

Solvency and Financial Condition Report (SFCR)

As at 31 December 2016



O^{the} **DDfellows** SINCE 1810
making friends, helping people

Contents

Introduction and Summary	9
1. Business and performance	9
2. Systems of governance	9
3. Risk profile	10
4. Valuation for solvency purposes	10
5. Capital management	11
Board of Directors Statement	12
Audit opinion	13
A. Business and performance	16
A.1 Business	16
a) Name and legal form	16
b) Supervisory authority	16
c) External auditor	16
d) Material lines of business and geographical areas	16
e) Structure of the Society	17
i. The Society's Fraternal Business	17
ii. The Society's Long Term Business (LTB)	17
f) Significant business events	18
A.2 Underwriting performance	18
A.3 Investment performance	19
B. System of governance	20
B.1 General information on system of governance	20
a) Corporate governance structure	20
i. Audit, Risk & Compliance Committee (ARCC)	20
ii. Commercial Board	21
iii. Insurance Committee	21
iv. Governance Committee	22
v. Remuneration Committee	22
b) Changes to Society's systems of governance	22
c) Remuneration Policy	23

B.2	Fit and Proper requirements	23
B.3	Risk management system including the own risk and solvency assessment.....	24
B.4	Own Risk Solvency Assessment (ORSA).....	25
B.5	Internal control system	26
i.	Compliance & Risk Function.....	27
B.6	Internal Audit Function	27
B.7	Actuarial	28
B.8	Outsourcing.....	28
C.	Risk profile.....	30
C.1	Overview.....	30
C.2	Risk summary	30
a)	Underwriting risk	30
i.	Key underwriting risks.....	30
b)	Market risk.....	31
i.	Key market risks.....	31
c)	Credit risk	32
d)	Liquidity risk	32
e)	Operational risk	32
C.3	Risk mitigation.....	32
C.4	Prudent person principle for asset investment.....	33
C.5	Stress and scenario tests.....	34
D.	Valuation for solvency purposes	35
D.1	Assets	35
a)	Solvency II valuation of assets.....	35
b)	Solvency II and UK GAAP valuation differences	36
D.2	Technical provisions	36
a)	Valuation results.....	36
b)	Material Uncertainty	39
D.3	Other liabilities.....	39
D.4	Alternative methods of valuation	40
D.5	Any other information	40
E.	Capital management	41
E.1	Own funds	41
a)	Objectives, policies and processes for managing own funds	41
b)	Classification of own funds	41

c)	Eligibility of own funds	41
d)	Reconciliation of excess assets to financial statements	42
e)	Deductions from Own Funds	42
E.2	Solvency Capital Requirement and Minimum Capital Requirement	42
a)	Amount of Solvency Capital Requirement and Minimum Capital Requirement	42
b)	Solvency Capital Requirement split by risk modules	42
c)	Simplified calculations in risk modules	43
d)	Undertaking-specific parameters	43
e)	Inputs used to calculate the MCR	43
E.3	Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement	43
E.4	Differences between the standard formula and internal model used	44
E.5	Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	44
F.	Templates	45
Appendix A	SFCR templates	46

Terms used in this document:

LTB:	Long Term Business
FCA:	Financial Conduct Authority
LTB	The Long Term Business of the Society
ORSA:	Own Risk and Solvency Assessment
PRA:	Prudential Regulatory Authority
SF	Standard Formula
The Board:	The Society's Board of Directors
The Society:	The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited

Introduction and Summary

This is the first Solvency and Financial Condition Report (SFCR) for the Independent Order of Oddfellows Manchester Unity Friendly Society Limited (the “Society”) and the Fraternal branches (together the ‘Wider Society’), it is based on the financial position as at 31 December 2016.

The report covers the following information as set out in the Solvency II regulations:

- Business and Performance;
- Systems of Governance;
- Risk Profile;
- Valuation for Solvency Purposes; and;
- Capital Management.

The Society’s Board of Directors has ultimate responsibility for these areas, with the help of various governance and control functions which manage and monitor the business.

The contents of the report are considered to be appropriate for the nature, scale and complexity of the Society’s business

1. Business and performance

The Society is one of the largest and oldest branch based friendly societies in the United Kingdom and commits to both regulated and discretionary social and benevolent activities.

The Society’s LTB business encompasses regulated with-profit, non-profit and unit linked life and pensions business. There is a very small amount of regulated non-life business (short term medical cover) written via the Guernsey and Jersey Branches.

The social and benevolent business conducted by the Society’s Branches is known as its Fraternal business.

As a mutual organisation, the Society does not have any shareholder interests to consider. However, as the LTB Fund ultimately benefits from the availability of support from the Society’s Fraternal assets (which form part of the total assets of the Society) the Fraternal business is considered to be a stakeholder with an interest in the running of the LTB Fund.

2. Systems of governance

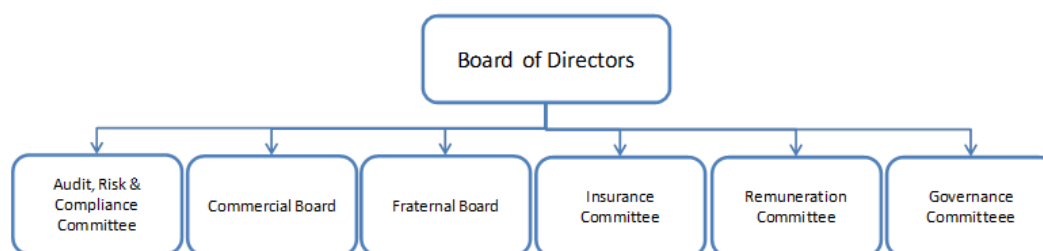
As a mutual, our members can have a say in how we operate, which is very important to us. It ensures we remain focused on what really matters – our members and their needs.

We believe in responsible, respectful collaboration, and over our 200-plus years as a friendly society, we have learnt that we can achieve so much more when we come together.

The Board of Directors (BoD) is appointed by resolution, in accordance with the Rules, at the annual general meeting of the Society (AMC).

The Society recognises the importance of strong corporate governance and has established a well-defined governance framework, systems of control and committee structure.

Overview of Board and Sub Committee:



The Society is a proud member of the Association of Financial Mutuals (AFM), the trade body that represents mutual insurers, friendly societies such as ourselves and other financial mutuals across the UK. Our CEO, Jane Nelson, is currently the AFM's Vice-Chair.

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) regulate us, and we take seriously our responsibilities to treat our customers – our members – fairly.

3. Risk profile

The key risks faced by the Society are influenced by the nature and scale of business currently in-force, the assets held to back the business and the management actions around bonus distribution and investment policy in the future as the business runs off.

The risks to the Society may change over time depending on how the current strategy evolves and the changes to the environment under which the Society operates.

The risk assessment calculates the SCR using Standard Formula and the risk profile as at 31 December 2016 is as follows:

Standard Formula Risk	%
Market Risk	88.4%
Counterparty Default	3.1%
Life Underwriting Risk	8.3%
Health Underwriting Risk	0.0%
Non-Life Underwriting Risk	0.2%

As can be seen from the table above the SCR occurs mainly from market risk. This is because the assessment includes the Fraternal assets of the Wider Society.

4. Valuation for solvency purposes

The policies used for valuing assets and liabilities for solvency purposes have remained consistent throughout the reporting period.

The Society has aligned the valuation of Technical Provisions between their GAAP basis and the Solvency II basis in the period.

There are no new material classes of assets or liabilities to which the Society is exposed.

5. Capital management

For the purposes of assessing the Society's available funds and solvency capital requirements the Fraternal assets of the wider Society are included, as Fraternal assets are available to support the Society's solvency capital requirements in extremis.

As at 31 December 2016, the Society's Own Funds for Solvency II purposes were £289.73m and the Solvency II ratio was 354%.

The SCR calculation only uses simplification for the calculation of the mortality-catastrophe SCR component. This is applied on materiality grounds.

The Society's objective is to manage the capital position so that there are sufficient Own funds to cover the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR) at all times.

Board of Directors Statement

The Directors are responsible for preparing the Solvency and Financial Condition Reports ('SFCR') in accordance with applicable law and regulations.

The PRA Rulebook for Solvency II firms in Rule 6.1(2) and Rule 6.2(1) of the reporting Part requires that the Society must have in place a policy of ensuring the ongoing appropriateness of any information disclosed and that the Society must ensure that its SFCR is approved by the directors.

The directors below certifies that:

- a) the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations;
- b) throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Society; and
- c) 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.

By order of approval Board.



Jane Nelson (Mrs)

Chief Executive Officer

19 May 2017



Stephen J Code

Insurance Director

19 May 2017

Audit opinion

REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF THE INDEPENDENT ORDER OF ODD FELLOWS MANCHESTER UNITY FRIENDLY SOCIETY LIMITED ('THE SOCIETY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT CHAPTER OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report ("SFCR")

Opinion

Except as stated below, we have audited the following documents prepared by the Society as at 31 December 2016:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Society as at 31 December 2016, ('the Narrative Disclosures subject to audit'); and
- Society templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.02.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Society templates S.05.01.02, S.05.02.01, S.19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Society as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the APB's Ethical Standards as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK and Ireland) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or
- the Directors have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

We have nothing to report in relation to these matters.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK and Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>

The same responsibilities apply to the audit of the SFCR.

This report is made solely to the Directors of UK insurer preparing the Report in accordance with rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the PRA, for our audit work, for this report or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

A handwritten signature in dark ink, reading "David Heaton". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

David Heaton (Senior statutory auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester

19 May 2017

A. Business and performance

A.1 Business

The Independent Order of Oddfellows Manchester Unity Friendly Society Limited (the “Society”) is an incorporated Friendly Society founded in 1810.

a) Name and legal form

The Society’s registered office address is:

Oddfellows House
184-186 Deansgate
Manchester M3 3WB

The Society is a mutual organisation and, therefore, does not have any shareholder interests to consider.

b) Supervisory authority

The Society is regulated by both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The PRA is the lead supervisor for the purposes of Solvency II regulation. As the Society is a Category 5 firm it is managed through the smaller insurer regime and has no named supervisor.

The contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pr
www.fca.org.uk

c) External auditor

The external auditor of the Society is:

Deloitte LLP (Manchester)
Chartered Accountants and Statutory Auditor
2 Hardman Street
Manchester M3 3HF

d) Material lines of business and geographical areas

The Society’s LTB encompasses with-profit, non-profit and unit linked life and pensions business.

Under Solvency II, the Society’s LTB obligations are classified as Life (non-health).

The Society’s LTB business is transacted in the United Kingdom.

In addition, there is an immaterial amount of non-life business based in the branch network in Guernsey and Jersey.

e) Structure of the Society

The Society is one of the largest and oldest branch based friendly societies in the United Kingdom and consists of semi-autonomous Branches spread throughout the UK which are supported by a Central Office based in Manchester.

The Long Term Business (LTB) administration is managed from Offices in Manchester and Liverpool, with no regulated life insurance business being carried out by the Branches. There is a very small amount of regulated non-life business (short term medical cover) written via the Guernsey and Jersey Branches.

The Society is a mutual organisation and, therefore, does not have any shareholder interests to consider. However, as the LTB Fund ultimately benefits from the availability of support from the Society's Fraternal assets (which form part of the total assets of the Society on a Solvency II basis) the Fraternal business is considered to be a stakeholder with an interest in the running of the LTB Fund.

i. The Society's Fraternal Business

The social and benevolent business conducted by the Society's Branches is known as its Fraternal business. Administration of this business at national level is carried out by a Central Office (also known as Unity Office) in Manchester where full-time staff provide services to Branches and members alike.

Whilst services and support for members are provided by Unity Office the main point of contact for members is their local Branch.

The Fraternal assets of the Society are used to provide social and benevolent benefits to members and to fund Unity Office and its supportive functions on a purely discretionary basis. The Society provides social activities, care and support and non-contractual benefits to in the region of 56,000 Fraternal members through the UK-wide network of 132 Branches. As well as caring for members, the Society has a tradition of support for both local and national charities. Each Branch has its own Committee of Management but support and guidance for Branches and members are also provided by Unity Office.

The Society's aim is to continue as a Branch based friendly society growing both its numerical strength of members and the coverage of Branches around the UK. Each Branch is separately registered with the Society and is responsible for managing its own assets subject to the Rules and Procedures of the Society.

ii. The Society's Long Term Business (LTB)

As at 31 December 2016 the Society's LTB consisted of approximately 274,000 policies, of which approx. 240,000 were unit-linked Child Trust Fund (CTF) accounts. The LTB is administered from the Manchester and Liverpool offices by a dedicated insurance team. Since 2006, the Society has successfully integrated LTB books from four other friendly societies in

line with its strategy of expanding its LTB by proactively seeking transfers of engagements from other friendly societies.

The LTB has assets under management of approximately £241m, which sit separately from the Fraternal business of the Society. Under delegated authority of the Board, the Insurance Committee is responsible for the strategic direction of the Society's LTB and oversight of operational issues affecting LTB.

f) Significant business events

The United Kingdom voted to leave the European Union on 23 June 2016.

Prior to the vote the Association of Financial Mutuals (AFM) commented on the possible impact on mutual insurers of the decision by the UK to leave the European Union. They noted that almost all the members of UK mutuals live in the UK, and mutuals employ all their staff in the UK, pay their taxes in the UK, and invest their assets predominantly in companies, government gilts and property in the UK.

At present the most likely impacts are:

- The effect on the wider economy; for example how it affects the investment climate, interest rates and general prosperity. The referendum result has generated nervousness in the financial markets and this may have a knock-on effect to the solvency position of the LTB funds.
- The effect on regulation. In recent years the majority of insurance regulation has emanated from Europe (e.g. Solvency II). Much of the UK rulebook will need to be rewritten, though as the UK regulators have actively embraced European rules, and as issues such as consumer protection and effective stewardship are now universally accepted, it is not expected that the tone of regulation would change significantly.

On the plus side AFM research shows people trust mutuals more than PLCs, so during any uncertainty in the aftermath of the referendum mutuals could see a greater surge in business activity.

A.2 Underwriting performance

Existing policyholders are generally located in the United Kingdom, although, there are a small number of policies owned by former UK residents.

The table below sets out the Society's premiums, claims and expenses as shown in the Financial Statements of the Society for 1 January to 31 December 2016:

£000s	Life SLT
Premiums	1,534
Claims	(6,299)
Change in Technical Provisions	(27,716)
Investment Income	29,251
Expenses	(2,507)
Other Income	3,007

Net Underwriting Performance

2,730

Some of the Society's business is classed as Investment Contracts in the accounting basis, FRS 102, and are accounted for on a deposit basis. As such premiums are not included in the premium line in the technical account, but are reported in the change in technical provisions in the technical account.

A.3 Investment performance

The table below sets out details of the Society's investments for the period 1 January 2016 to 31 December 2016:

Assets £000s	Valuation 1 Jan 16	Additions	Disposal Proceeds	Realised Gains / Losses	Unrealised Gains / Losses	Other	Valuation 31 Dec 16
Land & Buildings	54,376	4,289	(2,139)	1,609	2,286	-	60,420
Shares & Other Variable Yield Securities	51,430	31,021	(30,217)	7,231	(1,562)	-	57,904
Debt & Other Fixed Income Securities	76,690	75,282	(69,063)	9,609	(5,458)	-	87,060
Assets Held to Cover Linked Liabilities	148,285	3,375	(18,758)	149	18,077	(53)	151,074
Cash at Bank and in Hand	19,575	-	-	-	-	574	20,149
Total Assets	350,356	113,966	(120,177)	18,598	13,343	521	376,607

Over the year the value of financial assets increased by £26.25m an increase of 7.5%.

The year end of 2016 closed with the FTSE 100 valued 7,142, 14.2% up on the close of 2015. The early part of 2017 has seen continued levels of volatility in the market and this is set to continue. The base rate fell to 0.25% in August 2016 from its previous all time low with little expectation of any increase before 2018. The Society continues to monitor its investments on a regular basis in order to assess the impact on the Society of the markets. Expectations are that the previously experienced volatility will continue over the short to medium term.

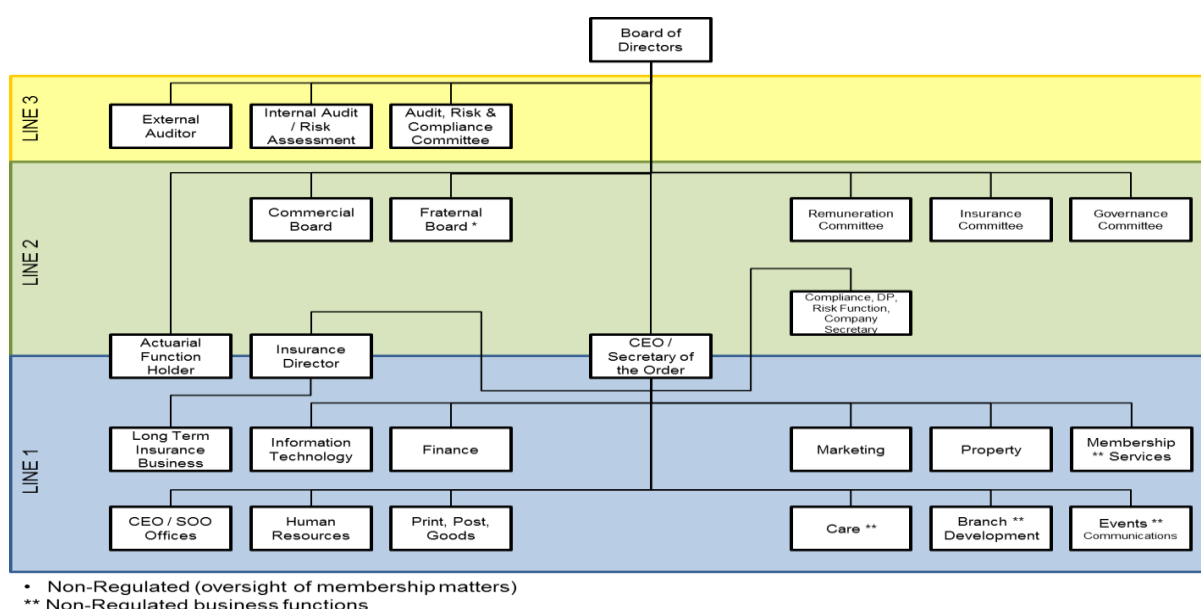
B. System of governance

B.1 General information on system of governance

The Board of Directors (BoD) is accountable to the Society's members for the operation of the Society and good governance is fundamental to this responsibility. The principal role of the BoD is to focus on the Society's strategy. As the business develops and changes and, as the challenges the Society faces change, the BoD has to ensure that there are the necessary resources in place with the relevant competencies, skills and experience. It is also essential that financial and Risk Management procedures and internal controls are robust and effective. In particular, the BoD's role is to provide general direction to the Society and to safeguard the interests of its Members.

a) Corporate governance structure

The Society's corporate governance structure encompasses the following Sub-Boards and/or Committees and business functions



The BoD is not involved in the conduct of the day-to-day business of the Society, apportionment of significant responsibilities or overseeing the establishment and maintenance of systems of control. These functions are delegated to the Chief Executive Officer (CEO).

There are a number of different Sub-Boards and/or Committees within the Society, the Chairman of each presents summaries of their activities to the BoD, which include:

i. Audit, Risk & Compliance Committee (ARCC)

The ARCC is responsible for:

- Risk Management and Internal Controls
- Compliance and Prevention of Financial Crime

- Financial Reporting
- Internal Audit
- External Audit
- Whistleblowing

The overall role of the ARCC is to protect the interests of the members as regards the effectiveness of the Society's internal control framework and appropriate management of risk and compliance, the integrity of the published financial information and the effectiveness of the auditors.

ii. Commercial Board

The responsibility of the Commercial Board is to pass resolutions of a non-policy nature to ensure that:

- Unity Office delivers a high quality customer service to Branches, members and prospective members.
- Unity Office and Branches will plan development and budget accordingly for investment in the future, spending capital when appropriate.
- The Society's structure and culture encourage member and staff involvement in its running and development.

In achieving this, the Commercial Board is responsible for the tactical application of strategy and implementation of policy with respect to:

- Finance
- Investments
- Legislation
- Office administration
- Society Rules and Procedures

The Commercial Board is also responsible for the investments of the Society and as such appoint Investment Managers and meet with them on a quarterly basis to challenge and discuss their performance. The strategy for the investments of the Society is determined in conjunction with advice from the Actuaries as and when appropriate. For the Long Term Business investments, this also includes consultation with the Insurance Committee. The role of the Commercial Board is, therefore, to act as the Investment Committee.

iii. Insurance Committee

The Insurance Committee is accountable to the Board of Directors for monitoring, controlling and directing the insurance business affairs of the Society. This is in relation to each of the Society's Long Term Business Funds and subject to matters reserved to the Board of Directors or delegated to the Commercial Board by the Board of Directors.

The Committee reviews and reports back on the following matters:

Strategy and Management of the Society's Long Term Business Funds including:

- Business planning and new developments

- Actuarial Valuation
- Reserves and allocation of Free Assets
- Bonus recommendations
- Approval of annual expenditure budget for the Long Term Business
- Own Risk and Solvency Assessment (ORSA)

Operational Management of the Long Term Business Funds including:

- Treating Customers Fairly (TCF)
- Investment Performance
- Risk Management relating to the conduct of the Society's Insurance Business

iv. Governance Committee

The Governance Committee considers aspects of the Society's corporate governance and regulatory matters. Where appropriate it makes recommendations based on its deliberations and conclusions to the Board of Directors and/or other standing committees. The Committee also acts as the Society's Nominations Committee with regards the appointment of Member Elected Non Executive Directors and Term Directors.

v. Remuneration Committee

The Remuneration Committee is responsible for:

- Determining and agreeing with the Board of Directors the framework or broad policy for remuneration of Executive Directors
- Fulfilling duties as laid down by the Directors' Remuneration Report Regulations 2002
- Performance reviews of Executive Directors
- Liaising with the Board of Directors in respect of succession planning for Executive Directors

Annual performance reviews of the Executive Directors are undertaken by the Remuneration Committee, based on the objectives derived from the Society's Strategic Plan.

The Committee reviews Executive Directors' remuneration annually. It considers it is in the members' interests for remuneration packages to be competitive in order to attract, retain and motivate people of the required calibre.

b) Changes to Society's systems of governance

The following Director retired in the reporting period 2016:

- George Lickess, 31 May 2016

The following Director appointment took place within reporting period 2016:

- David Randall, 31 May 2016

The system of governance is considered to be appropriate for the Society, taking into account the nature, scale and complexity of the risks inherent in the business.

c) Remuneration Policy

The Society's remuneration structure has traditionally been a fairly straightforward one that is aimed at providing a fixed level of remuneration to employees, and does not include performance related bonuses.

The overall remuneration structure and practice are in line with the business and risk strategy, risk profile, objectives, values, risk management practices, and long-term interests of the Society.

The Remuneration Policy is intended to recruit and retain employees whose values are aligned to the Society's culture and values.

The Society achieves this through a robust performance management practise, which ensures equitable and, where appropriate, competitively benchmarked pay levels. Annual performance reviews of the Executive Directors are undertaken by the Remuneration Committee, based on the Executive Directors' objectives derived from the Society's Strategic Plan.

B.2 Fit and Proper requirements

The Society ensures that all persons who effectively run the Society and hold PRA Senior Insurance Managers Regime (SIMR)/ FCA Approved Person regime (APR) roles are fit and proper to provide sound and prudent management through their professional qualifications, skills and experience, including collective experience and knowledge in:

- Market Knowledge;
- Business Strategy and Model;
- Risk Management and Control;
- Financial Analysis and Controls;
- Governance, Oversight and Controls; and
- Regulatory Framework and Requirements.

In order to ensure persons holding PRA SIMR and FCA APR roles are fit and proper in accordance with Regulatory requirements they are subject to Regulatory due diligence, which includes:

- Five year employment history;
- Credit and Disclosure & Barring Service (DBS) checks;
- FCA and Directorship register search;
- Professional Qualifications / Membership check; and
- Identity check.

In addition to the above initial Regulatory due diligence all persons holding PRA SIMR and FCA APR roles are subject to an annual fitness and propriety assessment, overseen by the Society's Governance Committee.

All Directors and Committee members participate in the Training & Development Scheme, which ensures that Committee members are competent to perform their role.

The Training and Development Scheme ensures that the training, development and knowledge standards are appropriate not only to demonstrate a level equal to the Regulatory requirements and obligations, but also appropriate and suitable to meet the needs of Directors and External Skilled Persons and the Society.

The table below lists those persons in the Society who are responsible for the key functions:

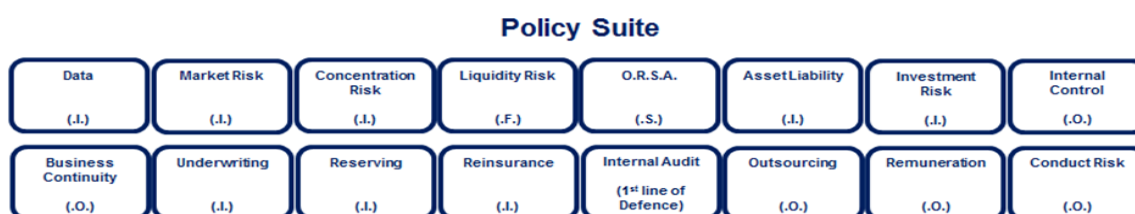
¹ Key Function	Person Responsible for Key Function
*Investment Managers	CEO
*Property Manager	CEO
Compliance & Risk	CEO
*Actuarial	Insurance Director
*Internal Auditors	Chairman of Audit, Risk & Compliance Committee

B.3 Risk management system including the own risk and solvency assessment

The Society's risk management systems are articulated in its 'Risk Management Framework'. The strategic aims of the RMF are:

- for the Board, Sub Committees, Executive Directors and all Staff to have an understanding and ownership of, and commitment to, the control and management of all reasonably foreseeable risks that may arise within the context of the Society's LTB activities; and
- the management of risk is the responsibility of all staff. All staff will be involved in the identification, management and mitigation of risks in their day-to-day work.

The RMF includes the following Risk Policies to ensure that adequate processes and procedures are in place to manage all types of risk:



The RMF encompasses the following cyclical process:

¹ * denotes outsourced key functions



The Society's RMF operates around the proven 'three lines of defence model' for overseeing its internal control frameworks:

First line of defence: this encompasses the controls the Society has in place to deal within the day-to-day business. The controls are embedded within the Society's business departments' systems and processes to highlight control breakdown, inadequacy of process and unexpected events, and appropriately mitigate risk.

Second line of defence: this encompasses the Society's Sub Committees and key functions that are in place to provide an oversight of the effective operation of the internal control framework. The Society's Sub Committees review the management of risk in relation to the particular risk appetite of the business, as determined by the Board.

Third line of defence: this encompasses the independent assurance and challenge provided by the Society's ARCC and internal and external audit functions, which undertake a programme of risk based audits covering all aspects of both first and second lines of defence, and External Auditors who provide independent challenge of the internal control framework in respect of financial reporting.

The Society's BoD has responsibility for determining the strategic direction of the Society and retains ultimate responsibility for the RMF, but delegates some of its decision making to responsibilities to the Executive Directors and Sub Committees.

All key decisions made in the Society such as product launches, capital management, investment strategy, follow internal governance processes, which includes an assessment of the risk exposure and mitigation strategies.

The Compliance & Risk Function provides the Audit, Risk & Compliance Committee with quarterly assurance reports to confirm the adequacy and effectiveness of the Society's compliance and risk management systems and controls, and that they are appropriate and proportionate to the Society's scale, complexity and business model.

B.4 Own Risk Solvency Assessment (ORSA)

The Society undertakes an ORSA assessment each year. In addition material changes in the business may trigger an ad-hoc ORSA to be completed.

This ORSA report assists the Board in considering and managing the risks faced by the Society and its capital requirements under different scenarios. It discusses the main risks faced by the

Society, the processes and procedures in place to monitor, mitigate and manage these risks, the capital set aside against these risks and the risks that may arise in the future. The ORSA forms an integral part of the Society's business strategy and is taken into account on an on-going basis in the development of the future strategy.

The ORSA considers the Long Term Business (LTB) for the purposes of defining and assessing key risks and calculating capital requirements. However, the financial structure of the Society allows that Fraternal business can provide such cover.

The ORSA includes the consideration of operational risks within the Society, and again these have focused on the LTB.

The following principles guide the performance and cycle of the Society's ORSA:

- The ORSA is forward-looking, taking into account the Society's business strategy, business plans and projections.
- The ORSA encompasses all material risks that could impact obligations to policyholders and the Society's business strategy.
- The ORSA is proportionate, providing more detail on the highest ranked risks.
- The ORSA demonstrates that capital levels and liquidity are in line with the risk profile and suitable management procedures and actions in place to remain within risk appetite.
- The ORSA demonstrates robust processes exist to assess solvency requirements and that information from these processes influences decision making.
- The ORSA demonstrates robust processes exist to identify, measure, monitor, manage and report risk exposures and that information from these processes influence decision making including the determination of the appropriate amount and quality of capital required.
- The ORSA is sufficiently documented and evidenced to support independent review.
- The ORSA contains feedback loops to support on-going improvement of ORSA processes.

B.5 Internal control system

As previously detailed the Society operates a 'three lines of defence model' for overseeing its internal control frameworks.

The Society maintains a financial control framework that governs financial and regulatory reporting. The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. The Internal Audit Function conducts this review and the results are submitted to the Audit, Risk & Compliance Committee.

The Society's Financial Statements in their production and review leading up to publication are also subject to a robust review. The actuarial liabilities are produced using best practises and are subject to review by the Insurance Committee. The Financial Statements are also subject to internal review and External Audit review. They are presented to the Audit, Risk & Compliance Committee, BoD and AMC for sign-off prior to publishing.

i. Compliance & Risk Function

The Compliance & Risk Function is responsible for the independent assessment of the Society's conduct of regulated business, including risk management processes and procedures to ensure compliance with Regulatory Principles, Rules and / or Guidance and the policies and standards established by the Society.

The Society's Compliance & Risk Function has direct reporting lines to the CEO and TCF & Conduct Risk Champion who sit on the Insurance Committee and the BoD, and has access to all information and staff necessary to carry out its strategy and responsibilities.

The Society's Compliance & Risk strategy is as follows.

- Create and maintain a compliance and risk, money laundering / financial crime environment within the Society, in which the BoD, Sub Committees and staff understand their roles and responsibilities for ensuring they operate in a manner, which complies with Regulatory Principles, Rules, Guidance and the Society's own policies procedures.
- Create and maintain a vigilant Compliance & Risk Function that:
- advises the BoD, Sub Committees, line management and staff as appropriate on matters of Regulatory compliance and in particular in respect of Regulatory change and development as well as any areas of particular focus raised by the Regulators (e.g. relevant thematic reviews);
- serves to monitor and report to the BoD, Sub Committees and line management as appropriate on the compliance and risk performance of the regulated functions of the Society, proposing any necessary remedial actions;
- ensures the Society's TCF and risk cultures and values are understood across all levels of the Society; BoD, Sub Committees and staff;
- provides timely guidance and support to foster a culture of compliance and risk in the Society;
- if necessary prompts or initiates timely and effective disciplinary action; and
- ensures the Society deals with its Regulators in an open and cooperative way at all times.

B.6 Internal Audit Function

The Society outsources the performance of the Internal Audit Function to Moore & Smalley, therefore the people that carry out the audit work and report the findings to the Audit, Risk & Compliance Committee are independent from the staff that work in the areas under review.

Each year the Internal Audit Function undertakes a programme of internal audit work on the Society's business functions. The audit work is based on an annual assessment of the Society's audit needs and in accordance with the Society's Internal Audit policy. The Society's CEO and the Audit, Risk & Compliance Committee agree the scheduled work, from which a strategic

audit plan is drawn up setting out the specific areas to be audited including the scope of each audit.

The audit programme and strategy is developed and maintained in accordance with the Society's Internal Audit & Internal Control Policies and Risk Management Framework (RMF) to provide the Board with its opinion on the effectiveness of the Society's risk management, internal control, and governance arrangements. The strategy aims to add value for Line Managers by providing them with audit analyses, findings and recommendations.

B.7 Actuarial

The Society's Actuarial Function is outsourced to the Manchester office of Willis Towers Watson (WTW).

The position of Chief Actuary (specified as SIMF20 under the Senior Insurance Management Function Regime) is held by Michael Green.

The position of With-Profits Actuary (specified as SIMF21 under the Senior Insurance Management Function Regime) is held by Karen Miller.

The Chief Actuary and With-Profits Actuary are supported by Fellows and members of the Institute and Faculty of Actuaries at WTW.

The Chief Actuary and With-Profits Actuary are not involved in the day to day business of the Society.

The Actuarial Function produces a series of reports, which are submitted to the Insurance Committee and Board each year. These reports detail the work undertaken, the assumptions used, the results and resulting recommendations.

B.8 Outsourcing

Prior to outsourcing a key function the Society's Outsourcing Policy ensures that:

- a detailed examination is performed to ensure that the potential service provider has the ability and capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the Society's objectives and needs (e.g. including TCF considerations) and regulatory requirements;
- the service provider has adopted all means to ensure that no conflicts of interest exist;
- a written agreement is entered into between the Society and the service provider which clearly defines the respective rights and obligations of both parties;
- the general terms and conditions of the outsourcing agreement are clearly explained and understood, at a high-level, by the Board and authorised by them;
- the outsourcing does not breach any law or regulatory requirements in particular with regard to rules on data protection;
- the service provider is subject to the same provisions on the safety and confidentiality of the information as the Society.

- ensures that the service provider has in place adequate risk management and internal control systems;
- ensures where required, that the fitness and propriety requirements are met by the persons employed by the service provider to perform the outsourced functions;
- establishes a contractual right to information about the outsourced activities and a contractual right to issue instructions concerning the outsourced activities;
- verifies that the service provider has the necessary financial resources to perform the outsourced tasks in a proper and reliable way; and
- ensures that the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and periodically tests backup facilities where necessary, taking into account the outsourced functions and activities.

The above requirements allow the Society to understand the main risks that might arise from the outsourcing and where necessary identify the most suitable processes for mitigating and managing any risk to ensure the service provider has the ability, capacity and authorisation required by law and/or regulatory standards to perform the outsourced functions and activities.

The Society currently outsources the following key functions:

Key Function	Name of Firm	Jurisdiction
Investment Managers	Legal & General Investment Management PLC	United Kingdom
	Fidelity Worldwide Investment	United Kingdom
	Brewin Dolphin Ltd	United Kingdom
	Investec Wealth & Investment Limited	United Kingdom
	Vestra Wealth	United Kingdom
Actuarial	Willis Towers Watson	United Kingdom
Internal Auditors	Moore and Smalley	United Kingdom
Property Managers	Christopher Dee LLP	

C. Risk profile

C.1 Overview

The key risks faced by the Society are influenced by the nature and scale of business currently in-force, the assets held by the Wider Society to back the business and the management actions around bonus distribution and investment policy in the future as the business runs off.

The risks to the Society may change over time depending on how the current strategy evolves and the changes to the environment under which the Society operates.

The highest ranked risks are identified via the Risk Management system and/or those risks requiring the largest capital support under the SCR calculation.

The risk assessment calculates the SCR using Standard Formula and the risk profile as at 31 December 2016 is as follows:

Standard Formula Risk	%
Market Risk	88.4%
Counterparty Default	3.1%
Life Underwriting Risk	8.3%
Health Underwriting Risk	0.0%
Non-Life Underwriting Risk	0.2%

As can be seen from the table above the SCR occurs mainly from market risk. This is because the assessment includes the fraternal assets of the Wider Society.

C.2 Risk summary

a) Underwriting risk

Underwriting risk arises through adverse claims experience, and, where expenses are higher than anticipated.

The Society has a medium appetite for taking underwriting risk.

The level of underwriting risk is assessed by the calculation of the SCR for each of the following risks:

- mortality risk;
- longevity risk;
- morbidity risk;
- expense risk;
- lapse risk; and;
- catastrophe risk

i. Key underwriting risks

The Society is exposed to each of the underwriting risks to varying degrees with the most significant risks being set out below:

Expense risk

Expense risk arises from the impact on the own funds of changes in expenses and expense inflation and, also from the profile of expenses as policies run-off.

The management of this risk falls to the Society's internal infrastructure, processes, procedures and controls. However, whilst the Society can point to internal controls, including budgeting processes etc. this does not alleviate the need to undertake the expense stress test and, therefore, the requirement to hold capital against this risk.

The Society recognises that this risk exists and considers different ways in which it can be contained. This could include improving the efficiency of operations, and thereby reducing expenses, or providing a greater base to spread expenses across via writing new business or the acquisition of other long term insurance blocks.

Lapse risk

Lapse risk is a material risk with the capital requirement for LTB, and relates mainly to a mass lapse / surrender event. The mass lapse event assumes that 40% of policies would instantaneously lapse/surrender and, the impact of this is that a large proportion of future profits would not materialise.

The mass lapse stress of 40% of business is prescribed under the Solvency II Standard Formula approach.

b) Market risk

Market risk arises through the possibility of losses on the Society's financial investments through movements in market prices.

The Society has a medium appetite for taking market risk in order to achieve favourable returns for policyholders.

The level of market risk is assessed by the calculation of the SCR for each of the following risks:

- interest rate risk;
- equity risk;
- property risk;
- spread risk;
- currency risk; and;
- concentration risk

i. Key market risks

The Society is exposed to each of the market risks to varying degrees with the most significant risks being set out below:

Equity risk

Equity risk is material for the Society's Fraternal business due to the size of the equity holdings. Equity risk is also a key market risk in the Society's LTB business, where it arises mainly in relation to unit-linked business where the equity stress results in lower future expected profits as a result of lower income, its impact is, however, less significant.

Property risk

Property risk is the key market risk in the Society's Fraternal business due to the significant property holdings. It arises through the impact of a reduction in property values.

c) Credit risk

Credit risk arises if another party fails to meet its financial obligations to the Society, and, is assessed through the measurement of counterparty default, concentration and credit risk.

The Society's credit risk arises primarily from its cash holdings; it has minimal reinsurance arrangements in place.

d) Liquidity risk

Liquidity risk arises in circumstances where, while the Society remains solvent, it is unable to meet its financial obligations as they fall due.

The Society's exposure to liquidity risk is generally low as it aims to ensure it has sufficient liquid investments to meet its liabilities in the short to medium term.

e) Operational risk

Operational risk occurs from the failure of internal processes, people or systems and from external events.

The Society aims to minimise the potential impact of operational risk across the business by operating within an appropriate control environment.

The Society assesses operational risk by considering different types of events, using a risk-based analysis of the likelihood of an event and the severity of possible losses.

C.3 Risk mitigation

In order to mitigate risks faced by the Society, risks are included in the risk register and are reviewed on a regular basis, and a number of actions are in place.

In relation to underwriting risk:

- Expense information is monitored on a regular basis;
- Lapse rates are monitored and are reported to the Insurance Committee on a quarterly basis;

- An experience analysis is undertaken as part of the annual Solvency II assessment; and;

In relation to market and counterparty default risk:

- The Society has clearly defined investment strategies which include agreed tolerance limits with regard to asset and cash counterparty; these strategies are reviewed on a regular basis;
- Admissibility reporting is undertaken on a quarterly basis; and;
- The Society's overall risk strategy and appetite in relation to concentration risk is to avoid any material concentration risk.

In order to mitigate liquidity risk the Insurance Department will notify the Finance Department of the amount of claims that are expected to be due within the next month, and pending claims of a material amount.

C.4 Prudent person principle for asset investment

The Society has set out how it will invest its assets in accordance with the prudent person principle (required under Solvency II), as follows:

- To only invest in assets and instruments whose risks the Society can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs under Pillar 2;
- All assets will be invested to ensure the security, quality, liquidity and expected returns of the various funds.
- Assets held to cover the technical provisions will be invested appropriately given the nature and duration of the insurance liabilities. Those assets will be invested in the best interest of all policyholders and beneficiaries taking into account any policyholder disclosures.
- Subject to the relevant Market Risk Policy the use of derivative instruments shall be possible insofar as they contribute to a reduction of risks or facilitate efficient portfolio management.
- Investments and assets (excluding property) which are not traded on a regulated financial market shall be avoided.
- Assets shall be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer, geographical area etc.
- Investments in assets issued by the same company, or by companies belonging to the same group, will be limited to ensure the Society is not exposed to excessive risk concentration.
- Fraternal assets will be invested in a manner that is appropriate for the fund mandates in place and the target objectives of the fund, or where the investment strategy is at the discretion of the Society in a manner which is considered appropriate by the Commercial Board.

C.5 Stress and scenario tests

The Society includes a number of stress and sensitivity tests covering market and underwriting risk, including reverse stress tests, within its ORSA process to assess the robustness of the Society's capital position.

D. Valuation for solvency purposes

D.1 Assets

a) Solvency II valuation of assets

The table below sets out the Society's financial assets as at 31 December 2016:

Assets £000s	Solvency II	GAAP
Land and Buildings	205,964	60,420
Shares and Other Variable Yield Securities	57,916	57,904
Debt and Other Fixed Income Securities	88,037	87,060
Assets Held to Cover Linked Liabilities	151,073	151,074
Cash at Bank and In Hand	20,149	20,149
Total Financial Assets	523,139	376,607
Debtors	923	923
Tangible assets	4,853	4,852
Loans	540	539
Other	2,996	3,974
Total Assets	532,450	386,895

Assets are valued as follows:

- Land and Building valuations are based on open market value in accordance with the provisions of the RICS Appraisal and Valuation Manual. No allowances have been made for the costs of realisation.
- Shares and Other Variable Yield Securities valuations are the fair value as at 31 December 2016. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets quoted in an active market, are their bid prices at the balance sheet date.
- Debt and Other Fixed Income Securities valuations are the market value as at 31 December 2016 and include accrued interest on interest bearing securities.
- Assets Held to Cover Linked Liabilities were valued as at 31 December 2016 in at fair value. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets quoted in an active market, are their bid prices as at the balance sheet date.
- Cash and Cash equivalents are valued at the amount of cash held, not including any accrued income. This is limited to non-linked assets. The cash value of any linked assets are included within Assets held for index-linked and unit linked contracts.

The Land and Building figure is higher under Solvency II because the totals include investments held by branches. In total this amounts to an additional £145.5m. These assets are not included under UK GAAP as the investments are not controlled by Unity Office. However, on a Solvency basis the capital can be accessed under the rules of the Society in a number of circumstances. As such, the amounts are brought into the Solvency II balance sheet and are available for use in extremis.

b) Solvency II and UK GAAP valuation differences

There are no differences between Solvency II and UK GAAP valuations.

For the purposes of assessing the Society's available funds and solvency capital requirements under Solvency II Fraternal assets are included, as Fraternal assets are available to support the Society's solvency capital requirements in extremis. These assets are not consolidated for UK GAAP reporting purposes.

D.2 Technical provisions

a) Valuation results

The Solvency II Pillar I technical provisions at 31 December 2016 for the Society as a whole are set out in the table below. The 31 December 2015 figures are shown for comparison:

Technical Provisions £000s		2016 Solvency II	2016 UK GAAP	2015 Solvency II
LTB				
<i>Best Estimate Liability</i>	With Profits - Guaranteed	42,922	42,922	39,273
	With Profits - Discretionary	14,993	14,993	18,687
	Non-Profit	28,477	28,477	14,244
	Unit Linked	144,795	144,795	141,895
	Total BEL	231,186	231,186	214,099
<i>Risk Margin</i>	With Profits	378	378	287
	Non-Profit	202	202	72
	Unit Linked	1,327	1,327	801
	Total RM	1,907	1,907	1,161
<i>Technical Provisions</i>	With Profits	58,292	58,292	58,247
	Non-Profit	28,678	28,678	14,316
	Unit Linked	146,122	146,122	142,697

	Total TPs	233,093	233,093	215,260
General				
Technical Provisions	Total TPs	1,484	-	1,484
Total				
Technical Provisions	Total TPs	234,577	233,093	216,744

Valuation Methodology – Best Estimate Liabilities

All policyholder cashflows are included within the calculation of best estimate liabilities (“BEL”) where these are based on the best estimate of future experience. These include:

- All expected future death, maturity, surrender and sickness claims.
- All expected future renewal and investment expenses.
- All expected future premiums, subject to Solvency II contract boundary restrictions.

Reinsurance arrangements are considered to be immaterial.

The BEL for with-profits products is calculated in terms of previously guaranteed benefits and future discretionary benefits. BEL is valued stochastically using an asset share projection approach in order to accurately value the cost of contractual guarantees. With-profits future discretionary benefits are set using expert judgement to determine the best estimate of the value of future bonus declarations.

Non-profit liabilities are valued using a gross premium reserve approach.

Unit linked liabilities are valued as the sum of unit fund liabilities and non-linked reserves. Unit fund liabilities are equal to the value of the units allocated to policies on the valuation date. Non-linked reserves are equal to the present value of all non-unit cashflows including charges, expenses and claims in excess of unit funds.

Credit is taken for negative liabilities where a policy is assumed to be profitable.

For General technical provisions, the best estimate liabilities are based on prior year’s experience as the cover is provided on a one year renewable basis.

No simplifications are applied within the calculation of best estimate liabilities except where these relate to materiality and proportionality as allowed by Article 56 of the Delegated Acts.

Valuation Methodology – Risk Margin

The risk margin is calculated in accordance with Article 37 of the Delegated Acts using a simplified risk driver approach as allowed under Article 58.

- All applicable SCR components for non-hedgeable risks are individually projected into the future using assumed risk drivers, both gross and net of the loss absorbing capacity of technical provisions.

- At each future year, the individual capital components are diversified using the prescribed Standard Formula correlation matrix to give the expected non-hedgeable SCR for each future year.
- In each future year, the cost of capital is calculated based on the derived level of the SCR
- The present value of the cost of capital is then calculated using the prescribed SII curve to give the total risk margin.

Within the risk margin calculation, it is assumed that assets are selected in such a way as to minimise the SCR for market risk so that only non-hedgeable risks are allowed for. These include:

- All life underwriting risks
- Operational risks
- Counterparty default risk excluding those relating to cash holdings

The cost of capital rate is assumed to be 6% as specified by Article 39 of the Delegated Acts.

The risk drivers assumed to apply within the projection of components for the non-hedgeable SCR are:

- Expected future policies in force for expense risk and operational risk.
- Expected future BEL for all other risks.

Main Assumptions

All assumptions are on a best estimate basis with no prudent margins such that:

- Mortality, morbidity and surrender assumptions are based on the Society's actual experience of deaths, sickness and surrender claims.
- Expense assumptions are based on actual and budgeted expenses (with allowances made for expected one-off expenses and the risk that expenses do not run off as quickly as expected).
- Investment return and discounting assumptions are based on the prescribed Solvency II interest rate curves.
- Retrospective asset share roll-forward assumptions are based on actual expenses incurred and investment returns earned by the fund over the previous year.
- Prospective asset share roll-forward assumptions are based on expected expenses and prescribed Solvency II investment returns.

There have been a number of material changes in assumptions made in the calculation of technical provisions since the previous reporting period. These include:

- A fall in interest rates leading to an increase in technical provisions.
- A material increase in the expected level of future expenses leading to an increase in technical provisions.
- There has been a material change in the lapse assumptions for some products.

b) Material Uncertainty

The uncertainty associated with the value of technical provisions is primarily driven by the uncertainty associated with the assumptions of future experience. Technical provisions are calculated on a best estimate basis and as such, are sensitive to future economic and non-economic experience. Any change in experience could have an impact on future levels of technical provisions.

Other Relevant Information

There are no material differences between the valuation of liabilities for solvency purposes and those used for statutory reporting purposes.

The Matching Adjustment has not been applied in the calculation of the Society's technical provisions.

The Volatility Adjustment has not been applied in the calculation of the Society's technical provisions.

The transitional risk-free interest rate-term structure has not been applied in the calculation of the Society's technical provisions

The transition deduction referred to in Article 308d of Directive 2009/138/EC has not been applied in the calculation of the Society's technical provisions.

D.3 Other liabilities

The table below shows the other liabilities as at 31 December 2016:

Other liabilities £000s	Solvency II	GAAP
Provision other than technical provisions	2,261	-
Pension benefit obligations	3,122	3,122
Financial liabilities other than debts owed to credit institutions	-	135,085
Payables	2,761	2,761
Total Other liabilities	8,144	140,968

The differences in liabilities are as follows:

- The contingent liability under Solvency II relates to a £3 million loan to LTB from Fraternal. The terms of this loan are such that repayment is contingent on the sub-fund in receipt of the loan having sufficient assets after technical provisions. As such this loan has been valued to be equal to Own Funds in this LTB sub-fund. At 31 December 2016 the value of the loan was calculated to be £2,261,467 and this is shown as 'Provision other than technical provisions'. Under GAAP this has been included in the technical provisions

- The £135,085k for 'Financial liabilities other than debts owed to credit institutions' included under GAAP has been re-measured on a Solvency II basis. As a result of the inclusion of branch asset amounts within the capital calculation (as outlined in D.1(a)) the liability to branch invested amounts has been revalued to nil. This revaluation is made to reflect the nature of the capital contribution of the branch network towards the Solvency's capital base, and to reflect the purely discretionary nature of these funds.

D.4 Alternative methods of valuation

No alternative methods of valuation have been used.

D.5 Any other information

The Society believes the information provided in Section D is comprehensive. There is no other material information regarding the valuation of the Society's assets and liabilities to add.

As previously detailed branch held assets are included in the capital calculations, although they are not consolidated for UK GAAP reporting purposes.

E. Capital management

E.1 Own funds

a) Objectives, policies and processes for managing own funds

The Society's objective is to manage the capital position so that there are sufficient own fund to cover the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR) at all times.

There have been no material changes to the Society's objectives, policies and processes relating to the management of Own Funds over 2016.

The Society's business planning period is 3 years.

Given the size of the Society's Own Funds the issue of how Own Funds will potentially run-off over time is not considered to be a material aspect for the Society providing capital cover.

b) Classification of own funds

The Society has a simple capital structure, with balance sheet reserves comprising a single item: tier 1 unrestricted capital. These own funds have arisen from past underwriting and investment surpluses.

Under Solvency II there are no liabilities to investing branches as the underlying benefits are purely discretionary and this has the effect of increasing own funds item.

On a Solvency II basis, the Fraternal surplus is classified as Basic Own Funds, covered under Article 69a of the Solvency II Directive as "surplus funds that are not considered as insurance and reinsurance liabilities" and, as such, is included within the Solvency II balance sheet of the Society.

In addition, there are Branch held investments totalling £145.5m in the Solvency II Balance Sheet, these are not included in the statutory valuation as they are not consolidated under UK GAAP.

c) Eligibility of own funds

The Eligible amount of Own Funds to cover MCR and SCR is £289.73m.

There are no items of Own Funds subject to transitional arrangements.

There are no ancillary Own Funds items.

The Society does not disclose any additional ratios to those shown S.23.01

d) Reconciliation of excess assets to financial statements

A reconciliation between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

31 December 2016	
£000s	
Equity in financial statement	10,573
Asset adjustments:	
Inclusion of Branch assets	145,543
Other asset adjustments	13
Liability adjustments:	
Removal of Liabilities to Investing Branches	135,085
Inclusion of Technical provision – non-life	(1,484)
Solvency II excess assets over liabilities	289,730

e) Deductions from Own Funds

There are no items deducted from Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

a) Amount of Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement for the Society is calculated using the Standard Formula approach. The Life Underwriting Risk, Market Risk, Counterparty Default Risk and Operational Risk modules are applicable to the LTB funds. The market risk, non-life underwriting risk and counterparty default risk modules are applicable to the Fraternal funds including branch held assets.

The calculation of the MCR is based on the prescribed Solvency II methodology. This includes components relating to the non-life technical provisions, life technical provisions and SCR as well as being subject to a floor of the GBP equivalent of €6.2 million.

The table below sets out the SCR and MCR as at 31 December 2016:

	SCR	MCR
£000s	81,755	20,439

The SCR amount is subject to Supervisory assessment at present.

b) Solvency Capital Requirement split by risk modules

The SCR at 31 December 2016 is shown in the table below, split by risk module.

2016 Solvency Capital Requirements £000s	Total
Standard Formula Risk Module	

Market Risk	100,707
Counterparty Default	3,582
Life Underwriting Risk	9,457
Health Underwriting Risk	-
Non-Life Underwriting Risk	182
BSCR – Gross	94,467
Loss absorbing capacity of technical provisions	(13,656)
BSCR – Net	80,810
Operational Risk	945
SCR	81,755

The SCR shown above is subject to supervisory assessment.

c) Simplified calculations in risk modules

The simplification described in Article 96 of the Delegated Acts is used in the calculation of the mortality-catastrophe SCR component. This is applied on materiality grounds. No other simplifications are made.

d) Undertaking-specific parameters

No undertaking-specific parameters are used in the SCR calculations.

e) Inputs used to calculate the MCR

The table below sets out the inputs for the MCR calculation as at 31 December 2016. Note the Absolute Floor MCR (Euros) and the Exchange Rate are prescribed by EIOPA:

MCR Inputs £000s		Net SCR
MCR floor		
Absolute Floor MCR (Euros)		6,200
Exchange Rate (Euro to GBP)		0.9005
Absolute Floor MCR (GBP)		5,583
Combined MCR		
SCR		81,755
BSCR – Net		81,755
25% SCR		20,439
MCR		20,439

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

The Society does not use the duration-based equity risk sub-module and, therefore, this section is not relevant.

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

The Society does not use an internal model and, therefore, this section is not relevant.

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

The Society has complied with the MCR and SCR throughout the period covered by the report and does not foresee any risk of non-compliance in future.

F. Templates

The following QRTs are included in **Appendix A** of the SFCR:

QRT ref	QRT Template name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.01	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.02.01	Minimum Capital Requirement –Life and non-life insurance or reinsurance activity

Appendix A SFCR templates

Independent Order of Oddfellows Manchester Unity Friendly Society

Solvency and Financial Condition Report

Disclosures

31 December

2016

(Monetary amounts in GBP thousands)

General information

Undertaking name	Independent Order of Oddfellows Manchester Unity Friendly Society
Undertaking identification code	109995
Type of code of undertaking	Specific code
Type of undertaking	Undertakings pursuing both life and non-life insurance activity
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using IFRS
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
 S.05.01.02 - Premiums, claims and expenses by line of business
 S.05.02.01 - Premiums, claims and expenses by country
 S.05.02.01 - Premiums, claims and expenses by country
 S.12.01.02 - Life and Health SLT Technical Provisions
 S.17.01.02 - Non-Life Technical Provisions
 S.19.01.21 - Non-Life insurance claims
 S.23.01.01 - Own Funds
 S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
 S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	4,853
	351,917
	205,964
	0
	29,808
	29,808
	0
	88,037
	45,906
	40,921
	0
	1,210
	28,108
	0
	0
	151,073
	540
	0
	54
	486
	0
	0
	0
	0
	0
	0
	0
	0
	0
	923
	0
	0
	20,149
	2,996
	532,450

Assets

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
R0290	<i>Non-life excluding health</i>
R0300	<i>Health similar to non-life</i>
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>
R0320	<i>Health similar to life</i>
R0330	<i>Life excluding health and index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
R0350	Deposits to cedants
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
R0410	Cash and cash equivalents
R0420	Any other assets, not elsewhere shown
R0500	Total assets

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	1,484
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	1,484
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	1,400
R0590	<i>Risk margin</i>	84
R0600	Technical provisions - life (excluding index-linked and unit-linked)	86,971
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	0
R0640	<i>Risk margin</i>	0
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	86,971
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	86,391
R0680	<i>Risk margin</i>	579
R0690	Technical provisions - index-linked and unit-linked	146,122
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	144,795
R0720	<i>Risk margin</i>	1,327
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	2,261
R0760	Pension benefit obligations	3,122
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)	2,761
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	
R0900	Total liabilities	242,721
R1000	Excess of assets over liabilities	289,730

Premiums, claims and expenses by line of business

[illegible]

S.05.01.02

Premiums, claims and expenses by line of business

Life

Line of Business for: life insurance obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written								
R1410 Gross	1,886	1,710	7,504					11,101
R1420 Reinsurers' share								0
R1500 Net	1,886	1,710	7,504					11,101
Premiums earned								
R1510 Gross	1,886	1,710	7,504					11,101
R1520 Reinsurers' share								0
R1600 Net	1,886	1,710	7,504					11,101
Claims incurred								
R1610 Gross	5,822	16,787	323					22,932
R1620 Reinsurers' share	0	0	0					0
R1700 Net	5,822	16,787	323					22,932
Changes in other technical provisions								
R1710 Gross								0
R1720 Reinsurers' share								0
R1800 Net	0	0	0					0
R1900 Expenses incurred	389	2,011	611					3,012
R2500 Other expenses								
R2600 Total expenses								3,012

S.05.02.01

Premiums, claims and expenses by country

Non-life

R0010

C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
C0080	C0090	C0100	C0110	C0120	C0130	C0140

Premiums written

R0110	Gross - Direct Business	1,448					1,448
R0120	Gross - Proportional reinsurance accepted	0					0
R0130	Gross - Non-proportional reinsurance accepted	0					0
R0140	Reinsurers' share	0					0
R0200	Net	1,448	0	0	0	0	1,448

Premiums earned

R0210	Gross - Direct Business	1,448					1,448
R0220	Gross - Proportional reinsurance accepted	0					0
R0230	Gross - Non-proportional reinsurance accepted	0					0
R0240	Reinsurers' share	0					0
R0300	Net	1,448	0	0	0	0	1,448

Claims incurred

R0310	Gross - Direct Business	1,314					1,314
R0320	Gross - Proportional reinsurance accepted	0					0
R0330	Gross - Non-proportional reinsurance accepted	0					0
R0340	Reinsurers' share	0					0
R0400	Net	1,314	0	0	0	0	1,314

Changes in other technical provisions

R0410	Gross - Direct Business						0
R0420	Gross - Proportional reinsurance accepted						0
R0430	Gross - Non-proportional reinsurance accepted						0
R0440	Reinsurers' share						0
R0500	Net	0	0	0	0	0	0

R0550 Expenses incurred

R1200	Other expenses						
R1300	Total expenses						0

S.05.02.01
Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
R1410	Gross	11,101						11,101
R1420	Reinsurers' share							0
R1500	Net	11,101	0	0	0	0	0	11,101
Premiums earned								
R1510	Gross	11,101						11,101
R1520	Reinsurers' share							0
R1600	Net	11,101	0	0	0	0	0	11,101
Claims incurred								
R1610	Gross	22,932						22,932
R1620	Reinsurers' share							0
R1700	Net	22,932	0	0	0	0	0	22,932
Changes in other technical provisions								
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	Expenses incurred	3,012						3,012
R2500	Other expenses							
R2600	Total expenses							3,012

S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	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)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole										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																
R0020											0						
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
R0030	Gross Best Estimate	57,915		144,795			28,477				231,186						
	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						
R0080																	
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	57,915		144,795	0		28,477	0			231,186						
R0100	Risk margin	378	1,327			202					1,907						
Amount of the transitional on Technical Provisions																	
R0110	Technical Provisions calculated as a whole										0						
R0120	Best estimate										0						
R0130	Risk margin										0						
R0200	Technical provisions - total	58,292	146,122			28,678					233,093						

Non-Life Technical Provisions

Non-Life insurance claims

Total Non-life business

Z0010	Accident year / underwriting year	Accident Year
-------	-----------------------------------	---------------

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year										In Current year	Sum of years (cumulative)	
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0	0
R0160	N-9	0	0	0	0	0	0	0	0	0	0		0	0
R0170	N-8	0	0	0	0	0	0	0	0	0			0	0
R0180	N-7	0	0	0	0	0	0	0	0				0	0
R0190	N-6	0	0	0	0	0	0	0					0	0
R0200	N-5	0	0	0	0	0	0						0	0
R0210	N-4	0	0	0	0	0							0	0
R0220	N-3	0	0	0	0								0	0
R0230	N-2	0	0	0									0	0
R0240	N-1	0	0										0	0
R0250	N	1,314											1,314	1,314
R0260												Total	1,314	1,314

[illegible]

Own Funds

Ordinary share capital (gross of own shares)	
Share premium account related to ordinary share capital	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	
Subordinated mutual member accounts	
Surplus funds	
Preference shares	
Share premium account related to preference shares	
Reconciliation reserve	
Subordinated liabilities	
An amount equal to the value of net deferred tax assets	
Other own fund items approved by the supervisory authority as basic own funds not specified above	
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	
Deductions for participations in financial and credit institutions	
Total basic own funds after deductions	

Unpaid and uncalled ordinary share capital callable on demand	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	
Unpaid and uncalled preference shares callable on demand	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	
Other ancillary own funds	
Total ancillary own funds	

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

Ratio of Eligible own funds to MCR

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

[illegible]

81,755
20,439
354.39%
1417.55%

6,878
6,878

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

Gross solvency capital requirement	USP	Simplifications
C0110	C0080	C0090
100,708		
3,582		
9,457		
0		
182		
-9,394		
0		
104,535		
C0100		
945		
-13,656		
0		
0		
91,824		
0		
91,824		
0		
0		
0		
0		
0		

5.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities	Non-life activities	Life activities
		MCR _(NL,NL) Result	MCR _(NL,L) Result		
		C0010	C0020		
R0010	Linear formula component for non-life insurance and reinsurance obligations	134	0		
				Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0030	C0040
R0020	Medical expense insurance and proportional reinsurance	1,400	1,448		
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				
		MCR _(L,NL) Result	MCR _(L,L) Result		
		C0070	C0080		
R0200	Linear formula component for life insurance and reinsurance obligations	0	2,527		
				Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance/S PV) total capital at risk
				C0090	C0100
R0210	Obligations with profit participation - guaranteed benefits				43,356
R0220	Obligations with profit participation - future discretionary benefits				14,559
R0230	Index-linked and unit-linked insurance obligations				144,795
R0240	Other life (re)insurance and health (re)insurance obligations				28,477
R0250	Total capital at risk for all life (re)insurance obligations				97,128
Overall MCR calculation		C0130			
R0300	Linear MCR	2,661			
R0310	SCR	81,755			
R0320	MCR cap	36,790			
R0330	MCR floor	20,439			
R0340	Combined MCR	20,439			
R0350	Absolute floor of the MCR	5,583			
R0400	Minimum Capital Requirement	20,439			
Notional non-life and life MCR calculation		C0140	C0150		
R0500	Notional linear MCR	134	2,527		
R0510	Notional SCR excluding add-on (annual or latest calculation)	4,114	77,642		
R0520	Notional MCR cap	1,851	34,939		
R0530	Notional MCR floor	1,028	19,410		
R0540	Notional combined MCR	1,028	19,410		
R0550	Absolute floor of the notional MCR	2,251	3,332		
R0560	Notional MCR	2,251	19,410		