

SOLVENCY AND FINANCIAL CONDITION REPORT

2024



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# SOLVENCY AND FINANCIAL CONDITION REPORT

## Director's Report

### British Friendly Society Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2024

We certify that:

The Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects and in accordance with the PRA rules and Solvency U.K. Regulations; we are satisfied that:

throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency U.K. Regulations as applicable to the Society; and it is reasonable to believe that, at the date of the publication of the SFCR, the Society has continued so to comply, and will continue so to comply in future.



Stuart Purdy (Chairman)

Date: 31 March 2024

## SOLVENCY AND FINANCIAL CONDITION REPORT

### Summary

The Society was founded in 1902 to provide sickness benefits for commercial travellers and their families. The Society has over 33,000 members across the U.K. and over £28m in assets. The principal activity of the Society is to provide sickness cover for its members in times of illness or injury. After paying sick pay and expenses, any surplus is invested for the benefit of the members in accordance with the Society's investment policy as determined by the Board of the Society. As a Mutual, the Society exists solely for the benefit of its members and has no shareholders to whom we need to pay dividends. One of the ways that the Society looks to provide additional benefit to members is through the Mutual Benefits programme. The Mutual Benefits programme provides access to resources and support for members and their families at no additional cost. The Society continues to support members' health and wellness through the Mutual Benefits programme. This includes digital GP consultations, second medical opinions, mental health support, physiotherapy, and discounted annual health checks.

The core business of the Society is the provision of Income Protection insurance products. Until 2011, insurance policies were mainly of a 'Holloway' type with a capital element building up over time through the payment of interest and apportionment bonuses. The Society has over 4,800 Holloway members of which over 1,800 commuted their sickness benefits at age 60, but retain their capital balances with the Society, earning annual bonuses and may receive a final, or terminal, bonus on withdrawal of their funds. Through its Protect and Breathing Space products, the Society has been successful in establishing itself as one of the leading providers of Income Protection for working people and had an overall membership of over 28,000 members at December 2024. Protect and Breathing Space policies generate over 86% of gross premium income and account for over 85% of overall membership.

The Society has previously provided loans to members with a capital account up to 85% of the value of their accounts and secured against the capital account balance. This service was provided through a subsidiary company, BFS Member Services Limited (separately authorised by the FCA) and does not have a material impact on the Society's financial or solvency position.

Our ongoing Own Risk Solvency Assessment process demonstrated that the Society has had a comfortable margin of capital resources over the Solvency Capital Requirement as required under the provisions of Solvency U.K. regulation. The Board remain satisfied that the Society has a capital position that is appropriate for an insurance business of its size and complexity.

# SOLVENCY AND FINANCIAL CONDITION REPORT

## A. Business Performance

### A1. Business Description

British Friendly Society Limited is incorporated under the Friendly Societies Act 1992 under registration number 392F. The Society is a Friendly Society owned 100% by its members. Each of the Society's members is entitled to one vote at the Annual General Meeting or on resolutions requiring member votes. There are no other persons or entities with an ownership interest in the Society. The Society's principal activity is the provision of Income Protection insurance to its members. The Society carries out its business within the United Kingdom. The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) are responsible for the financial supervision of the Society. There have been no significant business or other events that have occurred over the reporting period that have had a material impact on the Society.

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External auditor:  
BDO LLP  
55 Baker Street  
London  
W1U 7EU  
Phone: 020 7486 5888

### A1.2. Business Summary

The Society underwrites income protection contracts within the United Kingdom. The Society's membership consists of Protect members and members who hold a 'Holloway-style' product. The 'Holloway-style' products are not actively promoted and has been closed to new business. The number of Protect members increased in 2024. All policies are administered by the Society. During 2024, there have been no significant events that have had a material impact on the Society.

The Society previously provided loans to Holloway members issued through a directly owned subsidiary, BFS Member Services Limited (separately authorised by the FCA). The Society no longer issues new loans, and the existing arrangements are not material to the overall business of the Society.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### A2. Underwriting Performance

Underwriting performance is reflected in the difference between the premiums received against the claim payments made to members. The table below shows the premiums and claims by product type compared to the prior year:

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Protect premiums	12,051	10,674
Holloway premiums	1,853	2,034
Outward Reinsurance Premiums	(290)	(93)
<b>Net premiums earned</b>	<b>13,614</b>	<b>12,615</b>
Protect claims	(4,992)	(4,693)
Holloway claims	(233)	(311)
Reinsurer Share of Claims	41	21
<b>Total claims incurred</b>	<b>(5,184)</b>	<b>(4,983)</b>
<b>Net underwriting surplus</b>	<b>8,430</b>	<b>7,632</b>

The Society entered a re-insurance agreement in 2022 with a proportion of the new level costed income protection business being reinsured on a quota share basis. thus providing a partial risk transfer of morbidity and persistency risk exposure. During 2024, the volume of reinsured level costed policies increased resulting in an increase of outward reinsurance premiums and reinsurer's share of claims.

#### A2.1 Claims

Providing financial support to members at their time of need is the reason for our existence. Our policies are priced to deliver fair value to members yet at a level which the Society remains sustainable. We expect to receive new claims every year and every claim has a cost. If more members are unable to work than expected or members claim for longer than expected, then the Society's financial and solvency is impacted. The Society continually monitors and reviews the volume of new claims and the reasons that members are unable to work. Active claims management is a key function in the Society as we support members financially and support their recovery and rehabilitation. In 2024 the Society paid over £5.2m in claims. The Society is proud of its long-term record of paying a high proportion of the claims it receives.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### A2.2 Membership

The Society's membership consists of Protect members and members who hold a 'Holloway-style' product. The 'Holloway-style' products are not currently open to new business applications, and the number of members has been falling for many years, a trend which continued in 2024. The number of Protect members increased in 2024 driven by the Society's strategic plan, allowing expenses to be spread across a wider member base.

### A3. Investment Performance

The Society employs professional investment managers to manage its portfolio of investments under a conservative investment mandate. The relationship is managed on a day-to-day basis by the Society's management team and governed by the Risk and Investment committee.

During 2024, the Society's portfolio was invested in a mixture of:

Government and corporate fixed interest debt

Cash and property

Secured mortgages and loans

<b>Investment returns</b>	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Income from land and buildings	15	34
Income from loans with subsidiary	6	13
Income from fixed income investments	719	1023
Interest received	11	8
Gains / (losses) on the realisation of investments	(4)	14
Gains / (losses) on the disposal of investment properties	-	41
<b>Total Investment income</b>	<b>747</b>	<b>1,133</b>

<b>Investment holdings</b>	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Government securities	7,722	11,878
Corporate bonds	10,763	16,378
Secured mortgages	7	12
Loan to Subsidiary	70	130
Cash and cash equivalents	2,312	151
<b>Total investments</b>	<b>20,874</b>	<b>28,550</b>

## SOLVENCY AND FINANCIAL CONDITION REPORT

<b>Investment Expenses</b>	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Government securities	29.7	39.2
Corporate bonds	41.6	54.3
Cash investments	8.8	0.5
<b>Total investments</b>	<b>80.1</b>	<b>94</b>

The Society considers both current returns and longer-term trends when considering the level of bonus rates set for its 'Holloway' type members who have accumulated capital account balances. We invest our assets in order to provide a stable return to our members whilst putting capital preservation as a core component of the investment strategy. In light of market volatility and geopolitical uncertainties, the Society has maintained an investment risk profile that is aligned with its commitment to securing future member benefits.

### A4. Performance of other activities

The Society does not perform any other activities other than underwriting and administering income protection insurance products or investment of funds.

### A.5. Any other information

#### A5.1 Re-insurance

The mutual sector relies on attracting continued new Members to provide capital. We identified financial reinsurance as a potential alternative source of funding and implemented a reinsurance arrangement during 2024. Additionally, the arrangement allows the Society to manage liquidity and persistency risk through the use of a drawdown facility which can convert the balance sheet future profits, or negative technical provision, into liquid assets. These two new forms of financial re-insurance successfully complement the existing morbidity re-insurance which reinsures a proportion of its income protection products on quota share basis and further strengthen the Society's sustainability whilst achieving positive outcomes for our members. The Society mitigates the risk of a mass lapse event through a stop loss reinsurance agreement which insures losses above a pre-determined amount and up to a maximum limit. Due to the Society's exposure to both these scenarios the lapse risk stop loss re-insurance can provide an improvement to the Society's solvency coverage by reducing the Solvency Capital Requirement.

# SOLVENCY AND FINANCIAL CONDITION REPORT

## B. System of Governance

### B1. General Information on the system of governance

British Friendly Society Limited is led by a Board who are responsible for promoting the long-term sustainable success of the Society and generating value for current and future members. The Board's role is set out in the Memorandum and Rules of the Society and delegates some authority through its three main sub-committees:

Audit and Compliance

Risk and Investment

Remuneration and Nomination

Full details of the responsibilities of the Board and its committees are set out in a Responsibilities Map and Terms of Reference. There is a clear division of responsibilities between the roles of Chairman and Chief Executive, and they are held by different individuals. Each has their specific roles and responsibilities. The Chairman is primarily responsible for the effective running of the Board and for ensuring full and constructive participation of all Board members in discussions and the decision-making processes within the remit of the Board. The Chief Executive is responsible for the executive management of the Society within specific guidelines established by the Board. The Board comprises the Chair of the Board, who is an Independent Non-Executive Director, four other Non-Executive Directors (of which one is a Senior Independent Director) and two Executive Directors. The Board remains satisfied with the independence of Non-Executive Directors.

The Remuneration Policy is designed to attract and retain personnel of the calibre, skills and values required to deliver the objectives and strategy of the Society. It adopts the following key principles:

The Policy will be to promote fair and transparent remuneration structures and are aligned to the long-term sustainable success of the Society

Remuneration is aligned with applicable statutory regulatory and statutory requirements

Remuneration will promote sound and effective risk management

Fixed and variable remuneration will be appropriately balanced with arrangements designed to align the interests of employees with those of members

Variable remuneration will be based on a combination of the assessment of the individual and the collective performance and overall results of the Society

The Society is an inclusive employer and is committed to ensuring that all its people are remunerated fairly. Whilst the Society is not currently obliged to publish any gender pay calculations relating to diversity, it intends to take steps to monitor equality and reduce or eliminate any pay gap where applicable

## SOLVENCY AND FINANCIAL CONDITION REPORT

### B2. Fitness and propriety requirements

The Society subjects all individuals considered for appointment to a Senior Managers Function or identified as a Certified role to determine honesty, competence, and capability as well as financial soundness. The following factors are considered when assessing an applicant for a relevant appointment:

The probity of the individual as judged during the recruitment process

The reputation of the individual as judged from a review of public media

The individual's financial soundness as judged from credit reference reports obtained by the Society.

Regulatory references (pertaining to the last six years)

Any information obtained during the criminal record checks

In addition, an assessment of competence considers whether an individual

Has the personal characteristics of good repute and integrity

Possesses the level of competence, knowledge, and experience

Has relevant qualifications to carry out their role

Has undergone or is undergoing all training, required to enable such person to perform their role effectively and in accordance with any relevant regulatory requirements, including those under the regulatory system, and to enable sound and prudent management of the firm

Holders of Senior Manager Functions or a Certified role are also required to confirm that they continue to satisfy regulatory standards by completing an annual declaration of continued fitness and propriety.

In addition, the Society also assesses the ongoing fitness and propriety of approved persons.

### B3. Risk Management Framework including the own risk and solvency assessment

The Society's Risk Management Framework sets the approach for risk management and is complemented by risk management policies which have been approved by the Society's Board or sub-committees. The Society's Risk Management Framework is designed to provide coverage over the principal risks: Financial, Insurance, Conduct, Operational, Reputational and Strategic. It also provides consideration of emerging risks, including those posed from environmental change, technological, economic, political, and changes in regulation. The Society's Risk Appetite contains statements and metrics that have been approved by the Board and support how principal risks which impact the Society, and the strategic objectives are managed. These risks are linked to the risk register and reported to the Board via the Risk and Investment Committee. This provides oversight of the Society's risk exposure, risks to strategic objectives and actions taken to manage such risks. The Board's risk appetite statements are reviewed by the Risk and Investment Committee and covers the key risks that the Society is exposed to.

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The Society operates a three lines of defence model which ensures accountability, oversight, and transparency in risk management. The Board delegates oversight of risk to the Risk and Investment Committee.

The first line of defence is comprised of the operational areas such as Claims, Underwriting and Member Services and support functions such as Finance, IT, Proposition and HR. The first line, led by the Chief Executive and supported by the senior management team is responsible for the day to day running of the Society, identifying, and managing risks and ensuring their processes and controls remain effective.

The second line of defence is made up of Risk and Compliance. These functions are led by the Chief Risk Officer and ensure the first line are appropriately managing risk and conforming with legislative and regulatory requirements. Risk and Compliance also provide oversight through policies, frameworks, tools, and techniques and are responsible for advice, oversight, and challenge.

The third line of defence provides objective and independent assurance to the Board ensuring the first and second lines of defence are effectively managing risk. The Society uses specialist firms to conduct reviews and reports on systems of risk management and internal controls to the Audit and Compliance Committee.

The Society, through its Own Risk and Solvency Assessment (ORSA), continuously assesses the adequacy of its solvency requirements specific to the risk profile, risk tolerance limits and the Board approved business plan which facilitates decision making and strategic analysis. The Society's business plan in addition to expected experience are used to form the key assumptions creating the base case. The base case scenario is subject to various stress tests to assess the current and projected solvency positions under normal and severe, yet plausible, scenarios. This allows the Society to fully understand the material risks it faces and consider mitigating actions. Whilst the ORSA report cycle including the accompanying stress testing and scenario analysis is undertaken on an annual basis, trigger points exist to consider a review of the ORSA outside of the regular annual cycle through monitoring of management information and assessment of emerging trends which could impact the assumptions used within the ORSA. The ORSA report is approved by the Society's Board prior to submission to the PRA.

### **B4. Internal control system**

Internal controls are used to manage the risks facing the Society within the defined risk tolerance levels agreed by the Board. The controls set through processes, frameworks and policies are established and embedded within the first line of defence where each control has a dedicated owner. The effectiveness of the Society's internal control environment is assessed through monitoring, second line of defence reviews and internal audits.

There is a Risk and Compliance function independent of business areas responsible for advising the Board on risk exposure, compliance (including changes) to regulations, and other laws, regulations and administrative provisions adopted in accordance with the Solvency U.K. regime.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### B5. Internal audit function

The Society has an outsourced internal audit function which has been recognised as a key function. The performance of the Internal Audit is outsourced to specialist firms who provide the Audit and Compliance Committee with independent and objective assurance on the effectiveness of the Society's internal controls and risk management.

### B6. Actuarial function

The Society outsources its actuarial function who report to the Society's Board. The Chief (and With-Profits) Actuary is responsible for the adequacy and quantification of capital requirements and technical provisions under Solvency U.K. including appropriateness of the methodologies, models, assumptions, and data used.

### B7. Outsourcing

The Society outsources the following activities:

Internal Audit

Investment Services

Chief Actuary and With Profits Actuarial services

Technology hosting and support

System development

The Board of the Society retains ultimate responsibility for ensuring that these services are provided in accordance with internal and external requirements. The Society assesses all outsourced activities in accordance with its Third-Party Risk Management Policy and undertakes due diligence and risk assessments to determine the materiality and risk exposure. The Society also conducts monitoring assessments to ensure the services provided by its outsourced third parties remains adequate.

All the outsourced activities are subject to robust oversight and controls, including contractual protections.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### C. Risk Profile

#### C1. Summary of current risk profile

The Society's primary business involves taking on risk for its members through Income Protection policies. There are three main types of risks that are inherent to the Society's business model.

Insurance risks: the risks associated with the inherent uncertainties surrounding the occurrence, amount, and timing of insurance liabilities. Long-term insurance risk arises from factors such as mortality, morbidity, lapses, pricing, and expense fluctuations.

Operational and business risks: this includes losses directly or indirectly resulting from inadequate processes, people, and systems, including model changes, developments in the regulatory environment, external risks and risks associated with achieving our strategic objectives such as facilitating future growth

Financial risks: These include deviations from expected returns or defaults arising from investments due to market fluctuations and the risk of the asset issuer, reinsurance or distribution partner not being able to make payments when they fall due. This includes liquidity risk and associated risks that could impact the Society's financial position.

Risks are grouped by risk type and aligned to the principal risks which have been approved by the Board. Risks are identified on a regular basis, using a range of techniques including internal and external trend monitoring, risk events analysis and management information.

#### C2. Underwriting Risk

Underwriting risk refers to the potential loss faced by the Society when accepting and issuing an insurance policy and where experience differs from assumptions, which are used to calculate premium amounts. Assumptions such as claims and lapses, including their timings, occurrence and amounts differing could have an impact on our expenses and solvency.

The Society has processes and controls to assess the risk of new business through its product design, pricing, and underwriting processes. Existing business insurance risks such as claims and lapses are monitored against thresholds and assumptions. Monitoring by underwriting channel, adviser and by product option against assumptions and defined tolerances aid management of underwriting risk and monitor outcomes for our members.

The experienced claims management team make decisions which are consistent with the way the policy has been underwritten and are able to offer additional support to the member supporting them in returning to work. Business insurance risks such as claims and lapses are monitored against thresholds and assumptions.

## SOLVENCY AND FINANCIAL CONDITION REPORT

This risk is also managed by our flexible approach which ensures we are able to adapt to changes or movements in the intermediary market to aid our risk exposure.

The Society also uses financial models, reinsurance expertise and actuaries to improve pricing and risk selection including using experience analysis to compare assumptions against actual experience.

The Society offers different products and product options to suit the needs of members. The Society has a diverse member base with regard to age, occupation, and geographical location reducing concentration risk.

### C3. Market Risk

Market risk arises from unexpected movements or volatility within the financial markets resulting in lower than anticipated returns. Exposure is managed by holding a diverse investment portfolio which is managed by experienced investment managers within a Board approved investment mandate. The Society further limits exposure by not investing in volatile, structured, or complex products. All assets included in the table set out in D1 have been invested in accordance with the prudent person principle, such that the Society only invests in assets where the Society can properly identify, measure, monitor, control, and report and appropriately take into account in the assessment of its overall solvency calculations. The investments held are from a diverse range of issuers, minimising concentration risk. This risk is monitored by regular reporting from the investment manager to the Risk & Investment Committee and on a monthly basis to the Executive.

### C4. Credit Risk

Credit risk arises where the Society suffers financial loss as a result of another party's failure to meet their financial obligations in a timely manner. The Society's exposure to credit risk primarily arises from its investment portfolio and third parties (including reinsurers and distribution partners). Through the Board approved investment mandate, the Society invests in investment grade corporate bonds and government securities. The Society manages concentration risk through holding a diversified portfolio, where apart from U.K. Gilts, no more than 5% of the investment portfolio is held with any one counterparty. The performance of investment managers is that is continually monitored by the Executive team, and governed by the Risk and Investment Committee. The Society has a diverse investment portfolio which mitigates against a credit risk event from multiple counterparties.

The Society monitors the risk of default or failure of a third party (including distributors and reinsurers) in meeting their contractual payment obligations resulting in financial loss. Exposure is managed through our credit control process.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### C4. Liquidity Risk

Liquidity risk arises from the inability to make payments as they become due as a result of insufficient financial resources available to meet obligations as they fall due. This risk is managed through the investment holdings in our investment mandate, ensuring investments are readily realisable, of high quality and traded on recognised financial markets. The Society also undertakes budgetary planning and cash flow matching to ensure sufficient funds are readily available over the short and medium term to fulfil financial obligations as they fall due. As mentioned above, the Society has entered into a financial reinsurance agreement, providing a financing for new Income Protection business to mitigate a liquidity risk event.

As at 31 December 2024, the total expected profit included in future Protect premiums was £58.7m.

### C5. Operational Risk

Operational risk is the risk of direct or indirect loss arising from failures from our people, processes, or systems. Included in this risk are legal, regulatory, third party, resilience, data, models, and cyber risks. Operational risks are assessed through the Risk Management and Internal Control Framework. The Risk and Control assessment process include an assessment of the design and operational effectiveness of controls and the impact to the risk commensurate to the type of risk and associated volatility. Exposure is managed through implementation of policies and frameworks which set the control requirements for management of operational risk. There is no significant concentration of operational risk. As operational risks cannot be fully mitigated, the Society has limited appetite for accepting exposure to operational risk events.

### C6. Other Material Risks

#### C6.1 Strategic Risk

This risk considers failed business decisions which have an impact on executing our strategy or meeting strategic objectives within the prescribed timescale. This also includes risks associated with climate change and sustainability. The Society's strategy plans are clearly defined and regularly reviewed, considering internal and external factors. The Society's Board receive regular updates on the execution of the strategic plan through a through a suite of agreed metrics.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### C7. Additional Information

The Society has identified its overall appetite for risk and expressed this in terms of its solvency position. Where applicable, risks are measured against the impact to the Solvency U.K. Solvency Capital Requirement (SCR) and the solvency coverage ratio (own funds in relation to SCR). In addition to the minimum solvency requirement defined by the prevailing regulatory environment, the Society has determined a minimum level of additional solvency required at all times forming part of the internal risk appetite. This is set by the Board as a key component of, and constraint upon, the strategic plan.

At 31 December 2024, the Society had over £17.5m of surplus funds (own funds less SCR). The Society also uses the SCR and Solvency cover ratio as a basis to measure and monitor the sensitivity of its assets to certain key risks by stress and scenario testing through its valuation model. These are reported on an annual basis and included in the ORSA as key drivers of the Society's risk appetite.

The Society uses a range of mitigation techniques to reduce and manage its risk exposures including the use of internal controls, limits, asset liability matching and cashflow planning.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### C7.1. Climate Change

Through the Society's business model, strategies and practices, the exposure to financial risk arising from climate change is limited primarily driven by our sustainable approach to investing and investment holdings. Working with our investment management partners and other stakeholders, we continue to remain committed to promote sustainability and reduce the impact on the environment. Throughout 2024, our investment holdings maintained an 'Above Average' rating against internal Environmental, Social, and Governance (ESG) sustainability criteria, with a significant proportion of investment asset issuers classified as 'Leaders.'

As a U.K.-based income protection insurer, with the majority of our members residing in the United Kingdom, the Society's exposure to natural perils, including extreme weather events, is geographically limited. While the physical risks of climate change such as longevity, morbidity, and mortality are not expected to fully materialise for several years, we continuously monitor these factors to assess their long-term implications.

Additionally, the Society has minimal exposure to asset transition risks due to the sustainable nature of its investment portfolio. Consequently, litigation risks associated with climate change-related damages are also limited due to the diverse portfolio. We conduct regular reviews of our portfolio's sustainability ratings and adhere to predefined investment mandates to further advance sustainable investing.

The Society remains committed to reducing its operational footprint and environmental impact. We continue to implement measures to decrease energy consumption by promoting remote working, minimising travel-related emissions, reducing paper usage, and encouraging electronic communication.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### D. Valuation for Solvency Purposes

#### D1. Assets

The value of the assets is shown in the following table:

£000s	31 December 2024	31 December 2023
Government securities	7,722	11,878
Corporate bonds	10,763	16,378
Loans and mortgages	76	142
Cash and cash equivalents	2,518	267
Any other assets	1,760	2,353
<b>Total</b>	<b>22,839</b>	<b>31,018</b>

The listed investments, cash and deposits are all included at market value. The Society does not hold listed investments which are not held on an active regulated market. Any other assets comprise of Property, plant & equipment held for own use. The Society has a finance lease on a proportion of its technology equipment. The Society has no material deferred tax assets. The Society has no related undertakings.

In preparing the current year financial statements the directors reviewed the recognition of deferred acquisition costs and identified that an alternative treatment was required. The resulting correction has an equal and opposite impact on the valuation of technical provisions and the adjusting entries have no impact on the Solvency U.K. value of assets. The comparatives have been restated per the below.

£000s	31 December 2024	31 December 2023
Value of assets presented in financial statements	28,002	36,727
Less Intangible assets	5,115	5,709
Other	48	
<b>Solvency U.K. value of assets</b>	<b>22,839</b>	<b>31,018</b>

# SOLVENCY AND FINANCIAL CONDITION REPORT

## D2. Technical Provisions

The following table summarises the technical provisions as at 31 December 2024 and 31 December 2023.

<b>£000s</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Best estimate liabilities	(19,530)	1,339
Risk margin	3,680	2,024
<b>Technical provisions</b>	<b>(15,850)</b>	<b>3,364</b>

All the Society's liabilities relate to health (Similar to Life) business.

### Valuation Methods

The following paragraphs detail the methodology adopted for the Solvency U.K. valuation as at 31 December 2024 for the following specific components of the Society's business:

Valuation of all the Society's Holloway and Income Protection income and liability cashflows

Valuation of Holloway members' accounts and allowance for interest, apportionment, and final bonuses

Valuation of sickness claims in payment

IBNR (incurred but not reported)

Negative reserves

Valuation of individual policies

Allowance for expenses

Reinsurance

Currency exposures

Options and guarantees

Discount rates

## SOLVENCY AND FINANCIAL CONDITION REPORT

### Valuation of Holloway and Income Protection income and liability cashflows

The Society adopts a gross premium methodology approach to the valuation of each of its contracts of insurance. This means that we project, for each individual contract on the Society's books, net cashflows out of the Society every single month into the future as follows.

#### Net cash flow each month =

Expected monthly sickness payment (not relevant for commuted Holloway contracts) assuming all policyholders are healthy at the date of valuation:

- (+) Expected monthly maturity and withdrawals on Holloway commuted and non-commuted accounts allowing for future rates of interest and apportionment bonuses
- (+) Monthly cost of maintenance and investment expenses allowing for future expense inflation

Each monthly projected net cashflow is then discounted back to the valuation date at an assumed discount rate of interest. A positive value represents a liability to the Society; a negative value represents an asset to the Society.

### Valuation of Holloway member accounts and allowances for interest, allocation, and final rates of bonus

The Society had accrued £37,582,344 in member capital accounts at the end of 2024 (including the 2024 declared bonus). These are all linked to 'Holloway' type policies.

This amount is guaranteed to be payable on maturity or earlier on death. The Society applies its discretion in the amount it pays in the event of withdrawal before maturity. A final bonus may also be paid on maturity or earlier death at the discretion of the Society.

Each year these benefits are increased by both an interest bonus, in respect of investment returns over the year, and an apportionment bonus in respect of the Society's favourable sickness experience (akin to a bonus equal to premiums less claims less expenses).

The value of these accounts is equal to the discounted value of the expected future amounts payable on these accounts allowing for future rates of interest, apportionment, and final bonus. Future apportionment and final bonuses are assumed to be paid at the long-term sustainable levels.

Additional reserves are held to cover all Income Protection claims in payment at the valuation date based on the discounted value of all future sickness cashflows expected to arise from the current sickness.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### **Incurred But Not Reported (IBNR)**

An additional reserve is held to cover the value of claims where policyholders have fallen sick but where they have not reported that fact to the Society (or they have reported the claim, but it has yet to be admitted by the Society). This calculation is based on the present value of sickness claims from policies with claims inception in 2024 multiplied by the average delay period in the year.

### **Allowance for expenses**

Expenses are allowed for in the valuation of the Society's liabilities by a per policy charge. This is assumed to be incurred monthly and covers each policy's share of the maintenance and investment related expenses of the Society. The calculation of each policy's share of these costs allows for the expected volumes of new business the Society expects to write. Expected maintenance and investment related expenses and new business volumes are set by the Society's strategic plans until 2026.

### **Reinsurance**

The Society has a quota share reinsurance arrangement for its level premium Protect business. The premiums payable to the reinsurer are projected based on risk rates provided by the reinsurer. The benefits recoverable from the reinsurer are based on the gross sickness benefits and the quota share as described in the treaty. For a proportion of insurance policies, the Society also has Mass Lapse / Lapse Up Reinsurance deal and the impacts of both the reinsurance arrangements are allowed for in the Society's Own Funds and Solvency Capital Requirement. The Society's new business and drawdown reinsurance facilities do not have a material impact on the Society's Own Funds or Solvency Capital Requirement.

### **Currency**

The Society's liabilities are all denominated in GBP.

### **Options and guarantees**

None of the Society's contracts has any material options or guaranteed surrender values in place at 31 December 2023 or 31 December 2024.

### **Discount rates**

All the Society's cashflows are discounted at the required risk-free rates of interest set by the PRA as at 31 December 2024.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### **Key assumptions used in the valuation of best estimate liabilities**

Assumptions need to be made for:

Sickness inception and recovery rates

Mortality rates

Lapse and withdrawal rates

Expense inflation

Rate used to discount future cashflows

### **Sickness Rates**

The Society's sickness experience has been analysed both by the rate of inceptions and by rates of recovery and are split between Holloway style contracts (Holloway and Century) and the Society's pure Income Protection business (Protect and Breathing Space). The inceptions and recoveries are explicitly allowed for in the cash flow methodology. The sickness tables used are based on the industry standard "IP11" tables.

### **Mortality**

The rate of mortality assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders

### **Lapse and withdrawal rates**

The rates of lapse and withdrawal assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders.

### **CFI (Cancelled from Inception) rates**

The CFI rates are assumed to apply to the Society's Protect business and are reflective of a policy commencing but cancelling within a defined period and premiums refunded. These include those policies cancelled within the cooling off period.

### **Expense inflation**

The Society makes approximations on future costs. These include fixed costs such as operational expenses and costs which are directly linked to a policy such as commission.

### **Rate used to discount future cashflows**

The Solvency U.K. risk free yield curve as specified by the PRA at the end of the relevant financial year has been used.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### Valuation of the risk margin

The risk margin is the additional premium, over and above the best estimate, that another insurer might need in order to take on those liabilities. This value is a formulaic calculation prescribed by the Solvency U.K. regulations based on the value of risk inherent in the insurance contracts written by the Society. A simplification method had not been used.

The amount of the SCR that is projected is based on a reference undertaking with no market risk.

The loss absorbing capacity of technical provisions assumed in the reference undertaking is assumed to be same as that currently assumed to apply for the Society's business. The same future management actions are assumed.

The total amount of the risk margin at 31 December 2024 is £3,680,469 (2023: £2,024,483). This all relates to health (Similar to Life) business.

### Differences with financial statements

The Society prepares its financial statements using U.K. generally accepted accounting principles (U.K. GAAP). The derogation contained in Article 9 of the Solvency U.K. Directive allows firms the option of recognizing and valuing assets and liabilities under U.K. GAAP for Solvency U.K. purposes as long as certain conditions are fulfilled.

In accordance with supervisory statement SS 38/15 (updated in November 2024) issued by the U.K. regulator "Solvency U.K.: consistency of U.K. generally accepted accounting principles with the Solvency U.K. Directive", the Society considers that these conditions have been fulfilled for the purposes of recognising and valuing assets and liabilities under U.K. GAAP for Solvency U.K. purposes.

As noted above, the assets are shown at the same value as the values in the financial statements subject to adjustments in respect of deferred acquisition costs and intangible assets. There are no material differences between the valuation of the liabilities for Solvency purposes and the values that will be shown in the financial statements.

### Other information

There is uncertainty in that the calculation of technical provisions requires assumptions to be made about future experience which could turn out to be different. The key sensitivities are to future lapse, expense, and sickness experience. There are no particular uncertainties associated with the methodology used to value the technical provisions.

No use has been made of a matching adjustment.

No use has been made of a volatility adjustment.

No use has been made of the transitional provisions for risk-free interest rates.

No use has been made of transitional deductions from technical provisions.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### D3. Other liabilities

Other liabilities cover those due for payment within the next 12 months. Their value has been calculated in accordance with the Society's financial statements.

### D4. Alternative valuation methods

No alternative valuation methods have been employed.

### D5. Any other information

No other information is supplied.

# SOLVENCY AND FINANCIAL CONDITION REPORT

## E. Capital Management

### E1. Own funds

The Society is an incorporated Society within the meaning of the Friendly Societies Act 1992. As such it has no shareholders, and its members are the ultimate owners of the business. There is no defined mutual member fund.

The table below shows the amount of own funds at the valuation date.

£000s	31 December 2024	31 December 2023
Assets	22,839	31,018
Best estimate liabilities	(19,530)	1,339
Risk margin	3,680	2,024
Current liabilities	2,476	2,828
<b>Own funds</b>	<b>36,212</b>	<b>24,827</b>
Solvency Capital Requirement (SCR)	18,314	15,300
<b>Surplus funds</b>	<b>17,898</b>	<b>9,527</b>

The Society reviews, as part of its regular ORSA process, the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened. This is assessed over the Society's business plan time horizon which covers the period 2024 to 2028. In the event that the Society's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement, then the Society will draw up appropriate plans to rectify that position. These plans will be appropriate to the Society's circumstances at the time but might include:

Taking such management actions as may be anticipated within its SCR calculations

Reviewing and refocusing its strategic objectives and priorities

Re-pricing its contracts of insurance

Reviewing its expense base, including potentially closing to new business

Seeking a transfer of engagements

The Society is a Friendly Society with a single members' fund and all capital is Tier 1.

The amount of Tier 1 own funds at the reporting date is £36,212,267.85. There are no restrictions on the use of own funds and this amount is available to cover the SCR and the MCR.

The own funds changes over the reporting period reflects a number of changes in the yield curve and assumption changes as noted in D2.

There are no material differences between the equity in the Society's financial statements and the free capital for solvency purposes. (Aside from the items noted in D1)

There are no items subject to a transitional arrangement.

## SOLVENCY AND FINANCIAL CONDITION REPORT

There are no items of ancillary own funds.

There are no deductions from own funds and no restrictions on availability and transferability.

### E2. Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at 31 December 2024 was £18,314,109.17 after allowing for management actions and the Minimum Capital Requirement was £4,578,527.42. The Solvency Capital Requirement is subject to supervisory assessment.

The SCR split by risk module is shown below:

	31 December 2024	31 December 2023
	Management actions	Management actions
	Net £000s	Net £000s
Market risk	4,978	4,501
Counterparty default risk	179	176
Health risk	15,791	12,957
Diversification across all risks	(3,191)	(2,839)
<b>Basic Solvency Capital Requirement</b>	<b>17,758</b>	<b>14,794</b>
Operational risk	556	506
<b>Solvency Capital Requirement</b>	<b>18,314</b>	<b>15,300</b>
<b>Minimum Capital Requirement</b>	<b>4,579</b>	<b>3,825</b>

The standard formula is used for all risk modules and there are no simplifications applied to the SCR calculation. There are no undertaking-specific parameters used in the SCR calculation.

The MCR represents the minimum capital requirement that must be held in addition to the technical provisions and affords a minimum level of protection of a Solvency U.K. firm's policyholders and beneficiaries; breaching the MCR is regarded as an unacceptable level of risk. It is calculated in a relatively simple manner with the formula based on technical provisions and capital at risk on death or disability, multiplied by specified factors. For many firms the floor, to which this calculation is subjected, exceeds the formula result and the MCR is set at 25% of the SCR (subject to an absolute floor (£4.58m at end 2024)).

### E3. Duration-based equity risk sub-module in the calculation of the SCR

The Society does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### E4. Differences between the standard formula and any internal model used

The Society does not use an internal model.

### E5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Society has complied with the Solvency Capital Requirement and the Minimum Capital Requirement throughout the reporting period.

### E6. Any other information

No other information is supplied.

# SOLVENCY AND FINANCIAL CONDITION REPORT

## Disclosures

### General Information

<b>Undertaking name</b>	<b>British Friendly Society Ltd</b>
Undertaking identification code	2138007I91E8L8M8OQ28
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	English
Reporting reference date	31 December 2024
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

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Life insurance and reinsurance obligations

IR.05.03.02 - Life income and expenditure

IR.12.01.02 - Life technical provisions

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Monetary amounts in GBP thousands.

## SOLVENCY AND FINANCIAL CONDITION REPORT

### IR.02.01.02 Balance sheet

		<b>Solvency II value</b>
		<b>C0010</b>
	<b>Assets</b>	
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	1,225
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	21,031
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	0
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	18,719
R0140	<i>Government Bonds</i>	7,797
R0150	<i>Corporate Bonds</i>	10,922
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	2,312
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	76
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	76
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	-3,427
R0280	<i>Non-life and health similar to non-life</i>	
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	-3,427
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	507
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>19,412</b>

## SOLVENCY AND FINANCIAL CONDITION REPORT

		<b>Solvency II value</b>
	<b>Liabilities</b>	<b>C0010</b>
R0505	Technical provisions - total	-19,277
R0510	<i>Technical provisions - non-life</i>	0
R0515	<i>Technical provisions - life</i>	-19,277
R0542	Best estimate - total	-22,957
R0544	<i>Best estimate - non-life</i>	
R0546	<i>Best estimate - life</i>	-22,957
R0552	Risk margin - total	3,680
R0554	<i>Risk margin - non-life</i>	
R0556	<i>Risk margin - life</i>	3,680
R0565	Transitional (TMTP) - life	0
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	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	2,476
R0900	<b>Total liabilities</b>	<b>-16,801</b>
R1000	<b>Excess of assets over liabilities</b>	<b>36,212</b>

## SOLVENCY AND FINANCIAL CONDITION REPORT

### IR.05.02.01

#### Premiums, claims and expenses by country: Life insurance and reinsurance obligations

R1400		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	<b>Premiums written</b>							
R1410	Gross	14,004						14,004
R1420	Reinsurers' share	290						290
R1500	Net	13,714						13,714
	<b>Premiums earned</b>							
R1510	Gross	13,904						13,904
R1520	Reinsurers' share	290						290
R1600	Net	13,614						13,614
	<b>Claims incurred</b>							
R1610	Gross	11,569						11,569
R1620	Reinsurers' share	2,041						2,041
R1700	Net	9,528						9,528
R1900	<b>Net expenses incurred</b>	12,482						12,482

## SOLVENCY AND FINANCIAL CONDITION REPORT

### IR.05.03.02

#### Life income and expenditure

		Index-linked and unit- linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0020	C0030	C0040	C0050	C0060	C0070
	<b>Premiums written</b>						
R0010	Gross direct business					14,004	14,004
R0020	Gross reinsurance accepted						0
R0030	Gross	0	0	0	0	14,004	14,004
R0040	Reinsurers' share					290	290
R0050	Net	0	0	0	0	13,714	13,714
	<b>Claims incurred</b>						
R0110	Gross direct business					11,569	11,569
R0120	Gross reinsurance accepted						0
R0130	Gross	0	0	0	0	11,569	11,569
R0140	Reinsurers' share					2,041	2,041
R0150	Net	0	0	0	0	9,528	9,528
	<b>Expenses incurred</b>						
R0160	Gross direct business					12,482	12,482
R0170	Gross reinsurance accepted						0
R0180	Gross	0	0	0	0	12,482	12,482
R0190	Reinsurers' share						0
R0200	Net	0	0	0	0	12,482	12,482
R0300	Other expenses						
	<b>Transfers and dividends</b>						
R0440	Dividends paid						

## SOLVENCY AND FINANCIAL CONDITION REPORT

### IR.12.01.02

#### Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	<b>Best estimate</b>							
R0025	Gross Best Estimate (direct business)						-22,957	-22,957
R0026	Gross Best Estimate (reinsurance accepted)							0
R0030	<b>Gross Best Estimate</b>	0	0	0	0	0	-22,957	-22,957
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-3,427	-3,427
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0	0	0	0	0	-19,530	-19,530
R0100	<b>Risk margin</b>						3,680	3,680
	<b>Amount of the transitional on Technical Provisions</b>							
R0140	TMTP - risk margin							0
R0150	TMTP - best estimate dynamic component							0
R0160	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	<b>Transitional Measure on Technical Provisions</b>	0	0	0	0	0	0	0
R0200	<b>Technical provisions - total</b>	0	0	0	0	0	-19,277	-19,277

## SOLVENCY AND FINANCIAL CONDITION REPORT

### IR.23.01.01 Own Funds

	<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>	<b>Total</b>	<b>Tier 1 unrestricted</b>	<b>Tier 1 restricted</b>	<b>Tier 2</b>	<b>Tier 3</b>
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	36,212	36,212			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>	0				
R0290	<b>Total basic own funds after deductions</b>	36,212	36,212	0	0	0

## SOLVENCY AND FINANCIAL CONDITION REPORT

	<b>Ancillary own funds</b>					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	<b>Total ancillary own funds</b>	0			0	0
	<b>Available and eligible own funds</b>					
R0500	Total available own funds to meet the SCR	36,212	36,212	0	0	0
R0510	Total available own funds to meet the MCR	36,212	36,212	0	0	
R0540	Total eligible own funds to meet the SCR	36,212	36,212	0	0	0
R0550	Total eligible own funds to meet the MCR	36,212	36,212	0	0	
R0580	<b>SCR</b>	18,314				
R0600	<b>MCR</b>	4,579				
R0620	<b>Ratio of Eligible own funds to SCR</b>	197.73%				
R0640	<b>Ratio of Eligible own funds to MCR</b>	790.92%				
	<b>Reconciliation reserve</b>	<a href="#">C0060</a>				
R0700	Excess of assets over liabilities	36,212				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0725	Deductions for participations in financial and credit institutions					
R0730	Other basic own fund items	0				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	<b>Reconciliation reserve</b>	36,212				

## SOLVENCY AND FINANCIAL CONDITION REPORT

IR.25.04.21

### Solvency Capital Requirement

<b>Net of loss absorbing capacity of technical provisions</b>		
	<b>Market risk</b>	C0010
R0070	Interest rate risk	4,978
R0080	Equity risk	0
R0090	Property risk	0
R0100	Spread risk	0
R0110	Concentration risk	0
R0120	Currency risk	0
R0125	Other market risk	
R0130	Diversification within market risk	0
R0140	<b>Total Market risk</b>	4,978
	<b>Counterparty default risk</b>	
R0150	Type 1 exposures	179
R0160	Type 2 exposures	0
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	0
R0180	<b>Total Counterparty default risk</b>	179
	<b>Life underwriting risk</b>	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	<b>Total Life underwriting risk</b>	0
	<b>Health underwriting risk</b>	
R0280	Health SLT risk	15,791
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	0
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	0
R0320	<b>Total Health underwriting risk</b>	15,791

## SOLVENCY AND FINANCIAL CONDITION REPORT

	<b>Non-life underwriting risk</b>	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	
R0340	Non-life catastrophe risk	
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	
R0370	<b>Non-life underwriting risk</b>	0
R0400	<b>Intangible asset risk</b>	
	<b>Operational and other risks</b>	
R0422	Operational risk	556
R0424	Other risks	
R0430	<b>Total Operational and other risks</b>	556
R0432	<b>Total before all diversification</b>	21,505
R0434	Total before diversification between risk modules	21,505
R0436	Diversification between risk modules	-3,191
R0438	<b>Total after diversification</b>	18,314
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	<b>Solvency capital requirement including undisclosed capital add-on</b>	18,314
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	<b>Solvency capital requirement including capital add-on</b>	18,314
R0490	Biting interest rate scenario	decrease
R0495	Biting life lapse scenario	mass

## SOLVENCY AND FINANCIAL CONDITION REPORT

### IR.28.01.01

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

**Linear formula component for non-life insurance and reinsurance obligations**

C0010

R0010 MCR<sub>NL</sub> Result

0

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

## SOLVENCY AND FINANCIAL CONDITION REPORT

### Linear formula component for life insurance and reinsurance obligations

C0040

R0200	MCR <sub>L</sub> Result	48		
			<b>Net (of reinsurance/SPV) best estimate and TP calculated as a whole</b>	<b>Net (of reinsurance/SPV) total capital at risk</b>
			C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits			
R0220	Obligations with profit participation - future discretionary benefits			
R0230	Index-linked and unit-linked insurance obligations			
R0240	Other life (re)insurance and health (re)insurance obligations		0	
R0250	Total capital at risk for all life (re)insurance obligations			69,229
	<b>Overall MCR calculation</b>		C0070	
R0300	Linear MCR	48		
R0310	SCR	18,314		
R0320	MCR cap	8,241		
R0330	MCR floor	4,579		
R0340	Combined MCR	4,579		
R0350	Absolute floor of the MCR	3,500		
R0400	<b>Minimum Capital Requirement</b>	4,579		

## SOLVENCY AND FINANCIAL CONDITION REPORT

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