HealthyInvestment

ethical investments since 1835

Solvency and Financial Condition Report (SFCR)

31 December 2022

The Rechabite Friendly Society Limited

Contents

Introduction

The Solvency and Financial Condition Report (SFCR) is an annual report that The Rechabite Friendly Society Limited (the Society) which trades as Healthy Investment is required by law to produce. This report has been prepared in accordance with the Solvency II regulations which came into force on 1 January 2016. The report follows the prescribed structure as set out in Annex XX of Delegated Regulation EU 2015/35.

On 17 October 2018, the Prudential Regulation Authority (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 2022.

The SFCR has been prepared on the basis of the financial position and risk assessments as at 31 December 2022 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.

Summary

Healthy Investment 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 products, the Society manages the run-off 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.

Business and performance

The Society has reported financial results, including challenging investment returns, which has resulted in a review of strategy to focus on existing members, advisers and introducers and reducing expenses. Some key statistics show:

- Premium income of £11.9 million, a decrease of 12% from 2021
- Members' investments under management reduced by 10.6% to £164.8 million
- 109,373 members
- Solvency cover of 192%

The Society generated a pre-tax loss of £6.4 million (2021: £4.4 million profit). This was due to a poor performance from our investment assets with a loss of £21.3 million compared to a gain of £11.3 million in 2021.

Systems of governance

Authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and the PRA, the Society recognises the importance of strong corporate governance, ensuring that a well-established governance framework, internal controls, and committee structure are maintained at all times.

As a member of the Association of Financial Mutuals the Society confirms that it has applied the AFM Code throughout 2022.

Risk profile

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
- Counterparty default risk
- Liquidity risk
- Operational risk

Valuation for solvency purposes

No change has been made in the methodology since the previous valuation. Assumptions for future experience have been updated during 2022.

Assets held by the Society as at 31 December 2022 were as follows:

	Solvency II	**Financial Statements**	**Difference**
	£'000	**£'000**	**£'000**
Government bonds	**57,415**	**57,205**	**210**
Corporate bonds	**0**	**0**	**0**
Collective investments	**17,302**	**17,240**	**62**
Futures	**54**	**54**	**0**
Deferred tax	**20**	**20**	**0**
Property, plant, and equipment held for own use	**315**	**315**	**0**
Cash and cash equivalents	**24,097**	**24,088**	**9**
Insurance and intermediaries' receivables	**37**	**37**	**0**
Assets held for unit-linked contracts	**67,404**	**67,406**	**(2)**
Intangible assets (including computer software)	**0**	**144**	**(144)**
Prepayments and accrued income	**0**	**38**	**(38)**
Other	**37**	**217**	**(180)**
Total	**166,681**	**166,764**	**(83)**

Section D covers the valuation techniques and assumptions in more detail.

Capital management

The Society's capital management covers the capital the Society has available to manage its business and the capital needed to cover the risks in the business. This continuous assessment forms part of the Risk Appetite Framework (RAF) and part of the regular Own Risk and Solvency Assessment (ORSA).

Capital available as at 31 December 2022 was:

	2022	2021
	£'000	£'000
Own Funds	**6,597**	13,221
Capital requirement	**(3,445)**	(8,548)
Excess Own Funds	**3,152**	4,673
Solvency Cover	**192%**	155%

Section E covers the Society's capital management in more detail.

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

Royce Peeling Green Limited
Chartered Accountants & Registered Auditors
The Copper Room
Deva City Office Park
Trinity Way
Manchester
M3 7BG

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 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 products, the Society manages the run-off 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 ISAs are invested in the Healthy Investment All Share Unit-linked Life Fund and the Ethical CTFs and Continuation ISAs are invested in the Healthy Investment Ethical Unit-linked Life Fund.

As all 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 Society changed investment managers in 2021 to abrdn, who were chosen for their ability to offer funds that would work with the Society's ethical restrictions. The ethical funds chosen that met these limitations also prohibited investment in pharmaceuticals and extractive industries. These have been some of the best performing sectors in 2022 and our investment performance has suffered by excluding them.

The challenges of investment performance on the Society's solvency have led to a revision in the strategic focus for the shorter term to focus on strengthening the financial position. New business targets have been reduced and expense savings identified.

A.2 Underwriting performance

A.2.1 Revenue account

The following table illustrates Healthy Investment's performance for 2022, as reflected in the 2022 Annual Report and Accounts, with the 2021 comparative.

Statement of Comprehensive Income	**2022 £'000**	2021 £'000
Premiums	**11,279**	13,541
Investment returns	**(21,318)**	11,310
Other income	**927**	896
Claims	**(7,715)**	(9,038)
Expenses	**(2,057)**	(2,087)
Change in contract liabilities	**12,515**	(10,216)
(Loss)/profit before tax	**(6,369)**	4,406

A.2.2 Line of business

The following tables illustrate Healthy Investment's performance by line of business for 2022 and the 2021 comparative. Values have been rounded individually.

2022	**HI WPF £'000**	**CAS RFF £'000**	**Total With-profits Funds £'000**	**CTF ULFs £'000**	**Total £'000**
Premiums	**11,137**	**142**	**11,279**	**-**	**11,279**
Other income	**927**	**-**	**927**	**-**	**927**
Investment returns	**(21,249)**	**(350)**	**(21,599)**	**281**	**(21,318)**
Claims	**(6,952)**	**(763)**	**(7,715)**	**-**	**(7,715)**
Expenses	**(2,028)**	**(29)**	**(2,057)**	**-**	**(2,057)**
Technical provisions	**11,974**	**816**	**12,790**	**(275)**	**12,515**
Surplus	**(6,191)**	**(184)**	**(6,375)**	**6**	**(6,369)**

2021	HI WPF £'000	CAS RFF £'000	Total With-profits Funds £'000	CTF ULFs £'000	Total £'000
Premiums	13,360	181	13,541	-	13,541
Other income	896	-	896	-	896
Investment returns	1,096	89	1,185	10,125	11,310
Claims	(7,924)	(1,114)	(9,038)	-	(9,038)
Expenses	(2,037)	(50)	(2,087)	-	(2,087)
Technical provisions	(1,017)	918	(99)	(10,117)	(10,216)
Surplus	4,374	24	4,398	8	4,406

A.3 Investment performance

Our With-profits Funds produced a total return (capital and income) of -£21.6 million (2021: +£1.2 million) whilst our Unit-linked Life Funds produced a total return of +£281k (2021: +£10.1 million).

Our Ethical With-profits Fund's investment performance has been very low by historical standards at -18.2% in 2022 (2021: 0.91%). The multi asset fund is designed to provide a level of return to our members in both good and bad years and is currently invested with abrdn.

The Society's Coventry Assurance Ring Fenced Fund's (CAS RFF) investment performance was -12.1% in 2021 (2021: 2.52%).

Our Stakeholder Child Trust Funds and its Continuation ISAs 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 FTSE All-Share Index. The performance of the Fund was 0.68% for 2022 (2021: 18.36%).

The Society's Ethical Child Trust Funds invest in the Healthy Investment Ethical Unit-linked Life Fund. Its investment performance was -21.88% in 2022 (2021: 5.4%) It has a much heavier equity and property weighting than our With-profits Funds.

Our With-profits Funds are professionally managed, and our investment managers are responsible for actively managing the strategic asset allocation, fund, and stock selection, within clearly defined investment guidelines determined by the Board and based on the risk appetite of the Society and in accordance with our ethical principles.

We are committed to providing ethical, sustainable, and socially responsible savings and investments with the objective of offering the potential for long term growth for the growing number of investors seeking to combine investing for a financial return with a positive contribution to the environment.

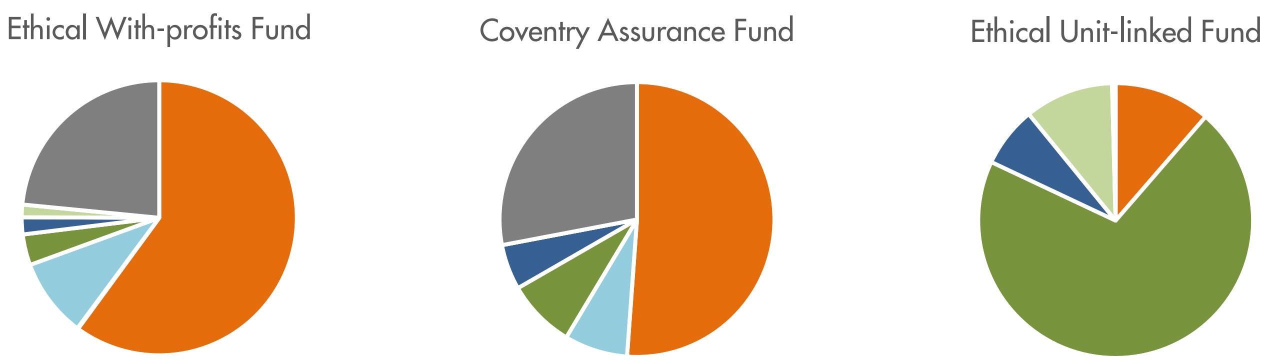
The Society changed investment managers in 2021 to abrdn, previously Aberdeen Standard Investments, who were chosen for their ability to offer funds that would work with our ethical restrictions. The ethical funds chosen that met these limitations also prohibited investment in pharmaceuticals and extractive industries. These have been some of the best performing sectors in 2022 and our investment performance has suffered by excluding them.

As at 31 December 2022, the Society managed £164.8 million of members money, which includes our Ethical With-profits Fund (HI), the Coventry Assurance (CAS) Ring Fenced Fund, and Unit-linked Funds for Child Trust Funds and Continuation ISAs (CTF).

We take advice from our Investment Managers and our Actuary on the mix of assets within these funds, which are designed to maximise returns within the Board's agreed appetite for risk.

During volatile market conditions the amount in higher risk assets like equities and commercial property is likely to be lower than in times of economic growth as the Society manages the investment and solvency risks within its With-profits Funds.

The charts below show the asset allocation of the three funds managed by abrdn as at 31 December 2022.



	HI	CAS	CTF
Fixed Interest - Government Bonds	60%	51%	11%
Fixed Interest - Non UK Government Bonds	0%	0%	0%
Fixed Interest - Corporate Bonds	9%	8%	0%
Equities UK	4%	8%	71%
Equities Property	2%	5%	7%
Equities Overseas	1%	0%	11%
Deposits	24%	28%	0%

A.3.1 Funds

The following tables illustrate the investment performance by income and net gains/(losses) on the Healthy Investment funds in 2022 and the 2021 comparative.

2022	**HI WPF £'000**	**CAS RFF £'000**	**CTF ULFs £'000**	**Total £'000**
Income received	**2,078**	**33**	**2,341**	**4,452**
(Losses)	**(23,327)**	**(383)**	**(2,060)**	**(25,770)**
Total	**(21,249)**	**(350)**	**281**	**(21,318)**

2021	HI WPF £'000	CAS RFF £'000	CTF ULFs £'000	Total £'000
Income received	1,901	38	2,070	4,009
(Losses)/gains	(805)	51	8,055	7,301
Total	1,096	89	10,125	11,310

A.3.2 Asset class performance

The following tables illustrate Healthy Investment's investment performance by asset class and by fund for 2022 and the 2021 comparative.

2022	**HI WPF £'000**	**CAS RFF £'000**	**CTF ULFs £'000**	**Total £'000**
Fixed interest	**(15,434)**	**(203)**	**(21)**	**(15,658)**
Equities and property collectives	**(5,845)**	**(153)**	**302**	**(5,702)**
Bank and cash balances	**30**	**6**	**-**	**36**
	(21,249)	**(350)**	**281**	**(21,318)**
Investment expenses	**(507)**	**-**	**-**	**(507)**
Total Return	**(21,756)**	**(350)**	**281**	**(21,825)**
Gross Return %	**(18.24%)**	**(12.07%)**	**0.68%**	

2021	HI WPF £'000	CAS RFF £'000	CTF ULFs £'000	Total £'000
Fixed interest	(3,344)	(6)	(11)	(3,361)
Equities and property collectives	4,438	95	10,136	14,669
Bank and cash balances	2	-	-	2
	1,096	89	10,125	11,310
Investment expenses	(323)	-	-	(323)
Total Return	773	89	10,125	10,987
Gross Return %	0.91%	2.52%	18.36%	

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 2022.

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 2022. 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, four other independent Non-executive Directors, the Chief Executive and the Director Finance and Risk. Keith Ashcroft resigned as Director Finance and Risk on 30 November 2022. He was replaced by Justine Morrissey who was appointed on 30 November 2022.

Every year the Nomination Committee formally assesses the performance of the Board and its committees and the performance of individual Directors. In addition to this annual assessment of performance the Society undertakes externally facilitated effectiveness reviews. The last external review took place in 2018.

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 2022 are listed below.

SMF 1	Chief Executive
SMF 2	Chief Finance Function
SMF 4	Chief Risk Officer
SMF 9	Chair of Governing Body
SMF 10	Chair of the Risk Committee
SMF 11	Chair of the Audit Committee
SMF 12	Chair of the Remuneration Committee
SMF 13	Chair of Nomination Committee
SMF 14	Senior Independent Director
SMF 15	Chair of the With-profits Committee
SMF 16	Compliance Oversight
SMF 17	Money Laundering Reporting Officer
SMF 20	Chief Actuary
SMF 20a	With-profits Actuary

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 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. She 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.

She 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 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.

There will be a tender process for a new internal audit service provider in 2023.

B.1.6.4 Actuarial

The Chief Actuary and With Profits Actuary is Stephen Dixon of Steve Dixon 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

There has been no material changes in the year to the Society's system of governance.

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, motivates everyone to achieve the Society's objectives and inspires individuals to reach their full potential.

The committee believes that the current remuneration structure provides appropriate levels of remuneration to achieve the objectives of the policy.

The remuneration of the Society's Executive Directors comprises salary together with pensions 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.

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 25% of basic salary for 2022.

The Chief Executive's contract precludes him for engaging in any other paid employment or business activities for profit, without express permission of the Board.

The Director Finance and Risk is employed on a contract with the Society with a three months' notice period. Remuneration for the role does not include any variable or performance related bonus.

The Chief Executive participates in a discretionary bonus scheme. The bonus scheme was reviewed by the Remuneration Committee in 2022 and provides a maximum payment, for 2022, of up to 25% of salary, up from 20% in 2021. Any payment under the scheme is not pensionable.

Payment is based on the achievement of Society wide key performance indicators and personal objectives set by the Board.

All bonus payments are made at the discretion of the Board and no element of the scheme is contractually binding.

No payment of any part of the year's bonus will be made if:

- No reversionary bonus is declared to members
- The Society's monthly calculation of capital cover ratio is below the Board's appetite for risk
- The Society is subject to regulatory enforcement action or censure
- The employee is dismissed

60% of the total bonus payable will be paid immediately following approval by the Board.
20% of the total bonus payable will be deferred for 12 months.
20% of the total bonus payable will be deferred for 2 years.

Deferred bonuses will continue to be paid whether or not the annual bonus is payable, unless the reason for non-payment of the annual bonus is as a result of actions taken in previous years where their impact in the following years should reasonably have been foreseen at the time.

If the employee leaves the employment of the Society due to retirement or redundancy the deferred payment will be made at the same time as it would have been had the individual still been in the employment of the Society. It they leave for other reasons payments are forfeited. Whatever the reason for leaving, these payments are at the discretion of the Board. No variable remuneration for the current or previous years was paid to Keith Ashcroft following his resignation in November.

Following the mini budget in September 2022 the Society briefly breached its solvency risk appetite and therefore no element of variable remuneration is payable for 2022.

The Society's sales department participates in a bonus scheme based upon new business performance which is determined by the Board and paid monthly in arrears.

Remuneration of Non-executive Directors is reviewed annually and every three years a fundamental review, which includes benchmarking to similar organisations, takes place.

At the last triennial review in 2021 the committee recommended, and the Board approved a change to the way in which Non-executive Directors are remunerated.

The change moved from daily allowance to annual fees in line with current accepted practice. The annual fees, which are paid monthly, throughout 2022 were:

Chair	£17,500
SMCR Function Holders	£15,000
Other Non-executive Directors	£12,500

There is no other remuneration except where the Society meets the authorised expenses of Non-executive Directors incurred on Society business.

The remuneration of Non-executive Directors is subject to the 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 Royal London.

There are no elements of variable remuneration for any Non-executive Directors.

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.

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. New employees are eligible after they have completed their probationary period, with the option of contribution levels of 3% or 5% of basic salary, with respective employer contributions of 6% and 10%.

The Society's auto enrolment scheme starts from the date of employment and eligible employees and Directors are auto enrolled into the scheme, although there is the ability to opt out. Contribution levels for the auto-enrolment scheme in the current tax year are 5% for employees and 3% for the Society.

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 on 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 person with an appropriate professional qualification, for example an actuary or accountant, with financial services sector experience. The Chief Actuary should be a qualified Fellow of the Institute and Faculty 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
Managers our 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 functions are 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. 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, consider new and emerging risks, carry out and report 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. The solvency position is also tracked on a daily basis to provide additional assurance. 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

The Society's Chief Executive has responsibility for the compliance function and compliance oversight. Early in 2022 a new Compliance Manager was recruited and their role includes that of 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 during 2022. 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.
In 2023 a tender process will be carried out to appoint a new Internal Audit Service provider for the Society.

B.6 Actuarial function

The Society's actuarial function is outsourced to Steve Dixon Associates LLP. Mr Stephen Dixon 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 critical and important functions.

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

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

B.8 Any other information

Hybrid working and the use of virtual meetings have been a success and is now fully part of the day to day operations as we seek to minimise the environmental impact of travel and promote a healthy work life balance for our team.

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 and diversification):

Risk	**2022 %**	2021 %
Market	**51**	76
Underwriting – Life	**36**	21
Operational	**4**	3
Counterparty	**9**	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 any of the key risks set out in the Risk Appetite Framework (RAF) fall outside the Board's tolerance limits. The RAF also documents those management actions which are agreed by the Board and 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	**2022 %**	2021 %
Market	**21**	52
Underwriting – Life	**65**	40
Operational	**14**	8
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 2022 the total capital required in respect of market risk facing the business was £5.9 million (2021: £17.0 million). This comprised of the following risks and is illustrated before and after loss absorbency.

Market risks	**2022 Before loss absorbency £'000**	**2022 After loss absorbency £'000**	2021 Before loss absorbency £'000	2021 After loss absorbency £'000
Equity risk	**2,830**	**598**	11,573	6,503
Interest rate risk	**2,099**	**-**	1,569	-
Credit spread risk	**1,064**	**18**	2,938	196
Currency risk	**408**	**-**	1,745	-
Property risk	**774**	**36**	3,136	335
Market risk before diversification	**7,372**	**850**	20,961	7,035
Risk diversification	**(1,514)**	**(181)**	(3,951)	(129)
Market risk after diversification	**5,858**	**669**	17,009	6,906

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 at 31 December 2022, the equity exposure in the With-profits Funds was £5.0 million (2021: £21.0 million).

Property price risk
As at 31 December 2022, the property exposure in the With-profits Funds was £3.1 million (2021: £12.5 million).

Interest rate risk
As at 31 December 2022, the interest rate exposure was £67.2 million (2021: £79.5 million).

Currency risk
As at 31 December 2022, the currency exposure was £1.8 million (2021: £7.0 million).

Credit risk
As at 31 December 2022 the credit spread exposure was £8.4 million which was the total exposure to corporate bonds (2021: £19.9 million).

The credit quality steps are an assessment of the credit quality of the corporate bonds assets (categorised by complementary identifier code) held within the Society's investments reflecting rating information provided within look-through tripartite investment data.

The credit ratings have been mapped to the credit quality steps defined within the Solvency II rules, with 0 being the highest credit quality and 6 being the lowest. Credit step 3 is normally equivalent to the lowest investment grade step. Any assets which are not rated or for which no rating was supplied have been mapped to an unrated step.

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
0	0	0%	0	0%	0	0%
1	252	3%	30	17%	282	3%
2	2,187	27%	42	23%	2,229	27%
3	3,869	47%	71	40%	3,940	47%
4	560	7%	10	6%	570	7%
5	171	2%	3	2%	174	2%
6	0	0%	0	0%	0	0%
Unrated	220	3%	4	2%	224	3%
Rating not received	944	12%	18	10%	962	11%
Total	**8,203**	**100%**	**178**	**100%**	**8,381**	**100%**

Values have been individually rounded.

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 this affects 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 PRA 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	**2022 Before loss absorbency £'000**	**2022 After loss absorbency £'000**	2021 Before loss absorbency £'000	2021 After loss absorbency £'000
Mortality	**171**	**5**	20	3
Longevity	**78**	**77**	138	128
Lapse	**3,436**	**1,786**	2,505	1,971
Expense	**981**	**507**	1,286	686
Catastrophic mortality experience	**78**	**78**	59	59
Underwriting risk before diversification	**4,743**	**2,453**	4,009	2,846
Diversification	**(668)**	**(322)**	(609)	(402)
Underwriting risk after diversification	**4,075**	**2,131**	3,400	2,444

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 2022, Healthy Investment was exposed to £52.3 million (2021: £39.0 million) 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 £171k before loss absorbency and £5k after on policies where an increase in mortality causes losses. A 20% permanent reduction in mortality would increase technical provisions by £78k before loss absorbency and £77k 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 increase in mortality of 1.5 per thousand lives in one year could cause a one-off negative impact of £78k on Own Funds with no reduction for loss absorbency. Again, this risk is relatively minor in its impact on the Society.

Expenses

Total expenses in 2022 were £2.1 million (2021: £2.1 million).

A permanent 10% increase in expenses and a 1% per annum permanent increase in future inflation would increase the technical provisions by £1.0 million before loss absorbency and £0.5 million after. Expenses are largely concentrated in investment, employee, and actuarial 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 £93.2 million (2021: £100.0 million). The technical provisions amount to £92.5 million (2021: £105.3 million).

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 £3.4 million (2021: £2.5 million) before allowing for loss absorbency and £1.8 million after (2021: £2.0 million).

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

Counterparty 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 2022, Healthy Investment was exposed to £24.1 million (2021: £7.9 million) due to cash held in banks and other financial institutions.

C.3.3 Management of the counterparty risk

The Society's exposure to counterparty loss is managed by the investment manager. For collective investments the prevailing UCITS rules apply, which requires them to report any material breaches of these rules to the Society.

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	**2022** **£'000**	2021 £'000
Assets in cash and 'near cash holdings'	**98,872**	117,866

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	9,494	1,018
1 - 3 years	26,659	21,611
4 - 5 years	15,667	11,492
6 - 10 years	37,370	35,061
11 - 15 years	21,284	0
16 - 20 years	7,911	0
20 + years	2,486	0
Total	**120,871**	**69,182**

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 person - 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 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 2022, the total capital required in the SCR in respect of operational risk facing the business was £456k (2021: £601k).

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 effectiveness 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 policy statements. 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 following key strategic risks are monitored regularly by the Society's Risk Management Team and any increased risk is brought to the attention of the Risk Committee for discussion:

- Higher expenses and inflation
- Lower investment returns, especially over the longer term when guarantees on existing products impact on accumulating With-profit (AWP) business
- Higher amounts of MVR free lapses
- Higher numbers of CTF policies exiting the book at age 18

The FLAS forecasts that the capital requirement would be met throughout the course of the business plan.

The Board has, through the FLAS, considered the scenarios which could cause the Society to be unable to meet its regulatory solvency requirements in the longer term.

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

Climate change

The Society considers the implications of climate change on our members and our business.

The Society's management has undertaken 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 alter the way financial advisers and introducers are able to conduct business. Our exposure to liability (claims) risk is low.

The Society is working closely with abrdn, its investment managers, to ensure that the financial risks that emerge from the UK reducing carbon emissions are actively managed within their funds. abrdn are committed in their investment approach to helping tackle climate change and helping the world on its path to net zero carbon emissions.

The Board is satisfied that the risk management framework and necessary monitoring and controls are in place to ensure that climate risks are actively managed within agreed tolerance limits. The Society will look to continue to improve its governance and risk management to allow for the impacts of climate change.

The Risk Management Team (RMT) have operational responsibility for leading the Society's assessment and management of the financial risks of climate change against the agreed tolerances. The RMT then report to the Board's Risk Committee, who in turn report back to the Board.

The Board has ultimate responsibility for the Society's climate-related strategy. The Board sets out investment guidelines that include the Society's ethical criteria and climate change responsibilities.

As part of its governance and risk management the Society has considered various scenarios arising from the impact of climate change to understand the potential risks and how best to manage them.

Part of being an ethical provider is to play our part in reducing the wider impact of climate change and a number of initiatives to reduce our carbon footprint, including reducing travel and banning single use plastic cups have been implemented.

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 2022 were as follows:

	Solvency II £'000	Financial Statements £'000	Difference £'000
Government bonds	57,415	57,205	210
Corporate bonds	0	0	0
Collective investments	17,302	17,240	62
Futures	54	54	0
Deferred tax	20	20	0
Property, plant, and equipment held for own use	315	315	0
Cash and cash equivalents	24,097	24,088	9
Insurance and intermediaries' receivables	37	37	0
Assets held for unit-linked contracts	67,404	67,406	(2)
Intangible assets (including computer software)	0	144	(144)
Prepayments and accrued income	0	38	(38)
Other	37	217	(180)
Total	166,681	166,764	(83)

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 monthly 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

Prepayments of £38k consist of contract costs paid in advance. Accrued dividends and interest on investments have this year been categorised within financial assets at fair value.

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 open market valuation was carried out by Trevor Dawson, commercial property consultants, in March 2020 and in March 2021 the same property consultants considered there to be no material change in value. During 2022 another unit within the same building was sold and the sale valuation given the relative sizes of the units led the Board to conclude that the net book value is still appropriate and may continue to be relied upon for accounts purposes.

D.1.10 Intangible assets

Under the Solvency II valuation at 31 December 2022 the Society had no intangible assets. The financial statements include £144k of goodwill on acquisition and nil 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	**2022 £'000**	2021 £'000
Solvency II assets	**166,681**	186,388
Differences:		
Intangible assets	**144**	172
Investments reported bid value	**(70)**	(108)
Prepayments	**38**	43
Inter-fund account balance	**(29)**	0
Financial statement assets	**166,764**	186,495

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 2022 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	34,538	64	34,602
Adult With-profits ISAs	26,565	40	26,604
Junior With-profits ISAs	2,210	10	2,220
Tax exempt endowments and pure endowments	12,936	97	13,033
Tax exempt whole of life assurances	102	0	102
Taxable endowments and pure endowments	12,604	92	12,696
Taxable whole of life assurances	43	0	43
Single premium taxable endowments	32	0	32
Single premium taxable whole of life	14	0	14
Adult Sick and Death whole of Life	992	181	1,173
Adult Sick and Death sickness	3	0	3
Profit Sharing	54	4	58
Quinquennial insurances	0	0	0
Unit-linked Child Trust Funds	63,033	178	63,211
Unit-linked ISAs	1,810	144	1,954
Expense Overrun	95	0	95
Total Healthy Investment Main Fund	155,031	810	155,842
Coventry Ring Fenced Fund			
Taxable endowments	3	0	3
Tax exempt endowments	153	1	153
Whole of life assurances	5	0	5
Unibond - tax exempt endowments	1,607	2	1,609
Table A	141	4	145
Total Coventry Ring Fenced Fund	1,908	6	1,914
Total	156,939	817	157,756

Values have been individually rounded.

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

Liabilities and reserves	**2022 £'000**	2021 £'000
Surplus Contribution Fund	**5**	11
Temperance Fund	**90**	111
Douglas Carr Fund	**61**	76
Supplementary pension for ex staff	**61**	73
Total	**217**	271

Other liabilities	2022 £'000	2021 £'000
Deferred tax	0	0
Corporation tax	0	0
Insurance and intermediary payables	1,670	1,662
Trade (not insurance) payable	413	315
Interfund account balance	29	0
	2,112	1,977

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, transfers 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 2022 are shown in the table below:

Term to maturity (years)	**Risk free rate**	**Term to maturity (years)**	**Risk free rate**
1	4.460%	30	3.351%
2	4.470%	40	3.146%
5	4.062%	50	2.929%
10	3.710%	60	2.914%
15	3.618%	70	2.963%
20	3.535%	75	2.990%
25	3.449%	80	3.016%

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 August 2021 into full lapses and partial withdrawals. The data used in the investigation was for the period 1 January 2018 to 31 December 2020 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	6.1%
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)	4.9%
Investment Bond Adviser	4.6%

ISA Direct

Duration years	**Annual lapse rate**
< 2	4.7%
2 - 5	7.4%
5 - 6	4.4%
6 +	12.9%

Single Premium Bond Direct

Duration years	**Annual lapse rate**
< 4	1.55%
4	14.2%
5 +	5.2%

Single Premium Bond series 1 – 3

Age	**Annual lapse rate**
<16	1.3%
16 - 20	16.2%
20 +	5.4%

Endowment Savings Plans Series 1 – 17

Age	**Sum assured**	**Annual lapse rate**
< 16	<2,500	2.1%
16 - 20	<2,500	5.4%
20 - 55	<2,500	3.7%
55 +	<2,500	2.1%
< 16	2,500+	1.1%
16 - 20	2,500+	2.8%
20 - 55	2,500+	1.9%
55 +	2,500+	1.1%

Endowment Savings Plans Series 20		
Age	**Sum assured**	**Annual lapse rate**
< 16	<1,000	3.2%
< 16	1,000 - 2,500	1.8%
< 16	2,500 - 5,000	0.9%
< 16	5,000 - 7,500	0.7%
< 16	7,500+	1.1%
16+	<1,000	9.4%
16+	1,000 - 2,500	5.5%
16+	2,500 - 5,000	2.8%
16+	5,000 - 7,500	20.0%
16+	7,500+	3.2%

Coventry Assurance Ring Fenced Fund

Product	Annual lapse rate
Unibond	6.1%
Other	0.9%

MVR take up

Product	Annual lapse rate
HI ISA	30%
HI Bond	30%

Partial withdrawal rates

Product	Type	Sales method	Partial withdrawal rate
ISA	Adult	Advisor	2.1%
ISA	Adult	Direct or non-advised	1.8%
ISA	Junior	Advisor	0.5%
ISA	Junior	Direct or non-advised	0.0%
Bond		Advisor	1.9%
Bond		Direct or non-advised	1.6%

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 2022:

Product	Used for all but the mass lapse stress	Used for the mass lapse stress
Healthy Investment CTF/ All Share ISA	Investment charge of 0.47% of the fund Administration per policy expense of £0.33 per annum per policy Maturity expense of £3.00 Expense inflation of 2.75%	Investment charge of 0.72% of the fund Administration per policy expense of £0.33 per annum per policy Maturity expense of £3.00 Expense inflation of 2.75%
Other Healthy Investment products	0.47% of funds under management 0.66% of annual premium £19.88 per policy expense Expense inflation of 2.75%	0.63% of funds under management 1.10% of annual premium £21.87 per policy expense Expense inflation of 2.75%
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 2021:

Product	Expense assumptions
Healthy Investment CTF/ All Share ISA	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 2.75%
Other Healthy Investment products	0.65% of funds under management 0.66% of annual premium £14.0 per policy expense Expense inflation of 2.5%
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 2022:

Product type	Assumptions made
Healthy Investment CTF/ All Share ISA	13% English Life Tables 17 for ages up to 17 and 92% AMC00 / 98% AFC00 mortality tables for older ages.
Healthy Investment Adult Sick and Death	50% AMC00 and 44% AFC00 series.
Healthy Investment Endowment / Whole Life	100% English Life Tables 17 for ages up to 17 and 92% AMC00 / 98% AFC00 mortality series for older ages.
Healthy Investment AWP policies	100% English Life Tables 17 for ages up to 17 and 97% AMC00 / 97% AFC00 mortality series for older ages.
Supplementary Pensions	80% PMA00
Coventry Assurance Products	100% English Life Tables 17 for ages up to 17 and 95% AMC00 series / 73% AFC00 for older ages.

The table below shows the mortality assumptions used in the valuation as of 31 December 2021:

Product type	**Assumptions made**
Healthy Investment CTF	13% English Life Tables 17 for ages up to 17 and 92% AMC00 / 98% AFC00 mortality tables for older ages.
Healthy Investment Adult Sick and Death	50% AMC00 and 44% AFC00 series.
Healthy Investment Endowment / Whole Life and AWP products	100% English Life Tables 17 for ages up to 17 and 92% AMC00 / 98% AFC00 mortality series for older ages.
Supplementary Pensions	80% PMA00
Coventry Assurance Products	100% English Life Tables 17 for ages up to 17 and 95% AMC00 / 73% AFC00 for older ages.

We also allowed for additional deaths due to Covid-19 for the first 12 months of the cashflow projection at the 31 December 2021 valuation by increasing the mortality rates by the factors in the tables below. However, no additional allowance was made for the 31 December 2022 valuation.

Healthy Investment WP Fund	**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%

Coventry Assurance WP Fund	**Assumptions made**
Table A	15%
Endowments	10%
Whole of life	15%
Unibond (< 56)	15%
Unibond (56 +)	15%

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 £2.0 million 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 re-insurance arrangements.

D.3 Other liabilities

A summary of the other Solvency II liabilities is:

Other liabilities	**2022 £'000**	2021 £'000
Deferred tax	**0**	0
Corporation tax	**0**	0
Insurance and intermediary payables	**1,670**	1,653
Trade (not insurance) payables	**413**	325
Inter-fund account balance	**29**	0
Total	**2,112**	1,978

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% (2021: 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.

There is a deferred tax liability as of 31 December 2022 of £0k (2021: £0k).

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 asset as of 31 December 2022 of £0k (2021: £169k).

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 2022 the total insurance and intermediary balances payable were £1,675k (2021: £1,662k), which includes £1,670k (2021: £1,653k) of outstanding claims.

Commission and fees payable to intermediaries were £5k (2021: £9k). 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 2022 the total trade payables were £413k (2021: £324k) 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 2022, £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

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

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 regulatory capital requirement, Solvency Capital Requirement (SCR).

The Society prepares a strategic business plan over five years and an operational business plan for one 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 were:

Solvency II Funds	**2022 £'000**	2021 £'000
Value of net assets	**166,681**	186,388
Technical provisions	**(157,756)**	(170,918)
Other liabilities	**(2,328)**	(2,249)
Excess of assets over liabilities	**6,597**	13,221

Own Funds	**2022 £'000**	2021 £'000
Reconciliation Reserve	**6,597**	13,221
Total available Own Funds to meet the SCR	**6,597**	13,221
Capital Required (Higher of SCR, MCR)	**(3,445)**	(8,548)
Own Funds in excess (Tier 1)	**3,152**	4,673

The change in technical provisions has been caused by:

- Increase in risk free rates used to discount future cash-flows
- Declaration of 2022 bonus and allowance for Market-Value Reductions
- New business and exiting policies
- Change in expense assumptions
- Valuation model changes

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	**2022 £'000**	2021 £'000
Fund for Future Appropriations	**4,688**	11,212
Difference in technical provisions for Unit-linked liabilities	**2,020**	2,116
Difference in intangible assets and prepayments	**(182)**	(215)
Difference in invested asset bid value	**71**	108
Own Funds (Tier1–unrestricted)	**6,597**	13,221

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 as at 31 December were:

Capital requirement	**2022 £'000**	2021 £'000
Eligible Own Funds (Tier 1)	**6,597**	13,221
Solvency Capital Requirement	**3,445**	8,548
Coverage	**192%**	155%

E.2.2 Analysis of SCR by risk module

An analysis of the SCR by risk module is:

Risk	2022 £'000	2021 £'000
Market	5,858	17,009
Insurance	4,075	3,400
Default	1,048	424
Basic SCR undiversified	10,981	20,833
Less diversification	(2,665)	(2,549)
Gross Basic SCR	8,316	18,284
Less loss absorbency	(5,929)	(10,403)
Operational risk	456	601
Ring Fenced Fund adjustment	289	66
Net SCR	**3,132**	8,548

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	2022 £'000	2021 £'000
Absolute floor MCR – 4m euros (3.7m for 2021)	3,445	3,126
SCR	3,132	8,548
MCR	3,445	3,126

E.2.4 Material changes in the SCR

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

Material changes in the SCR	2022 £'000	2021 £'000
As at 1 January	8,548	5,027
Changes in:		
Equity Risk	(5,906)	3,649
Lapse Risk	(185)	(79)
Expense Risk	(179)	53
Property Risk	(299)	310
Credit Spread Risk	(178)	(258)
Concentration Risk	198	0
Diversification	1,309	(300)
Operational Risk	(145)	132
Other	(31)	14
As at 31 December	**3,132**	8,548

E.2.5 Material changes in the MCR

The material changes in the MCR are:

Material changes in the MCR	**2022 £'000**	2021 £'000
As at 1 January	**3,126**	3,338
Changes in:		
Euro exchange rate	**60**	(212)
Absolute floor	**259**	
As at 31 December	**3,445**	3,126

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 2022 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:

The Rechabite Friendly Society Limited

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

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 2022
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	20
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	315
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	96,923
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	
R0130	*Bonds*	57,418
R0140	*Government Bonds*	57,418
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	17,302
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	22,202
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	67,404
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	37
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	1,895
R0420	Any other assets, not elsewhere shown	88
R0500	**Total assets**	166,681

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)	92,591
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)*	92,591
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	92,096
R0680	*Risk margin*	495
R0690	Technical provisions - index-linked and unit-linked	65,165
R0700	*TP calculated as a whole*	67,185
R0710	*Best Estimate*	-2,342
R0720	*Risk margin*	321
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	216
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	0
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	1,670
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	413
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	29
R0900	**Total liabilities**	160,085
R1000	**Excess of assets over liabilities**	6,597

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		11,279	642						11,921
R1420	Reinsurers' share									0
R1500	Net		11,279	642						11,921
	Premiums earned									
R1510	Gross		11,279	642						11,921
R1520	Reinsurers' share									0
R1600	Net		11,279	642						11,921
	Claims incurred									
R1610	Gross		7,715	489						8,204
R1620	Reinsurers' share									0
R1700	Net		7,715	489						8,204
	Changes in other technical provisions									
R1710	Gross		12,814	403						13,217
R1720	Reinsurers' share									0
R1800	Net		12,814	403						13,217
R1900	**Expenses incurred**		2,037	20						2,057
R2500	**Other expenses**									
R2600	**Total expenses**									2,057

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	11,921						11,921
R1420	Reinsurers' share							0
R1500	Net	11,921						11,921
	Premiums earned							
R1510	Gross	11,921						11,921
R1520	Reinsurers' share							0
R1600	Net	11,921						11,921
	Claims incurred							
R1610	Gross	8,204						8,204
R1620	Reinsurers' share							0
R1700	Net	8,204						8,204
	Changes in other technical provisions							
R1710	Gross	13,217						13,217
R1720	Reinsurers' share							0
R1800	Net	13,217						13,217
R1900	**Expenses incurred**	2,057						2,057
R2500	**Other expenses**							
R2600	**Total expenses**							2,057

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**		67,185								67,185						
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**	92,096		-2,342							89,754						
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	92,096		-2,342	0						89,754						
R0100	**Risk margin**	495	321								817						
	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**	92,591	65,165								157,756						

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	6,597	6,597			
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**	6,597	6,597	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	6,597	6,597	0	0	0
R0510	Total available own funds to meet the MCR	6,597	6,597	0	0	
R0540	Total eligible own funds to meet the SCR	6,597	6,597	0	0	0
R0550	Total eligible own funds to meet the MCR	6,597	6,597	0	0	
R0580	**SCR**	3,132				
R0600	**MCR**	3,445				
R0620	**Ratio of Eligible own funds to SCR**	210.59%				
R0640	**Ratio of Eligible own funds to MCR**	191.50%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	6,597
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**	6,597
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
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	5,876		
R0020	Counterparty default risk	1,052		
R0030	Life underwriting risk	4,088		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-2,673		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	8,343		

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	456
R0140	Loss-absorbing capacity of technical provisions	-5,666
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**	3,132
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	3,132
	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	2,995
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	137
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	730

		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	56,499	
R0220	Obligations with profit participation - future discretionary benefits	35,597	
R0230	Index-linked and unit-linked insurance obligations	64,843	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		52,265

	Overall MCR calculation	C0070
R0300	Linear MCR	730
R0310	SCR	3,132
R0320	MCR cap	1,410
R0330	MCR floor	783
R0340	Combined MCR	783
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	3,445

G. Board's responsibility statement

Approval by the Board of the Solvency and Financial Condition Report Financial period ended 31 December 2022

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.

For and on behalf of the Board of Directors:

Peter Green
Director and Chief Executive.

5 April 2023

HealthyInvestment

ethical investments since 1835

Healthy Investment
2 The Old Court House
Tenterden Street
Bury
Greater Manchester
BL9 0AL

Tel: 0161 762 5790

enquiries@healthyinvestment.co.uk
www.healthyinvestment.co.uk