing where we think the change in experience is likely to persist into the future.

We continually review our claims procedures to ensure that they are effective for Members.

Lapses

We assume that some Members will stop paying every year. When this happens, we say their policy has lapsed. We compare the number of policies that actually lapse with the number that we assumed. Every policy that lapses leaves fewer to bear the remaining expense. Thus, lapse risk and expense risk are connected.

What is a lapse?

When a Member decides not to continue with their policy, we say that it has 'lapsed'.

Policies may also end because the Member dies, the Member reaches retirement or the policy reaches its maturity date.

C. Risk Profile

Every year we look at how many Members have stopped paying, usually divided up by features that may mean Members are more or less likely to lapse. We compare this with our assumptions. We assess emerging lapse risk by closely monitoring payment collections and other processes which might lead a member to decide not to continue with their policy.

Lapse risk is mitigated by prompt service, sensitive review of individual circumstances (recognising that lapse may be appropriate in some circumstances) and by thinking about how to ensure that Members keep their policy going where it is sensible for them to do so.

Expenses

Expense risk is the risk that expenses are higher or increase more quickly than we expected. It is important that our expenses are appropriate for the Society's size, so we monitor the expense per policy as well as overall expenses. If there are fewer policies than expected, even if expenses are as budgeted, the expense per policy will be higher. There are several reasons why there might be fewer policies than expected. The most common are because our sales are lower or because more Members lapse.

We assess expense risk by continually monitoring spending and the number of policies in place. We mitigate it by planning and careful use of resource.

Other health risks

There is a risk that Members die and their policies cease earlier than expected. There is a risk that Members live longer than expected. Neither of these risks is very significant for us. There is a risk, examined within the ORSA, that future sickness experience is different from the past due to the emergence of new treatments and/or health conditions.

Concentrations

Sickness and lapse risk are very material for the Society. There is no concentration of risk. We always aim to sell a large volume of each of the policies that we offer and to sell through a variety of Advisers.

Reinsurance

We reinsure 50% of the sickness risk arising on the Home Protector product line with General Reinsurance (London Branch).

Underwriting risk sensitivity

Table 5 shows the sensitivity on Own Funds to the underwriting risks described above:

Table 5: Approximate Impact of Changes to Assumptions on Own Funds, £000 — Underwriting Risks

		2023	2022
Own Funds as at 31 December		70,413	54,843
Assumption	Change	Impact	
Spells of sickness	sickness incidences increase by 10%	(4,101)	(2,974)
Length of sickness	sickness recovery rates reduce by 5%	(3,127)	(3,068)
Lapse rate	10% more Members leave	(6,252)	(4,730)
	10% fewer Members leave	7,183	5,249
Expenses	10% increase in servicing expenses	(1,268)	(1,689)

The sensitivity tests are carried out by individually varying the assumptions as described and re-calculating the Society's Own Funds in full.

Outlook

As our underwriting risk is directly correlated with the size of the Society, we expect that, given our growth plans and our continued focus on the individual income protection sector, our underwriting risk will increase over the medium term.

C. Risk Profile

C.2 Market Risk

Market risk is the risk that Own Funds reduce through changes in market prices of assets, liabilities and financial instruments.

The size and nature of our market asset risk depends on the assets that we hold. For the Society, this includes the risk that our investments in equities, bonds and property fall or there is an adverse movement in foreign currency exchange rates on any non-GBP denominated assets. There is a risk that our assets become overly concentrated in a small number of issuers so are at risk of one of these failing. All of these asset market risks are small for the Society.

The material market risk for the Society is a change in risk-free interest rates that could lead to a reduction in the size of the negative liability (i.e. asset) representing the future value we believe exists within the in-force policies. Risk-free interest rates have remained broadly stable over all durations in 2023.

The Society does not currently undertake asset-liability matching.

Matching by currency is straightforward. All of our liabilities are denominated in Great British Pounds ('GBP'), so we match by investing mainly in GBP-

denominated assets. As a result, our currency risk is low.

We invest our assets in line with the Prudent Person Principle, by carefully selecting investment managers and designing their instructions to cover the security, quality, liquidity and profitability of the assets they select. Assets are always invested in the best interests of Members.

We mitigate market risk by ensuring that our investment policy is set with a proper understanding of the nature of the Society's liabilities and its future cash demands, by specifying the degree of diversification required, selecting suitable benchmarks and by monitoring the activity of the selected investment managers.

We invest in a wide range of assets to reduce the chance that poor performance or the failure of a single asset could have a significant impact on the performance overall. Section D.1 describes the portfolio in terms of the different types of assets.

We hold equities and bonds from a diverse range of issuers, so our asset concentration risk is very low. The only property that we hold directly is Holloway House, our headquarters, but as this has a low value in comparison to our other asset holdings it attracts low concentration risk.

Market Risk Sensitivity

The Society is sensitive to changes in a number of economic factors. Table 6 shows the impact on Own Funds of changes in these factors:

	2023	2022
Own Funds as at 31 December	70,413	54,843
Assumption	Change	Impact
Risk-free yields	risk-free yields increase by 100 basis points	(5,609) (3,473)
	risk-free yields reduce by 100 basis points	6,809 3,917
Corporate bonds	corporate bond asset values fall by 10%	(1,184) (1,069)
Inflation	inflation falls by 50 basis points	(2,189) (1,761)

The sensitivity tests are carried out by varying the individual assumptions as described and re-calculating the Society's Own Funds in full.

C. Risk Profile

Outlook

The risk from changes to risk-free interest rates is expected to increase as more plans are sold and the liability for these increases. Interest rates are expected to reduce from current levels within the next 12-18 months but are unlikely to return to the low levels seen in recent years.

The risk from falling equity and corporate bond values is expected to reduce as these are being held in order to provide returns for the with-profit members, which are reducing. The value of assets is expected to fall as more money is paid out as commission for new business, to meet the higher expense base and as an investment in the Society's strategy. Recent market volatility has had a limited effect on the Society's balance sheet.

C.3 Credit Risk

Credit risk is the risk that someone owes you money and cannot pay. It exists with Adviser commission balances and reinsurance recoveries.

We pay commission to Advisers assuming that a number of payments will be made by the Members that they introduce. If a member ceases to pay earlier in the product lifetime, we expect the Adviser to repay some of the commission that they received. This is a credit risk, that is the risk that the Adviser will not have the money to repay. We think

that this risk is low because we choose Advisers carefully and continually monitor the amounts owing. As sales have grown, the size of this risk has increased. With the economic uncertainty, there may be more products lapsing and some Adviser firms may not be able to repay their commission debt.

We have some agreements with reinsurers. We expect them to pay a proportion of claims on some plans. This is a credit risk, that the reinsurer cannot pay us. We think that this risk is low because we have such low levels of reinsurance and we only use high quality reinsurers.

C.4 Liquidity Risk

What is liquidity and liquidity risk?

Liquidity is the term used to describe how easy it is to get hold of cash when it is needed. Liquidity often changes when economic factor changes: for example, sometimes property is easy to sell, sometimes it is harder to sell, depending on interest rates, market activity etc.

Liquidity risk for us occurs when a benefit cannot be paid because we cannot physically get hold of the cash to pay. We take steps to make sure that the Society is not exposed to this risk.

Liquidity risk arises if we cannot pay a claim when it falls due because we could not physically provide the cash, even though we have sufficient assets.

Our sources of cash are payments from Members, investment income and sale/maturity of investments. Generally, Member payments are predictable within a range (allowing for lapses) and by definition are highly liquid once made. The liquidity expected from investment income and asset sales depends on the instructions we give to investment managers. We want to invest in high quality assets with good liquidity, but we know that we don't need all of our assets to be in cash immediately. All of our assets held with our investment managers are realisable in 4 days. By investing to match the expected claims by timing, we can increase the return expected without affecting our ability to pay Member benefits.

We invest our cash and deposits across reputable institutions with high credit ratings, and thus high liquidity, over the short term. The quality is measured by the credit rating of each bank or fund. We choose a mix to reduce our reliance on a single bank or fund. We have a significant holding in a cash fund approved by the Board and recommended by LGT Vestra LLP. We believe that this fund is diverse and well managed.

C. Risk Profile

We monitor and manage our short-term expected cashflow to ensure we have enough immediately available, short-term assets.

As a result of this management, our liquidity risk is low and is expected to remain low.

C.5 Operational Risk

Operational risk is a wide category of risk. It is the risk of something going wrong. This might be people working in the Society doing things wrong, or not doing things that they should. It might be a process that is faulty or a process that is missing. It might be a computer program that goes wrong or a computer system that crashes. It might arise from a fraud, from a reputational failing or from poor strategy. There doesn't tend to be an upside from operational risk.

Our exposure to operational risk is typically low to medium because the business has adequate processes and systems. We seek to manage operational risk by undertaking quarterly self-assessments of the progress of identified risks and feeding into this process errors and "near miss" data that we record. Our high governance standards, as described in section B, act to reduce

the likelihood of operational risks materialising.

We measure operational risk through the Risk Management System (see B.3). By its nature, we are managing a number of often-very-different risks under the heading of operational risk. The measures used are particular to the individual risk.

The impact of operational risk on the business plan is considered in the ORSA.

We have no significant concentration of operational risk. We mitigate the impact of certain risks by purchasing insurance.

The Society's risk management and internal control systems make sure that operational risk is managed to acceptable levels. Section B.3 gives more details.

C.6 Other Material Risks

We assess material risks in our ORSA. We consider the business plans and the areas where results are uncertain. We then consider the range of possible outcomes for individual risks (sensitivities) and for groups of risks that may not be independent (scenarios).

The Board through the ARC maintains oversight of all of the Society's risks throughout the year on a quarterly basis.

C.7 Any Other Information

There is nothing additional to report.

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D. Valuation for Solvency Purposes

D. Valuation for Solvency Purposes

D.1 Assets

The value of our assets on a Solvency II basis is shown in Table 7:

Asset Type	31 Dec 2023	31 Dec 2022
Property – office, own use	745	775
Equities – listed	1,411	1,162
Bonds – government	5,110	4,852
Bonds – corporate	9,347	8,908
Bonds – other	700	500
Tangible assets	58	64
Collective investment undertakings	334	363
Assets held for Unit Linked contracts	610	640
Cash with investment managers	2,344	1,401
Cash at bank and in hand	520	210
Other	329	378
Solvency II Asset Value	21,508	19,253

The office property is assessed every three years by a qualified valuer at open market value. This was performed in November 2023.

Equities, government bonds, collective investment undertakings, and corporate and other bonds are valued using quoted market prices in active markets provided by third party pricing sources. Cash and cash equivalents are included at face value.

There have been no changes to the valuation approach used and no significant exercise of judgement in arriving at the values shown.

There are no unlisted equities, derivatives, loans, mortgages or leases included in the balance sheet in the 2023 financial statements. There are no deferred tax assets.

We use the same bases, methods and main assumptions to value assets for solvency purposes as we use in our financial statements, other than the exceptions shown below in Table 8 which reconciles the differences:

	31 Dec 2023	31 Dec 2022
Value of assets presented in financial statements	76,810	61,821
Intangible assets: administration system	(3,498)	(3,989)
Intangible assets: product and software development	(8)	(10)
Technical Provisions gross of reinsurance, excl Unit Linked	(51,795)	(38,569)
Solvency II value of assets	21,509	19,253

D. Valuation for Solvency Purposes

D.2 Technical Provisions

We have to calculate two numbers that measure the value of our plans: the Best Estimate Liability and the Risk Margin. Added together, these numbers are called the Technical Provisions.

The Best Estimate Liability is the realistic assessment of every product's worth when administered by the Society.

The Risk Margin is the extra money that someone else would require to take on the Society's plans and look after them, in the same way that we do. It is calculated using a formula set by UK regulations.

The Technical Provisions are calculated by the actuarial function. The approach is well established.

We have to calculate the Technical Provisions for all of our products. Since the Society began in the 1870s, it has offered a number of different product types. We continue to administer all of these for as long as our Members wish to keep their products going, whether or not we currently offer them to new Members.

Table 9 summarises the Technical Provisions by line of business:

Table 9: Technical Provision Components, £000						
Product Type	Income Protection (Health)		Unit Linked		Total	
	2023	2022	2023	2022	2023	2022
Best Estimate Liability	(60,358)	(59,246)	610	640	(59,748)	(58,606)
Risk Margin	8,563	20,677	-	-	8,563	20,677
TP	(51,795)	(38,569)	610	640	(51,185)	(37,929)

(a) How are the calculations done? The Best Estimate

Income Protection (or IP) product types

We calculate the expected expenses and claims costs for each product and subtract the expected payments. The difference between the two numbers is the net cash outflow. We calculate the net cash outflow for each product, month by month.

The net cash outflow is made up from all the possible things that might happen on a product. Then, for each product, for every future month, we calculate the net cash outflow in that month:

$$\begin{aligned} \text{Net Cash Outflow} &= \text{expected monthly sickness benefit} \\ &+ \text{expected expenses (to cover investment and administration)} \\ &- \text{expected payments} \end{aligned}$$

D. Valuation for Solvency Purposes

The calculations include assumptions about the probability that a member becomes sick and, if so, for how long, or that their product lapses or ends for any other reason. We separately consider products where Members that are currently sick and receiving payment so that we allow for the additional cash outflow.

We assume that each product bears an equal share of the investment and administration expenses for every month and that the total expenses are covered in full. We expect new products to bear their share of future expenses, and we allow for products that end, whatever the reason.

The monthly cash flows are converted to today's value and the converted values are then added up. This value is the Best Estimate Liability for these products.

To convert the future cash outflows to today's value, we use risk-free interest rates provided by our regulator, the PRA, with no adjustment.

Some WP products have benefits on maturity, death or lapse. We have some discretion over these payments. We allow for their expected cost within the Best Estimate Liability. Each year, the benefits on these plans are increased by different types of bonus reflecting investment returns and other surplus generated over the year.

We have some reinsurance arrangements in place on a small number of older products and Home

Protector which is currently open to new business. None of these arrangements are material in 2023. They have been ignored in the valuation. In November 2023 the Society entered in to a new arrangement with Munich Re. The contingent advance claim received and the reinsurance premiums due on the business in scope of the treaty, have been included within the valuation.

Unit Linked (or UL) product types

The Best Estimate Liability for these products is the value of the benefit payable on request. No new payments from Members are expected on these products.

Other product types

There are fewer than ten policies where the Best Estimate Liability is not calculated but is set to zero on the grounds of materiality.

(b) How are the calculations done? The Risk Margin

The Risk Margin is an amount over and above the Best Estimate Liability equal to the amount that another insurer would need to take on the Society's business.

The regulator sets out how the Risk Margin is to be calculated and this was amended during 2023. The Risk Margin is intended to reflect the cost of holding the SCR (see B.3 and E.2), excluding the market

risk component, over the lifetime of the business, allowing for a required return of interest of 4% per year reducing over time (reduced from 6% per year by the reforms).

The full formula set down by the regulator can be quite onerous for an insurer as small as we are. The regulator recognises this and has allowed a simpler formula to be used. We have decided to use 'simplification 1', which estimates the future SCR in proportion to the underlying risk driver of each risk. So, for example, the amount of capital held in respect of sickness risks is assumed to change in proportion to the expected value of future sickness benefits payable.

(c) Assumptions

The calculations need a number of things to be assumed, specifically:

1. if and when Members might fall sick and how quickly they might recover
2. if and when Members might stop paying
3. how much it will cost to run the Society and implement its strategy
4. how expenses and benefits will change over time, and
5. if and when products might end because of death.

D. Valuation for Solvency Purposes

1. If and when Members might fall sick and how quickly they might recover

Currently, we do not have enough claims, particularly long term claims, to rely solely on our own experience in deciding our best estimate of future claims and recoveries. Instead, we use industry data which gives us access to a far greater number of claims. We then adjust to allow for trends we observe in our data where we think these will continue in the future. The Board considers the advice of the Chief Actuary on these matters and challenges the assumptions that are proposed, including how they have been derived.

2. if and when Members might stop paying

If a Member stops paying for their cover, the product is said to have lapsed. The lapse rate is the proportion of products that lapse during a given period. The assumed rates of lapse used for the valuation are set based on recent lapse experience by main product groups.

3. how much it will cost to run the Society and implement its strategy

In the valuation, we work out the expense that we expect to incur in 2023, based on the activities we expect to carry out.

The type of expense is important. Some expenses are expected to occur every year (for example, the expense of people to look after Member queries). Some expenses are linked to sales and only happen once in a product's lifetime. Others are one-off costs during the year. The projections that we use take into account the expenses related to the business in force at the valuation date but not expenses on future sales.

4. how expenses and benefits will change over time

We make assumptions about how our costs will grow. We make assumptions about how payments and cover levels will change where they are linked to inflation, whether that is price inflation for general purchases or salary inflation for staff costs.

5. if and when products might end because of death

We use industry tables to assess if and when products might end due to death, although the impact on the Best Estimate is very small. For Members who are currently healthy we use the AMCOO tables, and for Members who are sick we use the CMIR12 tables. As for sickness, we adjust these tables so that they reflect our recent experience.

Other Relevant Information

Currency

Our liabilities are all recorded in GBP.

Options and guarantees

None of our plans have financially significant options or guaranteed surrender values.

Uncertainty associated with the value of Technical Provisions

Calculating Technical Provisions involves predicting the future. All of the predicted values are determined using assumptions, which may not work out in practice.

The uncertainties include economic uncertainty (e.g., what will interest rates be?), Member behaviour (e.g., when might Members make withdrawals from their plans?) and fate (e.g., when might a Member fall sick?). In practice, the uncertainties might increase or reduce the cash flows, and hence increase or reduce the Best Estimate Liability.

Society's Technical Provisions are particularly sensitive to:

- the risk-free interest rates set by the regulator

D. Valuation for Solvency Purposes

- expense assumptions, given the scale of the change that the Society is undergoing
- sickness assumptions, given the lack of data to support the assumption setting, and uncertainty on future sickness levels, and
- lapse assumptions, given the lack of data to support the assumption setting, potential changes in Member behaviours and the sensitivity of lapse rates to changes in regulation and general economic health.

Use of transitional measures

The Society has not used transitional measures or the volatility or matching adjustment.

Differences between solvency valuation and financial statement valuation

We use the same bases, methods and main assumptions to value liabilities for solvency purposes as we use in our financial statements.

What are the financial statements?

Financial statements are reports that we are required to produce by law setting out basic information about the Society's financial health. They are available on our website or on request, free of charge. They are sometimes referred to as the Report and Accounts.

D.3 Other liabilities

The Society's other liabilities are Creditors as shown in Table 10 below and which appear in the financial statements.

Liability Type	31 Dec 2023	31 Dec 2022
Arising out of reinsurance operations	340	5
Claims outstanding	77	120
Other creditors including tax and social security	1,861	2,214
TOTAL	2,278	2,339

D.4 Alternative methods for valuation

We don't use any other alternative methods for valuation.

D.5 Any other information

There is no other material information regarding the valuation of assets and liabilities.

Solvency and Financial
Condition Report 2023

E. Capital Management

E. Capital Management

E.1 Own funds

Under the terms of the Friendly Societies Act 1992, the Society is an incorporated society with a single Members' fund and no defined mutual member fund. As such, it has no shareholders and our Members are the Society's ultimate owners. The Society's organisation is very simple: all its capital is held in tangible and realisable assets.

The table below, a copy of Table 1, shows the Own Funds and Surplus Capital:

Table 1: Own Funds, £000		
Item	31 Dec 2023	31 Dec 2022
Own Funds	70,413	54,843
Solvency Capital Requirement	(37,378)	(31,281)
Surplus Capital	33,035	23,562

What are Own Funds?

This is jargon for an insurer's total assets less technical provisions and other liabilities, counted using the rules of Solvency II.

Own Funds – objectives, policies and processes

Own funds are managed to ensure they are sufficient to cover the SCR within a wide range of circumstances and so that the Society is operating within its solvency risk appetite. This is set to maintain sufficient, but not excessive, financial strength, enabling new business growth while satisfying the requirements of regulators, Members and other stakeholders.

The Society maintains a capital management policy which includes a solvency ladder, showing how capital is to be managed at different levels.

The Society has a management action plan which sets out actions that are planned if certain solvency ratio triggers are breached within the capital management policy.

The Society monitors its own funds and other aspects of its capital through:

- tracking and estimating solvency regularly
- ORSA and other business projections to ensure that business plans remain appropriate
- monitoring new business levels, mix and profitability, and
- ensuring that the assets are invested appropriately.

Own Funds – objectives

We manage our invested assets according to our investment policy. Broadly, this requires us to invest to ensure we can pay all Member benefits as they fall due, to invest in ways that meet Member expectations by generating Member bonuses.

Given the strategy, we aim to invest to meet the Society's requirements for cash over the business plan period, bearing in mind the payments from Members that we expect to receive, the claims that we expect, the expenses we expect to incur and the new plans that we expect to go on risk.

We aim to generate a return on the assets held. We aim to be able to meet the benefits due to Members.

Own Funds – Policies

Investment policy - From time to time, the Board agrees the Society's investment policy. This describes the powers and limits of authority of the Society's selected investment managers. The Executive Management make sure that the Investment Policy is followed.

ORSA policy - The regulator requires us to produce a policy setting out how we will run our ORSA. At

Capital Management

least once a year, we run our ORSA process (see Section B.3). Part of this process is to allow the Board to assess the level of future Surplus Capital expected allowing for all sorts of different risks over time. The Board wants to be sure that it always has enough capital to pay Member benefits, and that it knows which risks could threaten this position.

The ORSA process includes testing of many different risks. It allows the Board to understand where there might be a problem and to draw up plans to deal with it. The plans will depend on the situation, but might include a change of strategy, re-pricing or re-designing our plans, or changing how we organise the business (usually so it runs at a lower cost). More dramatic action includes closing to new business or transferring the business to another firm.

Own Funds – processes

At least twice every year, the Society reviews the performance of its investment managers to ensure that the investment policy is being followed and to assess performance.

Material Changes

There have been no material changes to the Society's investment mix during 2023.

Capital Tiers

The regulations classify capital in different tiers. All of the Society's Own Funds are Tier 1 (the highest quality tier of capital) and have always been Tier 1.

At 31 December 2023, our Tier 1 capital was £70.413m (2022: £54.843m). There are no restrictions on how we might use our Own Funds. They are fully available to cover the SCR and the MCR.

What is the MCR?

The MCR, or Minimum Capital Requirement, is the threshold at which the regulator is allowed to take over the running of an insurer. It is much lower than the SCR (a quarter of the amount).

The level of Own Funds and of Surplus Capital has changed over the reporting period reflecting the progress of the strategy, the revised assumptions made in the valuation, the changes to the Management Action Plan, the investment in new business and the resulting movement in Technical Provisions and SCR as summarised in section D2 and E2.

Required statements

The regulations require us to set out a number of points about our Own Funds. Specifically:

- there are no Own Fund items subject to a transitional arrangement
- under the rules, insurers are allowed to hold Ancillary Own Funds. Ancillary Own Funds count as capital, but are slightly less easy to get hold of. We don't have any Ancillary Own Funds, and
- there are no deductions from our Own Funds and no restrictions on their availability and transferability.

Capital Management

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The following table summarises the Society's SCR and MCR:

Table 11: Solvency and Minimum Capital Requirement, £000		
	31 Dec 2023	31 Dec 2022
Market risk	4,641	3,827
Counterparty default risk	-	-
Health underwriting risk	35,483	29,661
Diversification across all risks	(3,206)	(2,647)
Basic Solvency Capital Requirement	36,918	30,841
Operational risk	460	440
Solvency Capital Requirement	37,378	31,281
Minimum Capital Requirement	9,344	7,820

The SCR has increased. It was calculated using the same assumptions as used in the Technical Provisions calculations.

We are satisfied with the result of the calculations to give the SCR and MCR. The regulator reserves the right to assess the result and ask us to amend it. If this happens, we will amend this document and describe the changes.

Required statements

The regulations insist that we set out several points about our SCR and MCR. Specifically:

- there are no simplifications applied to the SCR calculation.
- there are no undertaking-specific parameters used in the SCR calculation, and
- the MCR for the Society is 25% of the calculated SCR.

The MCR is calculated using a regulator-provided formula. The change in the MCR over the year follows the change in the SCR.

E.3 Duration-based Equity Risk Sub-module in the Calculation of the SCR

We have not used the duration based equity risk sub-module in the calculation of the SCR.

E.4 Differences between the Standard Formula and any Internal Model used

We calculate our SCR using the standard formula, as set out by the regulator and do not use an internal model.

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

The Society held Own Funds in excess of the SCR (and therefore by definition the MCR) throughout 2023.

E.6 Any Other Information

None.

Summary of Explanatory Notes

The notes are not intended to be definitions, nor are they very technical. They have been provided to aid understanding. If you would like a technical definition or to understand more about the limits of the explanation, we would be happy to provide more details.

Term	Explanatory Note
Actuary	An actuary is a specialist insurance professional who is trained in actuarial work. Actuarial work tends to involve projecting events over the long term. Events include sickness, investment returns and expenses. Actuaries use these projections to confirm the financial health of insurers.
Audit and Risk Committee	The Board has set up Committees to help it with oversight. The Audit and Risk Committee oversees internal and independent audit, compliance, actuarial and risk management activities. It ensures that the risk management and internal control systems are effective.
Board	<p>Most companies are run by a Board of Directors. These are the people who direct the company, decide its strategy, and ensure its governance. The Board oversees plans, performance, and activity and, if not satisfied, makes changes.</p> <p>The Board is chosen by the owners of the company. For us, the Board is chosen by you, our Members, at the annual general meeting.</p>

Term	Explanatory Note
Capital	<p>Capital is the name for the resources available to meet the Society's outgoings.</p> <p>For the Society, capital is made up of cash, investments, and the difference between expected payments (inflow) less current and future claims and expenses (both outflow).</p>
Chair	The Chair is the Non-Executive Director who leads the Board. It is an important role with specific responsibilities to the regulator and to Members.
Executive	The Executive refers to a small group of senior employees. At the end of 2023, the Executive comprised the Chief Executive, the Sales & Marketing Director, the Chief Operating Officer and the Chief Financial Officer. These are the employees who run the Society, led by the Chief Executive, responsible to the Board.
Experience	Insurers make a lot of assumptions in their planning and projections. Experience is the term used to describe what happened rather than the assumption that was made.
Independent auditor	An independent auditor is a firm appointed mainly to provide independent assurance to Members that a Society's accounts are broadly accurate.
Financial statements	Financial statements are reports that we are required to produce by law setting out basic information about the Society's financial health. They are available on our website or on request, free of charge. They are sometimes referred to as the Report and Accounts.
GBP	Great British Pounds, the international code for pounds sterling

Summary of Explanatory Notes

Term	Explanatory Note
Governance	Governance is a system that provides a framework for managing organisations. It identifies who can make decisions, who has the authority to act on behalf of the organisation and who is accountable for how an organisation and its people behave and perform.
Holloway products	We understand that we were the first firm to combine income protection and savings. The resulting innovative product, introduced around 1875, was named after our founder, George Holloway, MP for Stroud.
Lapse	When a Member decides not to continue with their product, we say that it has 'lapsed'. Products may also end because the Member dies, the Member reaches retirement or the product reaches its maturity date.
Liquidity	Liquidity is the term used to describe how easy it is to get hold of cash when it is needed. Liquidity often changes when economic factor changes: for example, sometimes property is easy to sell, sometimes it is harder to sell, depending on interest rates, market activity etc.
Liquidity risk	Liquidity risk for us occurs when a benefit cannot be paid because we cannot physically get hold of the cash to pay. We take steps to make sure that the Society is not exposed to this risk.
MCR	The MCR, or Minimum Capital Requirement, is the threshold at which the regulator is allowed to take over the running of an insurer. It is much lower than the SCR (a quarter of the amount).

Term	Explanatory Note
Operational risk	Operational risk is the risk of some planned activity going wrong because a process fails, a system fails or someone does something wrong. The regulator includes fraud and legal problems as operational risks.
Own Risk and Solvency Assessment	The regulations require insurers to undertake an Own Risk and Solvency Assessment, or ORSA, whenever its risks change, or at least annually. The ORSA is a judgement by the Board of the insurer's risks and the impact on the insurer's solvency. Importantly, it is the Board's view, not the regulator's (and not the view using the regulatory formula).
Own funds	This is jargon for an insurer's total assets less liabilities, counted using the rules of Solvency II.
Prudent Person Principle	This is a phrase in the regulations. It means that investments should be only those that a prudent person would make.
Reinsurance	Reinsurance is insurance for insurance companies. An insurer can use reinsurance to reduce its own risk, to provide technical support and to help with cash flow. Reinsurance is provided by specialist firms called reinsurers.
Risk register	The Society's risk register is a list of the risks that we face with details of how the risks are identified, measured, monitored, managed, and reported.

Summary of Explanatory Notes

Term	Explanatory Note
Risk tolerance	Most measures of performance have an expected value or target. The risk is that the actual value is higher or lower than the target, to an extent that might cause harm or cause the business plan to be re-considered.
Senior Leadership Team	This is the group of people who work for members of the Executive. On a day-to-day basis, the Senior Leadership Team makes sure that the Society is properly run. Members of this team attend the monthly Executive, and some other, Committee meetings and, depending on their job, may occasionally attend or present at Board meetings.
	Regulators recognise that the more surplus money a firm has, the more secure the Member benefits. 'Solvency' is the jargon used by insurers to mean the surplus money that a firm has in excess of that needed to meet Member claims in most circumstances.
	Insurers talk about capital rather than money. Capital is defined a little later.
Solvency	When considering a risk, insurers look at the impact the risk might have on their surplus capital - hence, the impact on solvency. Generally, high or increasing solvency is a good thing for benefit security. Low or declining solvency is a concern, unless the change was planned or there is a good reason for it, for example if benefits are being improved.

Term	Explanatory Note
Solvency II	Solvency II is the name given to the regulation that UK insurers must follow. It sets out what insurers must do to protect policyholder benefits. The areas discussed in this document are all required under Solvency II, as is the production of this document.
Solvency Capital Requirement	This is the amount that the regulator says the Society must hold to ensure Member benefits are secure in most circumstances over one year. We calculate it using a formula provided by the regulator. It is often shortened to SCR.
Surplus capital	Surplus capital is the capital over and above that needed to meet expected Member benefits and the SCR.
System of governance	This means everything that is in place to make sure that the Society is well governed.
Underwriting	Underwriting is the insurance term for setting the prices to be paid for the benefits offered at the right level for the risks accepted. For us, this means agreeing prices for individual Members that are competitive as well as ensuring that we can meet the claims of all Members and cover the Society's administration costs
Valuation	Every year, we are required to calculate the value of the plans that we administer, primarily to make sure that we have enough capital to meet the benefits that are due to Members. This process is called the valuation.

Solvency and Financial
Condition Report 2023

Disclosures

General information

Undertaking name	The Original Holloway Friendly Society Limited
Undertaking identification code	213800KXXTV6FPMS2652
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Life insurance and reinsurance obligations
- S.12.01.02 - Life and Health SLT Technical Provisions
- 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

Solvency II value	
C0010	
Liabilities	
R0510 Technical provisions - non-life	0
R0520 <i>Technical provisions - non-life (excluding health)</i>	0
R0530 <i>TP calculated as a whole</i>	
R0540 <i>Best Estimate</i>	
R0550 <i>Risk margin</i>	
R0560 <i>Technical provisions - health (similar to non-life)</i>	0
R0570 <i>TP calculated as a whole</i>	
R0580 <i>Best Estimate</i>	
R0590 <i>Risk margin</i>	
R0600 Technical provisions - life (excluding index-linked and unit-linked)	-51,791
R0610 <i>Technical provisions - health (similar to life)</i>	-51,791
R0620 <i>TP calculated as a whole</i>	0
R0630 <i>Best Estimate</i>	-60,358
R0640 <i>Risk margin</i>	8,567
R0650 <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660 <i>TP calculated as a whole</i>	
R0670 <i>Best Estimate</i>	
R0680 <i>Risk margin</i>	
R0690 Technical provisions - index-linked and unit-linked	610
R0700 <i>TP calculated as a whole</i>	
R0710 <i>Best Estimate</i>	610
R0720 <i>Risk margin</i>	
R0740 Contingent liabilities	
R0750 Provisions other than technical provisions	
R0760 Pension benefit obligations	
R0770 Deposits from reinsurers	
R0780 Deferred tax liabilities	
R0790 Derivatives	
R0800 Debts owed to credit institutions	
R0810 Financial liabilities other than debts owed to credit institutions	
R0820 Insurance & intermediaries payables	1,075
R0830 Reinsurance payables	
R0840 Payables (trade, not insurance)	140
R0850 Subordinated liabilities	0
R0860 <i>Subordinated liabilities not in BOF</i>	
R0870 <i>Subordinated liabilities in BOF</i>	0
R0880 Any other liabilities, not elsewhere shown	1,064
R0900 Total liabilities	-48,903
R1000 Excess of assets over liabilities	70,409

Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
	C0020	C0030	C0040	C0050	C0060	C0070				C0080	C0160	C0170			
R0010 Technical provisions calculated as a whole								0	0						0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0	0						0
R0020															
Technical provisions calculated as a sum of BE and RM															
Best estimate															
R0030 Gross Best Estimate		610						0	610		-68,275	7,917			-60,358
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default								0	0						0
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re		610	0		0	0		0	610		-68,275	7,917		0	-60,358
R0100 Risk margin		0						0	0	8,567					8,567
Amount of the transitional on Technical Provisions															
R0110 Technical Provisions calculated as a whole									0						0
R0120 Best estimate									0						0
R0130 Risk margin									0						0
R0200 Technical provisions - total		610			0			0	610	-51,791				0	-51,791

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk
 R0020 Counterparty default risk
 R0030 Life underwriting risk
 R0040 Health underwriting risk
 R0050 Non-life underwriting risk
 R0060 Diversification

R0070 Intangible asset risk

R0100 Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

R0130 Operational risk
 R0140 Loss-absorbing capacity of technical provisions
 R0150 Loss-absorbing capacity of deferred taxes
 R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
 R0200 **Solvency Capital Requirement excluding capital add-on**
 R0210 Capital add-ons already set
 R0220 **Solvency capital requirement**

Other information on SCR

R0400 Capital requirement for duration-based equity risk sub-module
 R0410 Total amount of Notional Solvency Capital Requirements for remaining part
 R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
 R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
 R0440 Diversification effects due to RFF nSCR aggregation for article 304

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

R0640 LAC DT
 R0650 LAC DT justified by reversion of deferred tax liabilities
 R0660 LAC DT justified by reference to probable future taxable economic profit
 R0670 LAC DT justified by carry back, current year
 R0680 LAC DT justified by carry back, future years
 R0690 Maximum LAC DT

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
9,922		
166		
0	9	
43,146	9	
0	9	
-6,559		
0		
46,674		
C0100		
475		
-9,757		
0		
37,393		
0		
37,393		
0		
0		
0		
0		
0		
C0109		
Not applicable		
LAC DT		
C0130		
0		
0		
0		
0		
0		

USP Key

For life underwriting risk:
 1 - Increase in the amount of annuity benefits
 9 - None

For health underwriting risk:
 1 - Increase in the amount of annuity benefits
 2 - Standard deviation for NSLT health premium risk
 3 - Standard deviation for NSLT health gross premium risk
 4 - Adjustment factor for non-proportional reinsurance
 5 - Standard deviation for NSLT health reserve risk
 9 - None

For non-life underwriting risk:
 4 - Adjustment factor for non-proportional reinsurance
 6 - Standard deviation for non-life premium risk
 7 - Standard deviation for non-life gross premium risk
 8 - Standard deviation for non-life reserve risk
 9 - None

