

Solvency Financial Condition Report (SFCR)

As at 31 December 2022



O^{the}DDfellows SINCE 1810
making friends, helping people

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Terms used in this document:

FCA:	Financial Conduct Authority
LTB	The Long Term Business of the Society
ORSA:	Own Risk and Solvency Assessment
PRA:	Prudential Regulatory Authority
SF	Standard Formula
The Board:	The Society's Main Board
The Society:	The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited

Introduction and Summary

This is the Regular Supervisory Report (RSR) for the Independent Order of Odd Fellows Manchester Unity Friendly Society Limited (the “Society”) and the Fraternal Branches (together the ‘Wider Society’), it is based on the financial position as at 31 December 2022.

The report covers the following information as set out in the Solvency II regulations:

- Business and Performance;
- Systems of Governance;
- Risk Profile;
- Valuation for Solvency Purposes; and;
- Capital Management.

The Society’s Board has ultimate responsibility for these areas, with the support of various governance and control functions which manage and monitor the business.

The contents of the report are considered to be appropriate for the nature, scale and complexity of the Society’s business.

1. Business and performance

The Society is one of the largest and oldest branch based friendly societies in the United Kingdom and undertakes both regulated and discretionary social and benevolent activities.

The Society’s Long Term Business (LTB) is made up of regulated with-profits, non-profit and unit linked life and pensions business. There is a very small amount of regulated non-life business (short term medical cover) written via the Guernsey and Jersey Branches.

The social and benevolent business conducted by the Society’s Branches is known as its Fraternal business.

As a mutual organisation, the Society does not have any shareholder interests to consider. However, as the LTB Fund ultimately benefits from the availability of support from the Society’s Fraternal assets (which form part of the total assets of the Society) the Fraternal business is considered to be a stakeholder with an interest in the running of the LTB Fund.

2. Systems of governance

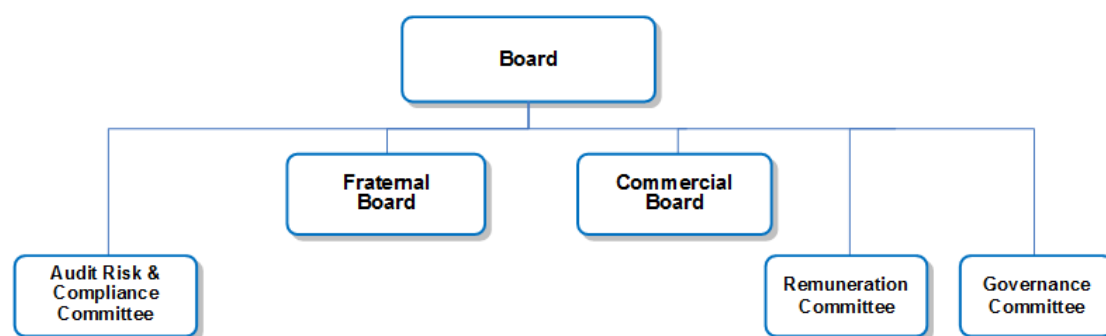
As a mutual, the Society’s members can have a say in how the Society operates, which is very important to the Society’s culture and ethos. It ensures the Society remains focussed on what really matters – its members and their needs.

The Board believes in responsible, respectful collaboration, and for over 200 years as a friendly society, it has shown that so much more can be achieved by coming together.

The Directors are appointed by resolution, in accordance with the Rules, at the Society’s Annual Moveable Conference (AMC), the annual meeting of the Society.

The Society recognises the importance of strong corporate governance and has established a well-defined governance framework, systems of control and committee structure.

Overview of Board and Sub Board/Committee structure:



The Society is a proud member of the Association of Financial Mutuals (AFM), the trade body that represents mutual insurers, friendly societies such as ourselves and other financial mutuals across the UK, and adheres to their corporate governance code.

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) regulate the Society, and the Board takes seriously its responsibilities to treat its customers – its members – fairly.

3. Risk profile

The principal risks faced by the Society are influenced by the nature and scale of business currently in-force, the assets held to back the business and the management actions around bonus distribution and investment policy in the future as the business runs off.

The risks to the Society may change over time depending on how the current strategy evolves and the changes to the environment under which the Society operates.

The risk assessment calculates the Solvency Capital Requirements (SCR) using Standard Formula and the risk profile as at 31 December 2022 is as follows:

Standard Formula Risk	%
Market Risk	98.1%
Counterparty Default	1.2%
Life Underwriting Risk	0.5%
Health Underwriting Risk	0.0%
Non-Life Underwriting Risk	0.2%

As can be seen from the table above the SCR occurs mainly from market risk. This is because the assessment includes the Fraternal assets of the Wider Society.

4. Valuation for solvency purposes

The policies used for valuing assets and liabilities for solvency purposes have remained consistent throughout the reporting period.

The Society has aligned the valuation of Technical Provisions between their GAAP basis and the Solvency II basis in the period.

There are no new material classes of assets or liabilities to which the Society is exposed.

5. Capital management

For the purposes of assessing the Society's available funds and capital requirements the Fraternal assets of the Wider Society are included, as Fraternal assets are available to support the Society's capital requirements in extremis.

As at 31 December 2022, the Society's Own Funds for Solvency II purposes were £341m and the SCR cover ratio was 365%.

The SCR calculation only uses simplification for the calculation of the mortality-catastrophe SCR component. This is applied on materiality grounds.

The Board's objective is to manage the capital position so that there are sufficient Own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) at all times.

Board Statement

The Board are responsible for preparing the Solvency and Financial Condition Reports ('SFCR') in accordance with applicable law and regulations.

The PRA Rulebook for Solvency II firms in Rule 6.1(2) and Rule 6.2(1) of the reporting Part requires that the Society must have in place a policy of ensuring the ongoing appropriateness of any information disclosed and that the Society must ensure that its SFCR is approved by the Board.

The Directors below certify that:

- a) 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;
- b) 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
- c) 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.

By order of approval Board.



Jane Nelson (Mrs)

Chief Executive Officer

05 April 2023



John Benjamin Pears

Insurance Director

05 April 2023

A. Business and performance

A.1 Business

The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited (the “Society”) is an incorporated Friendly Society founded in 1810.

a) Name and legal form

The Society’s registered office address is:

Oddfellows House
184-186 Deansgate
Manchester M3 3WB

The Society is a mutual organisation and, therefore, does not have any shareholder interests to consider.

b) Supervisory authority

The Society is regulated by both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The PRA is the lead supervisor for the purposes of Solvency II regulation. As the Society is a Category 5 firm it is managed through the smaller insurer regime and has no named supervisor.

The contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pr
www.fca.org.uk

c) External auditor

The external auditor of the Society is:

PKF Littlejohn LLP
3rd Floor, One Park Row
Leeds
LS1 5HN

d) Material lines of business and geographical areas

The Society’s LTB is made up of with-profits, non-profit and unit linked life and pensions business.

Under Solvency II, the Society’s LTB obligations are classified as Life (non-health).

The Society’s LTB business is transacted in the United Kingdom under the Unity Mutual brand.

In addition, there is an immaterial amount of non-life business based in the branch network in Guernsey and Jersey.

e) Structure of the Society

The Society is one of the largest and oldest branch based friendly societies in the United Kingdom and consists of semi-autonomous Branches spread throughout the UK which are supported by a Central Office based in Manchester.

The Long Term Business (LTB) administration is managed from Offices in Manchester and Liverpool, with no regulated life insurance business being carried out by the Branches. There is a very small amount of regulated non-life business (short term medical cover) written via the Guernsey and Jersey Branches.

The Society is a mutual organisation and, therefore, does not have any shareholder interests to consider. However, as the LTB Fund ultimately benefits from the availability of support from the Society's Fraternal assets (which form part of the total assets of the Society on a Solvency II basis) the Fraternal business is considered to be a stakeholder with an interest in the running of the LTB Fund.

i. The Society's Fraternal Business

The social and benevolent business conducted by the Society's Branches is known as its Fraternal business. Administration of this business at national level is carried out by a Central Office (also known as Unity Office) in Manchester where full-time staff provide services to Branches and members alike.

Whilst services and support for members are provided by Unity Office the main point of contact for members is their local Branch.

The Fraternal assets of the Society are used to provide social and benevolent benefits to members as well as discretionary support for dental and optical treatment, as well as contributing to the funding of Unity Office and its supportive functions. The Society provides social activities, care and support and non-contractual benefits to in the region of 43,000 Fraternal members including juniors through the UK-wide network of 107 Branches. As well as caring for members, the Society has a tradition of support for both local and national charities. Each Branch has its own Committee of Management (CoM) but support and guidance for Branches and members are also provided by Unity Office.

The Society's aim is to continue as a Branch based friendly society growing both its numerical strength of members and the coverage of Branches around the UK. Each Branch is separately registered with the Society and is responsible for managing its own assets subject to the Rules and Procedures of the Society.

ii. The Society's Long Term Business (LTB)

As at 31 December 2022 the Society's LTB consisted of approximately 340,000 policies, of which approx. 308,000 were unit-linked Child Trust Fund (CTF) accounts. The LTB is administered from the Manchester and Liverpool offices by a dedicated insurance team. Since 2007, the Society has successfully integrated LTB books from five other friendly societies in

line with its strategy of expanding its LTB by proactively seeking transfers of engagements from other friendly societies.

The LTB has assets under management of approximately £352.2m, which sit separately from the Fraternal business of the Society. Under the delegated authority of the Main Board, the Commercial Board is responsible for the strategic direction of the Society's LTB and oversight of operational issues affecting LTB.

f) Significant business events

Economic Uncertainty and Rising Inflation

Following two years of disruption caused by the Covid-19 pandemic, the economic climate in 2022 remained volatile, with rising inflation and interest rates impacting the UK population and businesses alike. This was mainly due to ongoing global events, such as the war in Ukraine, but was also impacted by an especially turbulent political period in the UK. Towards the end of the year some economies showed signs of improving, but there still remains a high level of economic uncertainty in the coming year.

As a Society, we operated effectively and efficiently throughout the whole of the year and continued to maintain a business as usual approach. Throughout the year the Society continued to monitor its Solvency Capital Requirement (SCR) and ratio which, as at 31 December 2022, stood at 365%.

Liquidity strategy

There have been numerous shocks and dramatic changes in investment outlook during 2022 which show no sign of abatement in 2023, with unparalleled volatility being witnessed in the financial markets.

As part of the Society's Own Risk and Solvency Assessment (ORSA) it stresses its liquidity needs and considers the Society's ability to respond to a number of individual and combined shocks to its liquidity. As part of that assessment we regularly monitor our investments including our holding of cash and other marketable securities that can be realised quickly. Liquidity requirements are built into our investment management mandates that are approved by the Society's Board.

The Society maintains a balanced portfolio approach to all our areas of business ensuring that no area is left overly exposed to changes in any market movements in any one asset class. This approach includes reviewing the spread of such assets, to maximise long term investment returns whilst ensuring that we are able to continue operating and meet our liabilities as they fall due.

The maturing profile of our assets are matched with our liabilities, and in conjunction with advice from the Society's Actuary we adapt our investment model according to the needs of our insurance book. For our non-insurance activities we are diversified into a number of funds which enable us to spread risk.

Child Trust Fund Maturities

The Society manages over 300,000 Child Trust Fund (CTF) accounts. The CTFs mature on the child's 18th birthday and started to mature from 1 September 2020. During 2022 we managed to maintain a generally high level of service for maturing accountholders, processing their maturities in line with our set service levels.

Overall, a run-off plan was produced in 2019 which showed a gradual increase across the maturity profile of the CTFs over the ten year time span (2020 – 2030). During 2022 this plan was closely monitored and analysis shows that the matured plans are running off in line with our assumptions.

However, given the ongoing maturities, it is expected that the business will continue to be impacted by:

- **Workload:** There has been an increase in the number of enquiries from accountholders, the number of accounts to be closed, the number of payments to be processed and the number of letters produced. Additional resources have been recruited and further investment in the IT systems has been undertaken to automate the maturity processes.
- **A reduction in the assets under management:** Our experience shows that around half of CTF accountholders want to withdraw their funds on maturity, although there has been some success in the reinvestment of the maturity proceeds in the Lifetime ISA and Flexible ISA.
- **Cashflow:** As the CTF is a unit linked contract units are being sold to generate sufficient capital to pay out the maturities. This process is working well.
- **Reputational risk:** As the CTF is a stocks and shares tracker fund which is priced weekly the performance of the stock markets at the time of maturity will determine the maturity value. The volatility of the investment markets could result in lower values being paid and adverse reaction from the CTF accountholders may result in reputational damage done to both the CTF brand and Unity Mutual.
- **A reduction in the funds will have an impact in the income from the annual management charge and this is being monitored closely.**

Systems Development

Investment has been made in the Society's LTB systems particularly for the JISA, ISA and CTF. One of the aims has been to address the additional workload which has arisen from the maturing CTF accounts, but the secondary aims are to improve operational efficiency and the overall customer experience, by developing better digital customer journeys. It is expected that further systems development will be taken over the short to medium term, but the Society continues to work with trusted partners and has a robust development process.

Transfers of Engagements

The Society's Business Plan outlined that inward transfers of engagements was a key strategy of the Society. The Society has a track record of successful transfers of engagement and any future activity isn't expected to significantly disrupt the Society's Operations.

Climate Change Risk Strategy

The Society continues to evolve its governance, risk management, measurement and target setting as it takes a strategic approach to assessing the impact of climate change on the organisation.

During 2022, the Society has been considering how best to address the material risks it is exposed to from climate change. The Society is exposed to both direct and indirect risks from climate change. Direct exposure results from its own activities and energy consumed carrying out those activities. Indirect risk arises from the Society's property portfolio and investments.

A number of measures have been implemented to mitigate these risks, including adopting a steady approach of pragmatic solutions to reduce its carbon emissions and implementing a strategy to raise the energy performance of its property portfolio in line with the UK Governments changes to current Energy Performance Certificate (EPC) requirements to raise the energy performance of new and existing rented properties, both commercial and residential, incrementally over the next few years. The Society will take further steps to continue to evolve its climate change risk strategy throughout 2023. The Society will strive to take a proportionate and risk based approach that is appropriate to its exposure to climate change risk and complexity of the Society's business model and strategy.

The Board retains ultimate responsibility for climate related financial risks and opportunities. The Board, in turn, has assigned responsibility for the management of climate related financial risks and opportunities to the Chief Executive Officer and this includes the development and delivery of the Society's strategy.

A.2 Underwriting performance

Existing policyholders are generally located in the United Kingdom, although, there are a small number of policies owned by former UK residents.

The table below sets out the Society's premiums, claims and expenses as shown in the Financial Statements of the Society for 1 January to 31 December 2022:

£000s	Life SLT
Premiums	1,570
Claims	(3,641)
Change in Technical Provisions	25,670
Investment Income	(18,599)
Expenses	(4,086)
Other Expenses	-
Net Underwriting Performance	(915)

Some of the Society's business is classed as Investment Contracts in the accounting basis, FRS 102, and are accounted for on a deposit basis. As such premiums are not included in the premium line in the technical account, but are reported in the change in technical provisions in the technical account.

A.3 Investment performance

The table below sets out details of the Society's investments over 2022:

Assets £000s	Valuation 1 Jan 22	Additions	Disposal Proceeds	Realised Gains/Losses	Unrealised Gains/Losses	Valuation 31 Dec 22
Land & Buildings	86,146	7,353	(4,460)	1,028	(6,814)	83,253
Shares & Other Variable Yield Securities	78,463	14,052	(15,268)	1,629	(10,610)	68,266
Debt & Other Fixed Income Securities	150,738	36,004	(32,526)	(2,374)	(30,209)	121,633
Assets Held to Cover Linked Liabilities	238,920	73,116	(77,373)	(48)	(5,936)	228,679
Cash at Bank and in Hand	23,748	-	(2,892)	-	-	20,856
Total Assets	578,015	130,525	(132,519)	235	(53,569)	522,687

Over the year, the value of financial assets decreased by £55.328m a decrease of 9.57%.

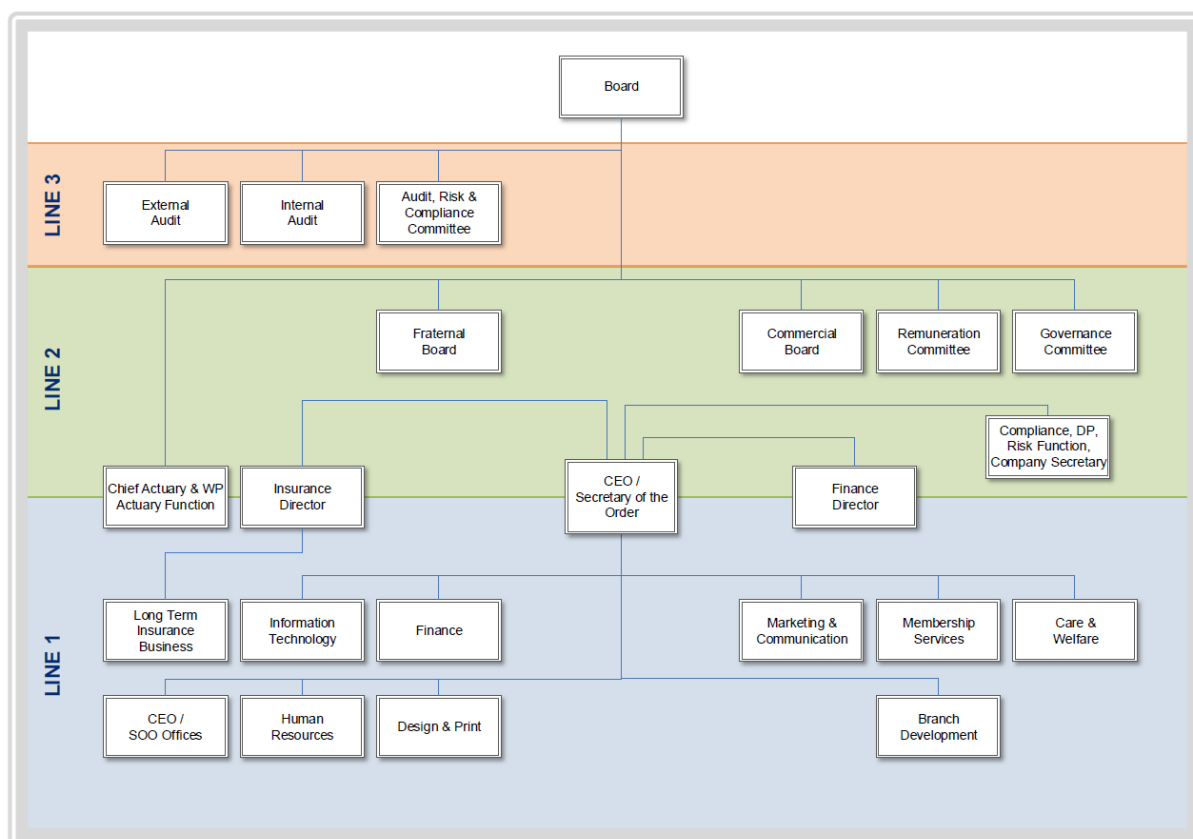
B. System of governance

B.1 General information on system of governance

The Board is accountable to the Society's members for the operation of the Society and good governance is fundamental to this responsibility. The principal role of the Board is to focus on the Society's strategy. As the business develops and changes and, as the challenges the Society faces change, the Board has to ensure that there are the necessary resources in place with the relevant competencies, skills and experience. It is also essential that the Society's Risk Management Framework and internal controls are robust and effective. In particular, the Board's role is to provide general direction to the Society and to safeguard the interests of its Members.

a) Corporate governance structure

The Society's corporate governance structure encompasses the following Sub-Boards and/or Committees and business functions



The Board is not involved in the conduct of the day-to-day business of the Society, apportionment of significant responsibilities or overseeing the establishment and maintenance of systems of control. These functions are delegated to the Chief Executive Officer (CEO).

There are a number of different Sub-Boards and/or Committees within the Society, the Chairman of each presents summaries of their activities to the Board, which include:

i. Audit, Risk & Compliance Committee (ARCC)

The ARCC is responsible for:

- Risk Management and Internal Controls
- Compliance and Prevention of Financial Crime
- Financial Reporting
- Internal Audit
- External Audit
- Whistleblowing

The overall role of the ARCC is to protect the interests of the members as regards the effectiveness of the Society's internal control framework and appropriate management of risk and compliance, the integrity of the published financial information and the effectiveness of the auditors.

ii. Commercial Board

The Commercial Board works with the Board in respect of all regulated business and Unity Office Investments. This includes responsibility for matters not related to Branches already dealt with by the Commercial Board as well as all matters previously under the remit of the Insurance Committee.

The responsibilities of the Commercial Board cover the tactical application and implementation of policy with respect to matters listed below:

- Strategy and Management of the Society's LTB Funds and appointment of external Investment Managers
- Operational Management of the LTB Funds
- Risk Management
- Compliance & Prevention of Financial Crime
- Appointment of the Society's Chief Actuary and With-Profits Actuary, Actuarial Valuations
- TCF and Conduct Risk, including Consumer Duty
- Determination of bonus rates and declarations of bonuses on consideration of recommendations from the With Profits Actuary

The Commercial Board is responsible for the investments of the Society and as such appoint Investment Managers and meet with them on a quarterly basis to challenge and discuss their performance. The strategy for the investments of the Society is determined in conjunction with advice from the Actuaries as and when appropriate. One of the roles of the Commercial Board is to act as the Investment Committee.

iii. Governance Committee

The Governance Committee considers aspects of the Society's corporate governance and regulatory matters. Where appropriate it makes recommendations based on its deliberations and conclusions to the Board and/or other standing committees. The Committee also acts as the Society's Nominations Committee with regards the appointment of Directors.

The Governance Committee are also responsible for ensuring a succession plan is in place for the Executive Directors.

iv. Remuneration Committee

The Remuneration Committee is responsible for:

- Determining and agreeing with the Board the framework or broad policy for remuneration of Executive Directors, Non-Executive Directors and External Skilled Persons
- Performance reviews of Executive Directors
- Liaising with the Board in respect of succession planning for Executive Directors

Annual performance reviews of the Executive Directors are undertaken by the Remuneration Committee, based on the objectives derived from the Society's Strategic Plan.

The Committee reviews Executive Directors' remuneration annually. It considers it is in the members' interests for remuneration packages to be competitive in order to attract, retain and motivate people of the required calibre.

b) Remuneration Policy

The Society's remuneration structure has traditionally been a fairly straightforward one that is aimed at providing a fixed level of remuneration to employees, and does not include performance related bonuses.

The overall remuneration structure and practice are in line with the business and risk strategy, risk profile, objectives, values, risk management practices, and long-term interests of the Society.

The Remuneration Policy is intended to recruit and retain employees whose values are aligned to the Society's culture and values.

The Society achieves this through a robust performance management practice, which ensures equitable and, where appropriate, competitively benchmarked pay levels. Annual performance reviews of the Directors are undertaken by the Remuneration Committee, based on the Directors' objectives derived from the Society's Strategic Plan.

B.2 Fit and Proper requirements

The Society ensures that all persons who effectively run the Society and hold PRA & FCA Senior Manager and Certification Regime (SM&CR) positions are fit and proper to provide sound and prudent management through their professional qualifications, skills and experience, including collective experience and knowledge, depending on their role, in:

- Market Knowledge;
- Business Strategy and Model;
- Risk Management and Control;

- Financial Analysis and Controls;
- Governance, Oversight and Controls; and
- Regulatory Framework and Requirements.

In order to ensure persons holding PRA and FCA SMR and SMF positions are fit and proper in accordance with Regulatory requirements they are subject to Regulatory due diligence, which includes:

- Five year employment history;
- Credit and Disclosure & Barring Service (DBS) checks;
- FCA and Directorship register search;
- Professional Qualifications / Membership check; and
- Identity check.

In addition to the above initial Regulatory due diligence all persons holding PRA and FCA SM&CR roles are subject to an annual fitness and propriety assessment, overseen by the Society's Governance Committee.

All Directors and External Skilled Persons participate in the Training & Development Scheme, which ensures that Committee members are competent to perform their role.

The Training and Development Scheme ensures that the training, development and knowledge standards are appropriate not only to demonstrate a level equal to the Regulatory requirements and obligations, but also appropriate and suitable to meet the needs of Directors and External Skilled Persons and the Society.

The table below lists those persons in the Society who are responsible for the key functions:

¹ Key Function	Person Responsible for Key Function
*Investment Managers	CEO
*Property Managers	CEO
Compliance & Risk	CEO
*Actuarial	Finance Director
Internal Auditors	Chairman of Audit, Risk & Compliance Committee

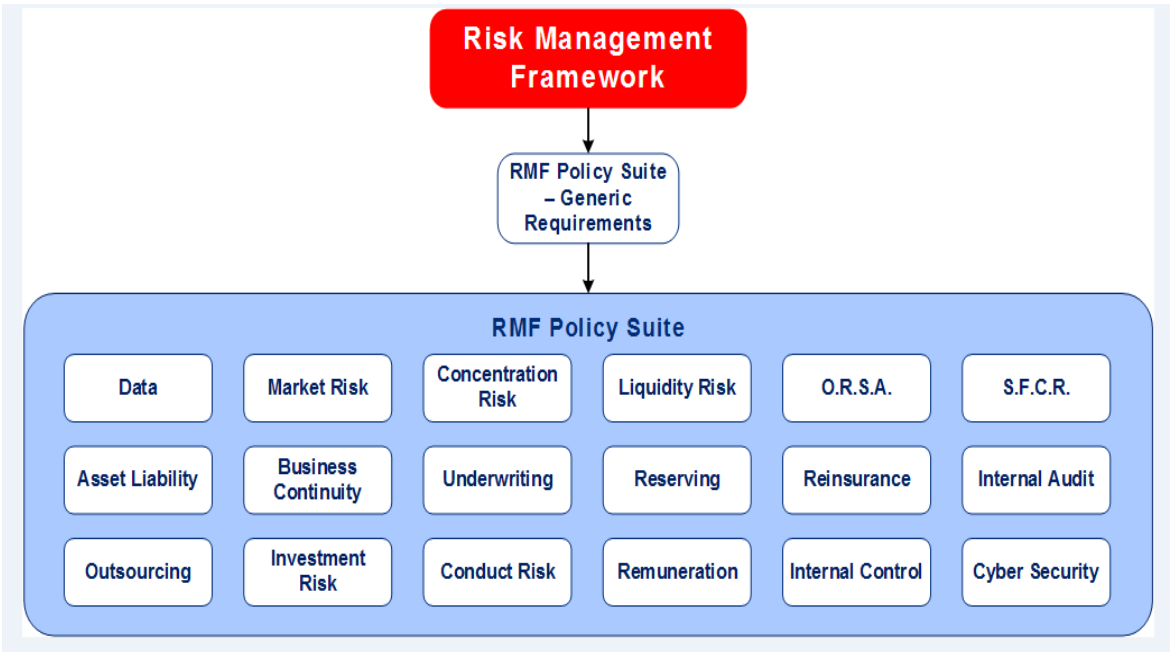
B.3 Risk management system including the own risk and solvency assessment

The Society's risk management systems and controls are articulated in its 'Risk Management Framework (RMF)'. The strategic aims of the RMF are for the Board/ Sub Board and Committees, Executive Directors and all Staff to have an understanding and ownership of, and commitment to, the control and management of all reasonably foreseeable risks that may arise within the context of the Society's LTB activities. The management of risk is the

¹ * denotes outsourced key functions

responsibility of all staff. All staff will be involved in the identification, management and mitigation of risks in their day-to-day work.

The RMF includes the following Risk Policies to ensure that adequate processes and procedures are in place to manage all types of risk:



The RMF encompasses the following cyclical process:



The Society’s RMF operates around the proven ‘three lines of defence model’ for overseeing its internal control frameworks:

First line of defence: this encompasses the controls the Society has in place to deal within the day-to-day business. The controls are embedded within the Society’s business departments’ systems and processes to highlight control breakdown, inadequacy of process and unexpected events, and appropriately mitigate risk.

Second line of defence: this encompasses the Society’s Sub Boards/Committees and key functions that are in place to provide an oversight of the effective operation of the internal

control framework. The Society's Sub Boards/Committees review the management of risk in relation to the particular risk appetite of the business, as determined by the Board.

Third line of defence: this encompasses the independent assurance and challenge provided by the Society's ARCC and internal and external audit functions, which undertake a programme of risk based audits covering all aspects of both first and second lines of defence, and External Auditors who provide independent challenge of the internal control framework in respect of financial reporting.

The Society's Board has responsibility for determining the strategic direction of the Society and retains ultimate responsibility for the RMF, but delegates some of its decision making responsibilities to the Executive Directors and/or Sub Boards/Committees.

All key decisions made in the Society such as product launches, capital management, investment strategy, follow internal governance processes, which includes an assessment of the risk exposure and mitigation strategies.

The Compliance & Risk Function provides the Audit, Risk & Compliance Committee with quarterly assurance reports to confirm the adequacy and effectiveness of the Society's compliance and risk management systems and controls, and that they are appropriate and proportionate to the Society's scale, complexity and business model.

B.4 Own Risk Solvency Assessment (ORSA)

The Society undertakes an ORSA assessment each year. In addition, material changes in the business may trigger an ad-hoc ORSA to be completed.

This ORSA report assists the Board in considering and managing the risks faced by the Society and its capital requirements under different scenarios. It discusses the main risks faced by the Society, the processes and procedures in place to monitor, mitigate and manage these risks, the capital set aside against these risks and the risks that may arise in the future. The ORSA forms an integral part of the Society's business strategy and is taken into account on an on-going basis in the development of the future strategy.

The ORSA considers the Long Term Business (LTB) for the purposes of defining and assessing key risks and calculating capital requirements. However, the financial structure of the Society allows that Fraternal business can provide such cover.

The ORSA includes the consideration of operational risks within the Society, and again these have focussed on the LTB.

The following principles guide the performance and cycle of the Society's ORSA:

- The ORSA is forward-looking, taking into account the Society's business strategy, business plans and projections.
- The ORSA encompasses all material risks that could impact obligations to policyholders and the Society's business strategy.
- The ORSA is proportionate, providing more detail on the highest ranked risks.

- The ORSA demonstrates that capital levels and liquidity are in line with the risk profile and suitable management procedures and actions in place to remain within risk appetite.
- The ORSA demonstrates robust processes exist to assess solvency requirements and that information from these processes influences decision making.
- The ORSA demonstrates robust processes exist to identify, measure, monitor, manage and report risk exposures and that information from these processes influence decision making including the determination of the appropriate amount and quality of capital required.
- The ORSA is sufficiently documented and evidenced to support independent review.
- The ORSA contains feedback loops to support on-going improvement of ORSA processes.

ORSA process

The ORSA is undertaken in line with the requirements of the ORSA policy and follows the documented ORSA procedure.

The ORSA Report sets out the results of the ORSA of the Society for review and approval by the Commercial Board and the Board.

The 31 December 2021 Report incorporated the financial analysis and commentary provided by Zenith Actuarial (the Society's Actuarial Function). This also included discussions around the content of the Report, agreement over assumptions and the methodology used and establishing how this links to the overall ORSA process and the current business strategy.

The governance process for the development and approval of the ORSA included:

- discussions with Zenith Actuarial on the initial ORSA results;
- approval by the Society of reports from Zenith Actuarial setting out the assumptions to be used for the ORSA ie the base and stress assumptions;
- approval by the Society of the Zenith Actuarial ORSA results; and
- approval by the Society of this ORSA Report.

The Society's approval process included:

- discussions at the Commercial Board of the various ORSA papers, with the Commercial Board providing a recommendation to the Board for the approval of the ORSA;
- reviews of the process by the Internal Audit function;
- oversight by the ARCC of the process involved in approving the ORSA, and recommendation to the Board that an appropriate governance process has been adopted; and
- approval of the Board of the recommendations from the Commercial Board and ARCC, and therefore, approval of the ORSA.

B.5 Internal control system

As previously detailed the Society operates a 'three lines of defence model' for overseeing its internal control frameworks.

The Society maintains a financial control framework that governs financial and regulatory reporting. The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. The Internal Audit Function conducts this review and the results are submitted to the Audit, Risk & Compliance Committee.

The Society's Reports and Financial Statements in their production and review leading up to publication are also subject to a robust review. The actuarial liabilities are produced using best practices and are subject to review by the Commercial Board. The Reports and Financial Statements are also subject to internal review and External Audit review. They are presented to the Audit, Risk & Compliance Committee, Board and AMC for sign-off prior to publishing.

i. Compliance & Risk Function

The Compliance & Risk Function is responsible for the independent assessment of the Society's conduct of regulated business, including risk management processes and procedures to ensure compliance with Regulatory Principles, Rules and / or Guidance and the policies and standards established by the Society.

The Society's Compliance & Risk Function has direct reporting lines to the CEO and TCF & Conduct Risk Champion who sit on the Commercial Board, and has access to all information and staff necessary to carry out its strategy and responsibilities.

The Society's Compliance & Risk strategy is as follows.

- Create and maintain a compliance and risk, anti money laundering / financial crime environment within the Society, in which the Board, Sub Board/Committees and staff understand their roles and responsibilities for ensuring they operate in a manner, which complies with Regulatory Principles, Rules, Guidance and the Society's own policies and procedures.
- Create and maintain a vigilant Compliance & Risk Function that:
 - advises the Board, Sub Board/Committees, line management and staff as appropriate on matters of Regulatory compliance and in particular in respect of Regulatory change and development as well as any areas of particular focus raised by the Regulators (e.g. relevant thematic reviews);
 - serves to monitor and report to the Board, Sub Board/Committees and line management as appropriate on the compliance and risk performance of the regulated functions of the Society, proposing any necessary remedial actions;
 - ensures the Society's TCF and Conduct Risk (including Consumer Duty) cultures and values are understood across all levels of the Society; Board, Sub Board/Committees and Staff;
 - provides timely guidance and support to foster a culture of compliance and risk in the Society;

- if necessary prompts or initiates timely and effective disciplinary action; and
- ensures the Society deals with its Regulators in an open and cooperative way at all times.

B.6 Internal Audit Function

For 2022, the Society outsourced the performance of the Internal Audit Function to RSM UK Risk Assurance Services LLP, therefore, the people that carry out the audit work and report the findings to the Audit, Risk & Compliance Committee are independent from the Staff that work in the areas under review.

Each year the Internal Audit Function undertakes a programme of internal audit work on the Society's business functions. The audit work is based on an annual assessment of the Society's audit needs and in accordance with the Society's Internal Audit policy. The Society's CEO and the Audit, Risk & Compliance Committee agree the scheduled work, from which a strategic audit plan is drawn up setting out the specific areas to be audited including the scope of each audit.

The audit programme and strategy is developed and maintained in accordance with the Society's Internal Audit & Internal Control Policies and Risk Management Framework (RMF) to provide the Board with its opinion on the effectiveness of the Society's risk management, internal control, and governance arrangements. The strategy aims to add value for Line Managers by providing them with audit analyses, findings and recommendations.

Internal Audit Policy

The effective operation of internal audit is a key part of the control environment required for the Society to achieve its objectives and to meet its obligations.

The Society's Internal Audit Policy details the relevant responsibilities, objectives, processes and reporting procedures to be applied by the Internal Audit Function.

The Society has designed processes and controls, which are in place to ensure that the requirements set out in this Policy are met on an on-going basis in practice.

The Policy is reviewed on an annual basis to ensure that it is still applicable and aligned with the business strategy and Risk Management Framework of the Society. In 2022 no significant changes were made to the Policy.

B.7 Actuarial

The Society's Actuarial Function is outsourced to Zenith Actuarial (Zenith).

The position of Chief Actuary (specified as SMF20 under the Senior Insurance Management Function Regime) is held by Scott Robinson.

The position of With-Profits Actuary (specified as SMF21 under the Senior Insurance Management Function Regime) is held by Andy Pennington.

The Chief Actuary and the With-Profits Actuary are supported by Fellows and members of the Institute and Faculty of Actuaries at Zenith.

The Chief Actuary and With-Profits Actuary are not involved in the day to day business of the Society.

The Actuarial Function produces a series of reports, which are submitted to the Commercial Board and Board each year. These reports detail the work undertaken, the assumptions used, the results and resulting recommendations.

B.8 Outsourcing

Prior to outsourcing a key function the Society's Outsourcing Policy ensures that:

- a detailed examination is performed to ensure that the potential service provider has the ability and capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the Society's objectives and needs (e.g. including TCF considerations) and Regulatory requirements;
- the service provider has adopted all means to ensure that no conflicts of interest exist;
- a written agreement is entered into between the Society and the service provider which clearly defines the respective rights and obligations of both parties;
- the general terms and conditions of the outsourcing agreement are clearly explained and understood, at a high-level, by the Board and authorised by them;
- the outsourcing does not breach any law or regulatory requirements in particular with regard to rules on data protection;
- the service provider is subject to the same provisions on the safety and confidentiality of the information as the Society.
- the service provider has in place adequate risk management and internal control systems;
- where required, that the fitness and propriety requirements are met by the persons employed by the service provider to perform the outsourced functions;
- activities are established; a contractual right to information about the outsourced activities and a contractual right to issue instructions concerning the outsourced activities;
- the service provider has the necessary financial resources to perform the outsourced tasks in a proper and reliable way; and
- the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and periodically tests backup facilities where necessary, taking into account the outsourced functions and activities.

The above requirements allow the Society to understand the main risks that might arise from the outsourcing and where necessary identify the most suitable processes for mitigating and managing any risk to ensure the service provider has the ability, capacity and authorisation required by law and/or regulatory standards to perform the outsourced functions and activities.

The Society currently outsources the following key functions:

Key Function	Name of Firm	Jurisdiction
Investment Managers	Fidelity Worldwide Investment	United Kingdom
	Close Brothers Wealth Management	United Kingdom
	Investec Wealth & Investment Limited	United Kingdom
	LGT Wealth Management UK LLP	United Kingdom
Actuarial	Zenith Actuarial	United Kingdom
Internal Auditors	RSM UK Risk Assurance Services LLP	United Kingdom
Property Managers	Christopher Dee LLP	United Kingdom
	Ryden LLP	United Kingdom
	MIR Project Management Limited	United Kingdom

In addition, some elements of the IT Function are also outsourced but these are generally managed by the Head of IT.

Internal Audit

The Internal Audit Function of the Society in terms of its offices in Manchester and Liverpool has been carried out by RSM UK Risk Assurance Services LLP (RSM) since the start of 2022 following a thorough tender process which was completed in 2021. During 2022, RSM have reported their findings from completed audits to the Society's Audit Risk and Compliance Committee (ARCC). In addition the Internal Audit Partner also met with the CEO on a quarterly basis to discuss any operational issues.

C. Risk profile

C.1 Overview

The principal risks faced by the Society are influenced by the nature and scale of business currently in-force, the assets held by the Wider Society to back the business and the management actions around bonus distribution and investment policy in the future as the business runs off.

The risks to the Society may change over time depending on how the current strategy evolves and the changes to the environment under which the Society operates.

The highest ranked risks are identified via the Risk Management system and/or those risks requiring the largest capital support under the SCR calculation.

The risk assessment calculates the SCR using Standard Formula and the risk profile as at 31 December 2022 is as follows:

Standard Formula Risk	%
Market Risk	98.1%
Counterparty Default	1.2%
Life Underwriting Risk	0.5%
Health Underwriting Risk	0.0%
Non-Life Underwriting Risk	0.2%

As can be seen from the table above the SCR occurs mainly from market risk. This is because the assessment includes the Fraternal assets of the Wider Society.

C.2 Risk summary

a) Underwriting risk

Underwriting risk arises through adverse claims experience, and, where expenses are higher than anticipated.

The Society has a medium appetite for taking underwriting risk.

The level of underwriting risk is assessed by the calculation of the SCR for each of the following risks:

- mortality risk;
- longevity risk;
- morbidity risk;
- expense risk;
- lapse risk; and
- catastrophe risk.

i. Key underwriting risks

The Society is exposed to each of the underwriting risks to varying degrees with the most significant risks being set out below:

Expense risk

Expense risk arises from the impact on the own funds of changes in expenses and expense inflation and, also from the profile of expenses as policies run-off.

The management of this risk falls to the Society's internal infrastructure, processes, procedures and controls. However, whilst the Society can point to internal controls, including budgeting processes etc. this does not alleviate the need to undertake the expense stress test and, therefore, the requirement to hold capital against this risk.

The Society recognises that this risk exists and considers different ways in which it can be contained. This could include improving the efficiency of operations, and thereby reducing expenses, or providing a greater base to spread expenses across via writing new business or the acquisition of other long term insurance blocks.

Lapse risk

Lapse risk is a material risk with the capital requirement for LTB, and relates mainly to a mass lapse / surrender event. The mass lapse event assumes that 40% of policies would instantaneously lapse/surrender and, the impact of this is that a large proportion of future profits would not materialise.

The mass lapse stress of 40% of business is prescribed under the Solvency II Standard Formula approach. Although, it is noted that the Society's experience is significantly lower than the mass lapse stress.

b) Market risk

Market risk arises through the possibility of losses on the Society's financial investments through movements in market prices.

The Society has a medium appetite for taking market risk in order to achieve favourable returns for policyholders.

The level of market risk is assessed by the calculation of the SCR for each of the following risks:

- interest rate risk;
- equity risk;
- property risk;
- spread risk;
- currency risk; and;
- concentration risk

i. Key market risks

The Society is exposed to each of the market risks to varying degrees with the most significant risks being set out below:

Equity risk

Equity risk is material for the Society's Fraternal business due to the size of the equity holdings. Equity risk is also a key market risk in the Society's LTB business, where it arises mainly in relation to unit-linked business where the equity stress results in lower future expected profits as a result of lower income, its impact is, however, less significant.

Property risk

Property risk is the key market risk in the Society's Fraternal business due to the significant property holdings. It arises through the impact of a reduction in property values.

c) Credit risk

Credit risk arises if another party fails to meet its financial obligations to the Society, and, is assessed through the measurement of counterparty default, concentration and credit risk.

The Society's credit risk arises primarily from its corporate bond and cash holdings; it has minimal reinsurance arrangements in place.

d) Liquidity risk

Liquidity risk arises in circumstances where, while the Society remains solvent, it is unable to meet its financial obligations as they fall due.

The Society's exposure to liquidity risk is generally low as it aims to ensure it has sufficient liquid investments to meet its liabilities in the short to medium term.

e) Operational risk

Operational risk occurs from the failure of internal processes, people or systems and from external events.

The Society aims to minimise the potential impact of operational risk across the business by operating within an appropriate control environment.

The Society assesses operational risk by considering different types of events, using a risk-based analysis of the likelihood of an event and the severity of possible losses.

C.3 Risk mitigation

In order to mitigate risks faced by the Society, risks are included in the risk register and are reviewed on a regular basis, and a number of actions are in place.

In relation to underwriting risk:

- Expense information is monitored on a regular basis;
- Lapse rates are monitored and are reported to the Commercial Board on a quarterly basis; and
- An experience analysis is undertaken as part of the annual Solvency II assessment.

In relation to market and counterparty default risk:

- The Society has clearly defined investment strategies which include agreed tolerance limits with regard to asset and cash counterparty; these strategies are reviewed on a regular basis;
- Admissibility reporting is undertaken on a quarterly basis; and
- The Society's overall risk strategy and appetite in relation to concentration risk is to avoid any material concentration risk.

In order to mitigate liquidity risk the Insurance Department will notify the Finance Department of the amount of claims that are expected to be due within the next month, and pending claims of a material amount.

C.4 Prudent person principle for asset investment

The Society has set out how it will invest its assets in accordance with the prudent person principle (required under Solvency II), as follows:

- To only invest in assets and instruments whose risks the Society can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs under Pillar 2;
- All assets will be invested to ensure the security, quality, liquidity and expected returns of the various funds.
- Assets held to cover the technical provisions will be invested appropriately given the nature and duration of the insurance liabilities. Those assets will be invested in the best interest of all policyholders and beneficiaries taking into account any policyholder disclosures.
- Subject to the relevant Market Risk Policy the use of derivative instruments shall be possible insofar as they contribute to a reduction of risks or facilitate efficient portfolio management.
- Investments and assets (excluding property) which are not traded on a regulated financial market shall be avoided.
- Assets shall be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer, geographical area etc.
- Investments in assets issued by the same company, or by companies belonging to the same group, will be limited to ensure the Society is not exposed to excessive risk concentration.

- Fraternal assets will be invested in a manner that is appropriate for the fund mandates in place and the target objectives of the fund, or where the investment strategy is at the discretion of the Society in a manner which is considered appropriate by the Commercial Board.

C.5 Stress and scenario tests

The Society includes a number of stress and sensitivity tests covering market and underwriting risk, including reverse stress tests, within its ORSA process to assess the robustness of the Society's capital position.

D. Valuation for solvency purposes

D.1 Assets

a) Solvency II valuation of assets

The table below sets out the Society's financial assets as at 31 December 2022:

Assets £000s	Solvency II	GAAP
Land and Buildings	263,388	83,253
Shares and Other Variable Yield Securities	67,876	68,266
Debt and Other Fixed Income Securities	127,838	121,633
Assets Held to Cover Linked Liabilities	228,679	228,679
Cash at Bank and In Hand	16,185	20,856
Total Financial Assets	703,966	522,687
Debtors	1,399	1,399
Tangible assets	4,370	4,370
Loans	221	221
Other	5,691	6,835
Total Assets	715,647	535,512

Assets are valued as follows:

- Land and Building valuations are based on open market value in accordance with the provisions of the RICS Appraisal and Valuation Manual. No allowances have been made for the costs of realisation.
- Shares and Other Variable Yield Securities valuations are the fair value as at 31 December 2022. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets quoted in an active market, are their bid prices at the Balance Sheet date.
- Debt and Other Fixed Income Securities valuations are the market value as at 31 December 2022 and include accrued interest on interest bearing securities.
- Assets Held to Cover Linked Liabilities were valued as at 31 December 2022 in at fair value. Fair values are determined by reference to observable market prices where available and reliable. The fair value of financial assets quoted in an active market, are their bid prices as at the Balance Sheet date.
- Cash and Cash equivalents with a maturity of three months or less are valued at the amount of cash held, not including any accrued income. This is limited to non-linked assets. The cash value of any linked assets are included within Assets held for index-linked and unit linked contracts.
- Cash term deposits with a maturity of greater than three months as cash held for investment.

The Land and Building figure is higher under Solvency II because the totals include investments held by Branches. In total this amounts to an additional £180.1m. These assets are not included under UK GAAP as the investments are not controlled by Unity Office. However, on a Solvency basis the capital can be accessed under the rules of the Society in a number of circumstances. As such, the amounts are brought into the Solvency II Balance Sheet and are available for use in extremis.

b) Solvency II and UK GAAP valuation differences

For the purposes of assessing the Society's available funds and solvency capital requirements under Solvency II Fraternal assets are included, as Fraternal assets are available to support the Society's solvency capital requirements in extremis. These assets are not consolidated for UK GAAP reporting purposes.

D.2 Technical provisions

a) Valuation results

The Solvency II Pillar I technical provisions at 31 December 2022 for the Society as a whole are set out in the table below. The 31 December 2021 figures are shown for comparison:

Total LTB		2022	2021 Restated
		(£000)	(£000)
<i>Best Estimate Liability</i>	With Profits - Guaranteed	57,217	72,342
	With Profits - Discretionary	27,352	27,776
	Non-Profit	43,782	48,692
	Unit Linked	215,636	230,394
	Total	343,986	379,204
<i>Risk Margin</i>	With Profits	116	61
	Non-Profit	290	403
	Unit Linked	680	701
	Total	1,086	1,165
<i>Technical Provisions</i>	With Profits	84,684	100,179
	Non-Profit	44,072	47,765
	Unit Linked	216,316	231,140
	Total	345,073	380,369
<i>General Technical Provisions</i>	Total	1,723	1,696
Total Technical Provisions		346,795	382,065

Valuation Methodology – Best Estimate Liabilities

All policyholder cashflows are included within the calculation of best estimate liabilities ("BEL") where these are based on the best estimate of future experience. These include:

- All expected future death, maturity, surrender and sickness claims.
- All expected future renewal and investment expenses.

- All expected future premiums, subject to Solvency II contract boundary restrictions.

Reinsurance arrangements are considered to be immaterial.

The BEL for with-profits products is calculated in terms of previously guaranteed benefits and future discretionary benefits. With-profits future discretionary benefits are set using expert judgement to determine the best estimate of the value of future bonus declarations.

Non-profit liabilities are valued using a gross premium reserve approach.

Unit linked liabilities are valued as the sum of unit fund liabilities and non-linked reserves. Unit fund liabilities are equal to the value of the units allocated to policies on the valuation date. Non-linked reserves are equal to the present value of all non-unit cashflows including charges, expenses and claims in excess of unit funds.

Credit is taken for negative liabilities where a policy is assumed to be profitable.

For General technical provisions, the best estimate liabilities are based on prior years' experience as the cover is provided on a one year renewable basis.

No simplifications are applied within the calculation of best estimate liabilities except where these relate to materiality and proportionality as allowed by Article 56 of the Delegated Acts.

Valuation Methodology – Risk Margin

The risk margin is calculated in accordance with Article 37 of the Delegated Acts using a simplified risk driver approach as allowed under Article 58. This assumes that the non-hedgeable risks reduces over time in line with the BEL.

Within the risk margin calculation, it is assumed that assets are selected in such a way as to minimise the SCR for market risk so that only non-hedgeable risks are allowed for. These include:

- All life underwriting risks
- Operational risks
- Counterparty default risk excluding those relating to cash holdings

The cost of capital rate is assumed to be 6% as specified by Article 39 of the Delegated Acts.

Main Assumptions

All assumptions are on a best estimate basis with no prudent margins such that:

- Mortality, morbidity and surrender assumptions are based on the Society's actual experience of deaths, sickness and surrender claims.
- Expense assumptions are based on actual and budgeted expenses (with allowances made for expected one-off expenses and the risk that expenses do not run off as quickly as expected).

- Investment return and discounting assumptions are based on the prescribed Solvency II interest rate curves.
- Retrospective asset share roll-forward assumptions are based on actual expenses incurred and investment returns earned by the fund over the previous year.
- Prospective asset share roll-forward assumptions are based on expected expenses and prescribed Solvency II investment returns.

b) Material Uncertainty

The uncertainty associated with the value of technical provisions is primarily driven by the uncertainty associated with the assumptions of future experience. Technical provisions are calculated on a best estimate basis and as such, are sensitive to future economic and non-economic experience. Any change in experience could have an impact on future levels of technical provisions.

Other Relevant Information

There are no material differences between the valuation of liabilities for solvency purposes and those used for statutory reporting purposes.

The Matching Adjustment has not been applied in the calculation of the Society's technical provisions.

The Volatility Adjustment has not been applied in the calculation of the Society's technical provisions.

The transitional risk-free interest rate-term structure has not been applied in the calculation of the Society's technical provisions

The transition deduction referred to in Article 308d of Directive 2009/138/EC has not been applied in the calculation of the Society's technical provisions.

D.3 Other liabilities

The table below shows the other liabilities as at 31 December 2022:

Other liabilities £000s	Solvency II	GAAP
Pension benefit obligations	-	-
Financial liabilities other than debts owed to credit institutions	19,000	152,942
Payables	7,134	7,134
Total Other liabilities	26,134	160,076

The differences in liabilities are as follows:

- The £152,942k for 'Financial liabilities other than debts owed to credit institutions' included under GAAP has been re-measured on a Solvency II basis. As a result of the

inclusion of branch asset amounts within the capital calculation (as outlined in D.1(a)) the liability to branch invested amounts has been revalued to nil. This revaluation is made to reflect the nature of the capital contribution of the branch network towards the Solvency's capital base, and to reflect the purely discretionary nature of these funds.

D.4 Alternative methods of valuation

No alternative methods of valuation have been used.

D.5 Any other information

The Society believes the information provided in Section D is comprehensive. There is no other material information regarding the valuation of the Society's assets and liabilities to add.

As previously detailed branch held assets are included in the capital calculations, although they are not consolidated for UK GAAP reporting purposes.

E. Capital management

E.1 Own funds

a) Objectives, policies and processes for managing own funds

The Society's objective is to manage the capital position so that there are sufficient own funds to cover the Solvency Capital Requirements (SCR) and Minimum Capital Requirements (MCR) at all times.

There have been no material changes to the Society's objectives, policies and processes relating to the management of Own Funds over 2022.

The Society's business planning period is 3 years.

Given the size of the Society's Own Funds the issue of how Own Funds will potentially run-off over time is not considered to be a material aspect for the Society providing capital cover.

b) Classification of own funds

The Society has a simple capital structure, with Balance Sheet reserves comprising a single item: tier 1 unrestricted capital. These own funds have arisen from past underwriting and investment surpluses.

Under Solvency II there are no liabilities to investing Branches as the underlying benefits are purely discretionary and this has the effect of increasing own funds item.

On a Solvency II basis, the Fraternal surplus is classified as Basic Own Funds, covered under Article 69a of the Solvency II Directive as "surplus funds that are not considered as insurance and reinsurance liabilities" and, as such, is included within the Solvency II Balance Sheet of the Society.

In addition, there are Branch held investments of £180.1m in the Solvency II Balance Sheet, these are not included in the statutory valuation as they are not consolidated under UK GAAP.

c) Eligibility of own funds

The Eligible amount of Own Funds to cover MCR and SCR is £341m.

There are no items of Own Funds subject to transitional arrangements.

There are no ancillary Own Funds items.

The Society does not disclose any additional ratios to those shown S.23.01

d) Reconciliation of excess assets to Reports and Financial Statements

A reconciliation between equity as shown in the Reports and Financial Statements and the Solvency II value excess of assets over liabilities is shown below:

£000s		31 December 2022
Equity in financial statement		30,363
Asset adjustments:		
Inclusion of Branch assets		180,135
Liability adjustments:		
Removal of Liabilities to Investing Branches		133,942
Inclusion of Technical provision – non-life		-1,723
Solvency II excess assets over liabilities		342,718

e) Deductions from Own Funds

There are no items deducted from Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

a) Amount of Solvency Capital Requirement and Minimum Capital Requirement

The Solvency Capital Requirement for the Society is calculated using the Standard Formula approach. The Life Underwriting Risk, Market Risk, Counterparty Default Risk and Operational Risk modules are applicable to the LTB funds. The market risk, non-life underwriting risk and counterparty default risk modules are applicable to the Fraternal funds including Branch held assets.

The calculation of the MCR is based on the prescribed Solvency II methodology. This includes components relating to the non-life technical provisions, life technical provisions and SCR as well as being subject to a floor of the GBP equivalent of €6.2 million.

The table below sets out the SCR and MCR as at 31 December 2022:

£000s	31/12/2022	31/12/2021
SCR	93,371	104,012
MCR	23,343	26,003

The SCR amount is subject to Supervisory assessment at present.

b) Solvency Capital Requirement split by risk modules

The SCR at 31 December 2022 is shown in the table below, split by risk module.

2022 Solvency Capital Requirements £000s		Total
Standard Formula Risk Module		
Market Risk		104,070
Counterparty Default		1,606
Life Underwriting Risk		12,082
Health Underwriting Risk		464
Non-Life Underwriting Risk		211
BSCR – Gross		108,351
Loss absorbing capacity of technical provisions		-15,974
BSCR – Net		92,377
Operational Risk		994
SCR		93,371

The SCR shown above is subject to supervisory assessment.

c) Simplified calculations in risk modules

The simplification described in Article 96 of the Delegated Acts is used in the calculation of the mortality-catastrophe SCR component. This is applied on materiality grounds. No other simplifications are made.

d) Undertaking-specific parameters

No undertaking-specific parameters are used in the SCR calculations.

e) Inputs used to calculate the MCR

The table below sets out the inputs for the MCR calculation as at 31 December 2022. Note the Absolute Floor MCR (Euros) and the Exchange Rate are prescribed by the PRA:

MCR Inputs £000s		Net SCR
MCR floor		
Absolute Floor MCR (Euros)		6,700
Exchange Rate (Euro to GBP)		0.86115
Absolute Floor MCR (GBP)		5,770
Combined MCR		
SCR		93,371
BSCR – Net		92,377
25% SCR		23,343
MCR		23,343

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

The Society does not use the duration-based equity risk sub-module and, therefore, this section is not relevant.

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

The Society does not use an internal model and, therefore, this section is not relevant.

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

The Society has complied with the MCR and SCR throughout the period covered by the report and does not foresee any risk of non-compliance in future.

F. Templates

The following QRTs are included in **Appendix A** of the SFCR:

QRT ref	QRT Template name
S.02.01.02	Balance Sheet .
S.05.01.02	Premiums, claims and expenses
S.05.02.01	Premiums, claims and expenses by country
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.01	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.02.01	Minimum Capital Requirement –Life and non-life insurance or reinsurance activity

Appendix A SFCR templates

Independent Order of Oddfellows Manchester Unity Friendly Society

Solvency and Financial Condition Report

Disclosures

31 December

2022

(Monetary amounts in GBP thousands)

General information

Undertaking name	Independent Order of Oddfellows Manchester Unity Friendly Society
Undertaking identification code	5493007GYE7RU65WNU39
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity - article 73 (2)
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2022
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

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

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

S.05.02.01 - Premiums, claims and expenses by country

S.05.02.01 - Premiums, claims and expenses by country

S.12.01.02 - Life and Health SLT Technical Provisions

S.17.01.02 - Non-Life Technical Provisions

S.19.01.21 - Non-Life insurance claims

S.23.01.01 - Own Funds

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

S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02
Balance sheet

Solvency II value	
C0010	
	0
	0
	4,560
	4,370
	459,102
	263,388
	0
	40,901
	40,901
	0
	110,617
	46,746
	61,823
	0
	2,048
	40,385
	0
	1,400
	2,411
	228,679
	221
	0
	39
	182
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	0
	1,400
	0
	0
	16,185
	1,131
	715,647

Assets

R0030	Intangible assets
R0040	Deferred tax assets
R0050	Pension benefit surplus
R0060	Property, plant & equipment held for own use
R0070	Investments (other than assets held for index-linked and unit-linked contracts)
R0080	<i>Property (other than for own use)</i>
R0090	<i>Holdings in related undertakings, including participations</i>
R0100	<i>Equities</i>
R0110	<i>Equities - listed</i>
R0120	<i>Equities - unlisted</i>
R0130	<i>Bonds</i>
R0140	<i>Government Bonds</i>
R0150	<i>Corporate Bonds</i>
R0160	<i>Structured notes</i>
R0170	<i>Collateralised securities</i>
R0180	<i>Collective Investments Undertakings</i>
R0190	<i>Derivatives</i>
R0200	<i>Deposits other than cash equivalents</i>
R0210	<i>Other investments</i>
R0220	Assets held for index-linked and unit-linked contracts
R0230	Loans and mortgages
R0240	<i>Loans on policies</i>
R0250	<i>Loans and mortgages to individuals</i>
R0260	<i>Other loans and mortgages</i>
R0270	Reinsurance recoverables from:
R0280	<i>Non-life and health similar to non-life</i>
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>
R0320	<i>Health similar to life</i>
R0330	<i>Life excluding health and index-linked and unit-linked</i>
R0340	<i>Life index-linked and unit-linked</i>
R0350	Deposits to cedants
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
R0420	Any other assets, not elsewhere shown
R0500	Total assets

S.02.01.02
Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	1,723
R0520	<i>Technical provisions - non-life (excluding health)</i>	0
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	0
R0550	<i>Risk margin</i>	0
R0560	<i>Technical provisions - health (similar to non-life)</i>	1,723
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	1,625
R0590	<i>Risk margin</i>	98
R0600	Technical provisions - life (excluding index-linked and unit-linked)	128,756
R0610	<i>Technical provisions - health (similar to life)</i>	1,046
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	1,044
R0640	<i>Risk margin</i>	1
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	127,711
R0660	<i>TP calculated as a whole</i>	0
R0670	<i>Best Estimate</i>	127,306
R0680	<i>Risk margin</i>	405
R0690	Technical provisions - index-linked and unit-linked	216,316
R0700	<i>TP calculated as a whole</i>	227,440
R0710	<i>Best Estimate</i>	-11,803
R0720	<i>Risk margin</i>	680
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	19,000
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	7,134
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	Total liabilities	372,929
R1000	Excess of assets over liabilities	342,718

Premiums, claims and expenses by line of business

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
1,633																1,633
																0
																0
1,633																1,633
1,633																1,633
																0
																0
1,633																1,633
1,560																1,560
																0
																0
1,560																1,560
																0
																0
0																0
133																133

Premiums, claims and expenses by line of business

[illegible]

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0010								
	Premiums written							
R0110	Gross - Direct Business	1,633						1,633
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	1,633						1,633
	Premiums earned							
R0210	Gross - Direct Business	1,633						1,633
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	1,633						1,633
	Claims incurred							
R0310	Gross - Direct Business	1,560						1,560
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	1,560						1,560
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0						0
R0550	Expenses incurred	133						133
R1200	Other expenses							34
R1300	Total expenses							167

S.05.02.01
Premiums, claims and expenses by country

Life

R1400

C0150	C0160	C0170	C0180	C0190	C0200	C0210
Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
C0220	C0230	C0240	C0250	C0260	C0270	C0280
10,841						10,841
						0
10,841						10,841
10,841						10,841
						0
10,841						10,841
22,642						22,642
						0
22,642						22,642
						0
						0
0						0
4,150						4,150
						4,150

S.12.01.02
Life and Health SLT Technical Provisions

		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				
	Insurance with profit participation	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole		227,440								227,440						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	83,524		-11,803			43,782				115,503		1,044				1,044
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	83,524		-11,803	0		43,782	0			115,503		1,044	0			1,044
R0100	Risk margin	115	680			290					1,085	1					1
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	83,639	216,316			44,072					344,027	1,046					1,046

Non-Life Technical Provisions

R0010	Technical provisions calculated as a whole	
R0050	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	

[illegible]

Non-Life insurance claims

Total Non-life business

Accident year / underwriting year	Accident Year
-----------------------------------	---------------

[illegible]

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)												C0360	
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											0	0
R0160	2013	0	0	0	0	0	0	0	0	0		0	
R0170	2014	0	0	0	0	0	0	0	0			0	
R0180	2015	0	0	0	0	0	0	0				0	
R0190	2016	0	0	0	0	0	0					0	
R0200	2017	0	0	0	0	0	0					0	
R0210	2018	0	0	0	0	0						0	
R0220	2019	0	0	0	0							0	
R0230	2020	0	0	0								0	
R0240	2021	0	0									0	
R0250	2022	0										0	
R0260		Total											

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

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

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**

R0230 **Deductions for participations in financial and credit institutions**

R0290 **Total basic own funds after deductions**

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

Reconciliation reserve

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

Expected profits

R0770	Expected profits included in future premiums (EIPFP) - Life business
R0780	Expected profits included in future premiums (EIPFP) - Non- life business
R0790	Total Expected profits included in future premiums (EIPFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
342,718	342,718		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-1,885	-1,885			
0		0	0	0
0				0
0	0	0	0	0

0				
0				
340,833	340,833	0	0	0

0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

340,833	340,833	0	0	0
340,833	340,833	0	0	
340,833	340,833	0	0	0
340,833	340,833	0	0	

93,371
23,343
365.03%
1460.13%

C0060
342,718
0
342,718
1,885
-1,885

0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

R0010 Market risk
R0020 Counterparty default risk
R0030 Life underwriting risk
R0040 Health underwriting risk
R0050 Non-life underwriting risk
R0060 Diversification

R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

Calculation of Solvency Capital Requirement

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

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

Approach to tax rate

R0590 Approach based on average tax rate

Calculation of loss absorbing capacity of deferred taxes

R0640 LAC DT
R0650 LAC DT justified by reversion of deferred tax liabilities
R0660 LAC DT justified by reference to probable future taxable economic profit
R0670 LAC DT justified by carry back, current year
R0680 LAC DT justified by carry back, future years
R0690 Maximum LAC DT

Gross solvency capital requirement	USP	Simplifications
C0110	C0090	C0120
104,070		
1,606		
12,082		
464		
211		
-10,082		
0		
108,351		
C0100		
994		
-15,974		
0		
93,371		
0		
93,371		
0		
93,045		
326		
0		
0		
C0109		
0		
LAC DT		
C0130		
0		
0		
0		
0		
0		

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

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities		Life activities			
		MCR _(NL,NL) Result	MCR _(NL,L) Result				
		C0010	C0020				
R0010	Linear formula component for non-life insurance and reinsurance obligations	153	0				
				Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0030	C0040	C0050	C0060
R0020	Medical expense insurance and proportional reinsurance	1,625	1,633				
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						
		MCR _(L,NL) Result	MCR _(L,L) Result				
		C0070	C0080				
R0200	Linear formula component for life insurance and reinsurance obligations	0	3,185				
				Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance/S PV) total capital at risk	Net (of reinsurance/S PV) best estimate and TP calculated as a whole	Net (of reinsurance/S PV) total capital at risk
				C0090	C0100	C0110	C0120
R0210	Obligations with profit participation - guaranteed benefits					56,172	
R0220	Obligations with profit participation - future discretionary benefits					27,352	
R0230	Index-linked and unit-linked insurance obligations					215,636	
R0240	Other life (re)insurance and health (re)insurance obligations					44,826	
R0250	Total capital at risk for all life (re)insurance obligations						111,555
Overall MCR calculation		C0130					
R0300	Linear MCR	3,338					
R0310	SCR	93,371					
R0320	MCR cap	42,017					
R0330	MCR floor	23,343					
R0340	Combined MCR	23,343					
R0350	Absolute floor of the MCR	5,770					
R0400	Minimum Capital Requirement	23,343					
Notional non-life and life MCR calculation		C0140		C0150			
R0500	Notional linear MCR	153	3,185				
R0510	Notional SCR excluding add-on (annual or latest calculation)	4,283	89,087				
R0520	Notional MCR cap	1,927	40,089				
R0530	Notional MCR floor	1,071	22,272				
R0540	Notional combined MCR	1,071	22,272				
R0550	Absolute floor of the notional MCR	2,325	3,445				
R0560	Notional MCR	2,325	22,272				