Solvency and Financial Condition Report

The Rechabite Friendly Society Limited

31 December 2020

Contents

Summary

This report is the Solvency and Financial Condition Report (SFCR) for The Rechabite Friendly Society Limited (the Society) which trades as Healthy Investment for the reporting year ended 31 December 2020 and has been prepared in accordance with the Solvency II regulations which came into force on 1 January 2016.

On 17 October 2018, the PRA published PS25/18 Solvency II: External audit of the public disclosure requirement. This policy statement confirms the removal of the audit requirement in respect of the public Solvency II reporting of smaller insurers. Healthy Investment has assessed whether they will qualify for the audit exemption based on the rules laid out in the policy statement and as a smaller insurer has decided, as in previous years, not to have the SFCR audited for the year ended 31 December 2020.

The SFCR has been prepared on the basis of the financial information and risk assessments as at 31 December 2020 and meets all of the requirements for the SFCR as set out in the Solvency II rules and follows the prescribed structure as set out in Annex XX of Delegated Regulation EU 2015/35.

Our business and performance (Section A)

The Society is a mutual provider of With-profits Investment Bonds, ISAs, Junior ISAs and Tax Exempt and Standard Endowment Savings Plans. In addition to a number of legacy schemes, the Society manages the runoff of policies previously held with Coventry Assurance Society in a ring fenced With-profits Fund. The Society also manages Stakeholder and Ethical Child Trust Funds and ISAs for CTF holders who want to remain invested after age 18, which are Unit-linked investments. Business is accepted solely from UK residents.

The Society's overarching strategy is to maximise member value by growing the business and membership base through the delivery of its strategic five-year plan. This includes plans to increase the number of independent financial advisers who recommend the Society's products to their clients, as well as growing the Society's on-line presence.

The Society will develop products which suit both the intermediary and direct market. The Society will continue to market its products with the aim of producing balanced growth across its product range. The Board believes that With-profits investments continue to have a place in a well-balanced portfolio.

Our mission is to be an ethical provider of ethical investment products that meet the needs of our members.

As at 31 December 2020 the Society managed £170.7 million (2019: £176.2 million) of members' money.

Despite a challenging year where Covid-19 had an impact on financial markets, the Society delivered a resilient performance of 2.32% on the Ethical With-profits Fund. Our Ethical Unit-linked Life Fund's performance was 4.96% and the return on our All Share Unit-linked Life Fund, which tracks the performance of over 600 of the UK's top companies, was minus 9.74%. Total Society assets decreased from £178.2 million to £172.2 million, a decrease of 3.4%.

Members chose to invest a further £10.1 million (2019: £11.5 million) in the savings and investment products the Society provides. A further £0.5 million (2019: £0.5 million) were received as additional contributions to Child Trust Funds.

111,682 (2019:112,788) members now trust us to look after their investments, demonstrating their satisfaction with our performance and standards of service. A total of 432 (2019: 645) new members invested with us during the year. The net decrease in members is due to the ongoing maturities in the Coventry Assurance Ringed Fenced Fund which is in run-off.

Our system of governance (Section B)

We have a Board with 2 Executive and 6 Non-executive Directors and in order to help the Society fulfil its responsibilities 5 committees which report to the Board.

- Risk Committee
- Audit Committee
- Investment Committee
- Nomination Committee
- Remuneration Committee

In addition, there is an Independent With-profits Committee to oversee the Board's management of the With-profits Funds and ensure members are treated fairly.

We allocate specific responsibilities to senior management in accordance with the Senior Managers Regime (SMR) to ensure that all of the regulators' senior management functions and prescribed responsibilities are fulfilled.

We ensure that all our Directors and Senior Managers meet the highest standards of fitness and propriety and are competent for their roles.

You can read further details about our governance arrangements in part B.1 of this report.

Our risk profile (Section C)

The Board is ultimately responsible for the Society's system of risk management and internal control and for reviewing its effectiveness, and for determining the Society's risk appetite. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Society.

The Board has delegated responsibility for monitoring the effectiveness of the Society's risk management and internal controls to the Risk Committee. Its implementation and maintenance are the responsibility of the Chief Executive and the Director Finance and Risk.

The principal risks that the Society is exposed to which are further detailed in Section C of this report are:

- Market risk
- Underwriting risk
- Credit risk
- Liquidity risk

This report explains how each of these risks could impact us, by how much, and the management actions we take or could take in different circumstances in order to manage and mitigate the risks.

Valuation for solvency purposes (D)

The Society's Solvency II Balance Sheet as at 31 December 2020 was prepared in compliance with the Solvency II regulations.

Capital Management (E)

The Society's Solvency II coverage as of 31 December 2020 was 170% compared to 263% as of 31 December 2019. The 2019 solvency coverage has been restated due to a change in the calculation of the movement in unit-linked technical provisions under the market risk module.

The report has been approved by the Board on 7 April 2021.

A. Business and performance

A.1 Business

A.1.1 The company

The Rechabite Friendly Society Limited, which trades as Healthy Investment, is an incorporated registered friendly society as defined by the Friendly Societies Act 1992. Our friendly society registration number is 218f.

Our history stretches back to 1835 where, as part of the temperance movement, the Society provided a range of savings and protection products to members who abstained from alcohol. These days the Society is a modern financial mutual and since 2002 membership has been open to everyone.

The Society is a mutual insurance company owned by and run for the sole benefit of its members and as such has no shareholders. The Society owns one subsidiary company The Rechabite Financial Services Limited, which has not traded during the year.

A.1.2 Regulation

Healthy Investment (firm reference number 109994) is authorised and regulated by the Prudential Regulation Authority (PRA), whose headquarters are 20 Moorgate, London EC2R 6DA.

Healthy Investment is also regulated by the Financial Conduct Authority (FCA), whose headquarters are located at 12 Endeavour Square, London E20 1JN.

A.1.3 External auditor

The Society's external auditors are:
Deloittte LLP
2 Hardman Street
Manchester
M3 3HF.

A.1.4 Lines of business and geographical areas

Healthy Investment is a With-profits provider of life insurance investment products including Investment Bonds, ISAs, Junior ISAs, Friendly Society Tax Exempt Savings Plans and Standard Savings Plans, which all invest in the Society's main Ethical With-profits Fund (HI WPF).

In addition to a number of legacy schemes, the Society manages the runoff of policies previously held with Coventry Assurance Society in a ring fenced With-profits Fund.

Healthy Investment is also a Child Trust Fund (CTF) provider and members can invest in one of two Unit-linked Life Funds (HI ULFs). The stakeholder CTFs and continuation ISA are invested in the Healthy Investment All Share Unit-linked Life Fund and the Ethical CTFs and continuation ISA are invested in the Healthy Investment Ethical Unit-linked Life Fund.

As all of Healthy Investment's business has been concluded in the UK the Society only has a small number of policyholders who have subsequently moved overseas. The Society is engaging with regulators and the Association of Financial Mutuals to establish how best to support these members and treat them fairly where policies cannot legally be encashed in the absence of an EU financial services trade agreement.

A.1.5 Significant business developments or other events

The global coronavirus pandemic caused a significant fall in the value of investment markets during the first quarter of 2020 and whilst markets recovered in part this resulted in a fall in the value of investments held at the end 2020 compared with the year end 2019.

The ongoing pandemic and the decision of the UK to leave the European Union means that investment markets are likely to be more volatile throughout 2021 and possibly beyond.

Ensuring the health and safety of the Society's employees during the pandemic has been a priority which has meant the majority of employees working remotely.

There have been no other significant business or other events that have occurred over the reporting period that have had a material impact on the Society, other than those reported on in this report.

A.2 Underwriting performance

A.2.1 Revenue account

The following table illustrates Healthy Investment's performance for 2020, as reflected in the 2020 Annual Report and Accounts, with the 2019 comparative.

Statement of Comprehensive Income	**2020 £'000**	**2019 £'000**
Premiums	10,133	11,528
Investment returns	(3,825)	23,501
Other income	772	864
Claims	(9,539)	(10,210)
Expenses	(1,854)	(1,791)
Technical provisions	286	(18,732)
(Deficit) / surplus	**(4,027)**	**5,160**

Due to the losses on investments and the smoothing of returns on With-profits policies the Society made a pre-tax deficit of £4.0 million (2019: £5.2 million surplus).

A.2.2 Line of business

The following tables illustrate Healthy Investment's performance by line of business for 2020 and the 2019 comparative. Values have been rounded individually.

2020	**HI WPF £'000**	**CAS RFF £'000**	**Total With-profits Funds £'000**	**CTF ULFs £'000**	**Total £'000**
Premiums	9,861	272	10,133	-	10,133
Other Income	772	-	772	-	772
Investment returns	2,515	16	2,531	(6,356)	(3,824)
Claims	(8,165)	(1,374)	(9,539)	-	(9,539)
Expenses	(1,804)	(50)	(1,854)	-	(1,854)
Technical provisions	(7,049)	969	(6,080)	6,366	286
Deficit	**(3,870)**	**(167)**	**(4,037)**	**10**	**(4,027)**

2019	**HI WPF £'000**	**CAS RFF £'000**	**Total With-profits Funds £'000**	**CTF ULFs £'000**	**Total £'000**
Premiums	11,186	342	11,528	-	11,528
Other income	864	-	864	-	864
Investment returns	12,643	339	12,982	10,519	23,501
Claims	(9,178)	(1,032)	(10,210)	-	(10,210)
Expenses	(1,714)	(77)	(1,791)	-	(1,791)
Technical provisions	(8,667)	453	(8,214)	(10,518)	(18,732)
Surplus	**5,134**	**25**	**5,159**	**1**	**5,160**

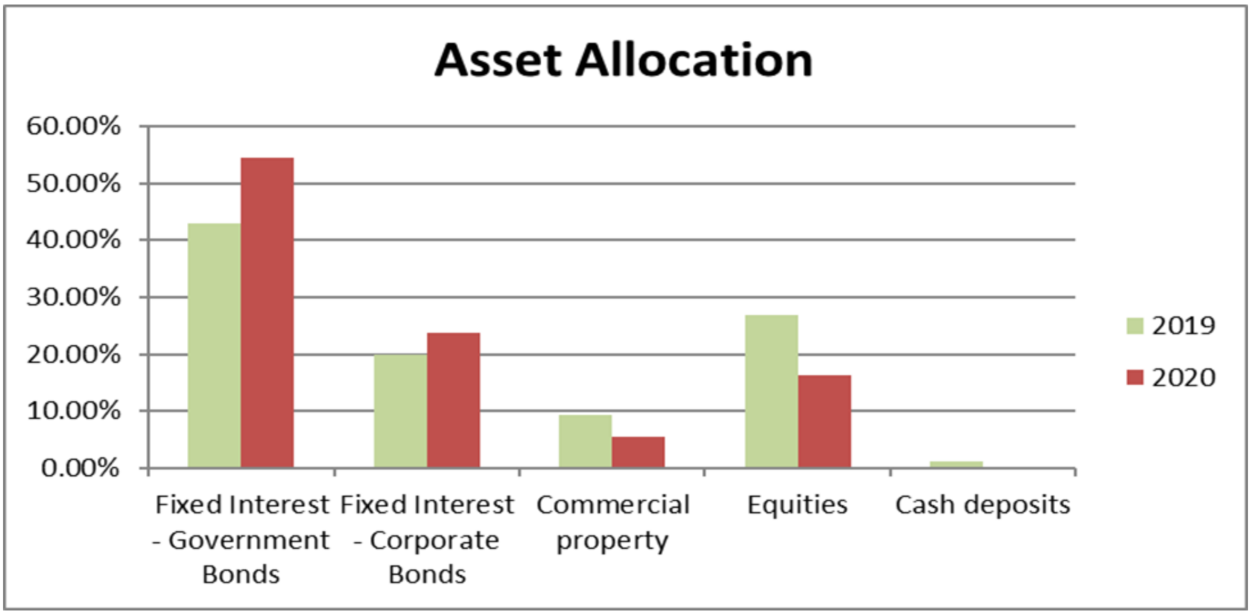
A.3 Investment performance

At the end of 2020 we managed £170.7 million (2019: £176.2 million) of members' investments.

The Healthy Investment Ethical With-profits Fund (HI WPF) invests in a range of assets including UK and global equities, government and corporate bonds, commercial property (REITS) and cash deposits. The overall return for 2020 was a resilient 2.32% (2019: 13.2%).

The level of investment in each asset class held changes over time based on the view of the Board, actuary and investment managers and the Board has set matrices of minimum and maximum holdings of each asset class and credit spread exposure based on its appetite for risk.

The graph below illustrates the change in asset allocation at the end of 2020 and 2019.



The market response to Covid-19 and lockdown was severe and equities had to endure a short-lived but severe bear market. We took the decision at the end of March to de-risk the portfolio to protect capital and solvency and repositioned some of the equity holdings into fixed interest. With bond yields continuing to decrease in the year, driven by low global interest rates and a flight to safety, this resulted in healthy capital returns for fixed income investments.

Some re-risking of the portfolio took place towards the end of the year.

The Coventry Assurance Ring Fenced Fund (CAS RFF) is managed on a similar basis with its own matrix of maximum and minimum asset classes. The overall return on the fund was 0.36% (2019: 6.71%).

Our stakeholder Child Trust Funds and ISAs for those who want to remain invested over age 18 are invested in the Healthy Investment All Share Unit-linked Life Fund which is 100% invested in the Legal and General UK All Share Index Trust. The objective of the Fund is to provide growth by tracking the performance of the FTSE All-Share Index.

The Society also offers an ethical Child Trust Fund and continuation ISA which invests in the Healthy Investment Ethical Unit-linked Life Fund. The fund aims to provide capital growth over the long term. As with our With-profits Funds, it avoids investments in alcohol, arms and tobacco industries and gambling and pornography providers.

The fund performance of the Society's Unit-linked Funds was minus 9.74% for 2020 (2019: 19.1%).

Healthy Investment manages the investment strategy for members investing in the With-profits Funds and the Healthy Investment Ethical CTF Fund with discretionary investment management being outsourced to Investec Wealth & Investment Limited.

A.3.1 Funds

The following tables illustrate the investment performance by income and net gains/(losses) on the Healthy Investment funds in 2020 and the 2019 comparative.

2020	**HI WPF £'000**	**CAS RFF £'000**	**CTF ULFs £'000**	**Total £'000**
Income received	2,698	108	1,740	4,546
Gains and losses	(183)	(92)	(8,095)	(8,370)
Total	**2,515**	**16**	**(6,355)**	**(3,824)**

2019	**HI WPF £'000**	**CAS RFF £'000**	**CTF ULFs £'000**	**Total £'000**
Income received	3,101	142	2,532	5,775
Gains and losses	9,542	197	7,987	17,726
Total	**12,643**	**339**	**10,519**	**23,501**

A.3.2 Asset class performance

The following tables illustrate Healthy Investment's investment performance by asset class and by fund for 2020 and the 2019 comparative. Values have been rounded individually.

2020	**HI WPF £'000**	**CAS RFF £'000**	**CTF ULFs £'000**	**Total £'000**
Fixed interest	6,811	117	20	6,948
Equities and property collectives	(4,297)	(101)	(6,375)	(10,773)
Bank and cash balances	1	-	-	1
	2,515	16	(6,355)	(3,824)
Investment expenses	(340)	(13)	-	(353)
Total Return	**2,175**	**3**	**(6,355)**	**(4,177)**
Gross Return %	2.32%	0.36%	(9.74)%	

2019	**HI WPF £'000**	**CAS RFF £'000**	**CTF ULFs £'000**	**Total £'000**
Fixed interest	6,328	170	2	6,500
Equities and property collectives	6,312	169	10,517	16,998
Bank and cash balances	3	0	-	3
	12,643	339	10,519	23,501
Investment expenses	(322)	(16)	-	(338)
Total Return	**12,321**	**323**	**10,519**	**23,163**
Gross Return %	13.2%	6.71%	19.1%	

A.4 Performance of other activities

All activities are included in A.2 and A.3. The Society's wholly owned subsidiary, The Rechabite Financial Services Limited did not trade in 2020.

A.5 Any other information

All other material information is covered within A.1 – A.3.

B System of governance

B.1 General Information on the system of governance

B.1.1 Introduction

As a member of the Association of Financial Mutuals the Society confirms that it has applied the AFM Code throughout 2020. The AFM Code replaced the Annotated Corporate Governance Code from 1 January 2019 and describes the principles of effective corporate governance for Directors of mutual insurers.

The AFM Code is based on six overarching principles requiring an "apply and explain" approach. The Board of Directors considers each of the principles individually and explains how each principle has been addressed in its governance practices.

The six principles below define how the Society's corporate governance achieves its aims.

- Purpose and leadership
- Board composition
- Director responsibilities
- Opportunity and risk
- Remuneration
- Stakeholder relationships and engagement

The Board is primarily responsible for the strategic direction and governance of the Society with the Chief Executive responsible for running the Society's business in accordance with the authority delegated to him.

B.1.2 Organisational structure

The Society's Board consists of an independent Non-executive Chairman, five other independent Non-executive Directors, the Chief Executive and the Director Finance and Risk. Two of the Non-executive Directors, Elizabeth Boardall and Sue Baldwin were appointed on 1 October 2020. The Board undertakes an evaluation of its performance annually and an external evaluation and assessment is considered every three years.

The oversight of the Society's activities is conducted by a number of Board appointed committees, each of which comprises a majority of Non-executive Directors:

- Audit Committee
- Risk Committee
- Nomination Committee
- Remuneration Committee
- Investment Committee

A Non-executive Director is always appointed to the role of committee Chair. There are certain decisions that are reserved for the Board and not delegated to committees.

The committees' terms of reference and authority are defined by the Board and each committee is required to review its performance annually against its terms of reference.

B1.3 Senior Manager Functions

Healthy Investment applies the Senior Managers Regime in its system of governance as required by our regulators; the FCA and PRA. The regime defines a set of Senior Management Functions (SMFs) each of which include inherent responsibilities.

The Board has appointed two Executive Directors, the Chief Executive and Director Finance and Risk with operational responsibility for the Society.

The Senior Manager Functions and the allocated SMF's as of 31 December 2020 are listed below;

SMF 1	Chief Executive	Peter Green
SMF 2	Chief Finance Function	Keith Ashcroft
SMF 4	Chief Risk Officer	Keith Ashcroft
SMF 9	Chair of Governing Body	Steven Spilsbury
SMF 10	Chair of the Risk Committee	Timothy Birse
SMF 11	Chair of the Audit Committee	David Fawell
SMF 12	Chair of the Remuneration Committee	Philip Okell
SMF 13	Chair of Nomination Committee	Steven Spilsbury
SMF 14	Senior Independent Director	Philip Okell
SMF 15	Chair of the With Profits Committee	Elaine Fairless
SMF 16	Compliance Oversight	Peter Green
SMF 17	Money Laundering Reporting Officer	Robert Earnshaw
SMF 20	Chief Actuary	Stephen Dixon
SMF 20a	With-profits Actuary	Stephen Dixon

Job descriptions define the responsibilities, and the Board considers that there is sufficient segregation of duties to ensure that each SMF can fulfil their responsibilities independently.

It is the responsibility of the Board to ensure that all SMF holders have the authority and resources necessary to fulfil their responsibilities.

In addition, the Board has formed 5 committees, plus an independent With-profits Committee, with specific terms of reference and responsibilities. These committees and their roles are detailed in B.1.5.

B.1.4 Role of the Board

The Board has responsibility for ensuring that the Society is run for the benefit of members and that all members are treated fairly. It is responsible for developing and setting the strategic direction of the Society, ensuring adequate risk management policies and procedures are in place, defining the culture of the Society and for ensuring that it is governed in accordance with its rulebook and the PRA's and FCA's principles and rules.

To ensure it fulfils its responsibilities it has established a governance structure which includes:

- The formation of 5 committees with agreed terms of reference and responsibility for monitoring and reporting on specific areas.
- A written statement of the matters reserved for the Board.
- The appointment of SMF holders with specific responsibilities for operational activities.
- Job descriptions for the Chairman and Chief Executive which define their roles and responsibilities and detail segregation of duties.
- The implementation of a robust risk management system which includes the annual review and setting of a risk profile and appetite.
- Written policy statements and procedures for all critical functions and processes which clearly identify roles, responsibilities and reporting requirements, and are reviewed regularly.
- The provision of timely management information to monitor the key risks and performance of the Society.
- The annual review and approval of the Strategic and Operational Business Plan.

B.1.5 The role of Board committees

B.1.5.1 Audit Committee

The Audit committee has responsibility for reviewing and providing assurance to the Board on the integrity of the annual accounts and the effectiveness of the internal control systems. It ensures that financial reporting is in line with appropriate accounting standards and regulatory requirements.

The committee has oversight of the external and internal audit functions, recommending the external and internal audit strategies, reviewing audit reports and recommending the appointment or re-appointment of the external and internal auditors.

B.1.5.2 Risk Committee

The Risk Committee is responsible for delivering independent oversight of the risk management systems and processes used by the Society to identify and manage risk. It reviews the Society's risk appetite, its risk management framework, the Society's key risks and tolerance levels and recommends their approval.

The committee is also responsible for oversight of the compliance function and reviewing the reverse stress and Forward Looking Assessment of Solvency (FLAS) testing scenarios and the results.

B.1.5.3 Nomination Committee

The Nomination Committee is responsible for the oversight of the selection, development and succession plans for Board members and senior managers and the associated governance responsibilities.

It reviews the mix of skills, knowledge, experience, and diversity on the Board to ensure that it has the right balance to meet regulatory expectations and effectively pursue its strategy.

The committee also monitors Directors' and employees' compliance with the regulators' fitness and propriety requirements, reviews the independence of Non-executive Directors and manages the annual appraisal process for the Board, committees, and individual Directors.

B.1.5.4 Remuneration Committee
The Remuneration Committee has responsibility for reviewing the Society's remuneration strategy and policy and ensuring that it is consistent with the Society's attitude to risk, regulatory requirements and supports its business objectives. It also designs and recommends the remuneration packages of the Executive Directors.

B.1.5.5 Investment Committee
The Investment Committee has responsibility for the oversight of the management of the Society's investment portfolios, monitoring adherence to the Society's ethical investment stance and recommending an investment strategy that aligns with the Society's risk appetite.

B.1.5.6 With-profits Committee
The With-profits Committee provides independent oversight on behalf of policyholders of the Society's management of its With-profits Funds. It comprises of two independent members and one Non-executive Director, all with experience of managing With-profits business.

The With-profits Committee normally meets twice a year and receives the papers of all Board and committee meetings throughout the year to enable it to comment on any issues of fairness.

B.1.6 Key Functions
The Society has five key functions in place, all of which have the authority, resources and operational independence to fulfil their responsibilities.

B.1.6.1 Risk management
The Chief Risk Officer is the Director Finance and Risk and the function holder. He reports directly to the Chairman of the Risk committee on all matters relating to risk management and is responsible for advising the Board on the system of risk management and overseeing its implementation.

He ensures that the Society's ORSA process is developed appropriately and embedded throughout the Society and is responsible for ensuring risks are identified, assessed and monitored and that mitigating actions are in place.

B.1.6.2 Compliance
The Chief Executive is the Head of Compliance and reports to the Board on all matters relating to regulatory compliance. He is responsible for ensuring that the Board and senior management understand and fulfil their regulatory responsibilities.

He prepares the annual compliance development plan and reports to the Board on its implementation.

B.1.6.3 Internal audit
The Chair of the Audit Committee is David Fawell, who has responsibility for oversight of the outsourced internal auditors.

Throughout the year MHA Moore & Smalley LLP, Chartered Accountants and Business Advisers have provided independent internal audit services. David Fawell as Chairman of the Audit committee is the function holder. Internal audit serves as the third line of defence and provides an independent assessment of the effectiveness and adequacy of the risk, control and governance processes.

B.1.6.4 Actuarial

The Chief Actuary and With Profits Actuary is Stephen Dixon of SDA Associates LLP. He provides advice and technical expertise in the calculation and monitoring of the Society's capital position. This includes coordinating the calculation of technical provisions, the methods and assumptions used and ensuring that the models used are robust and appropriate.

He reports directly to the Chief Executive who is ultimately responsible for the control of the outsourced function holder.

B.1.6.5 Investment

The Director Finance and Risk is responsible for oversight of the outsourced investment managers. This responsibility includes monitoring performance, ensuring compliance with Board approved investment guidelines and that the outsourcing arrangements do not impede the PRA and FCA in the carrying out of their obligations.

B.1.7 Material changes to the system of governance

On 1 October 2020 Elizabeth Boardall and Sue Baldwin were appointed to the Board as independent Non-executive Directors.

Following the outbreak of the coronavirus the arrangements for Board and committee meetings were changed to better ensure their effectiveness in a virtual environment. Meetings are now held more frequently and are of shorter duration.

B.1.8 Remuneration

B.1.8.1 Remuneration policy

The Society's remuneration policy is designed to support the recruitment, motivation, and retention of employees. Remuneration is considered within the context of the financial services and friendly society sectors. The objective is to pay at the relevant market level with a package that is fair, competitive, rewards performance, provides attractive benefits and motivates staff to achieve the Society's objectives and inspires individuals to reach their full potential.

The remuneration of the Executive Directors comprises a salary together with pension and other benefits in common with many financial services organisations. No fees are paid to Executive Directors. Remuneration reflects individuals' experience and responsibility. It is based on relevant individual market comparators related to job size, function, and sector, as well as individual and company performance and is benchmarked to other friendly societies and mutual insurers.

Details of the Directors' remuneration are shown in the Annual Report and Accounts.

Both Executive Directors' have service contracts with Healthy Investment. The Chief Executive is employed on a contract with the Society which requires six months' notice by either party and includes a discretionary performance related bonus element of up to 15% of basic salary for 2020.

The Chief Executive's contract precludes him for engaging in any other paid employment or business activities for profit. The Chief Executive has received no remuneration for any of his voluntary roles in the charity sector.

The Director of Finance & Risk is employed on a contract with the Society with a three months' notice period and includes a discretionary performance related bonus element of up to 15% of basic salary for 2020.

Payment of the Executive discretionary performance bonus is based on the achievement of Society wide key performance indicators and personal objectives set by the Board in the year.

In line with relevant Solvency II requirements the Society has decided that 40% of executive bonus payments are deferred.

Payment of 60% of the bonus is paid annually in arrears with 20% of the bonus deferred for a further 12 months and the final 20% deferred for 24 months. The bonus for the year is not payable if any of the following events occur:

- A nil reversionary bonus is declared for members.
- The Society has breached its minimum solvency requirements.
- The Society is subject to PRA / FCA enforcement action.
- The employee is dismissed for misconduct.

Payment of the deferred element of bonuses are payable unless actions taken by the Executive in those years have a subsequent negative impact. There has been no clawback of bonuses awarded in the year or the previous year.

Non-executive Directors are remunerated by fees. These take the form of an annual retainer and a daily Committee or Board meeting allowance of £400. The levels of fees are determined by the Board.

Annual retainers are £7.5k for the Chairman and £5k for Senior Managers Regime (SMR) Function Holders. Non-executive Directors receive reimbursement of travel and accommodation expenses where required for attending meetings.

The remuneration of Non-executive Directors is subject to the pension auto-enrolment legislation and where obligated to, Non-executive Directors have been auto-enrolled at the minimum contribution rate into the Society's Stakeholder Pension Scheme with People's Pension.

The Executive Directors' service contracts and the letters of appointment of Non-executive Directors are available for inspection during normal working hours at the registered office of the Society. Whilst the office is closed to visitors due to coronavirus alternative arrangements can be made to inspect these documents.

Employee salaries
All employee salaries are reviewed annually, or at other times if there is a significant change in an individual's responsibilities. The Society aims to pay salaries at the relevant level for the role based on the individual's performance.

B.1.8.2 Pension schemes
The Society operates a defined contribution personal pension scheme which is open to all employees with new starters being eligible to join after they have completed a probationary period. The Society also has an auto-enrolment pension scheme to which eligible employees and Directors are enrolled with the ability to opt-out.

B.1.8.3 Other variable remuneration
The Society's sales team participates in a discretionary bonus scheme approved by the Board based on new business performance.

B.1.9 Material related party transactions
Other than those relating to policies held by the individual there have been no transactions with Executive or Non-executive Directors, senior managers or other employees. Any policy transactions entered into by Directors and employees have all been conducted at arm's length.

The Nomination committee reviews the policies held by Directors and all employees and has concluded that no holding is of sufficient size to create a material conflict of interest between the individual as a policyholder and as a Director or employee.

B.2 Fit and proper requirements
The Society ensures that the standards of fitness and propriety of all Directors and employees reflect the requirements of the Senior Managers and Certification Regime. The Senior Managers' regime focuses of individuals who hold key roles in the Society and the Certification regime applies to those employees who could pose a risk of significant harm to the Society or its members. The Conduct rules are high level requirements that apply to all individuals.

The Key and SMCR function holders have all been approved by the regulatory authorities and the Nomination committee is responsible for oversight and implementation of the Society's Fitness and Propriety policy.

The Nomination Committee ensures that the Board of the Society consists of members who collectively possess the professional qualifications, skills, knowledge and experience in the following areas:

- Insurance and financial markets
- Business strategy
- Systems of governance
- Financial and actuarial analysis
- Regulatory compliance

The Society has also decided that its Chief Executive should be an experienced business leader with experience of the financial services sector and have a commitment to mutuality. The Chief Finance Officer should be a qualified accountant with financial services sector experience. The Chief Actuary should be a qualified Fellow of the Institute of Actuaries, hold a current practicing certificate for Chief Actuary and have experience of With-profits business.

In its assessment of fitness and propriety the Society satisfies itself that the individual is of good repute, possesses the required level of competence, knowledge and experience and has undergone all required training. This will include:

- Assessing performance against the PRA conduct standards and FCA conduct rules
- Assessing performance against internal policies and procedures
- Obtaining a satisfactory Disclosure and Barring Service check
- Undertaking an annual performance review
- Obtaining satisfactory credit references
- Obtaining employment references

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

B.3.1 Risk governance

Risk management in its business activities is key to the Society's ability to create and protect member value. The Board approved risk appetite and risk management framework incorporate the strategies for managing current and emerging risks.

The Society has adopted the "Three lines of defence" approach to define the operational implementation of the risk management framework as this clarifies the relative roles and responsibilities.

First line of defence – operational management:
Operational management is responsible for the identification, ownership and management of risks including the performance of controls.

Second line of defence – risk and governance functions
The risk and governance process is responsible for the analysis, quantification and monitoring of risk through the risk management framework. The Risk Committee, with input from the actuarial and compliance functions creates the standards, policies and framework for risk management and monitors and reports on risk exposures to the Board.

Third line of defence – internal audit
The independent internal audit function undertakes an annual needs assessment approved by the Audit Committee. Internal Audit evaluates the Society's processes, procedures and controls, makes recommendations and documents agreed actions. MHA Moore & Smalley LLP the outsourced internal auditors report directly to the Audit Committee.

B.3.2 Risk Management Framework

The Society's risk management framework (RAF) describes the range of risks to which the Society is exposed, its risk strategy and its risk appetite. The Society's appetite to risk is categorised according to agreed criteria and ranges from "avoid" where the Society is unwilling to accept any risk which, after management actions, could result in loss, to "adventurous" where a high level of risk applies. The intervening steps are "minimalist", "cautious" and "open" each with a varying degree of appetite to risk.

Each risk is apportioned to one of the risk categories with impact and probability scores before and after management actions. The level of tolerance and the financial consequences of each risk are recorded alongside the risks in the risk register.

B.3.2 Risk Management Process

The Risk committee which comprises Non-executive and Executive Directors has responsibility for oversight of the Society's risk management process. The Risk Committee meets quarterly or more frequently if necessary.

A Risk Management Team (RMT) comprising the Executive Directors and all senior managers supports the Chief Risk Officer and is responsible for embedding the system of risk management throughout the Society. The RMT meets regularly to review the risk register, considers new and emerging risks, carries out and reports on reverse stress scenarios. Each year it reviews the ORSA report, prepares an annual risk analysis and submits a report to the Risk committee outlining its activities during the year.

B.3.3 Own Risk and Solvency Assessment (ORSA)

The ORSA process is the series of inter-related activities that manage risk in the Society. Responsibility for coordinating the ORSA process resides with the Chief Risk Officer. The key output from the ORSA process is an annual report which is reviewed by the RMT, presented to the Risk Committee and recommended for Board approval.

ORSA is an iterative and continuous process that ensures the identification, management and mitigation of risk and facilitates decision making throughout the business, allowing the Executive team and the Board to understand the impact strategic decisions will have on the Society's risk profile.

The overriding purpose of the ORSA is to understand, quantify and manage the Society's risks and associated controls and support risk measured business decisions.

The annual ORSA report is the culmination of the year's ORSA process and once approved by the Board is submitted to the PRA and a summary is presented to all Society's employees.

B.3.4 Capital Management Policy

A key output of the ORSA process is the projection of capital under normal and stressed conditions. This enables the Society to recognise the strengths and weaknesses of its strategy and business plans in adverse circumstances and to understand any needs for capital management actions.

The Board of the Society sets a lower and upper level of solvency within which the Society is prepared to operate.

The free assets and solvency coverage ratio are calculated monthly and discussed at every Board meeting. Depending on the current and forecast trend in movement the Society may decide to take action which could include an adjustment to interim and terminal bonuses, a reduction in administrative expenses, amending asset allocations in the investment guidelines, amending product conditions or restricting new business.

B.4 Internal control system

B.4.1 Internal control system

The Society has an established system of internal control which is an important part of its risk management system and includes:

- Board policy statements
- Operating procedures
- Defined mandates and authority limits
- Management reporting lines
- Physical controls
- Segregation of duties

These are supplemented by periodic reviews of control processes, procedures and policies by management, the Board and external advisers.

The responsibility for the system of control rests with the Board, with the Audit Committee responsible for reviewing its effectiveness. The Audit Committee reviewed the systems of internal control during the year, including the activities of the internal audit function and were able to confirm to the Board that appropriate controls had been maintained during the year.

B.4.2 Compliance function

Peter Green, the Society's Chief Executive has responsibility for the compliance function and compliance oversight. Robert Earnshaw, the Society's Secretary is the appointed Money Laundering Reporting Officer.

The role of the compliance function is to embed an appropriate compliance structure within the Society. The core activities are compliance advice and compliance monitoring. To support this a compliance plan is approved by the Board and documents the compliance objectives for the year. The annual plan takes into consideration the implications of regulatory changes, policy and procedures for ensuring compliance with money laundering rules, data protection and health and safety legislation, in addition to business risks.

Progress is reported at every Board meeting and includes emerging themes in addition to the outcome of the regular compliance monitoring programme.

The Chief Executive as Compliance Officer is responsible for coordinating the relationship and engagement with the regulatory authorities, the PRA and FCA. The Board is kept fully informed of any communications or contact with the regulators.

B.5 Internal Audit function

Internal audit services were outsourced to MHA Moore & Smalley LLP, Chartered Accountants and Business Advisers during 2020. The chair of the Audit committee has responsibility for oversight of their performance and is the Senior Manager Function holder.

MHA Moore & Smalley LLP undertakes an audit needs assessment, with involvement from Executive Directors and senior management. This audit needs assessment informs the production of the

Internal Audit Strategy which includes the internal audit plan for the year. This is reviewed by the Audit Committee and recommended for Board approval.

The internal auditors present their internal audit reports to the Audit Committee advising progress against the internal audit plan, their audit findings, their recommendations and the management actions that have been agreed to address the audit findings.

In addition to having regular dialogue with the Executive Directors and senior managers the internal auditors report directly to the Audit Committee, including meeting with the committee in the absence of the Executive Directors.

B.6 Actuarial function

The Society's actuarial function is outsourced to Stephen Dixon of SDA Actuaries LLP who fulfils the Senior Manager Functions of Chief Actuary and With Profits Actuary and reports directly to the Board and independent With-profits Committee. The Chief Executive is responsible for oversight of the actuarial function.

Each year the programme and scope of work required from the actuarial function is agreed by the Society's Board.

The actuarial function is responsible for the production of actuarial function reports and information required for statutory and regulatory reporting. In addition, the actuarial function provides management information to support the Society in the management of its business.

The Actuary provides regular input to the Chief Executive, Director Finance and Risk and the Board and its Investment, Risk and Audit Committees on all matters that require actuarial expertise, particularly in relation to implications for capital management and the fair treatment of members.

B.7 Outsourcing

It is the Society's policy to use internal resources for functions that can be carried out cost effectively and use outsourcing as a means of reducing costs and where particular skills or specialist knowledge is required.

Healthy Investment's outsourcing policy includes the due diligence process, the appointment process, performance management requirements and the re-appointment process. This applies to outsourced Key functions, Critical functions and other supporting areas.

Functions currently outsourced include the actuarial function, external and internal audit, investment management, IT support, HR support, taxation support and some disaster recovery services.

All outsourced service providers are based in the United Kingdom and subject to UK jurisdiction.

B.8 Any other information

The outbreak of the coronavirus and the measures put in place to slow the pandemic resulted in the majority of the Society's employees working from home. The transition to home working was achieved with no material impact on customer service. New operational risks associated with home working and office working in the pandemic have been recognised and are being managed appropriately.

On 1 October 2020 Elizabeth Boardall and Sue Baldwin were appointed to the Board as independent Non-executive Directors.

All other material information regarding the Society's system of governance is disclosed in sections B.1 to B.8.

The Board is satisfied that the system of governance and risk management is robust and appropriate for the nature, scale and complexity of the business.

C Risk profile

Risk management is an integral part of the Society's activities and supports its strategic objectives which are to create and protect member value. The Society's Risk Management Framework sets out the range of risks to which the Society is exposed, its risk strategy and risk appetite for each category of risk.

The risk register records all the identified key risks, the likely impact, the probability of them occurring, the financial consequences, the controls in place to monitor each risk and the management actions available to the Society to maintain exposure within agreed tolerance limits.

The Society has a defined risk appetite for each category of risk as follows and business policies are determined accordingly.

Avoid - where the Society is unwilling to accept any risk that, after management action, could result in loss.

Minimalist - where the Society is willing to accept some risk which, after management action, may result in loss or disruption that has a minor impact on the Society.

Cautious - where the Society is willing to accept some risk, which after management action, may result in loss or disruption that has some impact on the Society but not to the extent that would have noticeable detriment to members.

Open - where the Society is willing to accept risk, which after management action, may result in loss or disruption that has an impact on the Society to the extent that members may experience minor disruption in service with the possibility of the Society being unable to smooth the loss, resulting in a possible reduction in return.

Adventurous - where the Society is willing to accept a high level of risk which, after management action, may result in serious disruption to members, reduced return or breach of regulatory rules.

The risk management system identifies the risks requiring capital support using the Standard Formula for the Solvency Capital Requirement (SCR).

A comparison as at 31 December of the risk profile shown in the Standard Formula Calculation of the Gross Solvency Capital Requirement (SCR) is (before allowing for loss absorbency):

Risk	**2020** **%**	**2019** **%**
Market	76	79
Underwriting – Life	21	18
Operational	3	2
Counterparty	1	1
	100	**100**

The Society is a With-profits insurer and it can (and will) adjust future bonuses, market value reductions, and surrender values (and hence the value of policies to its members) if these stresses materialise. These actions are outlined in its Management Action Plan which is agreed by the Board and is in line with the Principles and Practices of Financial Management. After allowing for taking actions to bring payouts in line with financial performance, the risk profile shown in the Standard Formula Calculation of the Solvency Capital Requirement (after loss absorbency) is:

Risk	**2020 %**	**2019 %**
Underwriting – Life	52	49
Market	40	43
Operational	8	7
Counterparty	0	0
	100	**100**

C.1 Market risk

C.1.1 Description of the risk

Market risk is the risk of a loss arising either directly or indirectly from fluctuations in the level and volatility of market prices of assets and liabilities.

As at 31 December 2020 the total capital required in respect of market risk facing the business was £13.9m (2019: £18.87m). This comprised the following risks and is illustrated before and after loss absorbency.

Market risks	**2020 Before loss absorbency £'000**	**2020 After loss absorbency £'000**	**2019 Before loss absorbency £'000**	**2019 After loss absorbency £'000**
Equity risk	7,844	2,855	12,048	3,025
Interest rate risk	1,859	-	267	-
Credit spread risk	4,460	455	3,541	53
Currency risk	1,560	-	2,639	-
Property risk	2,182	25	3,594	-
Underwriting risk before diversification	**17,905**	**3,334**	**22,090**	**3,078**
Risk diversification	(4,023)	(106)	(3,378)	(13)
Underwriting risk after diversification	**13,882**	**3,228**	**18,712**	**3,065**

The key market risks relate to the performance of the assets in the With-profits Funds although loss of future margins due to reduced annual management charges on the Unit-linked Funds is also material.

Equity price risk

The equity price risk is the exposure to fluctuations in the market value of the equity portfolios and the impact on the cost of guarantees in the event of a fall in market values.

Interest rate risk
The risk of a change in the value of fixed interest financial instruments not being matched by changes in the value of liabilities.

Credit spread risk
The risk is that the variations in risk free rate as specified by the PRA are different to the movements in yields on corporate bonds and other fixed interest securities.

Currency risk
The risk of exposure to fluctuations in the currency value of non-sterling denominated assets.

Property price risk
The risk of changes in the value of investment properties held directly or through collective investment schemes.

Risk diversification
Risk diversification is a risk management strategy that spreads market risk exposure over a combination of financial asset classes with the aim of reducing overall market risk. By lowering the overall risk of a portfolio by investing in a range of financial assets, market risk is less than the sum of its individual parts.

C.1.2 Measures used to assess market risk
The Society measures market risk exposure by stressing the value of assets and technical provisions allowing for an extreme stress. They are stressed before and after loss absorbency. The overall market risk SCR then allows for risk diversification to allow for one risk occurring at the same time as another.

C.1.3 Risk exposure and concentration of risk
Equity price risk
As of 31 December 2020, the equity exposure in the With-profits Funds was £18.2m (2019: £29.7m).

Property price risk
As of 31 December 2020, the property exposure in the With-profits Funds was £8.7m (£2019: £14.4m).

Interest rate risk
As of 31 December 2020, the interest rate exposure was £ 87.8m (2019: £69.7m).

Currency risk
As of 31 December 2020, the currency exposure was £6.2m (2019: £10.6m).

Credit risk
As at 31 December 2020 the credit spread exposure was £25.7m which was the total exposure to corporate bonds (2019: £21.9m).

The credit quality steps are the Society's assessment of the credit quality of the bonds reflecting information from two external rating agencies as provided by its investment managers. The majority of the corporate bonds are rated by one or both of these agencies. The steps are defined in the Solvency II rules with 1 being the highest credit quality and 7 being the lowest. Credit step 3 is normally equivalent to the lowest investment grade. Credit step 7 reflects bonds under which no rating was available.

The table below shows the exposure of the corporate bonds by credit rating:

Credit quality step	HI WPF £'000	% holding	CAS RFF £'000	% holding	Total £'000	% holding
1	1,500	6%	122	18%	1,622	6%
2	4,848	19%	229	33%	5,077	20%
3	14,776	59%	289	42%	15,066	59%
4	1,659	7%	0	0%	1,659	6%
5	414	2%	0	0%	414	2%
7	1,823	7%	54	8%	1,878	7%
Total	25,020	100%	694	100%	25,715	100%

C.1.4 Risk mitigation

Measures are in place to manage equity, currency and other market risks and there are processes in place to reduce exposure. Interest rate risk is controlled by matching wherever possible the duration of the liability cash-flows underlying technical provisions with fixed interest securities.

C.2 Underwriting risk

C.2.1 Description of the risk

Underwriting risk arises from the actual experience being different from that assumed when the product was designed and priced and comprises mortality risk, longevity risk, lapse risk and expenses risk.

The Society remains most exposed to lapse risk and expense risk even after loss absorbency.

Mortality and longevity

Life business is exposed to changes in life expectancy. The risk is that more or fewer policyholders die than assumed and the benefit paid is more or less than the provisions made. The Society has limited exposure to mortality and longevity risk.

Lapse risk

In pricing the life insurance business the Society forecasts the rates at which policies will surrender or lapse. The risk is that the length of time policies stay with the Society is shorter or longer than assumed and as a result the number of policies over which fixed costs and acquisition costs can be recovered.

Expense risk

The Society is exposed to the risk that the expenses of running the business are higher than expected. The pricing of policies assumes a level of acquisition and maintenance expenses which coupled with the expected new business volume and number of in-force policies informs the calculation of technical provisions. The risk exposure arises If the charges the Society deducts from policyholders' benefits are not sufficient to cover expenses.

C.2.2 Measures used to assess the risk

The calculation of the SCR assesses the underwriting risk exposure, assesses a stress calibrated by the European Insurance and Occupational Pensions Authority (EIOPA) to reflect a one-year stress at the 99.5% level of probability and then applies that stress to the calculation of both the assets and the liabilities. Each separate stress can then show the impact of risk from that source as they have been calibrated at the same level.

Risk exposure is the amount of total exposure to a particular contingency or risk. This is not a calibrated risk exposure at a particular level of risk as it does not show the amount of loss due to a risk at the same likelihood of the risk occurring.

The SCR applies the same likelihood to each element of the exposure to risk to arrive at a calibrated level of loss that could occur at a similar level of probability.

The table below illustrates the underwriting or insurance risk before and after loss absorbency:

Underwriting risks	2020 Before loss absorbency £'000	2020 After loss absorbency £'000	2019 Before loss absorbency £'000	2019 After loss absorbency £'000
Mortality	17	-	39	2
Longevity	144	119	119	115
Lapse	2,873	2,049	3,247	2,315
Expense	1355	633	1,450	586
Catastrophic mortality experience	57	57	61	61
Underwriting risk before diversification	**4,446**	**2,858**	**4,916**	**3,079**
	646	**378**	**694**	**371**
Underwriting risk after diversification	**3,801**	**2,480**	**4,222**	**2,708**

C.2.3 Risk exposure and concentration of risk

The Society measures exposure to risk using the total financial amount that the risk could affect. The impact of this exposure is measured by examining stresses to expected experience and their impact on the finances of the Society.

Mortality and longevity

As of 31 December 2020, Healthy Investment was exposed to £37.2m (2019: £40.5m) of mortality risk in the form of total benefits that would be payable on death (assuming everyone died immediately) in excess of the technical provisions.

A 15% permanent increase in future mortality rates assumed would increase technical provisions by £17k before loss absorbency and nil after on policies where an increase in mortality causes losses. A 20% permanent reduction in mortality would increase technical provisions by £144k before loss absorbency and £119k after on policies where a reduction in mortality would cause losses. These risks are relatively minor in impact.

The mortality exposure is not concentrated in a few lives but is widely spread through all the insurance policies written by the Society.

Catastrophic Mortality Experience risks

A large-scale epidemic causing a one-off mortality to increase of 1.5 per thousand lives in one year could cause a one-off negative impact of £57k on Own Funds with no reduction for loss absorbency. Again, this risk is relatively minor in its impact on the Society.

Expenses

Total expenses (excluding commission) in 2020 were £1.8m. (2019: £1.5m).

A permanent 10% increase in expenses and a 1% per annum permanent increase in future inflation would increase the technical provisions by £1.4m before loss absorbency and £0.6m after. Expenses are largely concentrated in employee remuneration and other employment costs.

Lapse

Healthy Investment is exposed to lapse risk from surrender values being less or more than technical provisions and the loss of margins to pay future expenses. Surrender values of all non CTF policies amount to £96.4m. The technical provisions amount to £103.5m.

The risk is measured by looking at the greatest impact of a permanent 50% reduction in assumed lapses or a permanent 50% increase in assumed lapses or a mass lapse of 40% of those policies in force.

A permanent 50% increase or decrease in the rates of assumed lapses has a minimal impact on technical provisions. Allowing for a mass lapse at 40% of the policies in force reduces future margins and would reduce the Own Funds by £2.9m before allowing for loss absorbency and £2.0m after.

C.2.4 Risk mitigation

The Society has policies and procedures in place to monitor and manage the underwriting risks.

Mortality and longevity

Mortality and longevity risk is managed through a regular review of actual mortality against expected experience.

Expenses

Expense risk is managed by ensuring that budgets agreed are affordable and that actual expenses are appropriately controlled.

Lapse

Lapse risk is managed by reviewing claims experience and persistency and through an active member retention strategy and ensuring that there is no material exposure to individual sources of business.

C.3 Counterparty default risk

C.3.1 Description of the risk

Counter-party default risk is the risk of loss as a result of the default or failure of third parties to meet their debt obligations.

C.3.2 Exposure to counterparty default risk

As of 31 December 2020, Healthy Investment was exposed to £1.2m due to cash held in banks and other financial institutions.

C.3.3 Management of the counterparty risk

The Society's exposure to counter-party loss is modest and is managed by setting exposure limits to counter-parties relative to their risk classification.

C.4 Liquidity risk

C.4.1 Description of the risk

Liquidity risk is the risk that, though solvent, the Society would not have sufficient resources to enable it to meet its financial obligations as they become due or that that they could not be realised quickly.

C.4.2 Measures used to assess the risk

Liquidity risk is not measured using the SCR but is monitored on a daily basis in line with the Society's policy on cash management.

C.4.3 Risk exposure and concentration of risk

The fixed interest and equity holdings are traded on recognised investment exchanges and can be realised for cash within five business days. A core holding of UK government securities is held and these are realisable on the day that a request for sale is made.

Assets in cash and other marketable securities	**2020 £'000**	**2019 £'000**
Assets in cash and 'near cash holdings'	112,574	111,636

The undiscounted insurance cash-flows expected from the maturity of policies and fixed interest investments are shown in the table below and have been derived from the calculation of discounted technical provisions for insurance contract liabilities.

Years to maturity	Policy (claims plus expenses less premiums £'000	Fixed interest maturities and coupons £'000
< 1 year	8,579	6,462
1 – 3 years	21,686	17,937
4 – 5 years	13,661	11,060
6 – 10 years	31,446	18,433
11 – 15 years	20,876	9,979
16 – 20 years	7,415	12,997
20+ years	2,314	29,863
Total	105,975	106,731

The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2) is nil.

C.4.4 Risk mitigation

Liquidity is maintained at a level where the Society can be confident that all policyholders' claims can be paid without delay and is managed by matching maturities of assets and liabilities and holding investments that can be readily realised.

No liquidity sensitivity analysis has been undertaken due to the marketable nature of the investments held.

C.5 Operational risk

C.5.1 Description of the risk

Operational risk is the risk of loss or adverse consequences for the business resulting from inadequate or failed processes, people or systems or from external events.

The main operational risks faced by the business are:

- Data security - the risk of unauthorised access, use or disclosure of data.
- IT infrastructure - the risk of system failure, integrity, reliability or effectiveness.
- Outsourcing - the risk of a service provider failure, non-performance or ineffective management.
- Compliance- the risk of not meeting regulatory or legal requirements.
- Reputation - the risk of adverse publicity.
- Fraud - the risk that policyholder funds are misappropriated.
- Key man - the risk of the Society losing more than one key member of staff without notice.
- Business continuity - the risk of business disruption and damage to physical assets from natural or other causes.
- Conduct - the risk of not conducting business fairly and design flaws in the design, pricing, marketing of products and inappropriate service to customers.

C.5.2 Measures used to assess operational risk

The SCR calculation included an assessment and quantification of operational risk exposure and the Society's risk management process identifies, quantifies and documents operational risks.

C.5.3 Risk exposure and concentration of risk

As of 31 December 2020, the total capital required in the SCR in respect of operational risk facing the business was £469k (2019: £464k).

C.5.4 Risk mitigation

Senior managers are involved in the day to day running of the business and ensuring that policies and procedures are adhered to. The audit and risk committees assess the efficacy and performance of the internal control systems on a regular basis and review any significant incidents, with internal and external audit providing additional review.

The Board receives regular reports from management and committees and as part of its control framework approves all new and existing product changes and operational policies. Conduct risk management receives additional scrutiny with the Society's With-profits committee providing independent oversight.

C.6 Other material risks

There is a risk that the Society will not meet its strategic goals and achieve the key objectives of its business plan. The main strategic risks include:

- The risk that our strategy for dealing with Child Trust Fund maturities is not effective in retaining CTF policyholders as members of the Society with alternative products.
- The risk of continued low interest rates impacting on the profitability of products and the cost of guarantees.
- The risk of disruption to customer service and operational effectiveness due to the effect of Covid 19 on working practices and employee wellbeing.

The Society's Forward Look at Solvency assesses the sensitivity to various financial scenarios and the following are tested:

- Levels of new business
- Changes in investment returns
- CTF book decline and retention
- Increased expenses
- A combination of higher expenses and lower investment returns

The FLAS concluded that the capital requirement would be met throughout the course of the business plan. A lower investment return would have the biggest impact and potentially require management action to change the guarantees on new business (existing policies are protected by the matching policy of the investment strategy) and reduce bonus levels.

The Society concluded that it had sufficient available management actions to manage the impact of the material risks.

C.7 Other risks and any other information

C.7.1 Other risks

Coronavirus (Covid-19)

Covid-19 has created a number of risks for the Society. These include the health and wellbeing of the Society's employees, service levels to members, and the impact on the business, future strategy, capital, and solvency of the Society.

The Society (through its outsourced actuarial function) is monitoring the impact of excess mortality in 2021 and any developments in morbidity and longer term mortality due to Covid-19. Higher mortality was assumed for the technical provisions as at 31/12/2020 in line with a model based on the excess mortality and assuming that the impact would largely be felt in the first quarter. The extra technical provision was small at a reduction of £7K in technical provisions and £220K expected extra claims in the year.

The impact on new business activity could be more important and the business plan allows for a reduction in new business in 2021 to allow for the pandemic.

Climate change

The Risk Management Team is undertaking a detailed assessment of the financial risks of climate change. The principal exposure is market risk as the UK transitions to a low carbon economy. There is some potential for distribution to be disrupted if the physical impacts of climate change alters the way financial advisers and introducers are able to conduct business. Our exposure to liability (claims) risk is low.

The Society works closely with its outsourced investment managers to ensure that the financial risks that emerge from the UK reducing carbon emissions are actively managed.

C.7.2 Any other information

The Society fulfils its obligations to invest all assets in accordance with the prudent person principle required under Solvency II through adherence to its policy statements on investment management and risk management.

The Board approves investment guidelines for each fund which take into account overall solvency needs and includes the level of equity exposure, fixed interest duration, credit quality and counter-party limits.

Investment management is outsourced with the investment managers able to make asset allocation and stock selection decisions within the guidelines.

The appointment of the outsourced investment managers is a matter reserved for the Board and through the Investment committee it monitors their performance on an ongoing basis and through the monthly management information produced for the Board.

All other material information regarding the Society's risk profile is disclosed in sections C.1 to C.7.

D. Valuation for solvency purposes

D.1 Assets

D.1.1 Summary of assets

Assets held by the Society as at 31 December 2020 were as follows:

	Solvency II £'000	Financial Statements £'000	Difference £'000
Government bonds	62,420	61,127	1,294
Corporate bonds	25,996	26,656	(660)
Equities	20,270	20,270	0
Collective investments	4,040	4,040	0
Property, plant, and equipment held for own use	335	333	2
Cash and cash equivalents	482	482	0
Insurance and intermediaries receivables	21	21	0
Assets held for unit-linked contracts	58,456	58,456	0
Intangible assets (including computer software)	0	202	(202)
Prepayments and accrued income	19	685	(666)
Other	69	1	68
Total	172,108	172,273	(165)

D.1.2 Equities

Equities have been valued at fair market value under Solvency II at market prices, as at the reporting date. These are quoted bid prices, provided by the investment managers on a look through basis, on equities which are all readily traded on recognised active markets. The value of these in the financial statements, in accordance with FRS 102, is on a bid basis. No significant estimates or judgements are used in the valuation of these investments.

D.1.3 Bonds

The bonds have been valued at fair market value under Solvency II at market prices, as at the reporting date, plus any accrued interest. These are bid prices provided by the investment managers, on bonds which are all readily traded on recognised active markets. The value of these in the financial statements, in accordance with FRS 102, is on a bid basis with no allowance for accrued income. Accrued income is held separately in the financial statements. No significant estimates or judgements are used in the valuation of these investments.

D.1.4 Collective investment schemes

The collective investment schemes have been valued at fair market value under Solvency II on market prices, as at the reporting date. These are quoted bid prices, provided by the investment managers, on schemes which are all readily traded on recognised active markets.

The value of these in the financial statements, in accordance with FRS 102, is on the same basis. No significant estimates or judgements are used in the valuation of these investments.

The investment manager provides quarterly reports detailing the underlying securities held, based on information provided by the schemes' fund managers. The Society determines if a market is active by assessing its depth, frequency of trades and bid-offer spreads based on information provided by the investment managers and publicly available.

D.1.5 Assets held for Unit-linked contracts

Equities have been valued at fair market value under Solvency II at market prices, as at the reporting date. These are quoted bid prices, provided by the investment managers on a look through basis, on equities which are all readily traded on recognised active markets. The value of these in the financial statements, in accordance with FRS 102, is on a bid basis.

The bonds have been valued at fair market value under Solvency II at market prices, as at the reporting date, plus any accrued interest. These are prices provided by the investment managers, on bonds which are all readily traded on recognised active markets at bid basis. The value of these in the financial statements, in accordance with FRS 102, is on a bid basis.

The collective investment schemes have been valued at fair market value under Solvency II at market prices, as at the reporting date. These are quoted bid prices, provided by the investment managers, on schemes which are all readily traded on recognised active markets. The value of these in the financial statements, in accordance with FRS 102, is on the same basis.

The valuations of the financial assets are all at fair value on quoted bid prices and are not subject to estimation.

D.1.6 Prepayments and accrued income

Accrued income consists of accrued interest on fixed income bonds of £634k and dividends due of £20k. Other prepayments of £32k consist of contract costs paid in advance.

D.1.7 Cash and other cash equivalents

Cash and cash equivalents are bank and cash account balances, which are not in fixed term accounts and have been valued at fair value. The values are the statement balances at the reporting date less unpresented payments. No estimation or adjustments are required on these. The value in the financial statements is the same.

D.1.8 Insurance and other receivables

Insurance receivables are outstanding amounts due from policyholders. The amount due to policyholders has been valued at fair value. No estimation or adjustments are required on these. The value in the financial statements is the same.

D.1.9 Property, plant and equipment held for own use

Tangible assets are valued at cost less accumulated depreciation and impairment losses. The estimated useful life is assessed for tangible assets and the depreciation over this period is on a straight line basis. The property for own use is recorded at fair value. A formal valuation was carried out by Trevor Dawson Commercial property consultants in February 2021 for the year ended 31 December 2020 and as a result of the valuation the property was revalued downwards by £20k with a fair value of £300k.

The outbreak of the Covid-19 has impacted global financial markets and therefore the valuation was reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.

D.1.10 Intangible assets

Under the Solvency II valuation at 31 December 2020 the Society had no intangible assets.

The financial statements include £200k of goodwill on acquisition and £2k of remaining net book value on capitalised computer software.

D.1.11 Solvency II and financial statement differences

The table below shows, by material asset class, the differences between the Solvency II and financial statements values:

Solvency II assets to Financial Statement assets reconciliation	**2020 £'000**	**2019 £'000**
Solvency II assets	172,108	177,984
Differences -		
Intangible assets	200	228
Investments at fair value	-	-
Prepayments	32	34
Inter-fund account balance	(68)	-
Financial statement assets	**172,273**	**178,246**

D.2 Technical provisions

The Society has four main lines of business within the Healthy Investment With-profits Fund:

- Conventional With-profits life policies split between tax exempt and taxable policies and between endowments and whole life assurance. These have been paid both by single premium payment, and regular premium contracts.
- There are also the remaining Adult Sick and Death policies which are now overwhelmingly paid-up whole life assurances and some minor profit sharing sickness plans and some quinquennial insurance.
- Accumulating With-profits policies including Single Premium Bonds and ISAs. The latter are available for adults and for juniors. The ISAs are recurring single premium whole of life policies whereas the Single Premium Bonds are single premium whole life policies.
- Child Trust Fund (CTF) Unit-linked policies. These policies are recurring single premium Unit-linked investments that mature at age 18. There are also Unit-linked ISAs which are continuation policies for the CTF contracts and are recurring single premium Unit-linked whole life policies.

There is one main line of business within the Coventry Assurance With-profit Fund:

- Conventional With-profits life policies. These are split between endowment assurances and whole life assurances with the major category of policies being the Unibond regular premium endowment assurances

The total technical provisions as at 31 December 2020 for the above lines of business are:

Material class of liabilities	Best Estimate £'000	Risk Margin £'000	Technical Provision £'000
Healthy Investment With-profits Fund			
Single premium With-profits bonds	36,250	483	36,733
Adult With-profits ISA	26,549	282	26,831
Junior With-profits ISA	2,077	35	2,112
Tax exempt endowments and pure endowments	18,125	140	18,265
Tax exempt whole life assurances	163	1	164
Taxable endowments and pure endowments	15,613	120	15,734
Taxable whole life assurances	101	2	103
Single premium taxable endowments	64	-	64
Single premium taxable whole life	18	-	18
Adult Sick and Death - Whole Life	1,223	255	1,478
Adult Sick and Death – Sickness	5	-	5
Profit Sharing	75	8	83
Quinquennial insurances	-	-	-
Unit-linked Child Trust Fund	55,659	326	55,985
Unit-linked ISA	320	26	346
Total Healthy Investment main fund	156,242	1,678	157,920
Coventry Ring Fenced Fund			
Endowments taxed	8	-	8
Endowments tax exempt	317	-	317
Whole Life assurances	9	-	9
Unibond	3,118	4	3,122
Table A	208	6	214
Total Coventry Ring Fenced Fund	3,660	11	3,671
Total	159,902	1,689	161,591

Other technical and charitable liabilities calculated using a proportionate technique are:

Liabilities	2020 £000	2019 £000
Surplus Contribution Fund	16	18
Temperance Fund	78	78
Douglas Carr Fund	133	112
Supplementary pension for ex staff	76	77
Total	**283**	**285**

Best Estimate Liabilities (BEL):

The BEL is calculated as the sum of the policy reserves and the Cost of Guarantee (CoG). The best estimate liability for the With-profits business is calculated by projecting, for each individual policy, the net monthly cash-flows and then discounting these net cash-flows back to the valuation date.

The net monthly cash-flow is the expected expenses for administering a policy (allowing for expense inflation) and investment expenses, plus expected claim amounts (including claims upon death, maturity (where applicable) and surrender) allowing for future reversionary and terminal bonuses.

The cash-flow calculations comply with Article 28 - 36 of the Delegated Act.

The CoG is an additional reserve held to cover the cost of guaranteed benefits.

The best estimate for the CTF Unit-linked business is the sum of:
a unit reserve which is the value of policy units, and
a value in force which reflects the discounted value of monthly future administration and investment expenses plus cost of any risk benefits provided less monthly future annual management charges. The future annual management charge is the monthly charge which the Society applies to the CTF policy units. The administration and investment expenses are the expected actual costs of the CTF policies to the Society. The calculations allow for expected claims (including claims upon death, transferring out and maturity).

Risk margin

The risk margin is the additional premium to ensure that the value of the technical provisions is equivalent to the amount that another insurer would be expected to require if taking over and meeting the liabilities of the Society.

The risk margin is calculated as the present value of the future projected non-hedgeable solvency capital requirement multiplied by a cost-of-capital rate of 6% per annum and discounted using the same discount rates as the policy net cash-flows. The future solvency capital requirements are projected until the last policy is expected to exit.
No simplifications are used within the calculation of the risk margin.

The Risk Margin is calculated using the interest rate set out in Articles 37 and 39 of the Delegated Act.

D.2.1 The main assumptions used in the calculation of the technical provisions.

The calculation of the technical provisions requires realistic assumptions on:

- discount rates for future cash-flows
- lapse rates
- expenses and expense inflation
- mortality rates

D.2.1.1 Discount rates for future cash-flows

The discount rates are used to discount the expected future net cash-flows to generate a value as at the valuation date. The rates used are spot rates provided by the PRA. The PRA publishes risk-free spot rate curves for each currency on a monthly basis. As the Society's liabilities are all denominated in Sterling the GBP yield curve is used.

Example rates from the implied forward yield curve as at 31 December 2020 are shown in the table below:

Term to maturity (years)	Risk free rate	Term to maturity (years)	Risk free rate
1	(0.110%)	30	0.468%
2	(0.079%)	40	0.411%
5	0.083%	50	0.362%
10	0.289%	60	0.715%
15	0.415%	70	1.100%
20	0.469%	75	1.267%
25	0.476%	80	1.417%

No judgement has been applied as the risk-free interest rate is supplied by the PRA.

D.2.1.2 Lapse assumptions

For With-profits products, lapse is a generalised term for when a policy is lapsed or surrendered. For the CTF products a lapse is a transfer of the CTF Fund out of the Society. It is assumed that all CTFs mature at the life assured's 18th birthday.

The lapse rate assumptions are based on the latest analysis of the Society's past experience. The lapse assumption rates reflect actual experience, based on an investigation in June 2020 into full lapses and partial withdrawals. The data used in the investigation was for the period 1 January 2017 to 31 December 2019 inclusive.

Judgement is applied when assessing historical data to ensure that the data used is applied appropriately. Judgement is also used when assessing data validity.

The lapse assumptions are:

Healthy Investment

Product	Annual lapse rate
Adult Sickness and Death	0.2%
Endowment M&N	1.0%
Pure Endowment & Whole of Life	5.7%
CTF	0.2%
All Share ISA	5.3%
Junior ISA	0.8%
ISA (Pre Retail Distribution review)	7.1%
ISA (2019 Series)	5.3%
ISA (Advised)	3.7%
Investment Bond Adviser	4.1%

ISA Direct	
Duration years	**Annual lapse rate**
<2	3.6%
2-5	6.8%
5-6	2.4%
6+	15.7%
Single Premium Bond Direct	
Duration years	**Annual lapse rate**
<4	1.9%
4	16.6%
5+	8.6%
Single Premium Bond Series 1 – 3	
Age	**Annual lapse rate**
<16	0.3%
16-20	10.2%
20+	6.2%

Endowment Savings Plans Series 1 – 17		
Age	**Sum assured**	**Annual lapse rate**
<16	<£2,500	1.8%
16-20	<£2,500	7.0%
20+	<£2,500	3.6%
<16	£2,500+	1.1%
16-20	£2,500+	4.3%
20+	£2,500+	2.2%
Endowment Savings Plans Series 20		
Age	**Sum assured**	**Annual lapse rate**
<16	<£1,000	3.0%
<16	£1,000-£2,500	1.3%
<16	£2,500-£5,000	0.8%
<16	£5,000-£7,500	0.5%
<16	£7,500+	1.1%
16+	<£1,000	11.4%
16+	£1,000-£2,500	5.0%
16+	£2,500-£5,000	3.2%
16+	£5,000-£7,500	1.7%
16+	£7,500+	4.3%

Coventry Assurance Ring Fenced Fund

Product	Annual lapse rate
Unibond	6.1%
Other	0.9%

MVR and 10 year option take up

Product	Annual lapse rate
Coventry Unibond	36%
HI ISA	30%
HI Bond	30%

Partial withdrawal rates:

Product	Type	Sales method	Partial withdrawal
ISA	Adult	Advisor	1.8%
ISA	Adult	Direct or non-advised	1.5%
ISA	Junior	Advisor	0.5%
ISA	Junior	Direct or non-advised	0.0%
Bond		Advisor	2.4%
Bond		Direct or non-advised	2.1%

D.2.1.3 Expense assumptions

The expense assumptions have been set based on the most recent open fund expense analysis for the Society.

The expense analysis projects forward the Society's budgeted management expenses allowing for expense inflation. The management expenses are split between acquisition, renewal and investment expenses. The acquisition and renewal expenses are further split between administration and overhead expenses.

The analysis also projects forward the expected premium income, number of in force policies and the With-profits and Unit-linked Funds in order to derive appropriate assumptions to cover all expected future management expenses.

For the CTF (and the continuation ISA) valuation an assumption is required of the costs incurred by the Society for administering the CTF policies which need to be covered by the annual management charge applied to the policy units. The expected CTF administration costs are based on a Society budget of the expected costs for the forthcoming year and the number of CTF policies in force.

The expense inflation is based on inflation figures from the government bond market (comparing index linked and nominal based UK gilts) and the Society's view of other elements of inflation.

Judgement is used to split expenses between the expense category and the products.

Within the valuation of the technical provisions for the best estimate and for the stress scenarios, allowance is made for the fixed nature of some of the expenses. For the mass lapse stress scenario, some expenses can be saved in operating costs but some cannot due to their fixed nature. This is the most material impact of the stress scenarios on the expense assumption used and gets a separate set of assumptions.

The table below shows the expense assumptions used within the valuation for 31 December 2020:

Product	Used for all but the mass lapse stress	Used for the mass lapse stress
Healthy Investment CTF/ All Share ISA (except Mass Lapse Stress)	Investment charge of 0.6% of the fund Administration per policy expense of £0.14 per annum per policy. Maturity expense of £3.00 Expense inflation of 2.5%.	Investment charge of 0.93% of the fund Administration per policy expense of £0.14 per annum per policy Maturity expense of £3.00 Expense inflation of 2.5%.
Other Healthy Investment products	0.65% of funds under management 0.66% of annual premium £14 per policy expense Expense inflation of 2.50%.	0.86% of funds under management 1.10% of annual premium £15.42 per policy expense Expense inflation of 2.50%.
Coventry products	For table A policies; £25 per claim not inflating For Unibond policies; 0.7% funds under management 7.5% of premiums. For other policies; 0.7% funds under management 12.5% of premiums.	For table A policies; £25 per claim not inflating For Unibond policies; 0.7% funds under management 7.5% of premiums. For other policies; 0.7% funds under management 12.5% of premiums.

The table below shows the expense assumptions used in the valuation as at 31 December 2019:

Product	Expense assumptions
Healthy Investment CTF and continuation ISA	Investment charge of 0.6% of the fund Administration per policy expense of £0.13 per annum per policy Maturity expense of £3.00 Expense inflation of 3.25%.
Other Healthy Investment products	0.65% of funds under management 0.66% of annual premium £13.30 per policy expense Expense inflation of 3.25%

Coventry products	For Table A whole of life policies; Allowance of £25 per claim not inflating Allowance of 0.7% pa funds under management For Unibond endowment policies; Allowance of 0.7% pa funds under management Allowance of 7.5% of future premiums. For other endowment policies; Allowance of 0.7% pa funds under management Allowance of 12.5% of future premiums.

D.2.1.4 Mortality assumptions

Mortality assumptions are based on published standard mortality tables. These are then adjusted by applying a percentage based on the latest analysis of the Society's past experience.

The standard mortality tables used for all products, except the CTF, are the AMC00/AFC00 tables. The mortality table used for the CTF and All Share ISA is the English Life Table number 17 (ELT17).

The table below shows the mortality assumptions used in the valuation as of 31 December 2020:

Product type	Assumptions made
Healthy Investment CTF/ All Share ISA	13% English Life Tables 17 for ages up to 17 and 71% AMC00 / 95% AFC00 mortality tables for older ages.
Healthy Investment Adult Sick and Death	50% AMC00 and 69% AFC00 series.
Healthy Investment Endowment / Whole Life and AWP products	100% English Life Tables 17 for ages up to 17 and 71% AMC00 /95% AFC00 mortality series for older ages.
Supplementary Pensions	80% PMA00
Coventry Assurance products	100% English Life Tables 17 for ages up to 17 and 114% AMC00 series/ 73% AFC00 for older ages.

We have allowed for additional deaths due to Covid-19 for the first 12 months of the valuation cashflow projection by increasing the mortality rates by the factors in the tables below.

Product type	Assumptions made
Endowments	5%
Whole of Life	15%
Junior Gift & Savings	5%
Funeral Plan	15%
Death	15%
Pure Endowment	10%
Investment Bond Series 1 & 2	15%

Investment Bond Series 3 & 4	10%
Investment Bond Series 5 & 6	15%
Junior ISA	5%
ISA All Single premium	15%
ISA Old Direct: Regular Premium	15%
ISA Direct: Regular Premium	10%
ISA IFA: Regular Premium	15%

The table below shows the mortality assumptions used in the valuation as of 31 December 2019:

Product type	Assumptions made
Healthy Investment CTF	53% English Life Tables 17 for ages up to 17 and 71% AMC00 / 84% AFC00 mortality tables for older ages.
Healthy Investment Adult Sick and Death	50% AMC00 and 69% AFC00 series.
Healthy Investment Endowment / Whole Life and AWP products	100% English Life Tables 17 for ages up to 17 and 71% AMC00 /93% AFC00 mortality series for older ages.
Supplementary Pensions	80% PMA00
Coventry Assurance products	100% English Life Tables 17 for ages up to 17 and 114% AMC00 series/ 73% AFC00 for older ages.

Judgement is used in the selection of the standard mortality tables. Judgement is also applied when assessing historical data to ensure the data used is valid and applied appropriately.

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

The technical provisions are calculated using financial models and as such there is always an inherent degree of uncertainty. Historical Society experience is used to guide the assumption setting but past experience is no guarantee of future experience.

Analysis of how model results compare to past experience can be used as a guide.

The sensitivity of the model results is also central to the assumption setting process.

A robust assumption setting process is followed to ensure that any uncertainties are kept to a minimum.

D.2.3 Material difference to valuation in financial statements

For investment business, current accounting standards require only the value of policy units to be brought into account. Therefore, the value in-force for CTF and All Share Unit-linked business is not included in the technical provisions within the financial statements. The result is to increase the technical provisions by £2.1m in the financial statements compared to the Solvency II Balance Sheet.

D.2.4 Adjustments or transitional measures used to calculate the value of technical provision

The Society is not using a volatility adjustment or matching adjustment or any transitional arrangement within the calculation of technical provisions.

D.2.5 Recoveries from re-insurance

The Society has no reinsurance arrangements.

D.3 Other liabilities

A summary of the other Solvency II liabilities is:

Other liabilities	2020 £'000	2019 £'000
Deferred tax	94	534
Corporation tax	365	346
Insurance and intermediary payables	963	1,579
Trade (not insurance) payables	207	222
Inter-fund account balance	68	0
Total	**1,697**	**2,681**

Other liabilities have been valued on the FRS 102 basis. There is no difference in value to the Solvency II fair value basis.

D.3.1 Corporation and deferred tax

The current Corporation Tax rate applicable to the Society is 20% (2019: 20%) and is due within 12 months of the Society's year end.

Corporation Tax is calculated on the policyholders' profit on its taxable business. The Society is subject to tax on the taxable part of its life and endowment business, interest income, any income from property, certain realised gains, unrealised gains on collective investment equity funds (spread over 7 years) and unrealised gains on the value of listed fixed interest securities.

The Society measures a tax liability (asset) at the amount it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.
Deferred tax is recognised in respect of timing differences at the reporting date.

Timing differences arise where there are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Timing differences also arise and deferred tax recognised when the tax allowances for the cost of a fixed asset are received before or after the depreciation of the fixed asset is recognised in profit or loss. If and when all conditions for retaining the tax allowances have been met, the deferred tax shall be reversed.

A deferred tax asset can arise on the excess of the proportion of taxable business expenses over income, unused tax losses and a favourable deferred tax movement in unrealised gains/losses. Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

There is a deferred tax liability as of 31 December 2020 of £94k (2019: £534k).

Judgement has been used in assessing the taxable proportion and the future rate of corporation tax.

D.3.2 Insurance and intermediary payables

As at 31 December 2020 the total insurance and intermediary balances payable was £963k (2019: £1,579k) which includes £953k (2019: £1,496k) for claims outstanding.

Other amounts due to policyholders include premiums paid in advance and uncashed cheques. The amount due was £0k (2019: £77k).

Commission and fees payable to intermediaries were £10k (2019: £6k). The balance is calculated in accordance with the terms and conditions of the contract with the intermediaries.

D.3.3 Trade (not insurance) payables

As at 31 December 2020 the total trade payables were £207k (2019: £222k) which are all due within 12 months. Trade payables are amounts due and estimates made for services and goods supplied. There are no capital commitments or leasing arrangement liabilities.

D.3.4 Employee benefit liabilities

There are no material employee benefit liabilities. The employee pension schemes are money purchase schemes.

The Society operates an incentive scheme for Executive Directors with 40% of bonuses deferred equally over two years. As of 31 December 2020, £7k is currently deferred from previous year bonus awards.

D.4 Alternative methods of valuation

No alternative methods of valuation have been used other than those for proportionality and bid-prices of equity and bond valuations on a look through basis.

Some small insurance policies have been valued using a proportional method. This includes the Surplus Contribution Fund as well as some other non-insurance liabilities such as the Douglas Carr Fund and the Temperance Fund. All have had the full-face value recognised. The costs of setting up complete technical provision calculations would be disproportionate to the greater accuracy achieved. The supplementary pensions given to ex-staff are in extreme run off and have been valued using actuarial techniques at a best estimate. There is one remaining ex-staff beneficiary.

D.5 Any Other Information

The coronavirus pandemic has had an impact on the Society investments with a fall in the equity portfolio. In addition, risk free rates have fallen from the year end which has led to an increase in the value of policy liabilities. This has been mitigated to a large degree by the rise in the value of the bond portfolio over the same period.

E. Capital management

E.1 Own Funds

E.1.1 Policies and objectives

The key capital management objectives are:

- To comply with the capital requirements of the UK regulator, the PRA.
- To ensure that the Society's financial strength is maintained.
- To ensure that the Society's strategy is sustainable and can be implemented.
- To give current and future members and other stakeholders confidence in the long-term stability of the Society.

These objectives are reviewed at least annually. The Board is responsible for ensuring that the Society meets the capital requirement at all times. The Society complied with the PRA's capital requirement throughout the year.

The Board aims to maintain an appropriate buffer in excess of the capital requirement.

The Society prepares a strategic business plan over 5 years and an operational business plan for 1 year.

The Society maintains the agreed capital objectives through its system of risk management, investment policy, control of expenses and the implementation of its operational business and distribution plan.

E.1.2 Measurement and monitoring of capital

The capital position of the Society is monitored on a regular basis. Benchmarks are set to assess the adequacy of the Society's financial strength. In circumstances where there is a significant fall in the capital base management action is taken to reduce risk exposure.

As a mutual organisation the Fund for Future Appropriations is Tier 1 capital. The Society has no Tier 2 or Tier 3 Own Funds.

The Solvency II Own Funds as at 31 December was: (values have been rounded individually)

Solvency II Funds	**2020 £'000**	**2019 £'000**
Value of net assets	172,108	177,984
Technical provisions	(161,591)	(161,686)
Other liabilities	(1,981)	(2,966)
Excess of assets over liabilities	8,537	**13,333**

Own Funds	**2020 £'000**	**2019 £'000**
Reconciliation Reserve	8,537	13,333
Total available Own Funds to meet the SCR	8,537	13,333
Capital Required (Higher of SCR, MCR)	(5,027)	(5,064)
Own Funds in excess (Tier 1)	**3,509**	**8,269**

The Solvency Capital Requirement for the previous reporting date has been restated from the £4,351K reported in the previous SFCR. The restatement is due to a change in the calculation of the movement in unit-linked technical provisions under the market risk module to include equity type 1 risks in the SCR.

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The change in technical provisions has been caused by:
- reductions in risk free rates used to discount future cash-flows
- declaration of 2019 bonus
- reduction in the value in force for the unit-linked business due to falls in the value of policy units.

The impact of the increase in technical provisions has been most offset by the investment return on the With-profits Fund during 2020. Reductions in risk free rates is mirrored to some extent by increases in UK government bond (gilt) values.

The Society decreased its equity investment during 2020, after equity markets fell sharply due to the Covid-19 pandemic. The recovery in equity markets during the latter part of 2020 increased investment returns due to the increased allocation to equities.

A fall in the value of assets backing the unit-linked liabilities was matched by a fall in the value of unit liabilities within the technical provisions.

E.1.3 Reconciliation of Fund for Future Appropriations and Own Funds

A reconciliation of the Fund for Future Appropriations and Solvency II Own Funds:

Reconciliation of FFA and Own Funds	**2020 £'000**	**2019 £'000**
Fund for Future Appropriations	6,697	10,868
Difference in technical provisions for Unit-linked liabilities	2,072	2,727
Difference in intangible assets and prepayments	(232)	(262)
Difference in subsidiary value	0	0
Own Funds (Tier1–unrestricted)	**8,537**	**13,333**

The Fund for Future Appropriations represents the excess of assets over policyholder liabilities within the With-profits Funds and represents the cumulative retained earnings which have not been allocated to policyholders.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

E.2.1 Capital requirement

The amount of the capital requirement at 31 December was:

Capital requirement	2020 £'000	2019 £'000
Eligible Own Funds (Tier 1)	8,537	13,333
Solvency Capital Requirement	5,027	5,604
Coverage	170%	263%

The Solvency Capital Requirement for the previous reporting date has been restated from the £4,351K reported in the previous SFCR. The restatement is due to a change in the calculation of the movement in unit-linked technical provisions under the market risk module.

E.2.2 Analysis of SCR by risk module

An analysis of the SCR by risk module is:

Risk	2020 £'000	2019 £'000
Market	13,882	18,712
Insurance	3,801	4,222
Default	130	303
Basic SCR undiversified	17,813	23,237
Less diversification	(2,493)	(2,963)
Gross Basic SCR	15,320	20,274
Less loss absorbency	(10,784)	(15,704)
Operational risk	469	464
Ring Fenced Fund adjustment	22	30
Net SCR	**5,027**	**5,064**

There were no simplifications used in the calculations.
No specific parameters have been used in the Standard Formula Model calculations.

E.2.3 Inputs used in the Minimum Capital Requirement

The inputs used in the MCR are:

Inputs in the MCR	2020 £'000	2019 £'000
Absolute floor MCR – 3,700 euros	3,338	3,187
SCR	5,027	5,064
MCR	3,338	3,187

E.2.4 Material changes in the SCR

The material changes in the SCR net of loss absorbency are:

Material changes in the SCR	**2020 £'000**	**2019 £'000**
As at 1 January	5,064	4,083
Changes in:		
Equity Risk	(171)	715
Lapse Risk	(266)	682
Expense Risk	47	(66)
Credit Spread Risk	402	(36)
Diversification	(77)	(248)
Operational Risk	5	(29)
Other	23	(36)
As at 31 December	**5,027**	**5,064**

E.2.5 Material changes in the MCR

The material changes in the MCR are:

Material changes in the MCR	**2020 £'000**	**2019 £'000**
As at 1 January	3,187	3,288
Changes in:		
Euro exchange rate	151	(101)
As at 31 December	**3,338**	**3,187**

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

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

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

The Society has not used an internal model.

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

Throughout 2020 the MCR and SCR were complied with.

E.6 Any other information

No further material information is required regarding the capital management of the Society.

F. Templates

The following QRTs are required for the SFCR:

General information

Undertaking name	The Rechabite Friendly Society Limited
Undertaking identification code	213800Y2Y2XDCTRFCE80
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	335
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	112,726
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	20,270
R0110	*Equities - listed*	20,270
R0120	*Equities - unlisted*	
R0130	*Bonds*	88,416
R0140	*Government Bonds*	62,420
R0150	*Corporate Bonds*	25,996
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	4,040
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	58,456
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	0
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	21
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	482
R0420	Any other assets, not elsewhere shown	88
R0500	**Total assets**	172,108

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	105,260
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	0
R0640	*Risk margin*	0
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	105,260
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	103,923
R0680	*Risk margin*	1,337
R0690	Technical provisions - index-linked and unit-linked	56,331
R0700	*TP calculated as a whole*	58,403
R0710	*Best Estimate*	-2,424
R0720	*Risk margin*	352
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	283
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	365
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	963
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	207
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	162
R0900	**Total liabilities**	163,571
R1000	**Excess of assets over liabilities**	8,537

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		10,133	507						10,640
R1420	Reinsurers' share									0
R1500	Net		10,133	507						10,640
	Premiums earned									
R1510	Gross		10,133	507						10,640
R1520	Reinsurers' share									0
R1600	Net		10,133	507						10,640
	Claims incurred									
R1610	Gross		9,539	182						9,721
R1620	Reinsurers' share									0
R1700	Net		9,539	182						9,721
	Changes in other technical provisions									
R1710	Gross		-6,061	6,158						96
R1720	Reinsurers' share									0
R1800	Net		-6,061	6,158						96
R1900	**Expenses incurred**		1,894	10						1,904
R2500	**Other expenses**									
R2600	**Total expenses**									1,904

S.05.02.01
Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		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
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	10,640						10,640
R1420	Reinsurers' share							0
R1500	Net	10,640						10,640
	Premiums earned							
R1510	Gross	10,640						10,640
R1520	Reinsurers' share							0
R1600	Net	10,640						10,640
	Claims incurred							
R1610	Gross	9,721						9,721
R1620	Reinsurers' share							0
R1700	Net	9,721						9,721
	Changes in other technical provisions							
R1710	Gross	96						96
R1720	Reinsurers' share							0
R1800	Net	96						96
R1900	**Expenses incurred**	1,904						1,904
R2500	**Other expenses**							
R2600	**Total expenses**							1,904

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	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)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**		58,403								58,403						
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	103,923		-2,424							101,499						
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	103,923		-2,424	0						101,499						
R0100	**Risk margin**	1,337	352								1,689						
	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**	105,260	56,331								161,591						

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		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	8,537	8,537			
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	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	8,537	8,537	0	0	0
	Ancillary own funds					
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	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	8,537	8,537	0	0	0
R0510	Total available own funds to meet the MCR	8,537	8,537	0	0	
R0540	Total eligible own funds to meet the SCR	8,537	8,537	0	0	0
R0550	Total eligible own funds to meet the MCR	8,537	8,537	0	0	
R0580	**SCR**	5,027				
R0600	**MCR**	3,338				
R0620	**Ratio of Eligible own funds to SCR**	169.81%				
R0640	**Ratio of Eligible own funds to MCR**	255.77%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	8,537
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
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	**Reconciliation reserve**	8,537
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	0
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	13,902		
R0020	Counterparty default risk	130		
R0030	Life underwriting risk	3,806		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-2,496		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	15,342		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	469
R0140	Loss-absorbing capacity of technical provisions	-10,784
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	5,027
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	5,027
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	5,027
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	0

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical 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		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	309

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	59,494	
R0220	Obligations with profit participation - future discretionary benefits	44,429	
R0230	Index-linked and unit-linked insurance obligations	55,979	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		37,231

	Overall MCR calculation	C0070
R0300	Linear MCR	309
R0310	SCR	5,027
R0320	MCR cap	2,262
R0330	MCR floor	1,257
R0340	Combined MCR	1,257
R0350	Absolute floor of the MCR	3,338
R0400	**Minimum Capital Requirement**	3,338

G. Board's responsibility statement

Approval by the Board of the Solvency and Financial Condition Report Financial period ended 31 December 2020

The Directors are responsible for preparing the SFCR in accordance with the Prudential Regulatory Authority (PRA) and Solvency II regulations.

The PRA rulebook for Solvency II firms in Rule 6.1(2) and 6.2(1) of the Reporting Part requires that the Society must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Society must ensure that its SFCR is subject to approval by the Directors.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report and Accounts, confirm that, to the best of their knowledge:

- 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; and
- It is reasonable to believe that at the date of the publication of the SFCR, the Society continues so to comply, and will continue so to comply in the future.

By order of the Board

Peter Green
Director and Chief Executive.

7 April 2021