Shepherds Friendly

Your modern mutual

Solvency and Financial Condition Report 2017

(SFCR)

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Contents

Summary

This Solvency and Financial Condition Report (SFCR) has been prepared in order to assist members of The Shepherds Friendly Society Limited (the "Society") to understand its capital position as at 31st December 2017.

Background

Shepherds Friendly Society Limited ('the Society') is a mutual organisation, owned by its members, and established as a friendly society.

The Shepherds Friendly Society writes both "with-profits" and "non-profit" business.

Recent years have seen a marked increase in new business, initially via the Government backed Child Trust Fund ("CTF"), this being a unit linked single premium product invested in a Legal & General managed fund. More latterly, the Society has seen significant growth from the "with-profits" side through ISA and Junior ISA sales, and the "non-profit" side through pure Income Protection and Over 50's plans.

Business Review

The Society had a successful year in 2017, generating gross premium income of over £14m. The number of Plans sold increased from 6,717 in 2016 to 10,713 in 2017, an increase of over 60%. In 2017 the assets backing the With-Profits Fund (excluding the CTF) achieved a gross return of 10.20%, reflecting strong growth in equity markets in the second half of the year. The Society's Child Trust Fund is invested on a unit linked basis in a Legal & General managed FTSE 100 Tracker Fund and in 2017 achieved a return of 13.20%.

System of Governance

The Society's Board of Management (BoM) has overall responsibility for the control of the business of the Society and in setting its strategy in order to ensure that it achieves its objectives. In 2017 the BoM was supported by six Board Committees.

The Society reviews its governance map on a half-yearly basis and the entire system of governance is reviewed on an annual basis, which the Board agreed is sufficient given the scale and complexity of risks in the business.

The BoM is responsible for setting the Society's Risk Appetite and ensuring that an Own Risk Solvency Assessment (ORSA) is produced and that it is fit for purpose embedded and is used in business planning and risk management.

Risk Profile

Under the Solvency II regime, the Society uses the Standard Formula to calculate its Solvency Capital Requirement (SCR), as this provides a reasonable basis by which the Society can quantify the risk inherent within its business. The main material risks facing the Society are identified as Market Risk, New Business Risk and Insurance Risk.

The Society also considers reputational risk to be significant. It also adopts a highly risk averse approach to safeguarding Members' data.

Valuation for Solvency Purposes Summary

The Society's principal assets as determined for solvency purpose grew during 2017 and amounted to £81.6m as at 31st December 2017, compared with £77.4m as at 31st December 2016. Liabilities which primarily comprise technical reserves for benefits and guarantees accrued to Members' being the best estimate of liabilities and the risk margin have in creased to £57.4m as at 31st December 2017, compared to £57.2m as at 31st December 2016.

Capital Management Summary

The Society's Solvency Capital Ratio as at 31st December 2017 was 235% (2016: 206%) with own funds of £24.2m (2016: £20.3m) and a SCR of £10.3m (2016: £9.8m). This level of coverage is within the Board's risk appetite which is to maintain coverage within a target range currently set at 150% - 250% of SCR.

Approval by the Administrative, Management or Supervisory Body of the SFCR and Reporting Templates

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and Solvency II Regulations.

We are satisfied that:

(A)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

(B) It is reasonable to believe that, at the date of publication of the SFCR, the Society has continued so to comply, and will continue so to comply in future.

On behalf of the Board

Chief Executive	Date
Ann-Marie O'Dea	18th April 2018

Report of the external independent auditor to the Board of Management of Shepherds Friendly Society Limited ("the Society") pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Society as at 31 December 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Society as at 31st December 2017, ('the Narrative Disclosures subject to audit') and
- Society templates 802.01.02, S.12.01.01, S.23.01.01, S.25.01.21, S.28.01.01, ('the Templates subject to audit')

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have audited, and as a consequence do not express an opinion on:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the
- Solvency and Financial Condition Report;
- Society templates 85.01.02, 85.02.01

The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report ('the Responsibility Statement').

In our opinion, the information in the relevant elements of the Solvency and Financial Condition Report of the Society as at 31st December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you, where:

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Board of Management are responsible for the Other Information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Management for the Solvency and Financial Condition Report

The Board of Management are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Board of Management are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.orq.uk/Our-Work/Audit/Audit-and- assurance/Standards-and-quidance/Standards-and-quidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Society's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Senior Statutory Auditor	**Date**
Alexander Barnes	20th April 2018

For and on behalf of Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street, London, EC1A 4A

A. Business and Performance

Business

The Shepherds Friendly Society Limited is a friendly society incorporated under the Friendly Societies Act 1992 and registered in the United Kingdom (register number 240F). The Society's registered office is at Haw Bank House, High Street, Cheadle, SK8 1AL.

The Society is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority - Registration number 109997. The PRA is the supervisory authority responsible for the financial supervision of The Shepherds Friendly Limited. The contact details of the PRA are as follows:

Prudential Regulatory Authority
20 Moorgate
London
EC2R 6DA

The name and contact details of the external auditor of the Society are as follows:

Moore Stephens LLP
150 Aldergate Street
London
EC1A 4AB

The Society is a mutual organisation, owned by its members (i.e. its policyholders) and has no shareholders. At General Meetings, each member over the age of 18 has one vote, irrespective of the number of policies they hold, and all votes count equally.

The Society also has a subsidiary, Financial Advice Network Limited ("Network"), which consists of Appointed Representatives, who in turn are a combination of IFAs and Protection Advisers.

All the Society's business is carried out in the UK. Its material lines of new business are:

• Insurance with- profit participation

• Health Insurance

• Other Life Insurance

The Society undertakes its activities at a national level with no geographical bias.

As at 31st December 2017 the Society had assets of £82.2m and membership of 91,963.

Underwriting Performance - insurance

The following table sets out a summary of the Society's underwriting performance over 2017.

	Health insurance £'000	Insurance with profit participation £'000	Index-linked and unit-linked insurance £'000	Other life insurance £'000
Premiums	4,306	8,373	393	1,494
Claims	4,377	4,397	172	314
Expenses	1,002	704	280	394

Investment Performance

The following table sets out the investment returns earned by the Society over 2016 and 2017.

	2017	2016
Fund Performance (excl. CTF)	10.20%	9.50%
Performance – CTF	13.20%	15.75%

Despite 2017 continuing to be a year of economic and political uncertainty, we have seen an overall fund performance (excl. CTF) of 10.20% compared with 9.50% for 2016. The FTSE100 finished the year close to an all time high at 7687.80. The CTF Fund is invested in a UK Index tracker fund, which is characterised by a reduction of risk by tracking the FTSE All Share Index. The Fund performance moved in-line with the Index and we saw a return of 13.20% for 2017 (2016: 15.75%).

The following table sets out a summary of the income received and gains and losses accrued over 2016 and 2017.

	2017			2016		
		Realised	Unrealised		Realised	Unrealised
	Income	Gains/Loss	Gains/Losses	Income	Gains/Loss	Gains/Losses
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest	533	70	200	789	318	464
Equities	620	507	6,105	458	456	5,261
Property	244	73	124	239	27	419
Cash	21	-6	-	9	76	-
Total	1,418	644	6,429	1,495	877	6,144

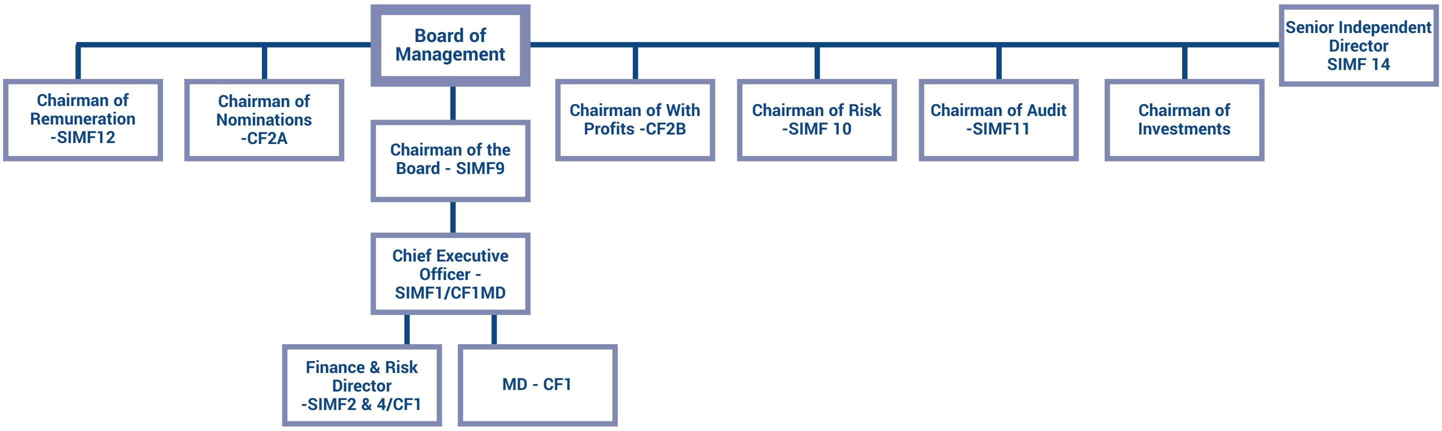
The Society's investment expenses for 2017 were £41,111. This compares with £41,563 for 2016.

B. System of Governance

General Information on the system of governance

The structure of the Society is set out below:

Board of Management Key Functions Reporting Lines



The Society reviews its governance map on a half yearly basis to ensure that any changes are recorded and acted upon. The entire system of governance is reviewed on an annual basis which the Board agreed is sufficient given the scale and complexity of risks in the business.

The Executive Directors have authority and operational independence delegated by the Board to deliver the responsibilities and tasks of their key function roles. Additional resources are approved by the Board. This delegation of authority and operational independence is reflected in the Board's organisational structure. There is a system of regular appraisal and feedback which allows the Executive to report and feedback.

The Non Executive Directors are operationally independent and are not involved in the day to day management of the business. The performance, competence and independence of NEDs are reviewed by the Board on a regular basis.

Board of Management (BoM) - Responsibilities

The Board has overall responsibility for the control of the business of the Society in order to ensure that it achieves its objectives. The Board is responsible for the direction of the Society's current and proposed business, including oversight of its subsidiaries, and having regard to its members, acts in the Society's best interests.

The primary responsibilities of the Board are:

• to set the strategic direction and aims of the Society within the agreed risk appetite

• to set the Society's cultural values and standards of behaviour, including the management of conduct risk

• to act in the best interests of the Society and its members and accounting to them

• to monitor and review performance of the Society, the Board and the Executive Team

• to set and maintain the highest standards of corporate governance

• to monitor risk via the framework of systems and controls

• to establish the framework of systems and controls and division of responsibilities

• to ratify and agree the decisions of the Board Committees

• to make appointments to and evaluate the Board

• to agree the appointment and remuneration levels of the Board

• to provide entrepreneurial leadership

During 2017 the Board operated with six committees:

- Audit
- Risk
- Remuneration
- Nominations & Governance
- With-Profits
- Investment

Roles and responsibilities - key functions

Chairman of the Board

The Chairman of the Society is responsible for chairing and overseeing the performance of the Board in accordance with the Society's rules and regulatory & legal requirements in order to maintain the highest standards of corporate governance. They provide ethical leadership and direction to the Board and ensure that the work of the Board is focussed on meeting the Society's mission, vision and strategic direction.

Senior Independent Director

The Senior Independent Director's role is to ensure the Society places the Members at the heart of everything it does. The Senior Independent Director also acts as a channel of communication for any Member who believes they have a problem which cannot be resolved through the usual channels.

Chairman of the Audit Committee

The Chairman of the Audit Committee is responsible for chairing and overseeing the performance of the Committee, which is responsible for the oversight of the internal and external audit system. They are responsible for the independence and performance of the Audit function. As Chairman they have oversight of the independence, autonomy and effectiveness of the whistleblowing policies and procedures, including those for the protection of staff raising concerns.

Chairman of the Risk Committee

The Chairman of the Risk Committee is responsible for chairing and overseeing the performance of the Committee, which is responsible for the oversight of the risk management system. They have oversight responsibility for ensuring that the Society has an appropriate ORSA Policy and that the requirements of the policy are implemented by the Board. Their responsibilities include having oversight that the Society is fully and effectively using its Risk management systems.

Chairman of the Remuneration Committee

The Chairman of the Remuneration Committee is responsible for chairing and overseeing the performance of the Committee, which is responsible for the oversight of the design and implementation of the Society's remuneration policy. They are responsible for ensuring that the Society's remuneration policy and practices are aligned to business strategy & objectives, its risk appetite, values and culture.

Chairman of the Nomination Committee

The Chairman of the Nomination Committee is responsible for chairing and overseeing the performance of the Committee, which is responsible for nominations matters. They have oversight responsibility for ensuring that all key function holders are fit, proper and competent on a continuous basis.

Chairman of the With Profits Committee

The Chairman of the With Profits Committee is responsible for chairing and overseeing the performance of the Committee, which is responsible for supporting the Board in discharging its corporate governance obligations in relation to compliance with the Principles and Practices of Financial Management (PPFM).

Chairman of the Investment Committee

The Chairman of the Investment Committee is responsible for overseeing compliance with the terms of the PPFM in relation to the Investment Strategy and for reviewing its continuing appropriateness in light of changing circumstances. As Chairman they are responsible for ensuring that the Committee considers the needs of both with-profits and non-profit policyholders.

The Investment Committee was disbanded on the 14th February 2018, with the Committee responsibilities being shared by the Board, Risk Committee and the Executive.

Chief Executive

The Chief Executive provides strategic and operational leadership to ensure the Society's continuing development and financial stability. They are personally responsible for the delivery of financial objectives of the Society. They are also responsible for ensuring that the Society and its employees act at all times in the best interests of its Members and meet the expectations of regulatory bodies.

Finance and Risk

The Finance and Risk Director is responsible for developing, promoting and implementing sound capital and risk management policies and processes within the Society, and, thereby, ensuring the Members interests are protected. They are responsible for embedding a proactive and open risk culture in the business. They manage all financial related Policies/Processes/Procedures, both accounting and actuarial related, thereby ensuring the integrity of financial data used for reporting the affairs of the Society in line with UK accounting and actuarial standards.

Remuneration

The Society bases its remuneration policy on both corporate and individual performance, as well as providing a competitive package in order to attract and retain quality individuals. It complies fully with corporate governance practices and regulatory requirements, as well as relevant parts of the Annotated Combined Code. It ensures that the policy is consistent with the Society's mission and values.

Fit & Proper Requirements

The Nomination Committee has determined that the essential requirements for each key function role are:

- Industry experience
- Technical/professional skills/specialist knowledge
- Governance experience
- Behaviours/competencies/experience

An up to date CV is held for each key function holder and written records of individual interviews to evidence their suitability to fulfil the essential requirements for the key function (including their prescribed responsibilities).

In deciding whether a person is fit and proper the Society must be satisfied that the person:

1. Has the personal characteristics (including being of good repute and integrity)
2. Possesses required the level of competence, knowledge and experience.
3. Has the relevant qualifications.
4. Has undergone or is undergoing all training required to enable such person to perform his or her key function effectively.

Risk Management system including the Own Risk and Solvency Assessment (ORSA)

Risk management

The Society has a company wide approach to risk management. The company wide risk management approach contains a number of elements -

- A documented corporate governance framework.
- A documented operational systems and control library.
- A structured approach to deriving Risk Appetite and Risk Tolerances.
- A company wide risk management system (known as "The Risk database").
- A BoM approved Own Risk and Solvency Assessment (ORSA) Policy.
- Documented Risk Management Policy and Framework.
- A traditional "3 lines of defence approach" to monitoring the efficacy of all the above.
- A BoM with a majority of independent Non - Executive Directors.
- The firm is constrained by its Rule Book (based upon the Friendly Society's Act 1992), its Principles and Practices of Financial Management and other regulations applicable to a with -profits business.
- All of these confine the firm to a narrow range of new business activities and investment activities.
- Assets invested in accordance with prudent person principle (Article 132 of Directive 2009/138/EC)

It operates an electronic based risk management system, which is used by all employees, the Risk Committee and the BoM. Risks are entered onto the system along with information on mitigating actions. A review period is set for the risk and automatic alerts are sent out to ensure risks are monitored on a regular basis. Key information from this system is reported to the Risk Committee and the Board.

The risks facing the firm are mitigated by a combination of risk controls (monitored via the risk database), sufficiently wide range of skills and experience within the Society supplemented by specific outsourced functions, external subject matter experts, and by holding capital beyond the Society's Solvency Capital Requirement (SCR).

These mitigants are supplemented by a positive approach to active claims management, a highly proactive marketing approach in order to achieve a high level of customer satisfaction.

The PPFM sets out the approach to investment management and the use of notional sub-funds to define the investment mandate and control investment risks.

Own Risk and Solvency Assessment

The Society has an ORSA process. Once a year an ORSA document is produced that captures the key outputs from this process in a single document. If there was a material change to the Society's risk profile then an ad hoc report would be completed.

In 2017 the Society refined its approach to assessing when an ad hoc ORSA would be required. The Society utilises a dashboard approach assessing changes that the event would bring to the risk profile of the Society. This dashboard is discussed and completed by the Board; outputs are recorded on the ORSA record.

The process for the ORSA follows these main steps:

- Early in the process the Executive and key staff review the existing risks identified in the Risk Database to ensure they are accurate, complete and relevant. Consideration is also given to emerging risks and whether these need to be added to the Risk database.
- At the next Risk committee meeting following this review the outcomes are looked at.
- There is consideration of strategy and revised business plan by the Board and any impact on the ORSA process is documented.
- At the Risk Committee following the availability of Solvency II numbers, the numbers are considered and in particular the impact on risk tolerances. This discussion will also look at the stress tests that should be done.
- At any point in the year an ad-hoc ORSA will be done if anything significant has triggered this need.
- Once the draft ORSA is available it will be reviewed by the Risk committee alongside the ORSA policy and ORSA record. Once approved by the Risk Committee, the ORSA will go to the next Board meeting for approval, following which it will be submitted to the Regulator.
- An ORSA will be produced at least annually but may be more frequent if circumstances require.
- At each Board meeting KPIs around the ORSA are reviewed and discussed by the BoM.

The main strategic risks and operational risks are input onto the risk management system. The risk database allows risks to be categorised, which in turn lets them be grouped allowing the overall impact of these to be seen within the system reports.

Internal control system

The three lines of defence control system is a key part of the Society's internal control system. In summary this is:

- 1st line - Executive management & the Risk Management Database users;
- 2nd line - Risk Committee covering Risk, Compliance and Actuarial; and
- 3rd line - Audit Committee covering Internal and External audit.

As a small Society this approach is considered appropriate for its size and the complexity of its business.

As a small organisation it is possible for it to be flexible in its approach and this allows management information to be produced quickly. Within the Finance team no individual is responsible in isolation for any information and there is a strict approach to checking and review. The information produced is reviewed internally by the Executive team and then subject to review at the Audit committee. External audit provide a detailed check around the information produced entirely independent of the Society.

An annual Compliance Plan is produced. This is reviewed by the Risk committee before the end of the Calendar year prior to the plan's date. A named Executive provides the leadership around activity on this, and throughout the year the plan is updated in line with the activity and business need.

Internal audit function

The Society's Internal Audit function is outsourced to an external provider and as such is completely independent. A three year rolling Internal Audit plan is used to capture activity. This is agreed with the external provider and the Audit Committee.

The Internal Audit supplier is allowed to add items as they want without Board first selecting. This would be subject to Audit Committee agreement.

Actuarial function

The Actuarial function of the Society is outsourced to an external provider. They provide both the Chief Actuary and With Profits Actuary roles for the Society.

The provider is entirely independent from the Society.

Outsourcing

The Society assesses all outsourced activities to decide if any are a critical function in respect of being able to operate the business and to fulfil policyholder expectations. For those identified, out-sourced service agreements are developed and appropriate providers sourced. The sourcing of which requires a robust process of selection, ensuring due diligence is applied to all criteria. Upon selection the provider is subject to on-going fit and proper assessments and follow up due diligence on a quarterly basis.

The Society considers that Investment Management is a key outsourced service. These services are all provided within the UK.

C. Risk Profile

The main risks that are mitigated by capital through the calculation of the SCR are shown in the table below.

Risk	Figures in £'000s	31 December 2017	
		Gross of Management Actions	Net of Management Actions
Market risk		6,055	4,099
Counterparty default risk		370	307
Life risk		4,696	2,937
Health risk		21,484	6,164
Diversification across all risks		(6,991)	(3,890)
Basic Solvency Capital Requirement		25,614	9,680
Operational risk		609	609
Solvency Capital Requirement		26,223	10,289
Minimum Capital Requirement		3,251	3,251

Assets

The Society confirms that the list of assets as set out in the table on page 16 have been invested in accordance with the prudent person principle.

Liquidity risk

Liquidity is not a risk the Society is exposed to as its investment policy is such that the majority of its investment portfolio is easily realisable.

Risk specific actions

Market risk

At an operational management action level, Market risk is monitored by keeping track of the 28 day average value of the FTSE 100 index. Final bonuses would be changed if the average value is above the higher trigger point or below the lower trigger. If the lower level figure continued a decision would then be taken as to the point annual bonuses should also be changed. Such trigger points are set by the Board.

A regular report from the external investment managers captures information on the asset portfolio. This allows any concentration in asset holdings to be identified and action taken to reduce this.

Additional management actions would be to reduce volatile investments, and replace them with assets which may better maintain their capital value.

One market risk to the Society, which it can do little to mitigate, is the risk of poor investment returns on the unit linked stakeholder CTF book of business. The Society takes a management charge from this business as a percentage of the fund value. If investment performance is poor, whilst the investment risks sits with the investor, SFS suffers a reduced income stream if the value of these charges is lower than expected.

Insurance risk

Insurance Risk - Expense (Life and Health)

At an operational management action level, business expenses (excluding those categorised as cost of sale) are monitored through the budget variance reporting process, which is carried out on a monthly basis. This allows any variance in these expenses to be monitored and early indications of increases to be picked up, so that compensating actions can be taken on a pro-active basis to ensure the overall budget for the year is not exceeded. The budget variance report including narrative on variance and management actions is presented at each Board meeting.

Insurance Risk - Sickness
The current Income Protection plan has premium rates that are reviewable; this action helps to protect the Society against the stress of worsening sickness experience. Claims volumes and trends are continually monitored so as to provide an early warning of changes to trends, such changes would trigger a review and if deemed necessary the Board, with input from the Actuarial function holder could decide to increase premiums.

Insurance Risk - Lapse (Life and Health)
Volumes of business going off the books are monitored on a continuous basis; this includes looking at the percentage of plans exited by product type and sales route. The Board have agreed levels for each product and route to market. If these levels reach their breaching point the Executive have a range of management actions that could be utilised, such as discontinuing the route to market. If the sale has been through an intermediary the sales team could undertake training to the introducer and highlight best sales practices, with-hold commission payments and as a final recourse revoke their introducer agreement.

Other risks as identified in the ORSA

The Society has identified a number of additional risks within its ORSA as follows:

• New business Acquisition Risk

And five broad categories of operational risk:

• Conduct risk

• Legal and Regulatory

• Process

• Data Security

• Business Continuity

In addition to monitoring the risks highlighted above the Board and Risk Committee consider emerging risks. An emerging risk dashboard is provided to both for consideration. In October 2017 one of the Board strategy days was utilised to discuss emerging risks with outputs fed into the risk database.

The risk database also captures a reputational risk indicator within all risks whether strategic or operational.

These are reviewed and monitored on an on-going basis as part of the Society's risk management framework.

Sensitivities

For the key risks the Society is exposed to, the sensitivity of the Society's surplus assets (and hence solvency) is investigated annually and the detailed results are included in the ORSA report. The sensitivity testing has focused on three aspects; these are market movements, sickness levels and new business volume changes. A combination of some of these risks has also been looked at in some scenario testing.

As part of the ORSA cycle of work, the Society looks at the risks to be modelled and whether the current modelling needs to changed. The agreed risk sensitivity and scenarios are then included as part of the Actuarial modelling.

The following sensitivity testing took place in 2017 (on 31/12/2016 data):

Market risk
1. An immediate shock of 30% fall in value of equities globally
2. Yield curve shifts up by 2% at all durations
3. Zero investment returns over the next 5 years
4. A combination of 1 and 3 above.

New business risk

1. New business volumes at 50% of plan
2. No new business leading to permanent closure in 2 years with closure costs of £2 million spread equally over the second year
3. No new Income Protection business, other products as business plan
4. No new ISA/JISA business, other products as business plan.

Insurance risk

A. Impact of higher claims

1. Over 50's mortality increase by 50%
2. Sickness inception rates increase by 50%.

B. Impact of changes in lapse rates

1. Lapse rates for all products decrease by 25% at all durations
2. Lapse rates for all products increase by 25% at all durations
3. Lapse rates for Income Protection increase by 25%.

C. Impact of higher expenses

1. Maintenance expenses 10% higher, inflation 1% higher
2. Acquisition expenses increase by 25%
3. A combination of 1 and 2.

The following scenario testing of combinations of some of these risks were also looked at:

1. New business 75% of plan (all products), acquisition expenses 10% higher, yield curve shifts up by 2% (all durations), equity fall 30% and zero investment returns for 5 years.
2. Investigation was also done into a break or reverse stress test scenario. Looking to identify the combination of events is most likely to cause the Society to become insolvent.

It is clear from the scenarios above that the threat to the Society's solvency is more likely to come from a combination of events rather than a single extreme event. A possible scenario is one where there is a significant market fall (FTSE 100 Index below 5100) happening in conjunction with a drop in new business volumes.

Following a test scenario of an extreme combined event, results showed the Society did not breach its SCR and needed to take more extreme actions, although it would mean the Society's risk appetite is outside its preferred range.

D. Valuation for solvency purposes

Assets

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

Value of the assets £000	31 December 2017	31 December 2016
Gilts	1,644	1,788
Other fixed interest	11,821	14,780
Equity holdings (including equity funds)	64,785	51,760
Property	1,803	5,746
Cash and deposits	1,163	2,745
Other assets	373	612
Total assets	81,589	77,430

The listed investments are all included at market value. The property holding is fully re-valued every three years with a desktop valuation in the intervening years so that changes in market value can be taken into account. Cash and deposits are valued at face value. Other assets are shown at the value calculated in the accounts.

As at 31 December 2017, other than a property investment, the Society holds just under £1m in respect of investments which are not held on an active regulated market.

The Society has no material deferred tax assets.

The Society owns 100% of the ordinary share capital of Financial Advice Network Limited. At the end of 2017 the Network is trading profitably. The value of the subsidiary has been determined by the Directors to be the book cost of the investment.

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

The Society has a defined benefit pension scheme. The value of this arrangement (either the surplus or deficit) is as stated in the Society's published accounts.

The valuation of assets for Solvency II purposes is equal to the value reported in the Society's financial statements with a valuation adjustment of £633,413.

Technical provisions

The following table summarises the technical provisions:

	31 December 2017	31 December 2016
Conventional with-profits	33,584	25,048
Holloway with-profits	20,817	19,749
Conventional non-profit	1,069	(1,001)
Income protection non-profit	(37,801)	(22,646)
CTF	31,632	27,779
Best estimate liabilities	49,301	48,929
Risk margin	6,394	6,653
Technical provisions	55,695	55,582
Current liabilities	1,699	1,577
Total liabilities	57,394	57,159

Valuation methods

The following paragraphs detail the methodology adopted for the Solvency II valuation as at 31 December 2017 for the following specific components of the Society's business:

- valuation of all the Society's with-profits business (conventional life and Holloway);
- valuation of the Society's non-profit business (conventional and income protection);
- valuation of the Society's CTF liabilities;
- allowance for expenses;
- reinsurance;
- currency exposures;
- options and guarantees; and
- discount rates.

Valuation of all the Society's with-profits business (conventional life and Holloway)

This covers the following types of business:

- Conventional regular and single premium with-profits (endowments, whole life, bonds and ISAs); and
- Holloway with-profits.

The value of with profits business at the valuation date is taken to be total asset shares at the valuation date plus the present value of the cost of future guarantees plus a reserve (or credit) for maintenance expenses in excess of the charges made for expenses to the asset share.

Cost of guarantees

The cost of guarantees is assessed by projecting forward asset shares and guaranteed benefits and then comparing the two values at the expected benefit payment date. If the projected asset share is higher than the projected guaranteed value then there is no cost of guarantee. If, however, the asset share is lower than the projected guaranteed value then the difference represents a cost, which is then discounted back to the valuation date using the prescribed discount rates.

The levels of future bonus included in the projection of guaranteed benefits are realistic assessments of levels that would be supported on an ongoing basis based on the assumed economic conditions underpinning the valuation (risk free rates).

Future expenses charged to asset share are those set out in the premium basis. Mortality costs, sickness costs and lapse rates are based on a best estimate assessment of the expected future experience.

The cost of guarantees is estimated for with-profits business (including Holloway) using a series of deterministic projections. A lognormal distribution is fitted to a range of investment scenarios to make allowance for the range of possible investment outcomes that may occur. The distribution is fitted over the weighted average outstanding duration of the best estimate liabilities in force and the volatility is adjusted accordingly.

Each investment scenario is modelled using the year end Solvency II methodology and assumptions. Bonus philosophy and management actions are adjusted according to the scenario being modelled.

The cost of guarantees is calculated for each scenario and the probability distribution is applied.

The annual mean return assumed is based on EIOPA's published risk free yield curves. The annual mean return is multiplied by the weighted average outstanding duration of the best estimate liabilities in force to calculate the mean required for the lognormal distribution.

Annual bonuses on regular premium with profit policies are assumed to be cut to a rate consistent with risk-free investment returns assumed for the relevant investment scenario subject to a minimum value of zero. Allocation rates on the Society's Holloway contracts are also reduced from current levels.

In the event of any market stress, it is assumed that the Society would cut annual bonuses to zero.

Expense reserve

Expenses charged to the asset shares are assumed to be those underlying the illustration basis and therefore an additional expense reserve calculation is done to allow for the difference between the actual expenses as projected in the business plan and those charged to asset shares. Credit is taken for the excess of expenses charged to the asset share over the actual expenses. The shortfalls and excesses are discounted back to the valuation date using prescribed Solvency II discount rates.

Treatment of Holloway

Holloway income protection business is treated in a similar way to the other with-profits business. The asset shares for these contracts are the members' deposits based on their value accrued in line with historic allocations and credited investment returns. No explicit reserve is held for sickness claims as it is assumed that all future premiums, after future expenses and sickness costs, are allocated to members' accounts as they are paid.

Valuation of the Society's non-profit business (conventional and income protection)

This covers the following types of business:
• Conventional paid-up policies (endowments and whole life policies);
• Over50s;
• Old whole of life contracts; and
• Pure income protection contracts.
The Society adopts a gross premium methodology approach to the valuation of each of its contracts of insurance. This means that we project, for each individual contract on the Society's books, net cash flows out of the Society every single month into the future as follows.

Net cashflow each month =

Expected monthly benefit payments (assuming for IP business that all policyholders are healthy at the date of valuation)

+ Expected monthly maturity and withdrawal payments
+ Monthly cost of maintenance and investment expenses allowing for future expense inflation
- Expected future monthly premiums payable

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

None of these policies have any options implicit within the contract terms (e.g. guaranteed surrender values).

Additional reserves are held to cover all income protection claims in payment based on the discounted value of all future sickness cashflows expected to arise from the current sickness.

Valuation of the Society's CTF liabilities

CTF liabilities are taken to be the face value of unit linked funds less the present value of future profits on CTF business, which is the discounted value of future loadings arising on the CTF business over future CTF expenses. The latter is available to offset the additional expense reserve on with profits business and contributes to overall surplus funds.

Allowance for expenses

Expenses are allowed for in the valuation of the Society's liabilities by a per policy charge. This is assumed to be payable annually and covers each policy's share of the maintenance and investment related expenses of the Society. The calculation of each policy's share of these costs allows for the expected volumes of new business the Society expects to write. Expected maintenance and investment related expenses and new business volumes are set by the Society's budgets for the next calendar year following the valuation date.

Reinsurance

The Society has a reinsurance arrangement in place to cover 50 term assurance contracts. This is a declining book of business and the cover is not considered material. No credit or allowance is made for this reinsurance in the valuation of the Society's assets and liabilities.

Currency

The Society's liabilities are all denominated in GBP.

Options and guarantees

None of the Society's non-profit or CTF contracts has any options or any material guaranteed surrender values in place at 31 December 2016 or 31 December 2017.

For the Society's with-profits business which have minimum guaranteed payments on death and maturity, the cost of guarantees is estimated using the methodology described above.

Guarantees are assumed to apply on death and maturity only. No guarantees are assumed to apply on contracts lapsing or surrendering.

Discount rates

All the Society's cashflows are discounted at the required risk-free rate of interest set by EIOPA.

Assumptions used in the valuation of best estimate liabilities

Assumptions need to be made for:

- sickness inception and recovery rates;
- lapse and withdrawal rates;
- future rate of annual bonuses;
- tax;
- expense inflation;
- mortality rates;
- growth rate used to project asset shares;
- policy charges;
- expenses;
- rate used to discount future cashflows.

Sickness rates

The Society's sickness experience has been analysed by reference to 100% CMIR12 for the rate of inceptions and by rates of recovery combined. The assumptions are different for each material line of the Society's income protection business (including Holloway). The sickness tables used are based on the industry standard "CMIR12" tables. The assumed rates of sickness used at the end of the relevant financial year are set out in the following tables.

Assumption	31 December 2017	31 December 2016
Adult Holloway	25%	25%
Young Holloway	10%	10%
Shepherds Income Protection Plan (Holloway)	130%	100%
Pure income protection	35%	35%

Mortality

The rates of mortality assumed to apply to the Society's business are split between the Society's conventional business excluding Over50s, Over50s business, Holloway business and pure income protection business. The assumed rates of mortality used at the end of the relevant financial year are set out in the following table.

Assumption	31 December 2017	31 December 2016
Conventional regular premium (excl. Over50s)	65% A6770	65% A6770
Conventional single premium	65% A6770	65% A6770
Over50s	200% AXC00	200% AXC00
Holloway	40% A6770	100% A6770
Pure IP	40% A6770	100% A6770

No mortality is allowed for in the valuation of the Society's CTF business.

Lapse and withdrawal rates

The rates of lapse and withdrawal assumed to apply to the Society's business are split between the Society's main product lines. The assumed rates of lapse and withdrawal used at the end of the relevant financial year are set out in the following table.

Assumption	31 December 2017	31 December 2016
With-profits conventional regular premium	2.00% pa	2.00% pa
Non-profit conventional regular premium excl. Over50s	0.50% pa	0.50% pa
Over50s	2.00% pa(1)	7.50% pa(2)
Single premium bonds (Series I and II)	5.00% pa	5.00% pa
Adult ISAs	5.0%(3)pa	10.00%(4)pa
Junior ISAs	2.50% pa	2.50% pa
Holloway	2.50% pa	2.50% pa
Pure income protection excluding new	6.00% pa	6.00% pa
Pure income protection excluding new	10.00% pa(5)	10.00% pa(6)

(1) Duration dependent lapse rate in year 1 at 25%, year 2 at 5% and years 3 and after at 2% a year.

(2) Duration dependent lapse rate in year 1 at 15%, year 2 at 12.5%, year 3 at 10% and years 4 and after at 7.5% a year

(3) Duration dependent: lapse rate in year 1 at 40%, year 2 at 20% and years 3 and after at 5% a year.

(4) Duration dependent: lapse rate in year 1 at 25%, year 2 at 20%, year 3 at 15%, and years 4 and later at 10% a year.

(5) Duration dependent lapse rates of 12.5% in years 1 to 3 and 10% years 4 and after

(6) Duration dependent: lapse rate in year 1 at 15%, year 2 at 14%, year 3 at 13%, year 4 at 12%, year 5 at 11% and years 6 and after at 10% a year.

Future rate of annual bonuses

Future annual bonuses are assumed to continue in future at the current interim rates declared at the time the valuation is carried out. The table below shows the current declared annual bonuses and the rates assumed in last year's Solvency II valuation.

	Future rates allowed in asset share projections (% pa)	
Contract type	31 December 2017	31 December 2016
Conventional exempt (excl. JMM)	1.25%	1.25%
Junior Moneymaker	1.25%	1.25%
Conventional taxable	1.00%	1.00%
Holloway (Young Saver, Adult, SIPP, USP)	1.00%	1.25%
Bond Series I	1.00%	1.00%
Bond Series II	1.00%	1.25%
Adult ISA	3.00%	3.00%
JISA	3.00%	3.00%

Policy charges

The following table summarises the expense deductions for the Society's with-profits contracts as applied within the asset share accumulation. These charges are assumed to apply through each contract's life.

Contract type	Future rates allowed in asset share projections (% pa)
Bonusplan and Junior Moneymaker	Initial expenses of 40% + 6% x (policy term – 10) subject to a maximum of 130% of the annualised premium; plus renewal expenses of 10% of each premium
With-profits bond (Series I)	Annual fund charge of 1.70%
With-profits bond (Series II)	Initial charge of 5% plus an annual fund charge of 1.20%
Adult ISA	Initial charge of 3% plus an annual fund charge of 1.50%
Junior ISA	1.50% annual fund charge
Young Saver	2.50% annual fund charge
Adult Holloway	15% annual premium plus 2.50% annual fund charge
CTF	1.50% annual fund charge
Unitised pensions	2.25% annual fund charge

Tax

No taxation is assumed to apply to any of the Society's contracts.

Expenses

Expenses for the year immediately following the valuation date are based on the Society's budgeted maintenance costs and are allocated to each product line as shown below.

Maintenance costs (£000)	2018 assumed
Conventional with profit	869
Holloway	544
Over 50s	474
Income Protection	692
Total	2,579

Total maintenance costs are then divided by the projected numbers of policies in force, including new business expected to be written in accordance with the Society's business plans, to obtain the per policy expenses for each product line.

No expenses are assumed to be chargeable to the Society's CTF business.

Expense inflation

Future inflation is assumed to be in line with the difference in yield between nominal and real gilt yields, taken from the inflation spot curve published by the Bank of England.

Example spot rates are as follows:

Projection year	1	2	3	4	5	10	15	20	25
31 December 2017	2.886%	2.886%	2.841%	2.836%	2.860%	3.129%	3.401%	3.542%	3.541%
31 December 2016	2.986%	2.986%	2.976%	2.982%	3.010%	3.259%	3.483%	3.594%	3.585%

Rate used to discount future cashflows

The rates of interest used to discount future cashflows are specified by the European Insurance and Occupational Pensions Authority ("EIOPA"). Example spot rates are shown in the following table along with comparatives used at the end of 2016.

Projection year	1	2	3	4	5	10	15	20	25
31 December 2017	0.555%	0.684%	0.788%	0.866%	0.937%	1.188%	1.330%	1.378%	1.365%
31 December 2016	0.382%	0.439%	0.520%	0.607%	0.694%	1.079%	1.263%	1.316%	1.290%

Valuation of the risk margin

The risk margin is the additional premium, over and above the best estimate, that another insurer might need in order to take on those liabilities. This value is a formulaic calculation prescribed by the Solvency II regulations based on the value of risk inherent in the insurance contracts written by the Society.

To calculate a full risk margin would involve projecting the Society's balance sheet and SCR calculation for 50 years. In view of the onerous nature of this task there are five permitted simplifications and Societies may choose the most appropriate simplification having regard to the scale and complexity of their business. The Society has chosen a simplification such that the SCR for each future year is approximated based on a proportional approach in line with the run off of premiums for the existing business.

The amount of the SCR that is projected is based on a reference undertaking with no market risk. The loss absorbing capacity of technical provisions assumed in the reference undertaking is assumed to be same as that currently assumed to apply for the Society's business. The same future management actions are assumed.

The requirement to split the Risk Margin by line of business is achieved by allocating the risk margin to the various lines of business in proportion to the technical provisions as shown in the following table.

Risk margin by line of business

The Society's total risk margin as at 31 December 2017 is calculated to be £6.394m. This is split between the Society's lines of business as follows:

Health (similar to life)	£4.386m
Life (excluding health and index-linked and unit-linked)	£2.008m

With any modelling exercise there will be an underlying level of uncertainty present. Uncertainty arises primarily from the data being used, the choice of assumptions, and from the choice of model.

The data used is checked rigorously to mitigate the risk that errors may materially affect the valuation result. Data is also reviewed over time to check for consistency between different time periods. A reconciliation is carried out between reporting periods to allow for actual movements in the data over the year.

Assumptions may be demographic or economic and are set using historical experience and the current market environment and expectations. Actual and emerging experience is reviewed against expectations at least annually and more frequently if necessary. The results of these analyses are fed into the assumption setting process for the valuation. Results are assessed for their sensitivity to key assumptions.

The model used is tested regularly to mitigate the risk that errors may materially affect the valuation. The choice of model is made so as to comply with the regulations whilst ensuring an efficient projection process and some simplifications may be necessary to achieve this.

There are no material differences between the valuation for Solvency purposes and the values that will be shown in the financial statements.

No use has been made of a matching adjustment.

No use has been made of a volatility adjustment.

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

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

There are no reinsurance arrangements in force other than on a small block of term assurance policies. The value of this arrangement is de minimis and has not been taken into account in the valuation.

There are no "other liabilities" other than those in respect of a particular block of claims under a small book of IP business. The liabilities for these claims have been calculated on individual case estimates with allowance for new claims to emerge.

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

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

E. Capital management

Own funds

The Society is an incorporated society within the meaning of the Friendly Societies Act 1992. As such it has no shareholders and its members are the ultimate owners of the business. There is no defined mutual member fund. The Society's structure is relatively simple in that all its capital is in tangible and realisable assets.

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

£'000s	31 December 2017	31 December 2016
Assets	81,589	77,430
Best estimate liabilities	49,301	48,929
Risk margin	6,394	6,653
Current liabilities	1,699	1,577
Own funds	24,195	20,271
Solvency Capital Requirement (SCR)	10,289	9,849
Surplus funds	13,906	10,422

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

- Taking such management actions as may be anticipated within its SCR calculations.
- Reviewing and refocusing its strategic objectives and priorities.
- Re-pricing its contracts of insurance.
- Reviewing its expense base, including potentially closing to new business.
- Seeking a transfer of engagement.

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

The amount of Tier 1 own funds at the reporting date is £24.20m. There are no restrictions on the use of own funds and this amount is available to cover the Solvency Capital Requirement and the Minimum Capital Requirement.

There have been no significant changes in own funds over the reporting period.

There are no material differences between the equity in the Society's financial statements and the free capital for solvency purposes.

There are no items subject to a transitional arrangement.

There are no items of ancillary own funds.

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

Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at 31 December 2017 was £10.29m after allowing for Management Actions (MA) and the Minimum Capital Requirement was £3.25m. The Solvency Capital Requirement is subject to supervisory assessment.

The SCR split by risk module is shown in the following table:

£'000s	31 December 2017		31 December 2016	
	Gross of MA	Net of MA	Gross of MA	Net of MA
Market risk	6,055	4,099	6,290	4,457
Counterparty default risk	307	370	804	804
Life risk	4,696	2,937	5,265	1,656
Health risk	21,484	6,164	14,550	6,143
Diversification across all risks	(6,991)	(3,890)	7,141	3,659
Basic Solvency Capital Requirement	25,614	9,680	19,768	9,401
Operational risk	609	609	448	448
Solvency Capital Requirement	26,223	10,289	20,214	9,849
Minimum Capital Requirement	3,250	3,250	3,332	3,332

There are no simplifications applied to the SCR calculation.

There are no undertaking-specific parameters used in the SCR calculation.

The Minimum Capital Requirement for the Society is the absolute floor amount of €3,700,000 which equates to £3.25m.

There has been no material change to the Solvency Capital Requirement or the Minimum Capital Requirement in the reporting period.

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

The Society does not use an internal model.

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

Shepherds Friendly
Your modern mutual

Solvency and Financial Condition Report

Disclosures

31 December 2017

(Monetary amounts in GBP thousands)

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General information

Undertaking name	The Shepherds Friendly Society
Undertaking identification code	2138008DYCUY8QSADI25
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2017
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.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

Balance sheet - S.02.01.02

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	45,038
R0080	*Property (other than for own use)*	1,803
R0090	*Holdings in related undertakings, including participations*	1,300
R0100	*Equities*	16,208
R0110	*Equities - listed*	16,208
R0120	*Equities - unlisted*	
R0130	*Bonds*	13,271
R0140	*Government Bonds*	1,641
R0150	*Corporate Bonds*	11,630
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	12,072
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	230
R0210	*Other investments*	155
R0220	Assets held for index-linked and unit-linked contracts	35,715
R0230	Loans and mortgages	205
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	205
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	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	0
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	630
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	81,589

Balance sheet - S.02.01.02

	Liabilities	Solvency II value
		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)	24,063
R0610	*Technical provisions - health (similar to life)*	-12,280
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	-16,984
R0640	*Risk margin*	4,704
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	36,343
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	34,653
R0680	*Risk margin*	1,690
R0690	Technical provisions - index-linked and unit-linked	31,632
R0700	*TP calculated as a whole*	35,715
R0710	*Best Estimate*	-4,084
R0720	*Risk margin*	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	272
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	57
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	71
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,299
R0900	**Total liabilities**	57,394
R1000	**Excess of assets over liabilities**	24,195

Premiums, claims and expenses by line of business - S.05.01.02

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	4,306	8,373	393	1,494					14,566
R1420	Reinsurers' share				3					3
R1500	Net	4,306	8,373	393	1,491					14,563
	Premiums earned									
R1510	Gross	4,306	8,373	393	1,494					14,566
R1520	Reinsurers' share				3					3
R1600	Net	4,306	8,373	393	1,491					14,563
	Claims incurred									
R1610	Gross	4,377	4,397	172	314					9,260
R1620	Reinsurers' share	0	0	0	0					0
R1700	Net	4,377	4,397	172	314					9,260
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0	0	0	0					0
R1900	**Expenses incurred**	4,938	1,572	280	2,464					9,254
R2500	**Other expenses**									
R2600	**Total expenses**									9,254

Life and Health SLT Technical Provisions - S.12.01.02

		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**		35,715								35,715						0
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						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	33,584		-4,084	0		-549	1,618			30,569		-37,801	20,817			-16,984
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	33,584		-4,084	0		-549	1,618			30,569		-37,801	20,817			-16,984
R0100	**Risk margin**	296	0			1,394					1,690	4,704					4,704
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**	33,880	31,632			2,463					67,975	-12,280					-12,280

Own Funds - S.23.01.01

	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	24,195	24,195			
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	0	0	0	
R0290	**Total basic own funds after deductions**	24,195	24,195	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	24,195	24,195	0	0	0
R0510	Total available own funds to meet the MCR	24,195	24,195	0	0	
R0540	Total eligible own funds to meet the SCR	24,195	24,195	0	0	0
R0550	Total eligible own funds to meet the MCR	24,195	24,195	0	0	
R0580	**SCR**	10,289				
R0600	**MCR**	3,251				
R0620	**Ratio of Eligible own funds to SCR**	235.16%				
R0640	**Ratio of Eligible own funds to MCR**	744.34%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	24,195				
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**	24,195				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	36,732				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	36,732				

Solvency Capital Requirement
- for undertakings on Standard Formula - S.25.01.21

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	6,055		0
R0020	Counterparty default risk	370		
R0030	Life underwriting risk	4,696		0
R0040	Health underwriting risk	21,484		0
R0050	Non-life underwriting risk	0		0
R0060	Diversification	-6,991		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	25,614		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	609
R0140	Loss-absorbing capacity of technical provisions	-15,934
R0150	Loss-absorbing capacity of deferred taxes	0
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**	10,289
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	10,289
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
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

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

	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	338

		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	31,521	
R0220	Obligations with profit participation - future discretionary benefits	22,881	
R0230	Index-linked and unit-linked insurance obligations	31,632	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		200,479

	Overall MCR calculation	C0070
R0300	Linear MCR	338
R0310	SCR	10,289
R0320	MCR cap	4,630
R0330	MCR floor	2,572
R0340	Combined MCR	2,572
R0350	Absolute floor of the MCR	3,251
R0400	**Minimum Capital Requirement**	3,251