

SOLVENCY AND FINANCIAL CONDITION REPORT
2016



**BRITISH
FRIENDLY**

It feels good to be covered

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It feels good to be covered

The Donald Family
British Friendly members



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DIRECTOR'S REPORT

British friendly Society Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2016

We certify that:

the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

we are satisfied that:

a) throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Society; and

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



Chris Radford (Chairman)

Date: 11/05/17

AUDITOR'S REPORT

Report of the external independent auditor to the Board of Directors of British Friendly Society Limited (“the Society”) pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms,

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

Opinion

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

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Society as at 31st December 2016, (**“the Narrative Disclosures subject to audit”**) and
- Society templates S02.01.02, S.12.01.01, S.23.01.01, S.25.01.21, S.28.01.01, (**“the Templates subject to audit”**).

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

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

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;
- Society templates S5.01.02, S5.02.01
- The written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report (‘the Responsibility Statement’).

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

Basis for opinion

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

Conclusions relating to going concern

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

- the Directors’ use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

AUDITOR'S REPORT

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

Emphasis of Matter- Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations. The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S REPORT

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

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

Report on Other Legal and Regulatory Requirements.

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



Daniel Slocombe (Senior Statutory Auditor)
For and on behalf of Moore Stephens, Statutory Auditor 30 Gay Street,
Bath BA1 2PA
12th May 2017

SUMMARY

The Society was founded in 1902 to provide sickness benefits for Commercial Travellers and their families. We are located in Bedford, with members throughout the UK and are one of the larger UK Friendly Societies with just over £89m in assets. The principal activity of the Society is to provide sickness cover for its members in times of illness or accident. After paying sick pay and expenses any surplus is invested for the benefit of the members and the BFS investment policy is determined by the Board of the Society with input from the Investment Committee and our Actuary. As a mutual we exist solely for the benefit of our members and have no shareholders to whom we need to pay dividends.

The core business of the Society is the provision of income protection insurance. Until 2011, the policies were mainly of a 'Holloway' type with a capital element building up over time through the payment of interest and apportionments (effectively distributing annual surpluses to members). This business had been in decline for a number of years and to address issues of ongoing viability and expense coverage, in 2011 a pure Income Protection product, BFS Protect, was launched. This is sold via intermediaries and is the core new business product of the Society.

In recent years we have also introduced Breathing Space, a policy which does not require financial underwriting and is designed for the self-employed market.

There are also just over 1,000 former members of the BA (British Airways) Benefit Fund which was transferred to the Society in 2002.

Members' balances on the balance sheet are currently 100% owned by 'Holloway' type members.

The Society also provides loans to members with a capital account up to 85% of the value of their accounts and secured against the balance in such account. This service is provided through a subsidiary business, BFS Member Services Limited (separately authorised by the FCA). This is not material to the overall business of the Society.

The focus in the last 4 years has been to continually improve the product offer to maintain our competitive position and to widen our distribution.

All the Society's products are currently based on reviewable premiums. While these have not been changed since the launch in 2011, the ability to amend these to reflect adverse variances in sickness or expense experience reduces the capital required and increases the Society's resilience.

BFS Protect continues to grow and currently accounts for 47% of premium income and 52% of overall membership.

This has led to an increase in overall membership from 14,319 to 20,440 over the last 6 years.

In addition to the insured Holloway and Protect Members, the Society has some 3,000 former Holloway members who have commuted their sickness benefits at age 60, but retain their balances with the Society earning an annual bonus and who will receive a terminal bonus on withdrawing their funds from the Society (including on death).

We believe our current point in time capital and solvency positions are appropriate for a business of our size and complexity and our increased strength and resilience has enabled us to agree a revised strategy to tackle our reliance on a limited product range and distribution model.

A. BUSINESS PERFORMANCE

A1. Business

British Friendly Society Limited is incorporated under the Friendly Societies Act 1992 under registration number 392F. The Society is a friendly society owned 100% by its members. Each of the Society's members is entitled to one vote at the Annual General Meeting or on resolutions requiring member votes. There are no other persons or entities with ownership interest in the Society.

The Society's material business is the provision of Income Protection insurance to its members. The Society carries out its business within the United Kingdom.

The Society is authorised by the Prudential Regulation Authority and regulated by the Finance Conduct Authority and the Prudential Regulation Authority. Moore Stephens, Bath are the Society's external auditors (Moore Stephens, 30 Gay Street, Bath, BA1 2PA).

There has been no significant business or other events that have occurred over the reporting period that have had a material impact on the Society's business.

A2. Underwriting Performance

The most recent financial results and full year forecast show that the Society is growing, solvency is improving and expenses are being managed in such a way as to bring overheads down over the next few years.

This is a vindication of the Society's decision in 2015 to invest in new personnel in order to re-energise sales and drive growth.

Figure 1 shows the Society's premium income for the last 6 years and shows the continuing growth we are experiencing.

This growth has come from the sale of BFS Protect and Breathing space products. We continue to see net lapsing of our traditional Holloway type members but due to this being offset by Protect member growth our solvency and overall membership continues to improve.

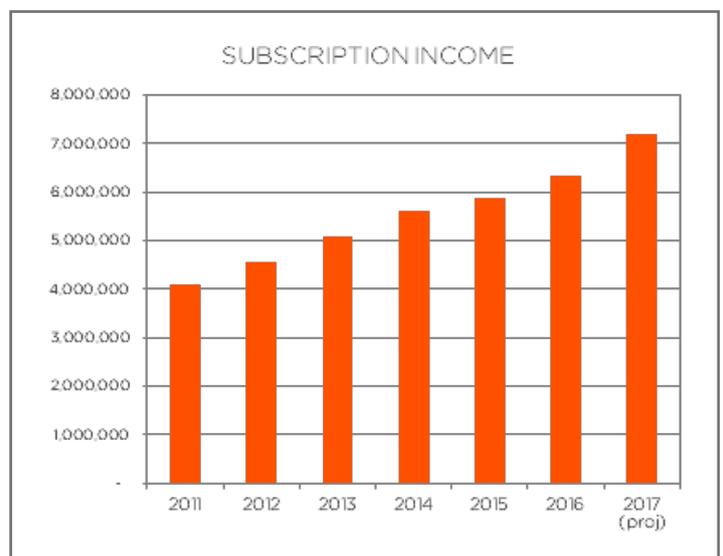
As Protect policies remain profitable, increasing sales results in increasing surpluses available for distribution to members.

On a monthly basis the following KPI's directly relating to our underwriting performance are monitored:

New Business

1. New business volumes/intermediary
2. Application to 'in force' conversion rate
3. Application by product and underwriting process
4. Average premium
5. Policy lapses, cancellations from inception

Figure 1.



A. BUSINESS PERFORMANCE

Claims

1. Claims paid to premium earned ratio by line of business
2. New claims received in the month
3. % of members in claim
4. Average claim length and claims > 12 months
5. Number and reason for rejected claims

During the last year performance has either been in line or ahead of expectations in all key areas.

A3. Investment Performance

The Society employs professional investment managers to operationally manage its portfolio of investments.

It invests in a mixture of:

1. Government and corporate fixed interest debt
2. Equities and Hedge funds
3. Property funds
4. Freehold property

Capital preservation and stable return for members are the key criteria for us when investing; as such a conservative investment mandate is given to the managers.

Investment Returns

1. We invest our assets in order to provide a stable return to our members whilst putting capital preservation at the heart of any investment decisions made.
2. Investment returns for 2016 exceeded our budget and expectations; this was despite the backdrop of a lot of market and political uncertainty.
3. We did not expect the further falls in government and corporate bond interest rates which occurred nor the rally in equities in the second half of the year, nevertheless our portfolio was positioned to benefit from both these events whilst still being carefully matched to our liabilities.
4. We remain in a low interest environment despite inflation beginning to rise in the UK, there may be a modest rise in the Bank of England interest rate this year but our belief is it will stay well below long term averages.
5. It is this long term trend in interest rates that we consider when trying to set a stable sustainable interest rate for our members. Despite the fall in gilt yields we were pleased to be able to keep our annual bonus rate unchanged at 1.5% for the year.
6. We have however, been able to increase our final bonus substantially this year from 9% to 15% reflecting the longer term value being created in the Society by the growth we are seeing whilst keeping our costs under control and this is a trend we hope to continue.

A4. Performance of other activities

There are no other material lines of businesses; all income is earned through insurance or investment activities.

B. SYSTEM OF GOVERNANCE

B1. General Information on the system of governance

1. The Society is headed by a Board of Directors and its roles and responsibilities are set out in the Memorandum and Rules of the Society and the Matters Reserved for the Board policy. The Board operates through its four main sub-committees - Audit and Compliance, Risk, Investment and Remuneration and Nomination.

2. Full details of the responsibilities of the Board and its sub committees are set out in a formal Governance Map. There is a clear division of responsibilities between the roles of Chairman and Chief Executive and they are held by different individuals. Each has their specific roles and responsibilities which are set out in their respective Terms of Reference. The Chairman is primarily responsible for the effective running of the Board and for ensuring full and constructive participation of all Board members in discussions and the decision making processes within the remit of the Board. The Chief Executive is responsible for the executive management of the Society within specific guidelines established by the Board. The Board of Directors comprises the Chairman, who is an independent Non-Executive, four other independent Non-Executives and currently two Executive members, being the Chief Executive and the Finance Director. During the reporting period, the Board enhanced its collective skills and competence with the appointment of two new Non Executive Directors, to chair its Audit/ Compliance and Risk Committees.

The Society's remuneration policy is based on the payment of a fixed salary and supplementary benefits that include a car allowance, pension contribution and benefits.

Executives and staff are also eligible to participate in a bonus scheme. Non-executive directors do not participate in the Society's bonus schemes and are remunerated by way of a fee for the provision of their services.

The Executive bonus scheme is designed to reflect both executive performance and benefits to members. It is based on the three year targets which ensure:

- a. Improving solvency levels
- b. Growing the membership base
- c. Ensuring the long term profitability of the Society

The maximum payable in 2016 was 15% of salary. All targets were achieved and the full bonus was paid.

The staff bonus scheme is based on 15% of salary of which half relates to hard targets (currently the above metrics of membership, surplus and overhead costs per member) and half relates to personal performance determined by quarterly and annual review. The Board of the Society have no other material financial interest in the affairs of the Society and there were no related party transactions during the period.

3. The Society has an established governance framework details of which can be found in our Governance Manual. The Board of the Society considers that the system of governance is adequate for the nature, scale and complexity of the risks inherent in the Society's business.

4. Key functions are held by the Society's senior management team and details of key functions can be found in the Governance Manual. Key function holders have access to the Society's Board and the authority to carry out their tasks independently.

B. SYSTEM OF GOVERNANCE

B2. Fit and proper requirements

1. The Society subjects all individuals considered for appointment to a Controlled Function or Senior Insurance Managers Function to a review of probity, reputation and financial soundness including criminal record, address, identity verification and credit checks. The following factors are taken into account when assessing an applicant for a relevant appointment:

- a. The probity of the individual as judged during the recruitment process.
- b. The reputation of the individual as judged from a review of public media.
- c. The individual's financial soundness as judged from credit reference reports obtained by the Society.
- d. Comments made by the individual's referees (at least 2 verifiable references must be obtained).
- e. Any information obtained during the criminal record checks.

In addition, an assessment of competence considers whether an individual has:

- a. Has the personal characteristics (including being of good repute and integrity);
- b. Possesses the level of competence, knowledge and experience;
- c. Has the qualifications; and
- d. has undergone or is undergoing all training, required to enable such person to perform his or her key function effectively and in accordance with any relevant regulatory requirements, including those under the regulatory system, and to enable sound and prudent management of the firm.

In addition, for a Senior Insurance Management Function the Society also:

- a. Takes reasonable steps to obtain appropriate references from that person's current and previous employers covering at least the past five years.

Holders of Controlled Functions or Senior Insurance Manager Functions are also required to confirm that they continue to satisfy regulatory standards by completing an annual statement of continued fitness and propriety during the annual appraisal.

B3. Risk management system including the own risk and solvency assessment

1. The Society has a risk management system approved by the Board Risk Committee and day to day risks management activities are carried out using an online risk register. The Society's risk management system covers operational, strategic, regulatory, conduct, insurance, credit and market risks. The Society's Board following agreement of its strategic objectives and risk appetite are provided with regular reports on the risks to the strategy and the Society's overall risk exposure and actions taken to manage such risks. The Board's risk appetite statement is regularly reviewed by the Risk Committee and covers the key risks that the Society is exposed to.

2. Active Risk Management is integrated into the Society's day to day operations by way of ensuring that the key risks facing the business have been captured within the risk registers and are constantly reviewed and updated with attendant upward reporting to the Risk Committee and the Board. Management also considers new and emerging risks to the Society's business at their monthly meeting identifying any issues for escalation to the Society's Board.

3. Second Line of Defence responsibilities lie partly within the remit of the Chief Risk Director and partly within that of the Internal Audit function.

B. SYSTEM OF GOVERNANCE

The Society's ORSA process is completed at least annually and commences with Management review of the key risks faced by the Society and other merging issues. This is followed by the Board's approval of its strategy and review and reassessment of the Society's risk appetite and tolerance. Output from the Board's consideration is then used to develop a draft of the ORSA following consideration of the continued appropriateness of the standard formula. The Board has final responsibility for sign off of the ORSA.

In addition to the risks included in the calculation of the SCR, the Society's ORSA takes into account those risks that are not fully captured in the SCR calculation but which are controlled through the Society's overall risk management framework.

B4. Internal control system

The Society has an internal control system comprising a compliance monitoring programme, operational departmental process maps and Key Performance Indicators, reported upwards and a financial regulations document approved by the Board that sets out financial limits and sign off authorities.

There is a compliance function independent of business areas responsible for advising the Board on compliance with PRA and FCA Regulations, and other laws, regulations and administrative provisions adopted in accordance with the Solvency II Directive.

B5. Internal audit function

The Society has an internal audit function which has been recognised as a key function. The CEO currently holds the SIMR function of Head of Internal Audit. The performance of the Internal Audit is carried out by KPMG, a firm independent of the Society who although reporting on a day to day basis to the CEO are accountable to the Audit and Compliance Committee. The internal auditors have the independence to set the audit strategy, commit to an Audit Charter and the authority to challenge management on internal controls and risk management, including Conduct Risk.

B6. Actuarial function

The Board has appointed an external company, OAC Plc to provide actuarial services to the Society. The Chief Actuary (SIMF 20) is held by Christopher Critchlow of OAC who reports to the Society's Board under Board approved Terms of Reference. The Chief Actuary is responsible for among others, calculating the Society's technical provisions and ensuring the appropriateness of the methodologies and underlying the models used as well as the assumptions made in the calculation of the technical provisions.

B7. Outsourcing

The Society outsources the following Solvency II activities: Internal Audit and Actuary function holder. There are Terms of Reference in place for both outsourcing arrangements with clear responsibilities for performance of the functions. The Board of the Society retains ultimate responsibilities for ensuring that these services are provided in accordance with the Solvency II Directive. There are contracts in place with both these providers to ensure that the services are provided in accordance with the Solvency II Directive. In addition the Society also outsources the provision of its IT services. IT has also been recognised as a key function. It has also outsourced the provision of Information Security guidance and monitoring. Finally the Society outsources its investment management activities. All of the outsourced activities are subject to robust oversight and controls, including contractual protections and an annual review by the Board.

C. RISK PROFILE

C1. Summary of current risk appetite

The Society has identified its overall appetite for risk and expressed this in terms of its solvency position. In addition to the minimum solvency requirement defined by the prevailing regulatory environment, the Society has determined a minimum level of additional solvency required at all times, its risk tolerance. This is set by the Board as a key component of, and constraint upon, the strategic plan. This is currently quantified as an additional capital margin of 5% of total admissible assets (after anticipated apportionment and interest payments) above the Solvency Capital Requirement.

As at 31 December 2016 we had £24M of surplus assets (own funds less solvency capital requirement) up from £18.9M a year earlier.

C2. Summary of current risk profile

The Society's strategy over the next 12 months is set to achieve the following outcomes:

1. Growth in membership
2. Managing claims in order to maintain market leading claims position
3. Delivering a strong and clear service proposition for members and intermediaries
4. Embedding an improved lapses process to enhance member retention

C. RISK PROFILE

The Principal Risks and Uncertainties relating to whether the strategy will be achieved are as follows:

Strategic

RISK DESCRIPTION

1. The nature of the Society's business model and its vulnerability to competitor and technological innovation remains a significant risk.
2. A failure to develop the Society's product proposition in line with changing market dynamics and expectations could erode and significantly impact the achievement of our strategic objectives.
3. The economic and political environment is currently uncertain with several factors apparent which might affect the Society's ability to fulfil its strategic objectives.

MITIGATION

1. The Society continues to invest in efforts to diversify the approach away from being a mono product provider and extend our distribution channels. Significant progress has been made this year in diversifying our distribution base. In addition plans are in place to update our technological infrastructure over the coming year.
2. The Society continues to develop its product and member propositions and the introduction of the Mutual Benefits programme is an example of this.
3. The Board monitors this and the potentially adverse impact of the political and economic environment on the Society's strategy is kept constantly under review.

Insurance

RISK DESCRIPTION

1. The Society is required to make assumptions as to the likelihood of an insured event occurring. The Society's solvency and operational ability will be adversely affected if these, particularly Claims and Lapses are inaccurate.

MITIGATION

1. Defined controls against KPIs and KRIs are regularly reported to the Board to identify adverse trends and are accommodated within our agreed risk appetite. The Society uses actuarial models to determine the pricing of our products. This is carried out by the Actuarial Function Holder. The Society complies with specified risk models under Solvency II Regulations which are designed to facilitate oversight and understanding of the risks facing the Society and to ensure adequate capital reserves to meet liabilities.

C. RISK PROFILE

Credit

RISK DESCRIPTION

1. This is the risk that the Society suffers financial loss as a result of another party's failure to meet their financial obligations in a timely manner.



MITIGATION

1. The Society seeks to minimise credit risk by ensuring that all counterparties have strong credit ratings, hold investments in segregated client funds and maintains a diversified portfolio of investments, thereby reducing the potential impact of any one credit event.

Market

RISK DESCRIPTION

1. The limitations of the Society's capital base remain and our exposure to investment shocks is a vulnerability of the current strategy.



MITIGATION

1. Market risk for investments is managed by use of detailed investment guidelines which cover risk/reward relationships, limits on exposure by markets and asset classes and maturity profiles. The Society's investment objectives are to achieve medium term stability in bonus rates and to not put the members' capital at risk. The Society does not match its assets and liabilities precisely. Average duration benchmarks are set instead, which approximate the maturity profile of the liabilities but with a degree of mismatch to allow the Society some flexibility to enhance returns.

C. RISK PROFILE

Operational

RISK DESCRIPTION

MITIGATION

- | | | |
|--|---|--|
| 1. The limited resource available to an organisation of our size increases the level of challenge to remain both competitive and compliant. | ➔ | 1. The Society has actively recruited to key posts during the year which will facilitate scalability and support future developments as well as compliance controls. |
| 2. The Society is required to ensure that it has personnel with the appropriate competencies and behaviours. | ➔ | 2. A formal Training, Competency and Development initiative has been commissioned to be implemented in 2017. |
| 3. The government's Universal Credit programme presents a challenge for the Society. If implemented in the current form it could have an impact on the attraction of new business. | ➔ | 3. The Society, along with the wider income protection sector is monitoring early feedback from the Universal Credit rollout, seeking to understand the impact on our business. We will continually review our products to ensure that they are of real value to members. |
| 4. A significant breach of our Information Security arrangements leading to loss of member and the Society's data, could impact our ability to operate and achieve our strategic objectives. | ➔ | 4. The Society constantly reviews its information security arrangements including internal audit of our outsourced IT partner. A comprehensive review of the Society's Information Security controls has been commissioned and any recommendations for strengthening these will be implemented in 2017. |
| 5. The Society is subject to a number of regulatory and legislative obligations. A failure to anticipate regulatory change or respond effectively to such changes could impact on our ability to operate and achieve our strategic objectives and damage our relationships with members. | ➔ | 5. The Society manages its regulatory risks through active engagement with the various regulatory regimes, including Conduct of Business, Data Protection and Solvency that affect the Society's business. The Society seeks to identify and meet its regulatory obligations and to respond to emerging requirements. Operational controls, training and reporting processes are in place to ensure compliance with the requirements of our regulators. Objective oversight is effected by means of a risk based monitoring programme approved by the Audit and Compliance Committee of the Board. Additional Compliance support and oversight is provided by an external consultancy. |
| 6. A number of critical functions are outsourced to third parties. | ➔ | 6. Due Diligence is carried out on potential suppliers and robust contractual and oversight controls and management reporting operate once in place. |
| 7. The Society has commissioned a major IT re-engineering programme that carries embedded operational risks as well as the opportunity to modernise and streamline its operational capability. | ➔ | 7. A robust supplier selection process has been carried out to ensure supplier competency and ability to deliver to specification. This is supported by strong contractual protection, and real time management and oversight by an internal project team reporting to senior management and the Board. |
| 8. The Society needs to keep up with current technology practices in order to deliver its products in a relevant way to its customers and members. | ➔ | 8. Significant efforts go into ensuring our systems meet the needs of our customers and members. Any major IT change goes through a thorough risk analysis process before it is implemented. |

D. VALUATION OF SOLVENCY PURPOSES

D1. Assets

1. The value of the assets is shown in figure 2:

figure 2	31/12/2016
	'000's
Property, plant and equipment held for own use	£320
Property	£7,154
Equities	£9,613
Government bonds	£11,600
Corporate bonds	£29, 211
Collective Investments	£24,457
Deposits other than cash equivalents	£2,000
Loans and mortgages to individuals	£72
Other loans and mortgages	£587
Insurance and intermediaries receivables	£52
Cash and cash equivalents	£564
Any other assets not elsewhere shown	£282
Total	£85,922

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

3. The Society does not hold listed investments which are not held on an active regulated market.

4. The Society has no leasing arrangements or material deferred tax assets.

5. The Society has no related undertakings.

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

7. The assets are shown at the same value as the values in the financial statements subject to adjustments in respect of deferred acquisition costs, intangible asset.

Figure 3 reconciles the differences.

figure 3.	31/12/2016
	'000's
Value of assets presented in financial statements	£89,363
Less Deferred acquisition costs	£2,695
Less Intangible assets	£725
Less Software element of tangible assets	£21
Solvency II value of assets	£85,922

D2. Technical Provisions

8. The value of the assets is shown in figure 4:

figure 4.	31/12/2016
	'000's
Sickness and maintenance expense reserves including member accounts	£37,607
Incurred but not reported	£75
Best estimate liabilities	£37,682
Risk margin	£9,940
Technical provisions	£47,622
Current liabilities	£1,571
Total liabilities	£49,193
All the Society's liabilities relate to health (similar to life) business.	

D. VALUATION OF SOLVENCY PURPOSES

D.3 Valuation Methods

9. The following paragraphs detail the methodology adopted for the Solvency II valuation as at 31 December 2016 for the following specific components of the Society's business:

- a. valuation of all the Society's Holloway and income protection income and liability cashflows;
- b. valuation of Holloway members' accounts and allowance for interest, apportionment and final bonuses;
- c. valuation of sickness claims in payment;
- d. BNR (incurred but not reported);
- e. negative reserves;
- f. valuation of individual policies;
- g. allowance for expenses;
- h. reinsurance;
- i. currency exposures;
- j. options and guarantees; and
- k. discount rates.

Valuation of Holloway and income protection income and liability cashflows

10. The Society adopts a gross premium methodology approach to the valuation of each of its contracts of insurance. This means that we project, for each individual contract on the Society's books, net cashflows out of the Society every single month into the future as follows.

Net cash flow each month =

Expected monthly sickness payment (not relevant for commuted Holloway contracts) assuming all policyholders are healthy at the date of valuation

(+) Expected monthly maturity and withdrawals on Holloway commuted and non-commuted accounts allowing for future rates of interest and apportionment bonuses

(+) Monthly cost of maintenance and investment expenses allowing for future expense inflation

(-) Expected future monthly premiums payable

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

Valuation of Holloway member accounts and allowances for interest, allocation and final rates of bonus

12. The Society had accrued £59,841,205 in member accounts at the end of 2016 (including the 2016 declared bonus). These are all linked to Holloway contracts of insurance.

13. This amount is guaranteed to be payable on maturity or earlier on death. The Society applies its discretion in the amount it pays in the event of withdrawal before maturity. A final bonus may also be paid on maturity or earlier death at the discretion of the Society.

14. Each year these benefits are increased by both an interest bonus, in respect of investment returns over the year, and an apportionment bonus in respect of the Society's favourable sickness experience (akin to a bonus equal to premiums less claims less expenses).

15. The value of these accounts is equal to the discounted value of the expected future benefit of these accounts allowing for future rates of interest, apportionment and final bonus. Expected future interest is allowed for at the Society's long-term sustainable rate equal to half the discount rate of return less 0.75%; allocation and final bonuses are equal to the rates declared as at 31 December 2015.

Valuation of sickness claims in payment

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

D. VALUATION OF SOLVENCY PURPOSES

Incurred But Not Reported (IBNR)

17. An additional reserve is held to cover the value of claims where policyholders have fallen sick but where they have not reported that fact to the Society (or they have reported the claim but it has yet to be admitted by the Society). An additional reserve is also needed for IBNR on group life business. This is valued as equal to the annual average of the last 3 years' sickness claim costs divided by 12 plus a reserve equal to one month's group life risk premium (gross of reinsurance). The result is rounded up to the higher £10,000.

Allowance for expenses

18. Expenses are allowed for in the valuation of the Society's liabilities by a per policy charge. This is assumed to be payable annually and covers each policy's share of the maintenance and investment related expenses of the Society. The calculation of each policy's share of these costs allows for the expected volumes of new business the Society expects to write. Expected maintenance and investment related expenses and new business volumes are set by the Society's budgets for the 3 calendar years following the valuation date.

Reinsurance

19. The Society does not have any reinsurance arrangements in place

Currency

20. The Society's liabilities are all denominated in GBP.

Options and guarantees

21. None of the Society's contracts has any options or any material guaranteed surrender values in place at 31 December 2015 or 31 December 2016.

Discount rates

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

Assumptions used in the valuation of best estimate liabilities

23. Assumptions need to be made for:

- a. sickness inception and recovery rates;
- b. mortality rates;
- c. lapse and withdrawal rates;
- d. expense inflation; and
- e. rate used to discount future cashflows.

Sickness Rates

24. The Society's sickness experience has been analysed both by the rate of inceptions and by rates of recovery and are split between Holloway style contracts (Holloway and Century) and the Society's pure income protection business (Protect and Breathing Space). The inceptions and recoveries are explicitly allowed for in the cash flow methodology. The sickness tables used are based on the industry standard "CMIR12" tables. The assumed rates of sickness used at the end of the relevant financial year are set out in the figure 5:

25. Holloway and Century

figure 5.

Assumption	31/12/2016
Inception rates - age	
Up to age 20	10%
20-24	20%
25-29	30%
30-34	40%
35-39	50%
40+	65%
Recovery rates	
0-4 weeks	80%
4-8 weeks	90%
4-13 weeks	125%
13 weeks +	190%

Females are assumed to inception at a rate 30% (2015: 30%) higher than the figures stated above.

26. BFS Protect and Breathing Space

Assumption	31/12/2016
Inception rates	35%
Recovery rates	
0-4 weeks	35%
4-13 weeks	65%
13 weeks +	165%

Female inception rates are assumed to be the same as for males (2015: same assumption).

Mortality

27. The rates of mortality assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders. The assumed rates of mortality used at the end of the relevant financial year are set out in figure 6:

figure 6.

Assumption	31/12/2016
Holloway and Century non-commuted	45% AMF92
Holloway and Century commuted	60% AMF92
Protect and Breathing Space	45% AMF92

D. VALUATION OF SOLVENCY PURPOSES

Lapse and withdrawal rates

28. The rates of lapse and withdrawal assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders. The assumed rates of lapse and withdrawal used at the end of the relevant financial year are set out in figure 7.

figure 7.

Assumption	31/12/2016
Holloway and Century non-commuted	5.00% pa
Holloway and Century commuted	6.00% pa
Holloway and Century commutation rate	40.00%
Protect (by duration in-force)	
Year 1	15.00% pa
Year 2	
Year 3	
Year 4	12.50% pa
Year 5	
Year 6+	10.00% pa

This represents the proportion of policyholders who are assumed to exercise a right to commute their policy on retirement.

Expense inflation

29. Per policy expenses are assumed to increase at the following rates:

Assumption	31/12/2016
Expense inflation rate % pa	3.80% pa

Rate used to discount future cashflows

30. The Solvency II risk free yield curve as specified by EIOPA at the end of the relevant financial year has been used. Example spot rates are shown in figure 8.

Figure 8.

Projection year	1	2	3	4	5	10	15	0	25
31 December 2016	0.38%	0.44%	0.52%	0.61%	0.69%	1.08%	1.26%	1.32%	1.29%

Valuation of the risk margin

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

32. To calculate a full risk margin would involve projecting the Society's balance sheet and SCR calculation for 50 years. In view of the onerous nature of this task there are five permitted simplifications and Societies may choose the most appropriate simplification having regard to the scale and complexity of their business. The Society has chosen simplification 3 which means that the SCR for each future year is approximated based on a proportional approach in line with the run off of the best estimate reserves for the existing business.

33. The amount of the SCR that is projected is based on a reference undertaking with no market risk.

The loss absorbing capacity of technical provisions assumed in the reference undertaking is assumed to be same as that currently assumed to apply for the Society's business. The same future management actions are assumed.

34. The total amount of the risk margin at 31 December 2016 is £9,940,210 (2015: £9,866,889). This all relates to health (similar to life) business.

35. There are no particular uncertainties associated with the value of technical provisions.

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

37. No use has been made of a matching adjustment

38. No use has been made of a volatility adjustment.

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

40. There are no reinsurance arrangements in force.

41. There are no "other liabilities".

42. No alternative valuation methods have been employed.

43. No other material information is supplied.

E. CAPITAL MANAGEMENT

E1. Own funds

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

45. Figure 9 shows the amount of own funds at the valuation date

Figure 9.

	31/12/2016 (000's)
Assets	£85,922
Best estimate liabilities	£37,682
Risk margin	£9,940
Current liabilities	£1,571
Own funds	£36,729
Solvency Capital Requirement (SCR)	£12,682
Surplus funds	£24,047

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

- Taking such management actions as may be anticipated within its SCR calculations.
- Reviewing and refocusing its strategic objectives and priorities.

- Re-pricing its contracts of insurance.
- Reviewing its expense base, including potentially closing to new business.
- Seeking a transfer of engagement.

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

48. The amount of Tier 1 own funds at the reporting date is £36,728,943. There are no restrictions on the use of own funds and this amount is available to cover the SCR and the MCR.

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

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

51. There are no items subject to a transitional arrangement

52. There are no items of ancillary own funds.

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

E. CAPITAL MANAGEMENT

Solvency Capital Requirement and Minimum Capital Requirement

54. The Solvency Capital Requirement at 31 December 2016 was £12.682M after allowing for management actions.

55. The SCR split by risk module is shown in figure 10:

Figure 10.

	31/12/2016	
	Gross (000's)	Net (000's)
Market risk	13,118	2,256
Counterparty default risk	1,973	1,973
Health risk	14,938	10,962
Diversification across all risks	-7,121	-2,763
Basic Solvency Capital Requirement	22,908	12,428
Operational risk	254	254
Solvency Capital Requirement	23,162	12,682
Minimum Capital Requirement	3,332	3,332

56. There are no simplifications applied to the SCR calculation.

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

58. The Minimum Capital Requirement for the Society is £3.332M.

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

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

61. The Society does not use an internal model.

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

DISCLOSURES

General information

Undertaking name	British Friendly Society Ltd
Undertaking identification code	2138007I91E8L8M80Q28
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2016
Currency used for reporting	GBP
Accounting standards	The undertaking is using local GAAP (other than IFRS)
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

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

DISCLOSURES

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	320
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	84,045
R0080	<i>Property (other than for own use)</i>	7,154
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	9,613
R0110	<i>Equities - listed</i>	9,613
R0120	<i>Equities - unlisted</i>	0
R0130	<i>Bonds</i>	40,821
R0140	<i>Government Bonds</i>	11,600
R0150	<i>Corporate Bonds</i>	29,221
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	24,457
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	2,000
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	660
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	72
R0260	<i>Other loans and mortgages</i>	587
R0270	Reinsurance recoverables from:	0
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	
R0300	<i>Health similar to non-life</i>	
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	52
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	564
R0420	Any other assets, not elsewhere shown	282
R0500	Total assets	85,922

DISCLOSURES

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	0
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	
R0540	<i>Best Estimate</i>	
R0550	<i>Risk margin</i>	
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	
R0580	<i>Best Estimate</i>	
R0590	<i>Risk margin</i>	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	47,622
R0610	<i>Technical provisions - health (similar to life)</i>	47,622
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	37,682
R0640	<i>Risk margin</i>	9,940
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	0
R0680	<i>Risk margin</i>	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	0
R0710	<i>Best Estimate</i>	0
R0720	<i>Risk margin</i>	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	1,571
R0900	Total liabilities	49,193
R1000	Excess of assets over liabilities	36,729

DISCLOSURES

5.05.01.02

Premiums, claims and expenses by line of business

Life

	Line of business for: life insurance obligations						Life reinsurance obligations		Total
	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written									
R1410 Gross	6,345								6,345
R1420 Reinsurers' share	1								1
R1500 Net	6,344								6,344
Premiums earned									
R1510 Gross	6,345								6,345
R1520 Reinsurers' share	1								1
R1600 Net	6,344								6,344
Claims incurred									
R1610 Gross	6,778								6,778
R1620 Reinsurers' share	0								0
R1700 Net	6,778								6,778
Changes in other technical provisions									
R1710 Gross	4,731								4,731
R1720 Reinsurers' share	0								0
R1800 Net	4,731								4,731
R1900 Expenses incurred	5,919								5,919
R2500 Other expenses									
R2600 Total expenses									5,919

DISCLOSURES

5.05.02.01

Premiums, claims and expenses by country

Life

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Top 5 countries (by amount of gross premiums written) - life obligations						Total Top 5 and home country
Home Country							
R1400	C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written						
R1410	6,345						6,345
R1420	1						1
R1500	6,344	0	0	0	0	0	6,344
	Premiums earned						
R1510	6,345						6,345
R1520	1						1
R1600	6,344	0	0	0	0	0	6,344
	Claims incurred						
R1610	6,778						6,778
R1620	0						0
R1700	6,778	0	0	0	0	0	6,778
	Changes in other technical provisions						
R1710	4,731						4,731
R1720	0						0
R1800	4,731	0	0	0	0	0	4,731
R1900	5,919						5,919
R2500							0
R2600							5,919

DISCLOSURES

5.13.01.01 Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/25

	Total	Ther 1 unrestricted	Ther 1 restricted	Ther 2	Ther 3
	C0010	C0020	C0030	C0040	C0050
80010 Ordinary share capital (gross of own shares)	0	0	0	0	0
80030 Share premium account related to ordinary share capital	0	0	0	0	0
80040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0	0	0	0
80050 Subordinated mutual member accounts	0	0	0	0	0
80070 Surplus funds	0	0	0	0	0
80090 Preference shares	0	0	0	0	0
80110 Share premium account related to preference shares	0	0	0	0	0
80130 Reconciliation reserve	36,729	36,729	0	0	0
80140 Subordinated liabilities	0	0	0	0	0
80160 An amount equal to the value of net deferred tax assets	0	0	0	0	0
80180 Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
80220 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	0	0	0	0
80230 Deductions for participations in financial and credit institutions	0	0	0	0	0
80290 Total basic own funds after deductions	36,729	36,729	0	0	0
Auxiliary own funds					
80300 Upaid and uncalled ordinary share capital callable on demand	0	0	0	0	0
80310 Upaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0	0	0	0	0
80320 Upaid and uncalled preference shares callable on demand	0	0	0	0	0
80330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0	0	0	0	0
80340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0	0	0	0	0
80350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0	0	0	0	0
80360 Supplementary members calls under first subparagraph of Article 96(1) of the Directive 2009/138/EC	0	0	0	0	0
80370 Supplementary members calls - other than under first subparagraph of Article 96(1) of the Directive 2009/138/EC	0	0	0	0	0
80390 Other auxiliary own funds	0	0	0	0	0
80400 Total auxiliary own funds	0	0	0	0	0
Available and eligible own funds					
80500 Total available own funds to meet the SCR	36,729	36,729	0	0	0
80510 Total eligible own funds to meet the MCR	36,729	36,729	0	0	0
80540 Total eligible own funds to meet the SCR	36,729	36,729	0	0	0
80550 Total eligible own funds to meet the MCR	36,729	36,729	0	0	0
80580 SCR	12,682				
80600 MCR	3,312				
80620 Ratio of Eligible own funds to SCR	299,62%				
80640 Ratio of Eligible own funds to MCR	1102,26%				
Reconciliation reserve					
80700 Excess of assets over liabilities	36,729				
80710 Own shares (held directly and indirectly)	0				
80720 Foreseeable dividends, distributions and changes	0				
80730 Other basic own fund items	0				
80740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
80760 Reconciliation reserve	36,729				
Expected profits					
80770 Expected profits included in future premiums (EP7F) - Life business	26,735				
80780 Expected profits included in future premiums (EP7F) - Non- Life business	0				
80790 Total Expected profits included in future premiums (EP7F)	26,735				

DISCLOSURES

5.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP		Simplifications
	C0110	C0080		C0090
R0010 Market risk	13,118			
R0020 Counterparty default risk	1,973			
R0030 Life underwriting risk	0			
R0040 Health underwriting risk	14,938			
R0050 Non-life underwriting risk	0			
R0060 Diversification	-7,121			
R0070 Intangible asset risk	0			
R0100 Basic Solvency Capital Requirement	22,908			
Calculation of Solvency Capital Requirement				
R0130 Operational risk	254			
R0140 Loss-absorbing capacity of technical provisions	-10,480			
R0150 Loss-absorbing capacity of deferred taxes				
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	12,682			
R0200 Solvency Capital Requirement excluding capital add-on	12,682			
R0210 Capital add-ons already set				
R0220 Solvency capital requirement	12,682			
Other information on SCR				
R0400 Capital requirement for duration-based equity risk sub-module				
R0410 Total amount of Notional Solvency Capital Requirements for remaining part				
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds				
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios				
R0440 Diversification effects due to RFF nSCR aggregation for article 304				

DISCLOSURES

5.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations		C0010	Net (of reinsurance/SPV) best estimate and TP calculated as a whole		Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030	
R0010	MCR _{NL} Result	0			
R0020	Medical expense insurance and proportional reinsurance				
R0030	Income protection insurance and proportional reinsurance				
R0040	Workers' compensation insurance and proportional reinsurance				
R0050	Motor vehicle liability insurance and proportional reinsurance				
R0060	Other motor insurance and proportional reinsurance				
R0070	Marine, aviation and transport insurance and proportional reinsurance				
R0080	Fire and other damage to property insurance and proportional reinsurance				
R0090	General liability insurance and proportional reinsurance				
R0100	Credit and suretyship insurance and proportional reinsurance				
R0110	Legal expenses insurance and proportional reinsurance				
R0120	Assistance and proportional reinsurance				
R0130	Miscellaneous financial loss insurance and proportional reinsurance				
R0140	Non-proportional health reinsurance				
R0150	Non-proportional casualty reinsurance				
R0160	Non-proportional marine, aviation and transport reinsurance				
R0170	Non-proportional property reinsurance				
Linear formula component for life insurance and reinsurance obligations		C0040	Net (of reinsurance/SPV) best estimate and TP calculated as a whole		Net (of reinsurance/SPV) total capital at risk
			C0050	C0060	
R0200	MCR _L Result	791			
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations				
R0240	Other life (re)insurance and health (re)insurance obligations				
R0250	Total capital at risk for all life (re)insurance obligations		37,682		
Overall MCR calculation		C0070			
R0300	Linear MCR	791			
R0310	SCR	12,682			
R0320	MCR cap	5,707			
R0330	MCR floor	3,170			
R0340	Combined MCR	3,170			
R0350	Absolute floor of the MCR	3,332			
R0400	Minimum Capital Requirement	3,332			

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It feels good to be covered