SOLVENCY AND FINANCIAL CONDITION REPORT

2019

Contents

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 2019

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.

Stuart Purdy (Chairman)

Date: 22/04/2020

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 over £76m 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 Risk & 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 exclusively 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 800 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 recent years has been to continually improve the product offer to maintain our competitive position and to widen our distribution.

All the Society's products since 2018 have been based on guaranteed premiums. The move to guaranteed premiums was in response to shifting demand patterns from intermediaries but recognised that the advantages in terms of distribution were offset to some extent by increased capital required.

The Society constantly reviews its competitive position in the market along with its capital strength with a view to launching new products in the future.

BFS Protect continues to grow and currently accounts for 73% of premium income and 75% of overall membership.

This has led to an increase in overall membership from 17,110 at December 2015 to 32,310 at December 2019.

In addition to the insured Holloway and Protect Members, the Society has 2,591 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. However, the outbreak of COVID-19 during the first few months of 2020 has resulted in a pandemic causing significant disruption across the globe. There is currently considerable uncertainty regarding the financial and operational impact of COVID-19 on the Society. These impacts are assessed, as far as they can be, in notes to sections A to E below.

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.

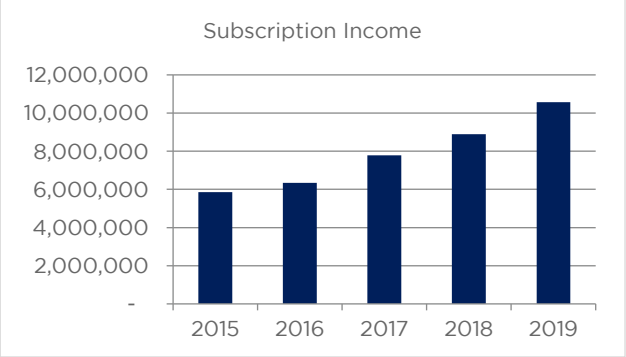
The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. BDO LLP are the Society's external auditors (BDO LLP, 150 Aldergate Street, London EC1A 4AB). There has been no significant business or other events 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, its solvency position is strong and expenses are being managed in such a way as to bring overheads down in 2021 and later years when new operating systems are expected to be operational.

Figure 1 shows the Society's premium income for the last 5 years:

Figure 1.



The BFS Protect and Breathing Space book continues to grow, more than offsetting the decline in Holloway membership as members withdraw their capital. Own Funds are expected to increase over future years indicating that the Protect book is profitable and adding value. At the same time, it should be noted that increased capital requirements from the new business are expected to lead to a fall in the Solvency ratio.

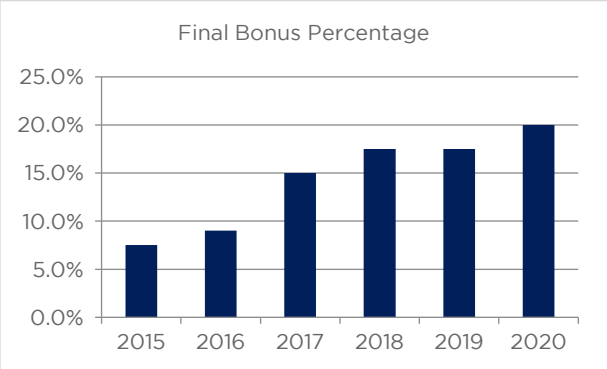
Increasing surpluses are available for distribution to members and all members are directly seeing the benefits of this through the Mutual Benefits programme the Society has launched which gives free additional discretionary benefits such as:

- Life cover
- Carer cover
- Will and Power of Attorney service
- Counselling and Physiotherapy
- Health MOTs

In addition, Holloway type members have seen continuing growth in the level of final bonus we have been able to offer as shown in

Fig 2 below.

Figure 2.



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 by year and term, cancellations from inception

During 2019 new business volumes and conversion rates exceeded expectations and lapses were below the budgeted ratio. The rise in new business was predominantly short-term policies which saw a reduction in average premium.

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 2019 the upward trend in claims payments related to the growing Protect book. Following three significant years of growth and associated claims experience the Society is now in a position to use more granular claims data in its KPI's.

A3. Investment Performance

The Society employs professional investment managers to operationally manage its portfolio of investments under a conservative investment mandate. The relationship is managed through a series of KPI's reported monthly to the management and Risk and Investment committee.

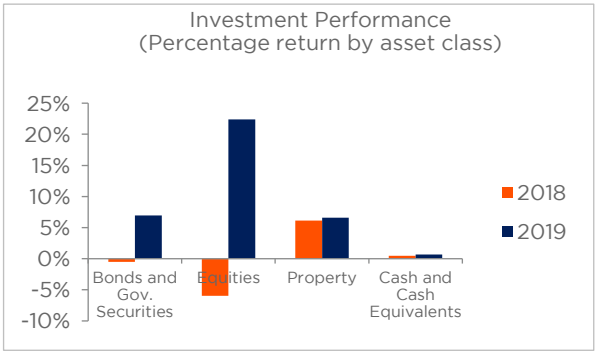
It invests in a mixture of:

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

The Society seeks to achieve capital preservation and stable returns for its members, whilst maintaining good asset liability matching and a liquidity position in the portfolio to enable any calls on the investment funds to be met promptly.

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 2019 reflected the recovery of market values following the fall seen in Q4 2018 and despite a continuing backdrop of market and political uncertainty. Investment returns by asset class in 2019 with corresponding returns for 2018 can be seen in the following chart:



3. The Society continues to closely monitor its liquidity and investment position in light of the Covid-19 pandemic with its anticipated effects on claims payments and likely longer-term economic effects on market values.

4. The Society takes current returns into account but also has to consider the longer-term trends outlined above when considering setting a stable sustainable interest rate for its members. Before the impact of Covid-19 was starting to be recognised we were pleased to be able to maintain our annual bonus rate at 1.75% for the year and increase our final bonus to 20%. The Board are keeping these interest rates under review in light of recent developments, alongside cost control measures.

A4. Performance of other activities

There are no other material lines of businesses; all income is earned through surpluses arising from the insurance book of business or investment activities including interest earned from loans and mortgages advanced through the Society's wholly owned subsidiary to Holloway members and secured against their Capital balances with the Society.

A5. Any Other Information

Covid-19 pandemic

Sickness claims and underwriting performance are already being affected in the first four months of 2020 by the pandemic. The Society has temporarily withdrawn sales of day 1- and 1-week deferred period contracts and has put in place an exclusion of Covid-19 claims on new business written. It is closely monitoring volumes of new business, claims and lapse experience as the situation unfolds. The Society will, of course, continue to pay any valid claims in respect of Covid-19 on existing eligible contracts.

Recent falls in stock markets and the fall in gilt yields are being monitored with the Society's investment advisors, LGT Vestra, on a daily basis. These, together with the business impacts above are being assessed to ensure that liquidity and solvency affects are understood and managed over the coming period.

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 and Investment, Remuneration and Nomination.
2. Full details of the responsibilities of the Board and its committees are set out in a Responsibilities 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 comprises of the Chair of the Board, who is an Independent Non-Executive Director, six other non-executive directors and up to two Executive members. One Non-Executive Director, Chris Radford, has served for longer than nine years. The Board, taking account of his knowledge, expertise and approach, has assessed his independence and concluded that he is independent. The Board remains satisfied with the overall independence of its members.

The aim of the Remuneration Policy is to attract and retain personnel of the calibre, skills and values required to deliver the objectives and strategy of the Society. It adopts the following key principles:

- Remuneration is aligned with applicable statutory regulatory requirements
- Remuneration will promote sound and effective risk management
- Fixed and variable remuneration will be appropriately balanced so that the Society's employees do not become overly reliant on the variable component.
- Variable remuneration will be based on a combination of the assessment of the individual and the collective performance and overall results of the Society.
- The Remuneration Policy will be transparent internally and adequately disclosed externally.
- The Society is an equal opportunities employer and is committed to ensuring that all of its employees are remunerated fairly. Whilst the Society is not currently obliged to publish any gender pay calculations, it intends to take steps to monitor gender equality and reduce or eliminate any gender pay gap where applicable.
- Employees receive more than the minimum remuneration package that they are entitled to in line with statutory legislation.

B2. Fit and proper requirements

1. The Society subjects all individuals considered for appointment to a Senior Manager Function or identified as a Certified role 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) Regulatory referees (pertaining to the last six years).
e) Any information obtained during the criminal record checks.

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

a) Has the personal characteristics of good repute and integrity.
b) Possesses the level of competence, knowledge and experience.
c) Has relevant qualifications to carry out their role.
and
d) Has undergone or is undergoing all training, required to enable such person to perform his or her role 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.

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

B3. Risk Management Framework including the own risk and solvency assessment

The Society's Risk Management Framework is documented in a set of risk management policies which have been approved by the Society's Board. Each risk appetite has a set of outcomes which are then linked to the risk register which records all the individual risks that have been identified as posing a threat to the achievement of the Society's planned strategic objectives.

1. The Society's Risk Management Framework covers Financial, Insurance, Legal, Operational, Reputational and Strategic 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 and Investment 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 register and provide tolerances to ensure risk owners understand the level of risk they are able to take. Risk owners also consider new and emerging risks to the Society's business identifying any issues for escalation to the Society's Risk and Investment Committee, before being addressed by the Board.

3. Second Line of Defence responsibilities lie within the remit of the Risk and Compliance Function, with third line of defence, being our internal audit function, outsourced to an external provider.

The Society, through its Own Risk and Solvency Assessment (ORSA) assesses the adequacy of its risk management and current and projected solvency positions under normal and severe stress scenarios. This allows the Society to fully understand the material risks it faces and implement further mitigating actions. The

Board has assessed the principal risks facing the Society, including those that would threaten its business model, future performance, solvency or liquidity, and the management and mitigation of those risks through a range of management actions. The assessment has included stress testing financial forecasts for severe but plausible scenarios, both individually and in the aggregate.

B4. Internal control system

Internal controls are used to maintain the risks facing the Society within the defined risk tolerance levels set by the Board. The controls set through policies and procedures are established and embedded within the first line of defence. The effectiveness of the Society's internal controls is assessed through internal audits.

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 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 Risk and Compliance Director, has a reporting line to the Chair of Audit and Compliance. 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 (SMF 20) is held by Sally Butters of OAC who reports to the Society's Board under Board approved Terms of Reference. The Chief Actuary is responsible for calculating the Society's technical provisions and ensuring the appropriateness of the methodologies and underlying 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 the 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 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.

B8. Covid-19 pandemic

All staff are now working from home and customer service has been maintained. There are robust contingency plans in place to deal with an increase in calls already experienced by member services and an expected further significant increase in customer call volumes, particularly in the claims area. The operational risks arising from this change to working practices are being assessed.

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.

At 31 December 2019 the Society had £18.6M of surplus assets (own funds less solvency capital requirement).

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
5. Implementing an IT new platform for policy servicing

C3. Methods used to assess risk sensitivity

The Society monitors the sensitivity of its Surplus Assets to certain key risks by applying stress scenarios through its valuation model. These are reported in the Financial Condition Report on an annual basis and included in the ORSA as key drivers of the Society's risk appetite.

C4. Description of measures used to assess risk

The Society identified five major risks: changes to growth expectations; changed lapse assumptions; changed expense assumptions; market (investment) movements; changed sickness assumptions. Combinations of these risks were also tested to assess the Society's exposure to antibiotic resistance, changes to government benefits, possible data breaches and risks associated with new IT systems. Sensitivity testing was carried out in 2019 based on year end 2018 data.

C5. Assets

The Society confirms that the assets included in the table set out in D1 have been invested in accordance with the prudent person principle.

C6. Covid-19 pandemic.

The key emerging risks from Covid-19 that may impact the Society are:

- an increasing incidence of claims,
- an increase in lapses,
- changes in the volumes and mix of new business,
- reductions in asset values,
- a fall in interest rates, and
- lower future investment growth.

There may also be increased operational risks arising from additional administrative pressures, which in turn may lead to increased risks around cyber-security, data protection and reputational damage. There is also the risk of maintaining sufficient liquidity if claims volumes increase and premium and investment income reduce.

The Society has taken steps to mitigate its

exposure to worsening claims experience and is monitoring the other risks closely, with management regularly reporting to the Board. Management have considered the possible impact of COVID-19 on cashflow and liquidity and have no concerns at present but are monitoring this regularly.

The Board is responsible for the delivery of risk management and controls. Detailed below is the Board's existing risk management framework.

Risk and Description	Mitigating Actions
Financial Risk: This risk relates to movements in the financial markets and the result on investment portfolios and property. It also considers third party risk and the ability to monitor third parties who may default and in turn cause a loss to financial assets.	The Society continuously monitors its investment portfolio with its investment managers who have set parameters and trigger points in place through an investment mandate. The investment mandate ensures that concentration risk in asset holdings is monitored and managed effectively. Management would consider actions to reduce risk in the portfolio should this become necessary. The Society also monitors its cash flow and liquidity on a weekly basis. The Society maintains sufficient available cash balances to service any unexpected increase in claims. In addition, a significant proportion of the portfolio is realisable to cash should this need arise. The Society has a formal and robust due diligence process which is risk based against any third-party relationship including intermediaries, outsourced service providers and suppliers.
Insurance Risk: This risk considers the business we receive against the tolerances and forecast set to determine areas outside of appetite and which in turn may affect our solvency.	The Society monitors both new and existing business against various metrics which include product type, claims, lapses and retention. We also monitor the distribution channels used and any changes or movements in the intermediary market. The metrics are reported through monthly management reports and remedial action taken if adverse trends are identified. Claim and commission expense is monitored by management through monthly

	management accounts, alongside operating expenses, where variances are analysed in order for corrective action to be taken if necessary. Business, operational and financial analysis is reported quarterly to the Board.
Legal Risk: This risk considers the areas of risk relating to regulation and our abilities to adhere to regulatory requirements and reporting	In 2019, the Society introduced both overnight sanction screening checks and more enhanced anti money laundering checks. Regulatory reporting is timetabled throughout the year in coordination with our actuaries and provides reminders to the business in advance of deadlines.
Operational Risk: Included in this risk is business service, conduct risk, data security, succession planning including key person dependency risk, along with business continuity planning and disaster recover.	The Society has process maps in place to provide procedures for all operational activities and to ensure consistency throughout the business. This, combined with a comprehensive training programme which is compulsory for all staff enables our people to provide good customer outcomes and ensure that treating customers fairly remains central to the Society's way of working. The Society's Business Continuity planning is tested regularly and has been used practically in response to Covid-19 where there was a smooth transition to home working for all staff.
Reputational Risk: This risk considers the failure of any other risk which could damage opinions resulting in either loss of members and/or financial loss, including regulatory fines.	The Society reports regularly on any member dissatisfaction to the Audit and Compliance Committee and the Board. This includes regular reporting of complaints and trends to understand any changes in process and reviewing social media to understand any potential issues.
Strategic Risk: This risk considers the Society's solvency ratio and capital requirements and being able to ensure member's money is protected.	The Society monitors its future Solvency and Capital positions through reports produced both internally and through its actuaries. The Financial Condition Report, produced annually, is a forward-looking document based on expected business growth and

	expense forecasts in line with the strategic plan set by the Board. It includes predicted solvency and financial position on a range of different stress scenarios. Management reports are produced on a monthly basis which assess the Society's actual position against the outcomes expected from the FCR and budgets. Management and Board review the business and make changes and adapt where required.

D. Valuation for Solvency Purposes

D1. Assets

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

£000s	31/12/2019	31/12/2018
Property	6,570	7,310
Equities	16,940	17,950
Government bonds	12,648	11,042
Corporate bonds	27,478	31,579
Collective Investment Undertakings	660	1,394
Loans and mortgages	620	637
Any other assets	4,340	3,141
Total	69,256	73,053

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.

The Society does not hold listed investments which are not held on an active regulated market. The Society has no leasing arrangements or material deferred tax assets.

The Society has no related undertakings.

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

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. The following table reconciles the differences.

£000s	31/12/2019	31/12/2018
Value of assets presented in financial statements	76,425	77,217
Less Deferred acquisition costs	4,785	4,034
Less Intangible assets	2,344	111
Less Software element of tangible assets	39	19
Solvency II value of assets	69,256	73,053

D2. Technical Provisions

The following table summarises the technical provisions as at 31 December 2019 and 31 December 2018.

£000s	31 December 2019	31 December 2018
Best estimate liabilities	18,886	28,339
Risk margin	10,779	8,001
Technical provisions	**29,665**	**36,341**

All the Society's liabilities relate to health (similar to life) business.

Valuation Methods

The following paragraphs detail the methodology adopted for the Solvency II valuation as at 31 December 2019 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) IBNR (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;
k) discount rates.

Valuation of Holloway and income protection income and liability cashflows

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

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

The Society had accrued £54,547,621 in member accounts at the end of 2019 (including the 2019 declared bonus). These are all linked to Holloway contracts of insurance.

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.

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).

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 2019.

Valuation of sickness claims in payment

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.

Incurred But Not Reported (IBNR)

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). This calculation is based on the annual average of the last 3 years' sickness claims 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 monthly 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

The Society has a small reinsurance arrangement but this is trivial in nature and so the valuation has been undertaken on the basis that the Society does not have any reinsurance arrangement in place.

Currency

The Society's liabilities are all denominated in GBP.

Options and guarantees

None of the Society's contracts has any material options or guaranteed surrender values in place at 31 December 2018 or 31 December 2019.

Discount rates

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

Assumptions used in the valuation of best estimate liabilities

Assumptions need to be made for:

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

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, expressed as a percentage of CMIR12 rates, are set out below:

Holloway and Century

Assumption	31/12/2019	31/12/2018
Inception rates – age		
Up to age 20	10%	10%
20-24	20%	20%
25-29	30%	30%
30-34	40%	40%
35-39	50%	50%
40+	65%	65%
Recovery rates		
0-4 weeks	80%	80%
4-8 weeks	90%	90%
4-13 weeks	125%	125%
13 weeks+	190%	190%

Females are assumed to incept at a rate 30% (2018: 30%) higher than the figures stated above.

BFS Protect and Breathing Space

Assumption	31/12/2019	31/12/2018
Inception rates	35%	35%
Recovery rates		
0-4 weeks	35%	35%
4-8 weeks	65%	65%
4-13 weeks	165%	165%

Female inception rates are assumed to be the same as for males (2018: same assumption).

Mortality

The rate 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 below:

Assumption	31/12/2019	31/12/2018
Holloway and Century non-commuted	45% AMF92	45% AMF92
Holloway and Century commuted	60% AMF92	60% AMF92
Protect and Breathing Space	45% AMF92	45% AMF92

Lapse and withdrawal rates

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 below.

Assumption	31/12/2019	31/12/2018
Holloway and Century non-commuted	5.00% pa	5.00% pa
Holloway and Century commuted	5.00% pa	5.00% pa
Holloway and Century commutation rate[1]	40.00%	40.00%
Protect (by duration in-force)		
Year 1	15.00% pa	15.00% pa
Year 2		
Year 3		
Year 4		
Year 5		
Year 6+	12.50% pa	12.50% pa

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

Expense inflation

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

Assumption	31/12/2019	31/12/2018
Expense inflation rate % pa	3.10% pa	3.20% pa

Rate used to discount future cashflows

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 below.

Projection year	1	2	3	4	5	10	15	20	25
31 December 2019	0.72%	0.69%	0.72%	0.75%	0.78%	0.91%	1.00%	1.02%	1.02%
31 December 2018	0.98%	1.06%	1.12%	1.17%	1.20%	1.34%	1.43%	1.46%	1.46%

Valuation of the risk margin

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

To calculate a full risk margin would involve projecting the Society's balance sheet and SCR calculation for 50 years. In view of the onerous nature of this task there are five permitted simplifications and Societies may choose the most appropriate simplification having regard to the scale and complexity of their business. The Society has chosen simplification 2 which means that each element of the SCR is projected separately in line with the key risk driver for the particular sub-risk being considered.

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

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

The total amount of the risk margin at 31 December 2019 is £10,778,563 (2018: £8,001,425). This all relates to health (similar to life) business.

Differences with financial statements

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

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

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

Other information

There is uncertainty in that the calculation of technical provisions requires assumptions to be made of future experience which could be different. The key sensitivities are to future lapse, expense and sickness experience. There are no particular uncertainties associated with the methodology used to value the

technical provisions.

No use has been made of a matching adjustment.

No use has been made of a volatility adjustment.

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

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

There are no material reinsurance arrangements in force.

D3. Other liabilities

Other liabilities cover those due for payment within the next 12 months. Their value has been calculated in accordance with the Society's financial statements.

D4. Alternative valuation methods

No alternative valuation methods have been employed.

D5. Covid-19 pandemic

The value of the Society's investments has reduced due to the economic turmoil and huge uncertainty caused by the pandemic.

There is considerable uncertainty regarding the development of claims and lapse experience and the impact this may have on the technical provisions. An increase in claims inceptions will be experienced during 2020 but whether there will be lasting changes in longer term experience is unknown. The impact of the various Government financial support packages is also unknown. The impact on lapses is even less certain and it will be many months before any credible assessment of experience can be made.

D6. Any other information

No other information is supplied.

E. Capital Management

E1. Own funds

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

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

£000s	31/12/2019	31/12/2018
Assets	69,256	73,053
Best estimate liabilities	18,886	28,339
Risk margin	10,779	8,001
Current liabilities	2,662	1,894
Own funds	**36,930**	**34,818**
Solvency Capital Requirement (SCR)	18,336	14,315
Surplus funds	**18,594**	**20,504**

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. This is assessed over the Society's business plan time horizon which covers the period 2020 to 2024. 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:

a) Taking such management actions as may be anticipated within its SCR calculations.

b) Reviewing and refocusing its strategic objectives and priorities.

c) Re-pricing its contracts of insurance.

d) Reviewing its expense base, including potentially closing to new business.

e) Seeking a transfer of engagement.

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

The amount of Tier 1 own funds at the reporting date is £36,929,530. There are no restrictions on the use of own funds and this amount is available to cover the SCR and the MCR.

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

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

There are no items subject to a transitional arrangement.

There are no items of ancillary own funds.

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

E2. Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement at 31 December 2019 was £18,335,895 after allowing for management actions and the Minimum Capital Requirement was £4,583,973. The Solvency Capital Requirement is subject to supervisory assessment.

The SCR split by risk module is shown below:

£000s	31 December 2019	31 December 2018
	Management actions	Management actions
	Net	Net
Market risk	250	1,506
Counterparty default risk	485	653
Health risk	17,720	13,315
Diversification across all risks	-542	-1,515
Basic Solvency Capital Requirement	17,912	13,959
Operational risk	424	356
Solvency Capital Requirement	18,336	14,315
Minimum Capital Requirement	4,584	3,579

The standard formula is used for all risk modules and there are no simplifications applied to the SCR calculation.

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

The MCR represents the minimum capital requirement that must be held in addition to the technical provisions and affords a minimum level of protection of a Solvency II firm's policyholders and beneficiaries; breaching the MCR is regarded as an unacceptable level of risk. It is calculated in a relatively simple manner with the formula based on technical provisions and capital at risk on death or disability, multiplied by specified factors. For many firms the floor, to which this calculation is subjected, exceeds the formula result and the MCR is set at 25% of the SCR (subject to an absolute floor (£3.19m at end 2019)). The Minimum Capital Requirement for the Society at the end of 2019 was£4.58m.

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

E3. Duration-based equity risk sub-module in the calculation of the SCR

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

E4. Differences between the standard formula and any internal model used

The Society does not use an internal model.

E5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

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

E6. Covid-19 pandemic

A review has been undertaken of solvency at a point below the lowest point markets have so far reached. This has provided comfort to the Society's Board that the Society is adequately covering its Solvency Capital Requirement and Minimum Capital Requirement and is expected to continue to do so over 2020 and beyond, allowing for an increase in claim cashflows during 2020.

E7. Any other information

No other information is supplied.

Disclosures

General Information

Undertaking name	British Friendly Society Ltd
Undertaking identification code	2138007191E8L8M80Q28
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2019
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

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	705
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	67,715
R0080	*Property (other than for own use)*	5,865
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	9,258
R0110	*Equities - listed*	9,258
R0120	*Equities - unlisted*	
R0130	*Bonds*	32,307
R0140	*Government Bonds*	12,048
R0150	*Corporate Bonds*	20,259
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	17,758
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	1,686
R0210	*Other investments*	841
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	620
R0240	*Loans on policies*	554
R0250	*Loans and mortgages to individuals*	65
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	
R0280	*Non-life and health similar to non-life*	
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	217
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	69,256

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	29,665
R0610	*Technical provisions - health (similar to life)*	29,665
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	18,886
R0640	*Risk margin*	10,779
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	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	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	2,662
R0900	**Total liabilities**	32,327
R1000	**Excess of assets over liabilities**	36,930

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	10,588								10,588
R1420	Reinsurers' share	2								2
R1500	Net	10,586	0							10,586
	Premiums earned									
R1510	Gross	10,588								10,588
R1520	Reinsurers' share	2								2
R1600	Net	10,586	0							10,586
	Claims incurred									
R1610	Gross	8,659								8,659
R1620	Reinsurers' share									0
R1700	Net	8,659	0							8,659
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0	0							0
R1900	**Expenses incurred**	9,900	0							9,900
R2500	**Other expenses**									
R2600	**Total expenses**									9,900

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**										0		-44,777	63,663			18,886
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default										0						0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	0									0		-44,777	63,663			18,886
R0100	**Risk margin**										0	10,779					10,779
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**	0									0	29,665					29,665

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	36,930	36,930			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	36,930	36,930	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	36,930	36,930	0	0	0
R0510	Total available own funds to meet the MCR	36,930	36,930	0	0	
R0540	Total eligible own funds to meet the SCR	36,930	36,930	0	0	0
R0550	Total eligible own funds to meet the MCR	36,930	36,930	0	0	
R0580	**SCR**	18,336				
R0600	**MCR**	4,584				
R0620	**Ratio of Eligible own funds to SCR**	201.41%				
R0640	**Ratio of Eligible own funds to MCR**	805.62%				
	Reconciliation reserve	C0060				
R0700	Excess of assets over liabilities	36,930				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	0				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	36,930				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	44,777				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	44,777				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	10,643		
R0020	Counterparty default risk	485		
R0030	Life underwriting risk	0	9	
R0040	Health underwriting risk	29,631	9	
R0050	Non-life underwriting risk	0	9	
R0060	Diversification	-6,715		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	34,043		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	424
R0140	Loss-absorbing capacity of technical provisions	-16,131
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	18,336
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	18,336

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

S.28.01.01

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

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

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	397

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
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	18,886	
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	397
R0310	SCR	18,336
R0320	MCR cap	8,251
R0330	MCR floor	4,584
R0340	Combined MCR	4,584
R0350	Absolute floor of the MCR	3,187
R0400	**Minimum Capital Requirement**	4,584

British Friendly Society Limited
Registered Office:
45 Bromham Road, Bedford MK40 2AA

Telephone:
01234 358344

Fax:
01234 327879

Email:
enquiries@britishfriendly.com

Web:
britishfriendly.com

Facebook:
British-Friendly

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered No: 110013. Incorporated under the Friendly Societies Act 1992. Registered No: 392F. Member of the Association of Financial Mutuals. v_29.05.20

BRITISH FRIENDLY

It feels good to be covered