

Solvency and Financial Condition Report

Financial year ending
31st December 2024



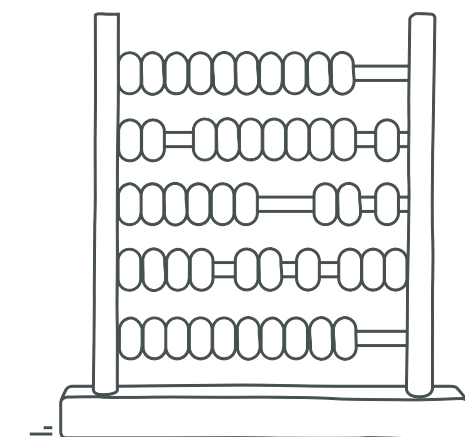
Mutuality and Purpose

Our strategy is to offer simple and accessible products which provide our members with a more certain financial future. We have made it our mission to provide clear, fair products that help our members organise their finances and secure their family's future. Our values guide our behaviour and the way we deliver our products and services.

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A Message from the Chief Executive


Our members are the heart of everything we do here at the Society. The Society's mission and strategy focuses on the needs of our members and I am pleased that over 2024, we have continued to improve the levels of service to our members. Some of the highlights of our achievements over the year have included:

- Improving the communication channels available to our members and making it easier for them to communicate with us at a time that is convenient for them;
- Launching the mobile app that facilitates a secure digital access to the Society's products and communications for our members;
- Moving to quarterly bonus allocation for the Society's with-profits products;
- Maintaining the Society's processes, reporting and literature in line with Consumer Duty and other regulations; and
- Achieving the highest accolade, the Green accreditation from the Investors in the Environment for the efforts undertaken by the Society to reduce and reuse waste, and to reduce its carbon footprint.

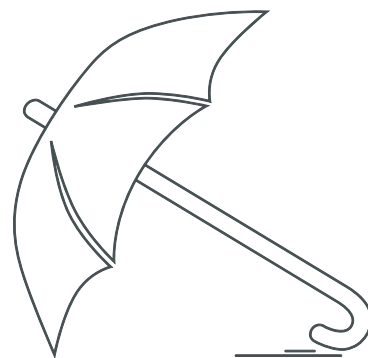
The Society has grown its membership count by 13% which includes growth in its with-profits membership by 14%, and the solvency ratio was 189% as at 31st December 2024. The change in solvency ratio from 206% at the end of the previous year was in line with the Board approved strategy and risk appetite to grow the business while maintaining capital that is above the regulatory requirements. The Board made the conscious decision to invest the surplus capital arising from the regulatory changes announced in the previous year to deliver longer-term value for our members and to sustain longer-term financial resilience of the Society. In a time when our members continue to face challenges emerging from political and economic uncertainty, it becomes more important that the Society delivers the products and services that our members expect from us.

Therefore, 2025 is set to be another exciting milestone as we embark on the new strategy. The Society will focus on continuing to enhance its products, people and technological capabilities. We will continually innovate our products to ensure they stay relevant for our members and target market segments, and use technology to support our people in delivering a member-focused and secure service for our members. We will also look at continuing developing our people to enhance our member service. The year ahead will not be without its challenges as we continue to observe the impact of interest rates and inflation on consumer confidence and the continued cost of living pressures on our members and our people.

I would like to congratulate Mark Myers who has stepped up as Chair from 1st January 2025 following Nemone Wynn-Evans retirement at the end of the year, and a welcome to Oliver Laird who has joined the Board as a Non-Executive Director.



Ann-Marie O'Dea
Chief Executive



Summary

About this report

The Prudential Regulation Authority (“PRA”), requires insurers such as The Shepherds Friendly Society Limited (the “Society”) to publish a Solvency and Financial Condition Report (“SFCR”). The SFCR must be provided each year and should:

- Provide information on how the business has performed over the past 12 months.
- Provide information on its system of governance.
- Highlight the main risks to the business.
- Detail its financial strength.
- Set out how its capital is managed.

Information for each of these headings is detailed in this report and a summary is given below.

The appendix to this report provides technical information covering these areas. The information is set out in a prescribed format.

About the Society

The Society is an insurance company writing a mixture of savings and protection contracts. The savings contracts consist of with-profits conventional and sustainable saving plans, fixed rate bonds and unit-linked investment Child Trust Fund accounts. The protection contracts include guaranteed acceptance whole life assurances (“Over 50s”) and contracts that provide income replacement protection (“IP”) in the event the policyholder falls ill or has an accident so they cannot work. The Society also underwrites life insurance contracts sold through third-party arrangements.

The Society reduces its mortality and morbidity risks on its protection products and products sold through third-party arrangements by utilising reinsurance arrangements with a selection of reinsurers.

Business performance

This section details the Society’s business performance and significant events during the year.

Despite the challenges from high levels of interest rates and inflation over 2024, the Society has seen membership levels increase by 13% and an increase in total assets, measured for regulatory reporting purposes, by £8m to £173.6m as at 31st December 2024. This increase is a function of the growth in the Society’s new business and investment income of £12.7m in the year. The Society’s own funds have decreased from £20.7m to £18.3m due to the Society’s investment into the business. This will enable the Society to deliver better service for its members and ensure the Society’s longer-term resilience.

The Society’s objective is one of managed and sustainable growth so that the with-profits policyholders can benefit from the value the business is creating. A driver for this growth is new business from protection business, in particular income protection contracts. The technical provision from non-profit income protection contracts has changed from £67.1m to £70.3m. This reflects the effect of the growth in new business and the change in interest rates over the year.

System of governance

This section outlines the Society's system of governance and material changes in the year.

The Society is governed primarily by the Friendly Society Act and adopts the Corporate Governance code set by the Association of Financial Mutuals. The Society is also committed to meeting governance standards set by its regulators: the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

The Board is responsible for setting the Society's risk appetite and ensuring that an Own Risk and Solvency Assessment ("ORSA") is produced and that it is fit for purpose, embedded and is used in business planning and risk management. This has been an important tool in the management of the business in recent years.

There was no material change to the Society's system of governance in the year. Nemone Wynn-Evans has retired as Chair from 1st January 2025 and Mark Myers has assumed the role as Chair. Simon Pashby has stepped down as Senior Independent Director from 1st January 2025 and Alison McKinna has assumed the role. Oliver Laird has been appointed as an independent Non-Executive Director as at 1st January 2025. The Society has retained RSM UK Risk Assurance Service LLP ("RSM LLP") as internal auditors.

The Society's Board is satisfied that it has the right level of oversight given the nature, scale and complexity of the business.

Risk profile

This section details the key risks in the business, how they are monitored and how the Society might deal with them should those events occur.

The Society uses the standard formula as referred to in the PRA requirements for Solvency UK firms to calculate its Solvency Capital Requirement. The Board considers that this approach provides a reasonable basis by which the Society can quantify the risks inherent in its business. The material financial risks are underwriting risk and market risk. Other material risks include product risks, capital risks and operational risks that includes climate change risk.

The oversight of these material risks and other material emerging risks is managed by the Society's Board Risk Committee.

The Society's risk management processes have been effective for dealing with the impact of interest rate risks and other material risks throughout the year and ensured it was able to take strong and effective mitigating actions to ensure the Society's continued resilience.

Valuation for solvency purposes

This section details the bases, methods and assumptions used to value the Society's assets and liabilities.

The methods used to value the Society's assets and liabilities are materially unchanged from those used at the end of the previous year.

The assumptions for technical provisions were updated at 31st December 2024 to reflect the economic conditions and our estimate of future demographic experience at that time.

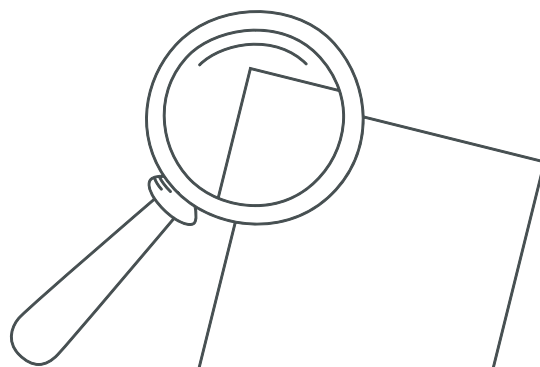
Capital management

This section details what capital the Society has to manage its business and the capital needed to cover the risks in the business.

The Society's Solvency Ratio, defined as the ratio of Own Funds to the Solvency Capital Requirement, was 189% (2023: 206%).

The Society has maintained sufficient own funds throughout 2024 and the prior year to cover its Solvency Capital Requirement and its Minimum Capital Requirement.

The Society is able to take appropriate risk mitigating actions that are approved by the Board to be sure that it can meet policyholder obligations as they fall due.



Our Responsibility

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



Ann-Marie O'Dea

Chief Executive

2nd April 2025

A. Business and Performance

A.1 Business

The Shepherds Friendly Society Limited (the “Society”) is a friendly society incorporated under the Friendly Societies Act 1992 and registered in the United Kingdom (registered 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 (the “PRA”) and the Financial Conduct Authority (the “FCA”) (registration number 109997). The PRA is the supervisory authority responsible for the financial supervision of the Society. The PRA may be contacted at 20 Moorgate, London, EC2R 6DA.

Our external auditors for the annual report and accounts are BDO LLP. They may be contacted at 55 Baker Street, Marylebone, London W1U 7EU.

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

The Society has two wholly owned UK registered subsidiaries that do not engage in regulated activity, Financial Advice Network Limited (“FAN”) and Financial Advice Website Limited (“FAW”). Activities at both entities have been discontinued and both entities are dormant as at 31st December 2024.

All the Society’s business is carried out throughout the UK with a small book of policies issued in the Republic of Ireland. The Society’s material lines of business are:

- Insurance with-profits participation. This covers the Society’s with-profits regular and single premium life business (with-profits – life).
- Health Insurance with-profits participation. This covers the Society’s Holloway-type business (with-profits – health).
- Other life insurance. This covers the Society’s conventional non-profit life business e.g. Over 50s whole of life, term assurance and fixed rate bonds (non-profit – life).
- Health Insurance. This covers the Society’s pure Income Protection business (non-profit – health).
- Unit-linked. This covers the Society’s holdings of Child Trust Funds (“CTF”) (unit-linked).

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

The Society has in place various reinsurance arrangements on some of its non-profit business and life insurance sold through third-party arrangements.

As at 31st December 2024 the Society had assets, as reported for regulatory reporting purposes, of £173.6m (2023: £145.4m) and own funds of £18.3m (2023: £20.7m).

A.2 Underwriting Performance

Table 1 sets out a summary of the Society's underwriting performance over 2024 and over 2023. All the business is written in the UK. Underwriting performance is defined, for the purposes of this section, as the amount of premiums received over and above claims paid and maintenance expenses. Figures are net of reinsurance. No allowance is made here for the change in liabilities associated with these cashflows.

Table 1: Underwriting Performance over 2024 and 2023

Underwriting Performance over 2024 – net of reinsurance				
Line of business	Premiums and contributions £'000s	Claims £'000s	Maintenance expenses £'000s	Underwriting profit £'000s
With-profits – life	30,905	16,330	925	13,650
With-profits – health	1,365	2,008	216	(859)
Non-profit – life	22,529	6,903	740	14,886
Non-profit – health	7,411	3,098	832	3,481
Unit-linked business	404	591	370	(557)
Total	62,614	28,930	3,083	30,601

Underwriting Performance over 2023 – net of reinsurance				
Line of business	Premiums and contributions £'000s	Claims £'000s	Maintenance expenses £'000s	Underwriting profit £'000s
With-profits – life	23,032	18,421	1,059	3,552
With-profits – health	1,609	1,688	462	(541)
Non-profit – life	16,886	1,098	489	15,299
Non-profit – health	6,601	2,926	706	2,969
Unit-linked business	397	743	99	(445)
Total	48,525	24,876	2,815	20,834

Maintenance expenses above exclude investment expenses.

A.3 Investment Performance

Table 2 sets out a summary of the Society's annualised investment return over 2024 and the prior year. The returns are shown for the pools of the Society's assets: the assets backing the conventional With-Profits Fund, the assets backing the sustainable With-Profits Fund and the assets backing unit-linked liabilities.

Table 2: Annualised Investment Return over 2024 and 2023

Fund	2024	2023
Conventional with-profits	5.0%	8.1%
Unit linked	6.7%	7.6%
Sustainable with-profits	9.2%	16.4%
Combined	6.3%	8.2%

Table 3 summarises the investment returns by income, realised and unrealised gains over 2024 and 2023 split across the Society's different asset types.

Table 3: Annualised Combined Investment Return over 2024 and 2023

Asset type	2024			2023		
	Income £'000s	Realised gains/ (losses) £'000s	Unrealised gains/(losses) £'000s	Income £'000s	Realised gains/ (losses) £'000s	Unrealised gains/(losses) £'000s
Equity	-	-	-	-	-	-
Property	-	-	-	-	-	-
Cash	316	-	-	285	-	-
Subsidiaries	5	-	-	44	-	-
Collectives	-	550	9,409	-	397	9,061
Derivative	-	-	2,399	-	-	(940)
Total	321	550	11,808	329	397	8,121

The Society's investment expenses for 2024 were £0.2m (2023: £0.2m).

The Society does not have any investments in securitisation.

A.4 Performance of other activities

The Society's main source of income is premiums from its members. Details of this income are shown in section A.2. The Society's investment income and expenses are detailed in section A.3.

Table 4 summarises the other main item of expenditure. These relate to the costs incurred by the Society in acquiring new business net of reinsurance financing.

Table 4: Acquisition expenses incurred over 2024 and 2023

Expense type	2024 £'000s	2023 £'000s
Acquisition costs and one-off expenses	18,930	15,883

A.5 Any other information

There is no additional material information regarding business and performance in this section.



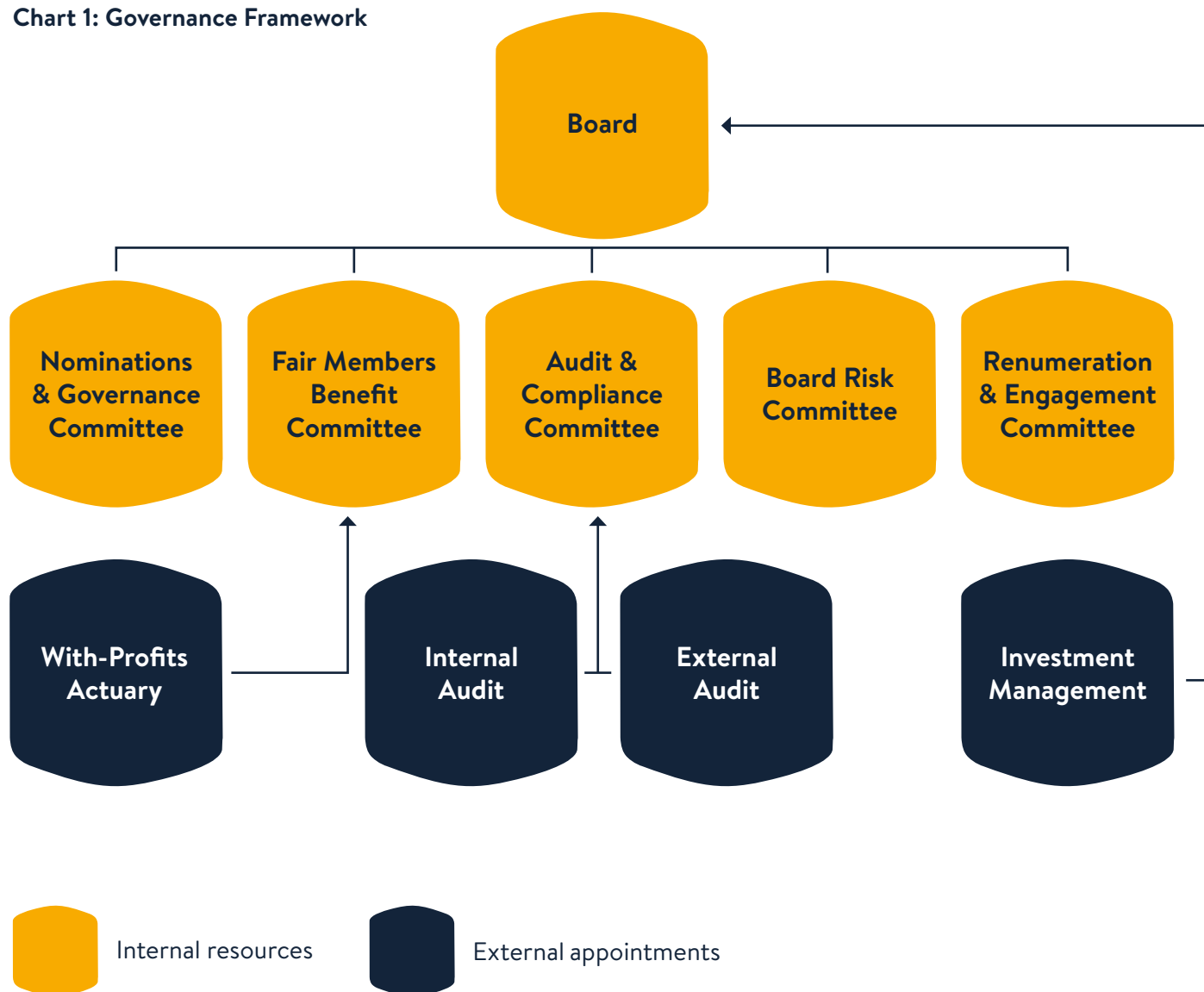
B. System of Governance

B.1 General information on the system of governance

The Board has ultimate responsibility over risk management. The Board comprises a majority of Non-Executive Directors (“NEDs”), and Executive Directors. NEDs are elected annually by the Society’s members at the AGM.

The Board is supported in its activities by five Committees and these committees may, in turn, also be supported by other parties. The Society has internal Management Committees that assist some of the Board Committees in exercising their oversight of the Society’s operations, processes and reporting. The following chart illustrates the broad framework of the Society’s system of governance.

Chart 1: Governance Framework



The Society reviews its governance framework on a half yearly basis to ensure it remains appropriate for the Society. 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.

The NEDs 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 an annual basis.

Key roles of Board and Committees

The following section details the key functions, roles and responsibilities of the Board and Committees.

The Board

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

- to act in the best interests of the Society and its members and is accountable to them
- to provide strategic leadership
- to monitor and review performance of the Society, the Board and the Executive Team
- to monitor key outsourced services, in particular external investment fund managers
- to set and maintain the highest standards of corporate governance
- to establish the framework of systems and controls and division of responsibilities
- to monitor risk via the framework of systems and controls
- to set the Society's risk appetite and tolerance limits
- 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 management of conduct risk and Consumer Duty
- to ratify and agree the decisions of the Board Committees
- to make appointments to the Board and evaluate their performance
- to set out the Society's approach to capital and liquidity management
- to consider the interests of members and other relevant stakeholders

A formal schedule of Matters Reserved to the Board is in place.

The Board Chair is responsible for chairing and overseeing the performance of the Board in accordance with the Society's rules, regulatory and legal requirements to maintain the highest standards of corporate governance. The Chair provides strategic leadership and direction to the Board and ensures that the work of the Board is focussed on meeting the Society's mission, vision and strategy.

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. They are also responsible for assessing the Board Chair's performance.

A NED will act as a Board Consumer Duty champion to ensure the Board has a focus on Consumer Duty matters.

NEDs have the responsibility for chairing and overseeing the performance of the Board Committees.

Nominations & Governance Committee

The Nominations & Governance Committee has oversight responsibility for ensuring that all key function holders in the Society are fit, proper and competent on a continuous basis and that the Society has an effective succession planning process in place.

The committee has oversight of the implementation of the Society's climate change strategy. It works closely with the Board Risk Committee on the risk related aspects of climate change.

Fair Members Benefit Committee (incorporating the With-Profits Committee) ("FMBC")

The FMBC is responsible for supporting the Board in discharging its corporate governance obligations in relation to compliance with the PPFM.

The scope of the FMBC covers activities that are normally those of a With-Profits Committee to protect the interests of with-profits policyholders. It also includes the consideration of the fair treatment of non-profit policyholders to ensure that the needs of all the Society's policyholders are considered.

The FMBC monitors the performance of the Society's investment managers to ensure with-profits policyholders are securing returns in line with their reasonable expectations.

The FMBC also has responsibility for monitoring and reviewing the nature of complaints.

The Society's With-Profits Actuary ("WPA") attends the FMBC meetings. The WPA advises the Society on key aspects of the discretion to be exercised affecting with-profits policyholders. The WPA is an independent appointment through Broadstone Limited, an external consulting actuarial firm.

The FMBC is supported by an executive committee, the Member Voice Committee. The Committee is responsible for assisting and advising the FMBC in exercising its oversight of good member outcomes in the Society as part of the Consumer Duty requirements. The Member Voice Committee will monitor and review the Society's performance against the Consumer Duty outcomes which are product and services, price and value, consumer understanding and consumer support.

Remuneration & Engagement Committee

The Remuneration & Engagement Committee 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 and engagement policy and practices are aligned to business strategy and objectives, its risk appetite, and engages its people by delivering rewards appropriate to their needs and wants. The Committee oversees that the engagement and retention activities undertaken within the Society are inclusive and aligned to the different needs and requirements of its people. It also recommends to the Board approval of the overall remuneration package for the Chief Executive Officer.

Board Risk Committee

The Board Risk Committee has the responsibility for the performance of the ORSA process (see section B.3), to ensure the ORSA is reviewed and developed as appropriate (at least annually) and is embedded within the Society as well as to oversee the Society's capital management strategy. They have oversight responsibility for ensuring that the Society has an appropriate ORSA Policy, that the requirements of the Policy are implemented by the Board, and that the Society is fully and effectively using its risk management systems. The Committee also oversees that the Society's investment funds are managed within the risk appetite set by the Board and that appropriate steps are being taken by the Society to manage risks with any specific asset or asset class.

The Board Risk Committee is further supported in its activities by the Operational Risk Committee ("ORC"), the Legal, Regulatory, Compliance & Governance Committee ("LRCG") and the Technology and Data Committee ("TDC"). These management committees assist and advise the Board Risk Committee in exercising its overview of all the principal risks, data governance and technology management for the Society and its strategic partners as part of an effective and integrated risk management system. Their core responsibilities include managing a programme of deep dives for specific areas of risk, overseeing the development of the Society's risk management system and ensuring effective monitoring of all risks.

The Board Risk Committee also:

- Monitors the risks attaching to the Society's investments which are currently managed by Royal London Asset Management ("RLAM") and Legal and General Investment Management ("LGIM").
- Monitors the financial risks of climate change.
- Monitors market exposures, such as interest rate risk, and implementation of alternative investment strategies to mitigate risk.
- Monitors underwriting risks, such as sickness and lapse risk.
- Monitors the impact on the Society's key risks for new partnerships, reinsurance arrangements and product launches by the Society's strategic partners.
- Reports to the Remuneration & Engagement Committee on whether management have adhered to risk appetite.

Audit & Compliance Committee

The Audit & Compliance Committee is responsible for the oversight of internal and external audit and the Society's compliance with regulations. The Committee is responsible for ensuring the independence of the audit functions and monitors the auditors' performance. The Chair is also the Society's whistleblowing champion.

The Society's Chief Actuary attends the Audit & Compliance Committee to present recommendations on appropriate methodologies and assumptions to use in the valuation of the Society's long-term business provision in its Annual Report and Accounts as well as the Solvency UK regulatory valuation.

The Chief Risk & Compliance Officer presents an annual compliance and monitoring plan and the Committee monitors progress and findings against this plan.

The Committee agrees the internal auditor's plan annually and reviews their reports, and the external auditors also report their findings when the annual financial statements are signed off.

The Committee is supported by the LRCG Committee and Financial Reporting Committee. Both Committees assist in the review of financial reports and overseeing the accuracy and timeliness of regulatory submissions.

Executive Directors

The following section summarises the key roles and responsibilities of the Executive Directors.

Chief Executive

The Chief Executive provides strategic and operational leadership to ensure the Society's continuing development and financial stability. They are responsible for the delivery of the financial objectives for 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.

Operations Director

The Chief Operating Officer is responsible for leading the day-to-day operations of the business of the Society in accordance with the overarching strategic plan and the annual operating plan, and overseeing the operational resilience of the Society. They are also responsible for delivery of an IT, data and systems strategy in line with the Society's corporate objectives, and for outsourced operational functions including systems and technology.

Chief Actuary

The Chief Actuary is responsible for developing, promoting and implementing sound capital and risk management policies and processes within the Society, thereby ensuring that members' interests are protected. In this role they are supported by the Chief Finance Officer and the Chief Risk & Compliance Officer. The Chief Actuary oversees 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.

Key second line defence functions

The following section summarises the key second line of defence risk management functions, their roles and brief responsibilities.

Risk

Provides independent oversight and challenge over the identification, assessment and management of all significant risks to ensure the Society is operating within agreed risk appetites. They design and maintain the Risk Management Framework.

Compliance

Oversees and monitors regulatory compliance to ensure that the business is managing its regulatory risk exposures appropriately and that controls are effective.

Actuarial

Coordinates the calculation of technical provisions, provides opinions on underwriting policy and reinsurance arrangements and contributes to the effectiveness of the Risk Management Framework.

Third line defence support

Further third line of defence support is provided to the Committees and Board from:

- Internal audit. The Society outsources internal audit to RSM LLP. This arrangement provides access to wider internal audit capabilities and ensures independent assurance on the adequacy and effectiveness of the Society's systems and controls.
- Additional actuarial oversight. Broadstone Limited provides the Society with additional support for actuarial activities and development. This is separate and independent of the With-Profits Actuarial services that is also provided by Broadstone Limited.
- External audit. BDO LLP are the current independent external auditors for the Society's annual financial statements.

Remuneration

provides a competitive package to attract and retain quality individuals. It complies fully with corporate governance practices and regulatory requirements. The Society ensures that the policy is consistent with its mission and values. NEDs do not receive any variable performance pay.

Executive Directors are remunerated in both fixed and variable form, with the variable element limited to a maximum potential of 30% of the fixed element. The Remuneration & Engagement Committee can also award discretionary amounts for exceptional contribution.

The Society has an employer sponsored defined contribution pension scheme and a closed defined benefit pension scheme (the "DB pension scheme"). The DB pension scheme has been closed to future accrual and new members since January 2018. The DB pension scheme has its own Board of Trustees and actuarial advisers. None of the Society's Executives are members of the DB pension scheme. The Executives can participate in alternative personal pension arrangements as approved by the Committee.

NEDs receive expenses for travel to and from Board meetings at Head Office.

The design and implementation of the remuneration policy is overseen by the Society's Remuneration & Engagement Committee. The Committee ensures that the Society adopts good corporate governance practice as well as relevant parts of the appropriate governance codes.

The Board is satisfied that the system of governance described above is appropriate for the nature, scale and complexity of the Society.

B.2 Fit and proper requirements

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

- Technical, professional skills, specialist knowledge
- Governance experience
- Behaviours, competencies, experience

A record of experience and competencies is maintained for each key function holder to evidence each key function holder's suitability to fulfil the essential requirements for the relevant key function or functions (including their prescribed responsibilities).

All key function holders and NEDs are required to undertake and maintain appropriate continuing professional development, assessed annually.

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

- Has the appropriate personal characteristics (including being of good repute and integrity);
- Possesses the required level of competence, knowledge and experience;
- Has the relevant qualifications, technical skills, professional skills and specialist knowledge in their area of expertise; and
- Has undergone or is undergoing all training required to enable such person to perform their key function effectively.

There were no material transactions between the Society and the Directors or senior management other than remuneration.

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

Risk management

The Society's Risk Management Framework (the "RMF") is designed to sit alongside the strategic plan and be proportional, aligned, embedded and dynamic. The RMF looks to ensure that risk management and risk culture, supports the identification, assessment, management and control of material risks that threaten the achievement of the strategy and fair treatment of members. The principal architecture of identification and culture are risk categories, headline risks, emerging risks, risk ownership and reporting. There was no material change to the Society's RMF in the year.

To facilitate our RMF, the Society's Risk Database is the central repository for all risks identified by the Society. Risk reporting indicators are used as early warning indicators for each headline risk. They are aligned to the risk appetites and reported to the relevant Board Committees.

Own Risk and Solvency Assessment ("ORSA")

The ORSA establishes a strong link between business planning, risk assessment and capital management. The Board is responsible for setting the Society's risk appetite which is expressed in the annual ORSA. The ORSA can be produced more frequently if the Society's risk profile has changed materially. One ORSA was produced in 2024 with stress tests undertaken to test the possible impact from higher interest rates, higher inflation and a deterioration in demographic experience.

The Society's overarching risk appetite is to hold a strong capital position and to be able to maintain solvency under significant adverse events. The Society's Risk Appetite Statement explains the level of risk that the Society is prepared to accept in pursuit of its strategic objectives and defines the tolerance for each risk category.

B.4 Internal control system

The three lines of defence control system is a key part of the Society's internal control system. This comprises:

- 1st line – the Senior Management team and front line employees;
- 2nd line – the Society's Risk, Compliance and Actuarial functions; and
- 3rd line – the outsourced internal audit function.

The three lines of defence approach is considered appropriate for the size and the complexity of the Society's business. An annual Assurance Plan is produced, which considers both risk and compliance requirements. A risk assessment is used to develop the annual Assurance Plan, which considers both internal and external factors, to allow a risk-based approach to assurance activities. This is reviewed and approved by the Audit & Compliance Committee annually and throughout the year the plan is updated in line with the activity and business need.

External audit provides independent assurance on the annual financial statements of the Society.

B.5 Internal audit function

For 2024, the Society's Internal Audit activities were outsourced to an external provider, RSM LLP, and as such they were independent of the Society's management team. A five-year rolling Internal Audit plan is in place to provide continuous assurance to the Audit & Compliance Committee on how well the risks facing Shepherds are being managed. The plan is reviewed annually and agreed with the Audit & Compliance Committee.

The appointment of Internal Audit is on a three-year cycle. At the end of each cycle, their appointment is reviewed, and the Audit & Compliance Committee considers annually the independence and objectivity of the firm.

The Board is satisfied that the Society has an effective internal audit function.

B.6 Actuarial function

The Actuarial Function is co-ordinated internally within the Society by its Chief Actuary. They are supported by the Chief Finance Officer and the Chief Risk & Compliance Officer as well a team of qualified and part-qualified actuaries, and data analysts.

Further support is provided by an external actuarial firm, Broadstone Limited. They review the actuarial function's output, methodologies and the Society's actuarial models. They are available for support should the need arise.

The Chief Actuary reports to the Chief Executive.

The Board is satisfied that the Society has an effective actuarial function.

B.7 Outsourcing

The Society assesses all outsourced activities in accordance with its Third-Party Supplier and Outsourcing Risk Policy to decide if any are critical activities to operate the business and to fulfil policyholder expectations. For those identified, a materiality exercise is carried out and outsourced service agreements are developed, and appropriate providers sourced in line with the Society's Third-Party Management and Outsourcing framework. Sourcing requires a robust process of selection, ensuring due diligence is applied to all criteria. On selection, the provider is subject to ongoing fit and proper assessments and follow up due diligence in line with the requirements of the Third-Party Management and Outsourcing framework.

The Society considers that it has two key outsourced services: investment management with RLAM, and the provision of cloud-based infrastructure services by Microsoft. RLAM's services are all provided within the UK, and the Society utilises Microsoft's UK South and UK West data centres.

B.8 Any other information

There is no additional material information regarding system of governance in this section.

C. Risk Profile

Risk Management Structure

Section B.3 sets out the Society's risk management system.

Overall risk profile of the Society

The following table analyses the more significant risks (defined as those where the Solvency UK SCR risk component before management actions is more than £1m) attached to the Society's products.

Table 5: Key risks for each of the Society's main lines of business

Line of business	Market risk	Underwriting risk				
		Mortality	Longevity	Sickness	Expense	Lapse
With-profits – life	✓					
With-profits – health	✓					
Non-profit – life			✓		✓	✓
Non-profit – health	✓			✓	✓	✓
Unit-linked	✓					

The assessment of risk in the table above takes into account the Society's reinsurance arrangements.

Table 6 sets out the Society's overall risk profile at the end of 2024 with the figures at the end of the prior year shown for comparison. The figures are based on the Society's Solvency Capital Requirement calculations.

Table 6: Solvency Capital Requirement by Risk Module

Risk Module	31st December 2024 – £'000s	31st December 2023 – £'000s
Market risk	8,582	6,677
Counterparty default risk	787	437
Life underwriting risk	3,540	3,452
Health underwriting risk	13,296	14,716
Diversification	(6,986)	(6,184)
Basic Solvency Capital Requirement	19,219	19,097
Operational risk	3,441	2,024
Loss absorbing capacity of technical provisions	(12,984)	(11,047)
Solvency Capital Requirement	9,676	10,074

The presentation for 2023 has been updated because the market risk component now allows for the fall in asset shares arising on a fall in investments. This was previously reflected as part of the loss absorbency of technical provisions. The Solvency Capital Requirement for 2023 of £10.07m is unchanged from that disclosed in the prior year's SFCR.

Market risk has increased reflecting the additional investments held by the Society.

The operational risk has increased due to increases in premiums over 2024 mainly from new business and the sale of fixed rate bonds over the year.

Overall there is increased diversification of risk and this has increased the diversification benefit.

C.1 Underwriting risk

Underwriting risk relates to the risk that actual rates of mortality, sickness, lapses and expenses are different to those allowed for within the solvency valuation.

Table 7 illustrates the relative significance of these risks on the Society's Own Funds as at 31st December 2024. The figures are based on the Society's undiversified Solvency Capital Requirement before management actions for life and health business combined.

Table 7: Impact of changes in mortality, sickness, lapses and expenses as at 31st December 2024

Risk	Sensitivity	Estimated impact on Own Funds £'000s
Longevity	20% decrease in mortality rates	(1,924)
Sickness	+25% inceptions, -20% recoveries	(11,699)
Lapses	10% increase in lapse rates	(5,859)
Expenses	+10% increase in maintenance expenses	(2,225)

Mortality risk

Mortality is not a financially significant risk driver.

Longevity risk

The Society has an exposure to longevity risk i.e. the risk that policyholders live for longer than expected. This risk applies to the Society's product range with the exception of unit-linked business.

Sickness risk

This risk applies to all the Society's Holloway and pure Income Protection contracts of insurance. If inception rates increase or if recovery rates fall (so that claims last for longer), or some combination of the two, then the Society's own funds will reduce.

Lapse risk

This is the risk that a policyholder lapses or surrenders their policy before the planned maturity date or expected surrender date. This is a material risk facing the Society because its protection contracts are expected to be profitable assuming a best estimate of future lapse rates. This means that if actual lapses are different to that expected then the value of the Society's existing business will increase or decrease accordingly.

Expense risk

The Society is exposed to the risk that the costs of administering the business are higher than expected. This can arise as a one-off increase to certain expenses and through higher expense inflation.

Risk mitigation techniques

Expenses, lapse and sickness claims experience is closely managed against the Society's risk appetites by Senior Management and monitored by the Board Risk Committee with Board oversight. Action is taken when performance is outside tolerance.

The Society seeks to work with intermediaries to deliver the quality of new business it expects and to promote member retention. The Society also focuses on member retention initiatives and it has enhanced the benefits provided to IP policyholders to prevent sickness and to aid recovery from sickness. Reinsurance arrangements help to mitigate sickness risks and IP premiums may be reviewed in line with the terms and conditions of the contracts to adjust for adverse experience.

C.2 Market risk

This is the risk that the Society's own funds are adversely affected by a change in the value of the investments that the Society holds. The risk includes the risk of higher interest rates which reduces the value of future cash flows on the Society's IP contracts.

Table 8 illustrates the relative significance of market risks on the Society's Own Funds as at 31st December 2024. The effect is before any additional management action is applied. The analysis is broken down by the impact of changes in the following market movements: interest rates, equity values, credit spreads and currency risk.

Table 8: Impact on own funds arising from changes in the market movements, as at 31st December 2024

Market movement	Sensitivity	Estimated impact on Own Funds £'000s
Interest rates	Solvency UK interest rate up stress	(2,162)
Equities	Solvency UK stress: 39% fall	(3,384)
Credit spreads	Solvency UK stress	(2,908)
Currency risk	Solvency UK stress	(1,427)

The Society is exposed to the risk of interest rates increasing. This is because higher interest rates have the effect of reducing the value of fixed interest assets and reduce the value of future positive cash-flows on the protection business the Society has sold.

The Society is exposed to the risk of other market movements because the Society is exposed to the risk of:

- The value of the assets backing with-profits liabilities falling. In such an event the cost of guarantees of the with-profits business increases, as does the value of the expense reserve.
- The value of the assets backing unit-linked liabilities falling. This arises only on the equity risk because all the Society's unit-linked assets are invested in equities. There is a fall in own funds because the value of future management charges is lower.
- The value of the assets backing the Society's pension scheme falling. This is because the Society's obligations to the pension scheme increases by the amount of any pension scheme investment losses.

Market risk concentrations

The Society invests the assets backing with-profits liabilities primarily in collective investment schemes. These funds are well-diversified and minimise any ongoing concentration of risk.

The Society's CTF unit-linked liabilities are matched by investment in LGIM's FTSE All-Share tracker fund. This fund is well-diversified and avoids any ongoing concentration of risk.

The Society has no directly held assets as at 31st December 2024 and the prior year.

Risk mitigation techniques

The Society holds investments in pooled funds that are designed to generate investment returns and reduce volatility risk in the long-term. Investment risk volatility for the Society's With-Profits Fund is actively managed by fund managers at RLAM. The Society's unit-linked funds are invested in appropriate fund indices that are tracked by LGIM. The Board has oversight of RLAM as a key outsourced active investment management services provider. Investment performance and emerging experience is monitored by the Board Risk Committee and the Fair Members Benefit Committee. The Society maintains a varied product range and any reduction in the value of IP policies as a result of higher interest rates will be mostly offset by a lower value of liability on the Society's with-profit business and a higher value of its derivative financial contract that is linked to the value of the UK gilt.

Prudent Person Principle

The Society invests its assets in accordance with the Prudent Person Principle as defined by the PRA. This requires firms like the Society to invest only in assets and instruments whose risks the firm can properly identify, measure, monitor, manage, control and report, and appropriately consider in the assessment of its overall solvency needs.

The core portfolio of the funds held with RLAM and LGIM are invested primarily in physical assets but the funds may also invest in derivatives for three reasons:

- To implement tactical asset allocation positions
- To limit volatility by reducing equity exposure
- To manage liquidity.

The funds operate a conservative derivatives policy. The funds only use derivatives for the purpose of reducing interest rate risks and efficient portfolio management. RLAM provide the Society with regular reports on the asset allocation of the collective investment funds as well as ad-hoc reports on demand.

Investment risk is managed and overseen by the Board Risk Committee. The nature of the risks of the Society's investments is reviewed at each meeting to ensure that they align with the Society's risk appetite and that appropriate steps are being taken by the Society to manage risks with any specific asset or asset class.

The Fair Members Benefit Committee also monitors the nature of the investments backing with-profits business. This Committee exercises independent judgement in advising the Board on the fair treatment of policyholders including investment related matters.

The Society's overall approach to managing its investments is also disclosed in the Society's Principles and Practices of Financial Management ("PPFM").

C.3 Credit risk

Credit risk attaching to the Society's holding of corporate bonds through collective investment funds is covered in section C.2 above. The Society is additionally exposed to the following types of credit risk:

- Risk of default by the Society's reinsurers. The reinsurers were selected based on an assessment of their financial strength and their credit rating. The risk of this arising is considered low.
- Risk that intermediaries that sell the Society's products are not able to repay clawback on commissions. The Society's exposure to this risk is not currently significant and varies in line with recently written business volumes. The risk is managed internally through weekly management review of outstanding balances and agreed repayments.
- There is a risk of the Society's banking provider or an investment management services provider counterparty failing. This risk is considered low because the Society invests only with financial institutions with credit ratings of A and above, and limits exposures to individual firms.
- The Society is exposed to the risk of loss from underlying credit positions, mitigated by diversity within the Society's investment portfolio and active credit assessments by the Society's investment managers.

Risk mitigation techniques

The Society monitors credit worthiness of all its material counterparties and takes mitigating actions when there are concerns over the credit rating. Material counterparties are selected based on an assessment of their financial strength and liquidity strength. This means the credit risk is low for the Society's material counterparties that includes its reinsurers, investment management providers and banking providers. Management reviews outstanding balances from intermediaries on a weekly basis and take action to recover overdue payments.

C.4 Liquidity risk

Liquidity risk is the risk that that the Society, though solvent, is not able to meet its financial obligations as they fall due. Liquidity risk is not quantified as part of the Solvency Capital Requirements.

Short-term liquidity or daily cash management covers the day-to-day cash requirements of the business under normal circumstances. Longer-term liquidity is managed through matching liability outflows with expected cash inflows.

Sources of cash arise mainly through premium receipts, sale of investments, reinsurance receipts and any underwriting profits we make on non-profit business.

Liquidity is managed by ensuring that the Society's assets are invested in a way that access to the majority of the Society's assets can be secured within one to three working days. This ensures that the Society has ready access to cash should the need arise. Counterparties are chosen such that the risk of liquidity constraints in times of stress are minimised.

The Society manages the expected profits on future premiums which are not liquid and appropriate ways to mitigate this risk have been developed by the Society such as monitoring the balance of new business mix.

C.5 Operational risk, including strategic risks

The main operational risk facing the business include:

Operational resilience risk: This covers the risk that the Society does not have the ability to prevent, adapt, respond to, recover and learn from operational disruptions or cyber threats. There is a risk that the Society is unable to meet its member obligations following the significant degradation of services received which could result in disruption to our operations or loss of financial assets.

The Society has in place an Operational Resilience Framework to manage and stress test operational and technological crises covering various areas such as data and cyber security, and enabling rapid and effective decision making. The Framework identifies the important business services, critical and important suppliers, and critical roles in the business. The Framework sets out the frequency at which the Society reviews key controls and an assessment of how they can be flexed during periods of operational strain. Before entering any outsourcing relationships, the Society conducts due diligence on the organisations and the outsourced activity to ensure any risks are fully considered. The Society recognises that cyber threats constantly evolve in sophistication and it continues to invest in its security systems to ensure the Society remains resilient to cyber threats and other physical threats to business continuity.

Compliance risk: This is the risk that the Society fails to meet regulatory and legal requirements of the Society's obligations as an insurance provider.

The Society has a policy in place to provide minimum standards by which product oversight, fair value, and governance are maintained and risks are mitigated. The Society has a dedicated Compliance function within the business, whose role is to support all employees and to ensure they have the requisite knowledge of the applicable laws and regulations for their roles and functions. Training programmes are reviewed annually to identify any gaps in knowledge which are required to be filled. All employees are mandated to complete at least 15 hours of continuing professional development every year.

Consumer Duty risk: This is the risk that the Society fails to act to deliver good outcomes for its members under the Consumer Duty regulation. This may result in poor outcomes for the Society's members.

The Society is committed to ensuring that its customers are treated fairly and experience good outcomes. The Society has embedded Consumer Duty across the business and has developed key metrics to measure consumer outcomes at key stages of the customer journey. The Society has a Board Consumer Duty champion who ensures that the Board takes into consideration Consumer Duty requirements in its discussions. Management, the Fair Members Benefit Committee and the Board regularly review Management Information on complaints, customer communications and customer journeys to maintain oversight.

Product development & portfolio risk: The risk that new business is not in balance with the Society's operational capacity (both too much or too little).

The Society aims to maintain a varied product range and varied distribution channels to provide continuous flexibility and adaptability to changing market circumstances. The Society sets new business targets in line with the strategic plan, and risk appetite and tolerances. The Board monitors new business volumes against its targets and oversees that Management take corrective measures to address any significant variances.

C.6 Other material risks

The material risks in the business have been articulated within sections C.1 (underwriting risk), C.2 (market risk), C.3 (credit risk), C.4 (liquidity risk) and C.5 (operational risk) above. The Society monitors these risks carefully and appropriate controls are in place to take action should one or more of those risks crystallise.

Other material risks to the Society includes climate change risks. The potential risks associated with climate change are incorporated within existing risk categories for the Society, rather than a standalone risk category. The Society takes steps to minimise its carbon footprint as well as ensuring that the risks of climate change are allowed for in its business planning. The ORSA details the scenario analyses undertaken to assess the potential threat of climate change to help inform the Society's longer-term solvency needs.

C.7 Any other information

There is no additional material information regarding risk profile in this section.

D. Valuation for Solvency Purposes

D.1 Assets

Table 9 provides a summary of the value of the assets used for solvency purposes.

Table 9: Value of Assets at the end of 2024 and at the end of prior year

Asset type	31st December 2024 £'000s	31st December 2023 £'000s
Collective Investment Undertakings	101,486	87,562
Assets held for unit-linked contracts	44,363	41,392
Reinsurance recoverables	10,006	8,797
Reinsurance receivables	-	224
Cash and cash equivalents	16,065	6,791
Pension scheme surplus	866	444
Other	811	216
Total	173,597	145,426

Collective Investment Undertakings and Assets held for unit-linked contracts are valued based on the bid value of units at the reporting date.

Reinsurance recoverables were valued using the same methods and assumptions that were used to value the technical provisions of the contracts to which the reinsurance relates, taking account of the specific nature of the reinsurance treaty.

Reinsurance receivables were valued at face value based on the amounts owed by the reinsurer.

Cash and cash equivalents are valued at face value.

Other assets relate to amounts payable to Shepherds Friendly from intermediaries and brokers.

The Society values assets for solvency purposes in the same way as used for the Report and Accounts with the following adjustments:

- There are some assets which can be valued for the Report and Accounts but which are not permitted to be valued for solvency purposes. These are tangible assets (property used for the Society's own purposes), intangible assets and prepayments;
- The presentation in the Report and Accounts treats technical provisions in respect of protection benefits as an asset. These are treated as a negative liability for solvency purposes;
- The presentation in the Report and Accounts treats the reinsurance share of technical provisions in respect of protection benefits as a liability. These are treated as a reduction to the reinsurance recoverables asset for solvency purposes;

Table 10 reconciles the value of assets set out in the Report and Accounts with the value of assets used for solvency purposes.

Table 10: Reconciliation of Assets in Report and Accounts to those used for solvency purposes

	31st December 2024 £'000s	31st December 2023 £'000s
The Society's Assets in Report and Accounts	249,426	217,290
Intangible assets	(696)	(820)
Property, plant and equipment held for own use	(283)	(317)
Prepayments	(323)	(331)
Technical provisions for protection benefits	(70,302)	(67,144)
Reinsurers' share of technical provisions for protection benefits	(4,225)	(3,252)
Assets for solvency purposes	173,597	145,426

D.2 Technical provisions

Table 11 provides a summary of the value of technical provisions used for solvency purposes at the end of 2024 and at the end of the prior year.

Table 11: Technical Provisions at the end of 2024 and prior year, gross of reinsurance

	31st December 2024		
Line of business	Best estimate £'000s	Risk margin £'000s	Total Technical Provisions £'000s
With-profits – life	94,883	-	94,883
With-profits – health	12,162	36	12,198
Non-profit – life	68,366	304	68,670
Non-profit – health	(70,982)	680	(70,302)
Unit-linked business	43,354	-	43,354
Total	147,783	1,020	148,803

	31st December 2023		
Line of business	Best estimate £'000s	Risk margin £'000s	Total Technical Provisions £'000s
With-profits – life	82,088	-	82,088
With-profits – health	13,097	87	13,184
Non-profit – life	50,867	252	51,119
Non-profit – health	(68,804)	1,660	(67,144)
Unit-linked business	40,640	-	40,640
Total	117,888	1,999	119,887

The following detail the reasons for the change in technical provisions over 2024:

- With-profits – life increased in value reflecting the investment gains in 2024 and new business over 2024.
- With-profits – health has reduced over the year as this class of business continues to run off.
- Non-profit – life technical provisions have increased over 2024 primarily reflecting sales of the Society's fixed rate bonds in the year.
- Non-profit – health technical provisions has changed reflecting new business growth in 2024 and the increase in risk-free rates which are used to discount the future cash flows from in force policies.
- Unit-linked technical provisions have increased in value reflecting the investment gains in 2024 on assets held for unit-linked liabilities.

General description of methodology used to calculate technical provisions

Technical provisions are calculated as the sum of the best estimate liability and the risk margin.

The best estimate liability is the probability-weighted value of future cashflows required to fulfil obligations to policyholders under existing contracts. A negative best estimate liability is allowed if the present value of future premiums exceed the present value of future outgoings.

Best estimate liabilities are calculated without any allowance for reinsurance cashflows.

The best estimate liability for all with-profits (life and health) business is set to be the asset share plus the cost of guarantees reserve plus the expense reserve.

The best estimate liability for all non-profit (life and health) is calculated on a gross premium basis with an explicit allowance for future expenses.

The best estimate liability for unit-linked business is taken to be the face value of unit funds less the present value of future management charges over future expenses for the unit-linked policies.

The risk margin is an addition to the best estimate liability to ensure that the technical provisions are equivalent to the amount that third party insurance undertakings would be expected to require in order to meet the insurance obligations. The risk margin is calculated in accordance with PRA requirements for Solvency UK firms and is equal to the product of the cost of capital rate and the sum of current and each future Solvency Capital Requirement discounted to the valuation date using risk-free interest rates. Solvency Capital Requirements are projected in line with the underlying risk driver e.g. sickness risk is based on the projected run-off of the value of future sickness benefits.

Valuation of the Society's with-profits business

This covers the following types of business:

- With-profits – life: This covers the Society's regular and single premium with-profits (endowments, whole life, with-profits bonds and ISAs) contracts. These are insurance with-profits participating contracts.
- With-profits – health: This covers the Society's Holloway with-profits contracts. These are health insurance contracts with a profit-participating element.

The technical provisions of with profits business at the valuation date is taken to be the retrospectively calculated asset share 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 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 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 PRA's published risk-free yield curves.

Expense reserve

Expenses charged to the asset shares are assumed to be those underlying the illustration basis set out in Key Features Documents or Key Information Documents. An additional expense reserve calculation is done to allow for the difference between the expenses needed to maintain the business 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 risk-free yield curves.

Treatment of Holloway

Holloway Income Protection business is treated in a similar way to the conventional 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)

Table 12 sets out the products covered by this section and the type of business they are.

Table 12: Classification of the Society's non-profit contracts

Line of business	Products	Solvency classification
Non-profit – life	Conventional paid-up endowments	Other life insurance
	Conventional paid up whole life	
	Over 50s	
	Old whole life and other minor classes of conventional non-profit business	
	Fixed rate bonds	
Non-profit – health	Pure income protection	Health (Similar Life Techniques)

A gross premium methodology is used in the valuation of each of these contracts of insurance. None of these policies have any options implicit within the contract terms (e.g. guaranteed surrender values). These reserves allow for the expected cost of all future sickness claims on relevant policies in force at the end of 2024.

Valuation of unit-linked liabilities

Unit-linked liabilities are taken to be the face value of unit linked funds less the present value of future profits on unit funds. This is the discounted value of future charges over future expenses.

Currency

All 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 as at 31st December 2024 or as at the end of the prior year.

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. The valuation allows for future charges applied to asset shares to cover the cost of the guarantees provided.

Assumptions used

The key assumptions used in the valuation of the Society's business are sickness rates, mortality, lapse rates, expenses, inflation and discount rates. Each is discussed further below. The Society has used recent experience to estimate future experience.

Sickness rates

The Society's sickness experience (inceptions and recoveries) has been analysed separately by reference to CMIR12 tables. The assumptions are different for each material line of the Society's income protection business (including Holloway).

Mortality

The rates of mortality assumed to apply to the Society's business are split between the Society's conventional business excluding Over 50s business, Holloway business and pure income protection business.

No mortality is allowed for in the valuation of the Society's unit-linked 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. Rates are set by reference to recent observed experience.

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 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 expenses and new business volumes are set by reference to the Society's budgets for the next financial year following the valuation date.

Inflation

Future inflation is based on the CPI projections by the Bank of England, with an adjustment to derive the Retail Price Index ("RPI"). Additional allowance is made for elements of the Society's costs linked to wage inflation.

The rates of interest used to discount future cashflows are specified by the PRA.

Reinsurance

The Society reinsures its Over 50s, part of its IP book of business and products sold through third-party arrangements. The valuation of the Society's assets recognises the value of this arrangement. The same methods and assumptions are used to value the reinsurance arrangement as used to value the technical provisions of the contracts to which the reinsurance relates.

The Society also has an historic reinsurance arrangement in place to cover a de minimis number of 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.

Material changes in the assumptions used

The Society reviews at least annually the emerging experience of the Society's business and has reflected the sickness and lapse experience over 2024 in the assumptions used as at 31st December 2024.

Level of uncertainty associated with the value of technical provisions

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.

There is additional uncertainty in the calculation of the risk margin. This is dependent on future interest rates and factors affecting the methodology assumed for the run-off of Solvency Capital Requirement components of the calculation.

Differences with the bases, methods and assumptions used with values shown in the Report and Accounts

The same bases, methods and assumptions are used in calculating the technical provisions for both the Report and Accounts and solvency purposes, with one exception. The exception relates to the valuation of the fixed rate bond where for solvency purposes the value includes allowances for future interest awards; for the Report and Account purposes only interest accrued to the reporting date is allowed in accordance with the FRS102 accounting for investment contracts. The value of this difference at the end of 2024 is an increase to best estimate liabilities for solvency purposes of £1.2m (2023: £0.58m increase). The increase to liabilities for solvency purposes is the effect of discounting new business at lower interest rates as at 31st December 2024.

Other required 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.

D.3 Other liabilities

Table 13 sets out a summary of the Society's other liabilities.

Table 13: Other Liabilities at the end of 2024 and at the end of 2023

Liability type	31st December 2024 £'000s	31st December 2023 £'000s
Claims outstanding	2,643	2,074
Claims outstanding – reinsurers' share	(859)	(821)
Creditors arising out of direct insurance operations	323	527
Creditors arising out of reinsurance operations	1,186	-
Trade creditors	46	337
Accruals and deferred income	2,264	1,836
Other creditors	935	837
Total	6,538	4,790

There is no observable market for the liabilities. Their value is based on an estimate of the expected financial cost to the Society. No account has been taken of discounting these cashflows. Liabilities have been valued in accordance with the principles used in the Report and Accounts.

D.4 Alternative methods for valuation

The Society prepares its Report and Accounts using Financial Reporting Standards ("FRS") 102 and FRS 103 as issued by the Financial Reporting Council. The derogation contained in Article 9 of the Solvency UK Directive allows firms the option of recognising and valuing assets and liabilities under FRS for solvency purposes as long as certain conditions are fulfilled.

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

D.5 Any other information

There is no additional material information regarding the valuation of assets and liabilities for solvency purposes to report in this section.

E. Capital Management

E.1 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. All its capital is classified as tier 1 and is available to cover its Solvency Capital Requirement and Minimum Capital Requirement.

Table 14 summarises the Society's capital position, defined as its Own Funds at the end of 2024 and at the end of the prior year.

Table 14: Own Funds at the end of 2024 and at the end of the prior year

	31st December 2024 £'000s	31st December 2023 £'000s
Own funds	18,256	20,744

Own funds equal the Fund for Future Appropriations as set out in the Society's Report and Accounts, adjusted for certain valuation differences (as described in section D.1). Table 15 reconciles the two values.

Table 15: Reconciliation of Fund for Future Appropriations to Own Funds

	31st December 2024 £'000s	31st December 2023 £'000s
Fund for Future Appropriations	20,808	22,794
Intangible assets	(696)	(820)
Property, plant and equipment held for own use	(283)	(317)
Prepayments	(323)	(331)
Valuation difference on fixed rate bonds	(1,250)	(582)
Own funds	18,256	20,744

There are no items of ancillary own funds.

The Society's Solvency Ratio, defined as the ratio of Own Funds to the Solvency Capital Requirement was 189% at the end of 2024 (2023: 206%).

The Society manages its capital by reference to a comprehensive capital management plan. This plan is prepared by the Society's actuarial function and reviewed and approved by the Society's Board. The plan sets out a target range for own funds and details the steps the Society would take in the event that the capital position was to breach stated tolerances.

The Society's capital position relative to any targets acts as a guideline for enhancements that can be paid to with-profits policyholders or if alternative management actions need to be applied. These are all subject to Board discretion to allow wider business factors to be considered.

The Society's Own Risk and Solvency Assessment details the expected progression of capital over the next five years. Monitoring performance against that expected is a key strategic focus for the Society.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Table 16 provides a summary of the Solvency Capital Requirement and Minimum Capital Requirement at the end of 2024 and at the end of the prior year.

Table 16: Solvency Capital Requirement and Minimum Capital Requirement

	31st December 2024 £'000s	31st December 2023 £'000s
Solvency Capital Requirement	9,676	10,074
Minimum Capital Requirement	3,500	3,495

Table 17 provides a breakdown of the Solvency Capital Requirement by risk module at the end of 2024 and at the end of the prior year. Figures allow for management actions and allowances against future discretionary benefits.

The Solvency Capital Requirement has been calculated using the standard formula prescribed by the regulations.

Table 17: Solvency Capital Requirement by Risk Module

Risk Module	31st December 2024 £'000s	31st December 2023 £'000s
Market risk	8,582	6,677
Counterparty default risk	787	437
Life underwriting risk	3,540	3,452
Health underwriting risk	13,296	14,716
Diversification	(6,986)	(6,184)
Basic Solvency Capital Requirement	19,219	19,098
Operational risk	3,441	2,024
Loss absorbing capacity of technical provisions	(12,984)	(11,048)
Solvency Capital Requirement	9,676	10,074

The presentation for 2023 has been updated as described in Section C.

The Basic Solvency Capital Requirement has increased over 2024 and this reflects:

- a) higher market risks reflecting the additional investments held by the Society; and
- b) higher operational risks due to growth in new business.

The Solvency Capital Requirement is lower compared to that at the end of the prior year. The higher loss absorbing capacity of technical provisions reflects the growth in the with-profits book of business over the year.

No simplifications have been used to calculate any of the Solvency Capital Requirement risk modules.

No undertaking-specific parameters have been used to calculate the Solvency Capital Requirement.

The final amount of the Solvency Capital Requirement is subject to supervisory assessment.

QRT IR.28.01.01 in the Appendix sets out the information on the inputs used to calculate the Society's Minimum Capital Requirement. Table 18 details the Minimum Capital Requirement.

Table 18: Inputs used to calculate the Minimum Capital Requirement ("MCR")

	31st December 2024 £'000s	31st December 2023 £'000s
MCR before the application of any floor or cap	1,443	(248)
MCR cap (45% of the SCR)	4,354	4,533
MCR floor (higher of 25% of the SCR and €4.0m for YE23 and £3.5m for YE24)	3,500	3,495
Minimum Capital Requirement	3,500	3,495

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

The regulations allow insurers writing certain types of business to calculate the capital requirement of their equity investments using what is called a duration-based equity sub-module. Its use depends on the regulator having previously approved its use.

The Society does not write any business that can use the duration-based equity risk sub-module.

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

The regulations allow insurers to calculate their Solvency Capital Requirement using a prescribed standard formula. Where the formula is not considered to be appropriate, an internal model may be used instead. The Society considers that the standard formula is appropriate and so has not used an internal model.

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

The Society has maintained sufficient own funds throughout 2024 and the prior year to cover its Solvency Capital Requirement and its Minimum Capital Requirement.

E.6 Any other information

There is no additional material information regarding the capital management of the Society to report in this section.

Disclosures

(Monetary amounts in GBP thousands)

General information

Entity name	Shepherds Friendly
Entity identification code and type of code	LEI/2138008DYCUY8QSADI25
Type of undertaking	Life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31st December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

IR.02.01.02 - Balance sheet

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

IR.05.03.02 - Life income and expenditure

IR.12.01.02 - Life technical provisions

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

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

IR.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	866
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	101,486
R0080	Property (other than for own use)	0
R0090	Holdings in related undertakings, including participations	0
R0100	Equities	0
R0110	Equities - listed	
R0120	Equities - unlisted	
R0130	Bonds	0
R0140	Government Bonds	0
R0150	Corporate Bonds	0
R0160	Structured notes	0
R0170	Collateralised securities	0
R0180	Collective Investments Undertakings	101,486
R0190	Derivatives	0
R0200	Deposits other than cash equivalents	0
R0210	Other investments	0
R0220	Assets held for index-linked and unit-linked contracts	44,363
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:	10,006
R0280	Non-life and health similar to non-life	
R0315	Life and health similar to life, excluding index-linked and unit-linked	10,006
R0340	Life index-linked and unit-linked	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	811
R0370	Reinsurance receivables	

IR.02.01.02
Balance sheet (continued)

		Solvency II value
	Assets	
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	16,065
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	173,597

IR.02.01.02
Balance sheet (continued)

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	148,803
R0510	Technical provisions - non-life	0
R0515	Technical provisions - life	148,803
R0542	Best estimate - total	147,782
R0544	Best estimate - non-life	
R0546	Best estimate - life	147,782
R0552	Risk margin - total	1,020
R0554	Risk margin - non-life	
R0556	Risk margin - life	1,020
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	1,186
R0820	Insurance & intermediaries payables	323
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	981
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	4,049
R0900	Total liabilities	155,341
R1000	Excess of assets over liabilities	18,256

IR.05.02.01

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

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0220	C0230	C0230	C0240	C0250	C0270	C0300
	Premiums written							
R1410	Gross	67,478						67,478
R1420	Reinsurers' share	4,864						4,864
R1500	Net	62,614						62,614
	Premiums earned							
R1510	Gross	67,478						67,478
R1520	Reinsurers' share	4,864						4,864
R1600	Net	62,614						62,614
	Claims incurred							
R1610	Gross	30,499						30,499
R1620	Reinsurers' share	1,570						1,570
R1700	Net	28,930						28,930
R1900	Net expenses incurred	22,198						22,198

IR.05.03.02

Life income and expenditure

		Insurance with-profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written							
R0010	Gross direct business	30,905	404			26,617	9,552	67,478
R0020	Gross reinsurance accepted							0
R0030	Gross	30,905	404	0	0	26,617	9,552	67,478
R0040	Reinsurers' share					4,088	776	4,864
R0050	Net	30,905	404	0	0	22,529	8,775	62,614
	Claims incurred							
R0110	Gross direct business	16,330	591			8,297	5,282	30,499
R0120	Gross reinsurance accepted							0
R0130	Gross	16,330	591	0	0	8,297	5,282	30,499
R0140	Reinsurers' share					1,394	176	1,570
R0150	Net	16,330	591	0	0	6,903	5,106	28,930
	Expenses incurred							
R0160	Gross direct business	9,310	370			4,044	9,364	23,088
R0170	Gross reinsurance accepted							0
R0180	Gross	9,310	370	0	0	4,044	9,364	23,088
R0190	Reinsurers' share					890		890
R0200	Net	9,310	370	0	0	3,154	9,364	22,198
R0300	Other expenses							
	Transfers and dividends							
R0440	Dividends paid							

IR.12.01.02

Life technical provisions

		Insurance with-profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written							
R0025	Gross Best Estimate (direct business)	94,883	43,354			68,366	-58,821	147,782
R0026	Gross Best Estimate (reinsurance accepted)							0
R0030	Gross Best Estimate	94,883	43,354	0	0	68,366	-58,821	147,782
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default					14,231	-4,225	10,006
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	94,883	43,354	0	0	54,135	-54,596	137,776
R0100	Risk margin					304	716	1,020
	Amount of the transitional on Technical Provisions							
R0110	TMTP - risk margin							0
R0140	TMTP - best estimate dynamic component							0
R0150	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	Transitional Measure on Technical Provisions	0	0	0	0	0	0	0
R0200	Technical provisions - total	94,883	43,354	0	0	68,670	-58,105	148,803

IR.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	18,256	18,256			
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				
R0290	Total basic own funds after deductions	18,256	18,256	0	0	0

IR.23.01.01

Own Funds (continued)

	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
	Ancillary own funds	0				
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

S.23.01.01

Own Funds (continued)

	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
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	18,256	18,256	0	0	0
R0510	Total available own funds to meet the MCR	18,256	18,256	0	0	
R0540	Total eligible own funds to meet the SCR	18,256	18,256	0	0	0
R0550	Total eligible own funds to meet the MCR	18,256	18,256	0	0	
R0580	SCR	9,676				
R0600	MCR	3,500				
R0620	Ratio of Eligible own funds to SCR	188.68%				
R0640	Ratio of Eligible own funds to MCR	521.60%				

S.23.01.01

Own Funds (continued)

	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
		C0060				
	Reconciliation reserve					
R0700	Excess of assets over liabilities	18,256				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0725	Deductions for participations in financial and credit institutions					
R0730	Other basic own fund items	0				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	Reconciliation reserve	18,256				

IR.25.04.21
Solvency Capital Requirement
Net of loss absorbing capacity of technical provisions
C0010

Market Risk		
R0070	Interest rate risk	0
R0080	Equity risk	2,098
R0090	Property risk	0
R0100	Spread risk	1,454
R0110	Concentration risk	778
R0120	Currency risk	714
R0125	Other market risk	
R0130	Diversification within market risk	-1,373
R0140	Total Market risk	3,671

Counterparty default risk		
R0150	Type 1 exposures	747
R0160	Type 2 exposures	52
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-12
R0180	Total Counterparty default risk	787

Life underwriting risk		
R0190	Mortality risk	0
R0200	Longevity risk	138
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	145
R0230	Revision risk	0
R0240	Lapse risk	1,114
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	-160
R0270	Total Life underwriting risk	1,237

IR.25.04.21
Solvency Capital Requirement (continued)
C0010

Health underwriting risk		
R0280	Health SLT risk	3,152
R0290	Health non SLT risk	0
R0300	Health catastrophe risk	57
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	-42
R0320	Total Health underwriting risk	3,166
Non-life underwriting risk		
R0330	Non-life premium and reserve risk (ex catastrophe risk)	
R0340	Non-life catastrophe risk	
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	
R0370	Non-life underwriting risk	0
R0400	Intangible asset risk	
Operational and other risks		
R0422	Operational risk	3,441
R0424	Other risks	
R0430	Total Operational and other risks	3,441
R0432	Total before all diversification	13,890
R0434	Total before diversification between risk modules	12,302
R0436	Diversification between risk modules	-2,627
R0438	Total after diversification	9,676

IR.25.04.21
Solvency Capital Requirement (continued)
C0010

R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	Solvency capital requirement including undisclosed capital add-on	9,676
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	Solvency capital requirement including capital add-on	9,676
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.28.01.01
**Minimum Capital Requirement - Only life or only non-life insurance
or reinsurance activity (continued)**

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 non-life insurance and reinsurance obligations		C0040		
R0200	MCR _L Result	1,443		

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

			Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0050	C0060
R0210	Obligations with-profit participation - guaranteed benefits		71,255	
R0220	Obligations with-profit participation - future discretionary benefits		36,086	
R0230	Index-linked and unit-linked insurance obligations		43,354	
R0240	Other life (re)insurance and health (re)insurance obligations			
R0250	Total capital at risk for all life (re)insurance obligations			542,188

Overall MCR calculation		C0070		
R0300	Linear MCR	1,443		
R0310	SCR	9,676		
R0320	MCR cap	4,354		
R0330	MCR floor	2,419		
R0340	Combined MCR	2,419		
R0350	Absolute floor of the MCR	3,500		
R0400	Minimum Capital Requirement	3,500		

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