WESLEYAN

Solo Solvency and Financial Condition Report for the year ended 31 December 2023

Contents

SUMMARY

This Solvency and Financial Condition Report (SFCR) has been prepared as at the reporting date of 31 December 2023 for the reporting period 1 January 2023 to 31 December 2023. This SFCR relates to Wesleyan Assurance Society (the Society) which is a participating insurance undertaking (the ultimate parent) to which supervision applies.

The following paragraphs provide a summary of each Section of this report.

Business and Performance

The Society operates in the United Kingdom only.

The material lines of business written by the Society are:

- Life ordinary regular
- Life ordinary single
- Pension regular
- Pension single
- Health regular
- With Profits ISA regular
- With Profits ISA single

The principal activities of the Society are the provision of financial advice to doctors, dentists and teachers and the transaction of long-term insurance business in the UK. The Society administers both reviewable and guaranteed business contracts, unit-linked, conventional and income protection insurance. Since 2021, the Society's With Profits fund has also been offered beyond the Society's core segments via third-party investment platforms.

Complementary to these activities, the Group provides a number of other financial services, through wholly owned subsidiary undertakings, including unit trust management, mortgage broking, acting as a general insurance broker and providing dental patient membership plans. With-profits policyholders share in the profits and losses of these subsidiary companies.

Underwriting income and expenses over the reporting period

During 2023, the macro-economic environment of high inflation and high interest rates attracted investors away from investment products into cash savings and increased costs including mortgage repayments, due to the cost of living pressure.

As a result, premium income of £414m was £76m lower than 2022. This included a £38m fall in ISA investment premiums, and a £22m fall in life investment business.

Claims paid of £486m was £49m higher than prior year. ISA claims were the primary driver of this increase, with lapse rates increasing in the second half of 2023.

The challenging trading environment meant overall the Society had net outflow of funds, however, the flagship With-profit fund continued to grow with positive cash inflows.

Society operating expenses have fallen year on year as a result of good cost control and the realisation of the benefit's of 2022 strategic projects.

The Society continues to invest in transformation activity resulting in a rise in other expenses in the year.

Investment performance over the period

Rallying equity and bond markets in December 2023 led to positive investment returns across all the Society's funds and the majority of asset classes.

The With-Profits fund ended the year with an investment return of 9.9%. The fund outperformed its benchmark of 8.3% with most asset classes contributing to this outperformance.

The Estate, which has a higher fixed income allocation, achieved an investment return of 7.5% in 2023 (also outperforming its benchmark of 6.5%), due to overall market performance in H2 2023.

Group assets under management increased in 2023 to £7.6bn (2022: £7.2bn).

System of Governance

The Society has a Governance Strategy in place which sets out the principles by which the Society Board and senior management oversee the Society's business and the means by which members of the Board and senior management are held accountable and responsible for their actions.

Risk Profile

There have been no material changes to the Society's risk profile.

The Society's risk profile is consistent with its risk appetite. Market risk is the most significant risk for the Society. The Society utilises a selection of different risk mitigation techniques to help it manage its risk exposure including the use of derivatives, reinsurance arrangements and holding collateral. Sensitivity and scenario analysis is used to help the Society to better understand and manage its risk profile and mitigation actions.

Further information on the Risk Profile is provided in Section C of the report.

Valuation for Solvency Purposes

As at the reporting date, the value of assets as reported in the Society's Solvency II Balance Sheet were £6,899m, £124m lower (2022: £6,497m, £119m lower) than that reported in the Society's statutory accounts for financial reporting purposes. This was mainly attributable to the differing valuation methodology applied for subsidiary undertakings and intangible assets.

The total liabilities at the reporting date as reported in the Society's Solvency II Balance Sheet were £6,473m, £109m lower (2022: £6,000m, £129m lower) than reported in the Society's statutory accounts for financial reporting purposes. The main differences in the valuation of total liabilities on a Solvency II basis and financial reporting basis were as follows:

- The MSS Fund technical provisions on the statutory reporting basis were set equal to the assets of the MSS Fund, to recognise that all of these assets would be distributed to current policyholders, whereas under Pillar 1 of Solvency II, amounts set aside but not yet allocated to policyholders were not included in the technical provisions.
- Subsidiaries and intangible assets were treated on a Solvency II basis as a deduction to assets for With Profits Policyholder, reducing technical provisions. This is in recognition of the way these assets are valued under Solvency II, which is discussed above. Under the financial reporting basis, no adjustment was required as subsidiary undertakings and intangible assets were recognised at their fair values.

Further information on the Valuation for Solvency Purposes is provided in Section D of the report.

Capital Management

There have been no material changes to the Society's capital management processes.

Society Eligible Own Funds at the reporting date amounted to £409m (2022 £475m), a decrease of £66m over the reporting period. This was primarily driven by planned investment in transformation projects and capital injections into the Group's distribution subsidiary, Wesleyan Financial Services (WFS).

The Society's Solvency Capital Requirement (SCR), which represents the capital required to cover a 1 in 200 year event, or a 99.5% probability of being solvent in 1 years' time, remained aligned to the prior year at £127m. A stronger SCR equity stress was offset by a reduction in exposure to equity assets in the Estate.

As a result of the above, the Society's capital coverage ratio, which is the ratio between Eligible Own Funds and the SCR, has decreased from 373% to 322%. Despite the fall the capital coverage ratio illustrates the considerable financial strength of the Society and that the Society is able to withstand extreme events.

Furthermore, 100% of the Society's Own Funds are classed as Tier 1 capital, the category of the highest quality. The quality of capital is important, as the higher the quality, the more likely it will be available in an extreme event. Therefore, the Society significantly exceeds the requirement that at least 50% of the SCR must be covered by Tier 1 capital.

Further information on Capital Management is provided in Section E of the report.

Note: Due to rounding**,** numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

DIRECTORS' STATEMENT

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

We are satisfied that:

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

b) it is reasonable to believe that the Society has continued so to comply subsequently and will continue so to comply in future.

Nathan Moss

Chair

Mario Mazzocchi

Group Chief Executive

Gary Dixon

Chair of the Audit Committee

28 March 2024

INDEPENDENT AUDITOR’S OPINION

Report of the independent external auditor to the Directors of Wesleyan Assurance Society (‘the Society’) pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

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

Opinion

Except as stated below, we have audited the following documents prepared by the Society as at 31st December 2023**:**

- The ‘Valuation for solvency purposes’ and ‘Capital Management’ sections of the Solvency and Financial Condition Report of the Society as at 31st December 2023**, (‘the Narrative Disclosures subject to audit**’); and
- Society template S.02.01.02, S12.01.02, S.23.01.01, S.25.01.21, S.28.01.01 (‘**the Templates subject to audit’**)

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

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;
- Society Template S.05.01.02 and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (‘**the Responsibility Statement’**)

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of Wesleyan Assurance Societ**y** as at 31st December 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ‘ISA (UK) 800 *(Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks’* and ‘ISA (UK) 805 *(Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement’*. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the Director’s use of the going concern basis of accounting in the preparation of the Solvency and

Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 31st March 2025.

- with support from our actuarial specialists, reviewed and challenged management's three-year strategic and financial plan and management's five-year Own Risk Solvency Assessment Report (ORSA) projections, determining that the models are appropriate to enable management to make an assessment on the going concern of the Society;

- assessed the accuracy of management's analysis by testing the inputs and the clerical accuracy of the models used;

- with support from our actuarial specialists, evaluated the liquidity and solvency position of the Society by reviewing base case liquidity and solvency projections.

- obtained and reviewed the latest Board approved ORSA, with support from our actuarial specialists, assessed whether the stress testing included in the ORSA was reasonable and considered the solvency position under each stress scenario;

- evaluated management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and concluded it to be remote;

- assessed the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Society;

- performed enquiries of management and those charged with governance to identify risks or events that may impact the Society's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of economic uncertainty on the business; and

- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period until 31st March 2025 that covers from when the relevant elements of the Solvency and Financial Condition Report are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Society's ability to continue as a going concern.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and/or other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Society in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other information

The Directors are responsible for the Other Information contained within the Solvency and Financial Condition Report.

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

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

Responsibilities of Directors for the Solvency and Financial Condition Report

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

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

In preparing the Solvency and Financial Condition Report, the Directors are responsible for assessing the Society's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Society, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's responsibilities for the audit of the relevant elements of the Solvency and Financial Condition Report

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

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Society complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Society and its subsidiaries and UK regulatory bodies; reviewed minutes of the Board and Executive Risk Committee; and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Society's governance framework and the Board's review of the Society's risk management framework ('RMF') and internal control processes.
- We assessed the susceptibility of the Society's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Society has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the actuarial assumptions noted above and testing manual journals, which were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Society's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- The Society operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's Report on the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP

Ernst & Young LLP
Birmingham
28 March 2024

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

A BUSINESS AND PERFORMANCE

A1 Business

A1.1 Name and legal form

Wesleyan Assurance Society (“the Society”) is a mutual society incorporated in England by Private Act of Parliament (Registered No: ZC000145) and its Registered Office is Colmore Circus, Birmingham B4 6AR).

A1.2 Name and contact details of the supervisor

The Supervisory Authorities responsible for the financial supervision of the Society (comprising Wesleyan Assurance Society and its subsidiary companies) is the Prudential Regulation Authority (PRA), 20 Moorgate, London EC2R 6DA and the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.

A1.3 Name and contact details of the external auditor

The External Auditor for Wesleyan Assurance Society for the reporting period was Ernst & Young LLP, Chartered Accountants and Statutory Auditors, No. 1 Colmore Square, Birmingham B4 6HQ.

A1.4 Description of holders of qualifying holdings in the Society

As a mutual organisation, the Society has no shareholders but members who have the right to vote at general meetings. Each member has a single vote.

A detailed definition of membership is provided in the Society Rules. In summary, each of the following will be a member of the Society (in the case of an individual whether a minor or of full age) and will continue to be a member of the Society as long as, he/she continues to meet one of the relevant membership criteria below:

(a) Any person to whom a Qualifying Policy or Qualifying Product is issued.

(b) Any person who becomes the policyholder of any Qualifying Policy or an investor in a Qualifying Product whether by assignment, transfer or other devolution of title.

(c) Any person who is an employee of the Society and makes additional voluntary contributions on or after the first day of May 2006 for pension entitlements under the Wesleyan Assurance Society Group AVC Policy.

Each of the following will not be a member of the Society (unless they also meet one of the criteria the rule above and therefore will not be entitled to receive notice of, attend, or have any rights to vote at any annual or other general meeting of the Society (nor, unless otherwise expressly provided for, have any other rights or liabilities under the Rules):

(a) The trustees of the Wesleyan Assurance Society Group AVC Policy.

(b) The trustee of a Qualifying Policy or Qualifying Product, unless the terms and conditions of the Qualifying Policy or Qualifying Product state otherwise. A policyholder of a Qualifying Policy or investor in a Qualifying Product may appoint the trustee of a Qualifying Policy or Qualifying Product as a proxy (enabling the trustee to exercise all or any of their rights to attend, speak and vote at a meeting of the Society.

(c) Associate members.

(d) Non-Qualifying Policyholders.

(e) Policyholders holding a with profits product sold through Wealthtime (formerly Novia) or Nucleus platform.

If there is more than one policyholder in a Qualifying Policy or investor in a Qualifying Product each policyholder or investor is a member. If a member of the Society is under 15 years of age the privileges and responsibilities of membership will be vested in the first named parent or guardian on such member's Qualifying Policy or Qualifying Product until they reach 15 years of age.

The directors may at any time by a resolution of the Board direct that in respect of any Qualifying Policy or Qualifying Product issued after the date of such resolution and/or in respect of any assignment, transfer or other devolution of title of a Qualifying Policy or Qualifying Product after that date no such policyholder or investor shall become a member until after a qualifying period not exceeding two years calculated from the date of the issue of such Qualifying Policy Qualifying Product or the date of assignment, transfer or other devolution of title as the case may be.

A "Qualifying Policy" means:

(a) any subsisting policy of insurance issued by the Society prior to the Qualifying Date in the ordinary life insurance department;

(b) any subsisting policy of insurance issued by the Society prior to the Qualifying Date in any department other than the ordinary life insurance department where the premiums payable are increased on or after the Qualifying Date by an amount of £25 per month or more;

(c) any subsisting policy of insurance issued by the Society prior to the Qualifying Date in any department other than the ordinary life insurance department where an additional single premium (other than a single premium received from the Department of Social Security or any successor department) results in additional benefits being allocated to such policy with an allocation date on or after the Qualifying Date; or

(d) any policy of insurance issued by the Society on or after the Qualifying Date, other than a Non-Qualifying Policy, provided that any policy which has lapsed and is incapable of being revived by the policyholder and has no value shall not be a Qualifying Policy.

A Qualifying Product means (unless the terms and conditions for the product expressly state that it is not a "Qualifying Product" for the purpose of these Rules) an investment product operated by the Investment Firm.

Holders of Industrial Assurance policies are not members of the Society. Holders of policies which have been transferred to the Society under Schedule 2C of the Insurance Companies Act 1982 are also not members.

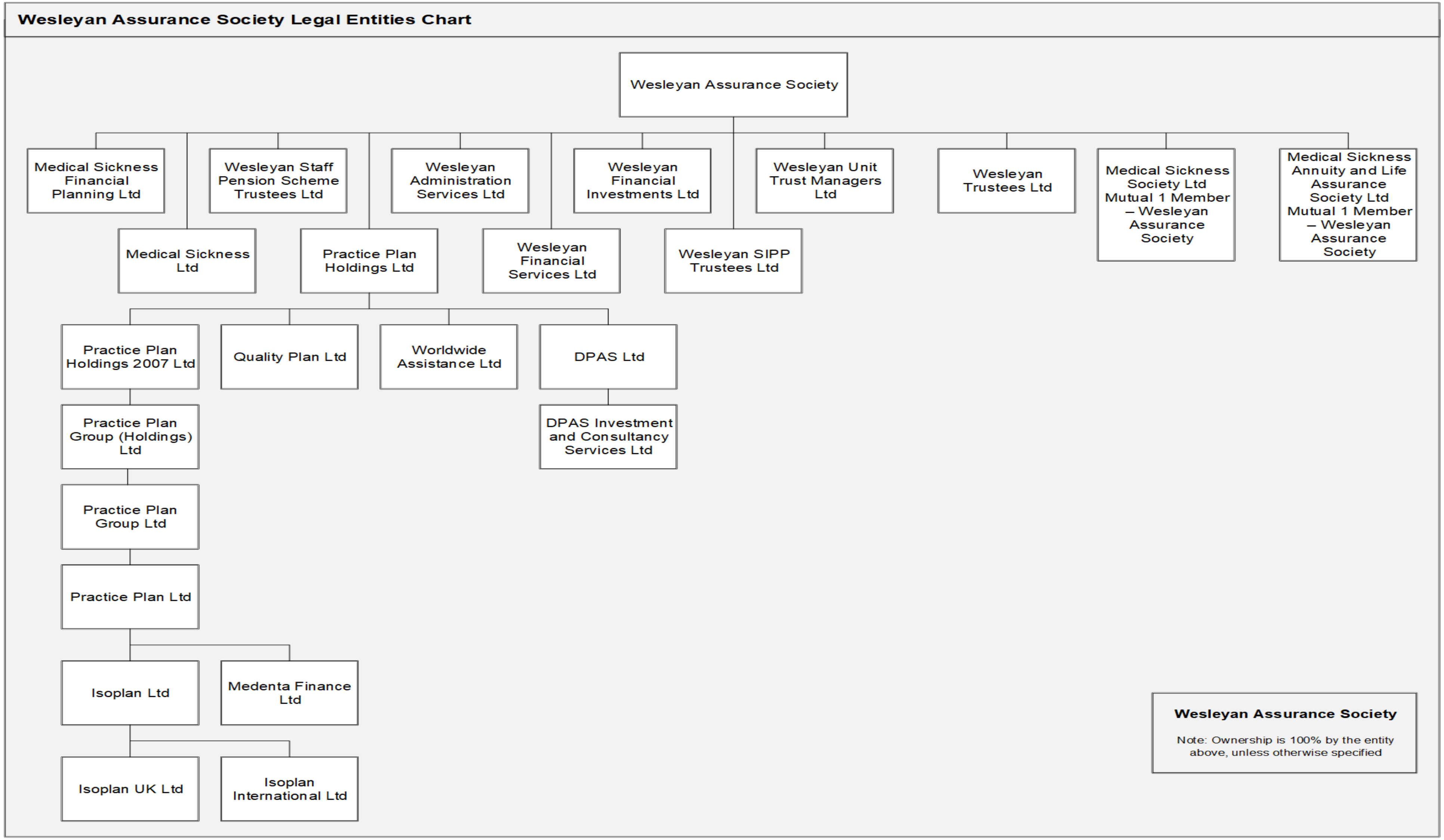
There is a requirement that any proceeds from a change in mutual status be assigned to charity within the first two years of membership.

Any policy issued by the Society to the Trustees in respect of annuity business effected within the Society by the Trustees of an occupational pension scheme to secure all or part of the accrued rights of 100 or more members of that scheme in a single transaction shall not confer any rights of membership in the Society nor shall any policy issued subsequently by the Society to the individual members of that scheme under that arrangement.

Members are not liable for any debts or sums of money due or to become due by the Society, apart from policy premiums and/or as separately contracted.

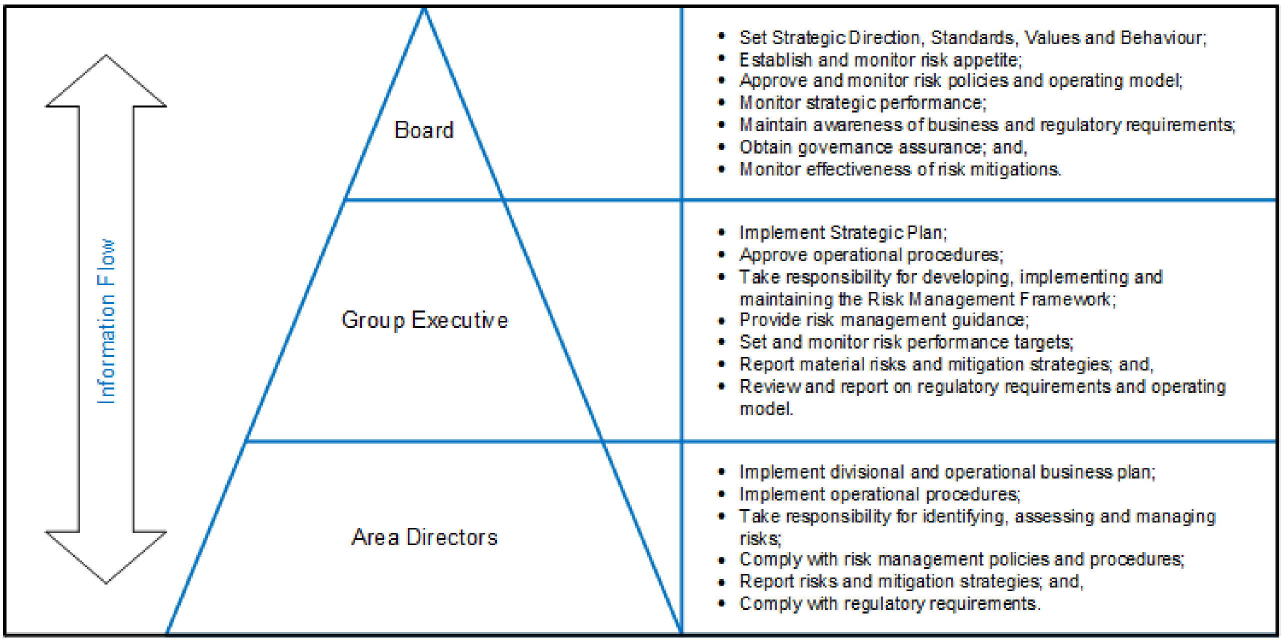
The directors may at any time confer upon any person, firm or company taking out a policy (other than a Qualifying Policy) or purchasing other products of the Society the title of "associate member".

A1.5 Group legal structure as of 31 December 2023



A1.6 Organisational Accountability Structure

The Society's accountability framework is set in line with its organisational, legal and internal control structures. Organisational roles and responsibilities span the Group hierarchy which includes the Board, its subsidiary companies and its sub-committees, Executive/senior management and business operations. Each layer of accountability clarifies the respective roles of the Board and management and establishes the relationships between them. The accountability structure and the responsibilities associated with each level of the organisation are outlined in the figure below.



A1.7 Material lines of business and geographical areas

The Society operates in the United Kingdom only.

The material lines of business written by the Society are:

- Life ordinary regular
- Life ordinary single
- Pension regular
- Pension single
- Health regular
- With Profits ISA regular
- With Profits ISA single

The principal activities of the Society are the provision of financial advice to doctors, dentists and teachers and the transaction of long-term insurance business in the UK. The Society administers both reviewable and guaranteed business contracts, unit-linked, conventional and income protection insurance. The Society's With profits fund is offered beyond the Society's core segments via third-party investment platforms.

Complementary to these activities, the Group provides a number of other financial services, through wholly owned subsidiary undertakings, including unit trust management, mortgage broking, acting as a general insurance broker and providing dental patient membership plans. With-profits policyholders share in the profits and losses of these subsidiary companies.

A1.8 Significant business or other events

The significant business or other events that have occurred over the reporting period that have had a material impact on the Society are:

- Economic conditions continued to be volatile in 2023 with continued high inflation and interest rates. Geo-political issues in the Middle East began in October and are continuing.
- Funding was agreed from the Estate for transformation activity including the proposed outsourcing of a proportion of our operations activity to a third party, a Distribution Growth Strategy and other enhancements to Society processes.

A1.9 Related undertakings and branches

The directly held subsidiary undertakings of the Society at 31 December 2023 are shown below. The Group and all directly held subsidiary undertakings are incorporated and domiciled in England.

Company	Percentage Held	Principal Activities
Wesleyan Trustees Limited	100%	To provide nominee services to the Trustee of the Wesleyan Staff Pension Scheme.
Wesleyan Unit Trust Managers Limited	100%	To act as the operator of the Wesleyan range of unit trusts.
Wesleyan Administration Services Limited	100%	To provide administrative services to members of the Group.
Wesleyan Financial Services Limited	100%	To act as the distribution arm of the Group's insurance and investment activities.
Practice Plan Holdings Limited	100%	Through its trading companies Practice Plan Limited and DPAS Limited, Practice Plan Group provides practice branded membership plans and support services to the UK dentistry market.
Wesleyan SIPP Trustees Limited	100%	To act as bare trustee of the Wesleyan SIPP.
Wesleyan Staff Pension Trustees Limited	100%	To act as corporate trustee of Wesleyan Staff Pension Scheme.
Medical Sickness Financial Planning Limited	100%	Dormant company
Medical Sickness Annuity and Life Assurance Society Limited	100%	Dormant company
Medical Sickness Limited	100%	Dormant company
Medical Sickness Society Limited	100%	Dormant company
Wesleyan Financial Investments Limited	100%	Dormant company

Table A1.9 -1

The indirectly held subsidiary undertakings of the Society at 31 December 2023 are shown below. These entities are subsidiaries of Practice Plan Holdings Limited.

Company	Percentage Held Indirectly	Principal Activities
Practice Plan Holdings 2007 Limited	100%	Intermediary holding company
Practice Plan Group (Holdings) Limited	100%	Holding company
Practice Plan Group Limited	100%	Intermediary holding company
Practice Plan Limited	100%	To provide a direct debit collection and administration service for dental practice patient membership schemes
Isoplan Limited	100%	Holding company
Medenta Finance Limited	100%	To provide credit broking services
Worldwide Assistance Limited	100%	To operate a Discretionary Scheme to assist dental plan members in the event that they suffer a dental emergency and/or trauma
Isoplan UK Limited	100%	Dormant company
Isoplan International Limited	100%	Dormant company
DPAS Limited	100%	To act on behalf of dental practices and patient customers to provide and administer private dental plans
DPAS Investment and Consultancy Services Limited	100%	To carry out consultancy and research activities
Quality Plan Limited	100%	To act on behalf of dental practices and patient customers to provide and administer private dental plans

Table A1.9 -2

The Society has no branches.

Further information on relevant operations is given in Section A4.

A2 Underwriting Income and Expenses

The Society presents below qualitative and quantitative information regarding its underwriting income and expenses by the material lines of business.

A2.1 Analysis of underwriting income and expenses during the year

The Society only underwrites Life business exclusively in the UK.

The Society's underwriting income and expenses for the reporting period is presented below:

Underwriting income and expenses	Health	With-Profits	Unit linked	Other life	Total 2023	Total 2022
	£000s	£000s	£000s	£000s	£000s	£000s
Premiums earned						
Gross	31,429	323,814	47,649	14,498	417,390	492,754
Re-insurers' share	(1,513)	(367)	-	(1,790)	(3,670)	(3,220)
Net	**29,915**	**323,448**	**47,649**	**12,709**	**413,720**	**489,534**
Claims incurred						
Gross	(27,377)	(297,964)	(103,620)	(63,102)	(492,062)	(444,183)
Re-insurers' share	5,273			335	5,608	7,055
Net	**(22,104)**	**(297,964)**	**(103,620)**	**(62,766)**	**(486,455)**	**(437,128)**
Changes in technical provisions						
Gross	8,869	393,669	70,469	(28,874)	444,133	478,845
Re-insurers' share	(1,879)	(205)		25	(2,059)	4,178
Net	**10,749**	**393,874**	**70,469**	**(28,899)**	**446,193**	**474,667**
Expenses						
Gross	(25,985)	(27,651)	(11,555)	(5,557)	(70,747)	(74,093)
Re-insurers' share	(514)			(35)	(549)	(714)
Net	**(25,470)**	**(27,651)**	**(11,555)**	**(5,522)**	**(70,198)**	**(73,379)**
Other expenses					(40,923)	(24,127)
Total expenses					**(111,121)**	**(97,506)**

Table A2.1 -1

Analysis of underwriting income and expenses over the reporting period:

a) Premiums and claims by Solvency II lines of business:

In 2023, the macro-economic environment of high inflation and high interest rates attracted investors away from investments into cash savings and additional mortgage repayments.

As a result, premium income of £414m was £76m lower than 2022. This included a £38m fall in business, and a £22m fall in life investment business.

Claims paid of £486m was £49m higher than prior year. ISA claims were the primary driver of this increase, with surrender rates increasing year on year.

The challenging trading environment meant overall the Society had net outflow of £72m, however, the With-profit fund continued to grow with positive cash inflows of £25m.

b) Changes in technical provisions:

Technical provisions increased by £446m over the year, mainly as a result of positive investment returns increasing liabilities for investment business in the With Profit and Unit Linked funds.

Other life liabilities have fallen due to lower life expectancy for annuitants.

Reinsurers share of technical provisions:

The value in table A2.1 -1 is the change in the reinsurance recoverable asset. This asset relates to the reinsurers' obligation with respect to the health business shown in the technical provisions line.

c) Underwriting expenses by the Solvency II lines of business:

Society operating expenses of £70m have fallen year on year as a result of good cost control and the realisation of the benefits of 2022 strategic projects. These costs include administrative expenses of £13m (2022: £18m), investment management expenses of £11m (2022: £11m), claims managements expenses of £1.0m (2022: £1.0m), acquisition costs of £21m (2022: £19m), and overhead expenses of £25m (2022: £25m).

Other expenses comprise mainly of estate costs of £35m (2022: £17m) which primarily relates to ongoing strategic project spend and the service fee paid to Wesleyan Financial Services Limited of £6m (2022: £7m).

A3 Investment Performance

The Society presents below some information on its investment strategy required under the Shareholder Rights Directive II (SRD II), together with qualitative and quantitative information regarding its investment income by asset classes and overall investment management expenses.

A3.1 Investment strategy and related disclosures required under the Shareholder Rights Directive II (SRD II)

The overall investment strategy for each of the Society's funds is constrained by its own Statement of Investment Principles (SIPs), which defines the flexibility that fund managers have over the type and mix of assets that can be held, including any risk limits (see sections C2, C3 and C4 for more details on how the SIPs are used to specifically to mitigate market, credit and liquidity risks).

The permitted investment ranges in the SIPs for the Society's Unit-Linked funds and for the With Profits fund are set to be consistent with policyholder performance objectives (including time horizon) and attitude to risk assessments. For example, a fund with a higher risk reward rating will be invested more heavily in assets expected to deliver a higher medium- to long-term investment return, such as equity. The expected duration of liabilities for policies investing in these funds are also longer term. Conversely, customers who wish to invest over a shorter time scale will be advised to invest in lower risk reward funds, which will have fewer or no equity holdings and a higher proportion invested in less risky and shorter duration assets such as cash and government bonds.

The SIPs for the Society's Non Profit fund and for the Wesleyan Defined Benefit Staff Pension Scheme fund contain restrictions over the type of assets that can be held to ensure that their profile and duration is consistent with the funds' liabilities, which are largely level and index-linked deferred annuities and annuities in payment. The Non Profit fund is not permitted to invest in any equity or property assets and the Staff Pension Scheme fund can only invest up to 2.5% of the fund in equities and direct property.

Within the SIP constraints, the Society's investment strategy is described in its Investment Beliefs policy. The main elements of this policy that apply to equity investment are described below; this table also indicates where we believe these investment beliefs mainly help to ensure consistency with liabilities or are expected to contribute to overall equity asset performance:

Investment Belief	Consistency with liabilities	Contributes to performance
We believe sustainable and responsible investing can deliver competitive long-term returns for our customers.		✓
We are long-term asset owners and believe a long-term horizon allows us to withstand the pressures of short-term market events and take the rewards of patient investing to outperform more short-term focused investors over the long run.	✓	✓
We believe that strategic asset allocation is the main driver of good investment returns for our policyholders.		✓
We believe managing risk through diversification across a large range of assets and geographies reduces the volatility of asset returns and improves customer outcomes.	✓	✓
We believe there is a place for both active and passive management within a fund, however active management must provide sufficient incremental return or diversification to justify its additional cost.	✓	✓
We believe that managing costs is important and excessive turnover of stocks can impact performance. Long-term ownership results in lower turnover and cost of ownership for our customers.	✓	✓
We believe we should be conscientious stewards of the assets entrusted to us and that by integrating environmental, social and governance (ESG) considerations into our investment process for all our funds we will improve investment returns.	✓	✓
We believe that strong governance is in the best interest of our customers and is a key tool for managing investment risk.	✓	

The vast majority of the Society's equity portfolios are managed in-house. At year end 2023, £420m (2022: £386m) of assets were invested in externally managed collective investments (Unit Trust funds), which represents c6% (2022:c6%) of total funds under management.

Given the small proportion of invested assets held by the Society in Unit Trust funds, the asset manager's performance is primarily assessed by considering the net return achieved by Wesleyan from holding the units over the longer term.

As with direct equity investment, investment in Unit Trust funds is carried out in line with the Society's Investment Beliefs policy and relevant SIPs, which ensures consistency with the profile and duration of liabilities and contributes to medium- to long-term performance objectives (see table above).

When deciding whether to purchase, sell or hold an individual equity such as an Investment Trust Company share; part of the investment decision process includes consideration of costs of management, including remuneration factors. In the same way, the investment appraisal of Unit Trust funds will depend on the level and structure of fund charges and whether these are expected to enhance overall long-term performance of the investment.

Given the small proportion of invested assets held by the Society in Unit Trust funds, portfolio turnover costs within these funds are not actively monitored. However, when deciding whether to purchase, sell or hold units in these funds, the Society will take account of how the Unit Trust's investment strategy fits in with its investment beliefs; including the 'buy and hold' approach, which applies across all asset classes.

Any long-term investment under-performance of a Unit Trust holding (e.g. due to excessive portfolio turnover costs) would be identified as part of ongoing performance monitoring carried out by our investment team. Should this situation arise, the units would be liquidated and reinvested as appropriate.

A3.2 Analysis of Investment income and expenses during the year

The Society's investment income by material classes of assets and overall investment management expenses are presented below:

Asset category	Dividend 2023	Interest 2023	Rent 2023	Realised/ unrealised gains 2023	Total 2023	Total 2022
	£000s	£000s	£000s	£000s	£000s	£000s
Government bonds	-	26,807	-	44,764	**71,571**	(256,784)
Corporate bonds	-	39,340	-	28,948	**68,288**	**(134,232)**
Equity	111,747	-	-	332,235	**443,982**	**(40,069)**
Investment funds	11,315	-	-	7,016	**18,331**	**(57,335)**
Collateralised securities	-	43	-	(18)	**25**	**(182)**
Cash and deposits	-	13,576	-	7,594	**21,170**	**(26,209)**
Loans	-	-	-	-	**-**	**-**
Property	-	-	27,385	(18,594)	**8,791**	**12,920**
Derivatives	-	-	-	(19,765)	**(19,765)**	**(76,074)**
Total investment income	**123,062**	**79,767**	**27,385**	**382,179**	**612,392**	**(577,965)**

Table A3.1 -1

Expenses	2023	2022
	£000s	£000s
Investment management expenses	**11,199**	**10,698**

Table A3.1 -2

Analysis of investment performance:

Rallying equity and bond markets in December 2023 led to positive investment returns across all the Society's funds and the majority of asset classes.

The With-Profits fund ended the year with an investment return of 9.9%. The fund outperformed its benchmark of 8.3% with most asset classes contributing to this outperformance.

The Estate, which has a higher fixed income allocation, achieved an investment return of 7.5% in 2023 (also outperforming its benchmark of 6.5%.

Group assets under management increased in 2023 to £7.6bn (2022: £7.2bn).

There were no gains or losses recognised directly in equity during the reporting period (2022: none).

A3.3 Investment in securitisations and risk management

As at year end 2023, the Society held the following amounts of collaterised securities:

Analysis of collaterised securities	2023	2022
	£000s	£000s
Mainly exposed to credit risk	787	806
Mainly exposed to real Estate risk	-	-
Total investment in collaterised securities	**787**	**806**

Table A3.4 -1

The Society's investment in collateralised securities is governed under the risk management framework.

The collateralised securities the Society invests in are essentially conventional instruments with added securities. There are no major differences in the underlying risk exposure. Where the Society considers that there is a justifiable need to invest in the type of collateralised securities that come with significantly different risk exposures then it would seek approval from the Group Executive/Risk Committee/Society Board as appropriate.

A4 Performance of other activities

The Society defines income received from its 100% subsidiaries as other income. The Society's subsidiaries and their principal activities are described below.

Wesleyan Unit Trust Managers (WUTM)

The principal activities of the Company are the marketing, administration and investment management of the Wesleyan range of unit trusts.

Wesleyan Financial Services (WFS)

The Company primarily provides financial services solutions for members of the medical, dental and teaching professions in its role as an advisory and distribution company for the Group activities.

Practice Plan Holdings Limited (sub group including DPAS)

Practice Plan Holdings Limited via its subsidiaries provides direct debit collection and support services to dentists and dental emergency assistance to dental customers.

Wesleyan Administration Services (WAD)

The Company provides administration, management, financial, accounting, secretarial, information technology and other services to the Society and all of its subsidiaries. The Company is purely a service company for the Society and therefore has no material profits/ losses recognised.

The income earned by the Society's subsidiaries during 2023 is summarised in the following table:

Subsidiary entity	**Profit/ (losses) after tax 2023**	**Profit/ (losses) after tax 2022**
	£000s	£000s
Wesleyan Bank (Group)*	-	336
Wesleyan Unit Trust Managers	357	172
Wesleyan Financial Services	(22,984)	(23,025)
Wesleyan Administration Services	147	26
Practice Plan Holdings Limited (Group)	1,669	3,546
Total	**(20,811)**	**(18,945)**

Table A4 -1

* Wesleyan Bank profit prior to being sold on 28 February 2022.

The Society has no material financial and operating lease arrangements.

A5 Any other information

There is no further information to disclose regarding business and performance.

B SYSTEM OF GOVERNANCE

B1 General Information on the system of governance

B1.1 Management structure

This section covers the management structure of the Society, providing a description of the main roles and responsibilities of key committees and functions.

B1.1.1 The Board

The Society's Board as a whole is collectively responsible for promoting the success of the Society by directing and supervising its affairs. The Board:

- Provides leadership within a framework of prudent and effective controls for risk assessment and management;
- Sets the strategic aims of the Society, ensures that resources are in place for the Society to meet its objectives, and reviews management performance;
- Sets the values and standards of the Society and ensures that its obligations to policyholders and others are understood and met; and
- Has overall responsibility for overseeing implementation of the FCA Consumer Duty Principle, supported by the Risk Committee

Senior management provides the Board with appropriate and timely information and is available to attend meetings and answer questions. The Chief Risk Officer, Head of Internal Audit and Company Secretary attend all Board meetings. There is a formal schedule of matters reserved for the Board's decision. The roles of Chair and Group Chief Executive are separated, and the Chair has primary responsibility for the effective functioning of the Board. Authority is delegated to the Group Chief Executive for implementing strategy and managing the Society. Subsidiary companies are governed as set out in B1.1.3.

Executive Directors

There are two Executive Directors on the Board at the reporting date, the Group Chief Executive and the Chief Financial Officer.

Non-Executive Directors

There were eight Non-Executive Directors on the Board at the reporting date, including the Chair.

Their diverse experience, skills and independent perspectives provide effective review and challenge of the Society's activities. The UK Corporate Governance Code requires that at least half of the Board should comprise Non-Executive Directors, excluding the Chair. The Society complied with this requirement at 31 December 2023 and expects to continue to do so. The Board remains confident that the strength of its independent Non-Executive Directors continues to be sufficient to ensure that an individual or small group cannot dominate the Board's decision-making.

The Chair and the Deputy Chair / Senior Independent Director are appointed by the Board.

The Board considers all Non-Executive Directors to be independent of the Society in all matters notwithstanding their policies and their fees. These assessments are based on the character of the individuals in respect of independent mindedness when it comes to the raising of relevant issues and the rigorous process of assessment, judgement and follow through. Great emphasis is also placed on their knowledge and experience of the industry and customers.

Appointments to the Board

All appointments are subject to review by the Board, as advised by the People, Culture and Governance Committee. It is anticipated that a minimum term of three years will be served with a further three-year term subject to the agreement of the Board. Annual extensions may be considered thereafter, normally up to a maximum nine-year term. Directors follow an induction programme on joining the Board and further training on specific subjects is undertaken as necessary. New Directors must retire and seek re-election at the first Annual General Meeting (AGM) following appointment. All other Directors submit themselves for re-election annually.

B1.1.2 Board Committees

The Board delegates specific responsibilities to a number of Board Committees, supported by senior management. The Chair of each Board Committee provides a report to the Board after each meeting.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities in respect of the Annual Accounts and Regulatory Returns to the Prudential Regulation Authority (PRA). The Committee keeps under review the Society's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Society has provided the opportunity for employees to contact an independent confidential advice line.

Andrew Neden retired as Chair of the Committee on 29 August 2023 and Gary Dixon was appointed in August 2023 as the new Chair.

The Committee comprises two other Non-Executive Directors, one of whom, Philip Moore, is the Chair of the Society's Risk Committee. Other attendees include the Group Chief Executive, the Chief Financial Officer, the Chief Product Officer, the Chief Risk Officer and the Head of Internal Audit.

Risk Committee

The Risk Committee's principal role is to consider the risks faced by the Society and its subsidiary companies and to advise the Board. The Committee's main activities during 2023 included:

- reviewing and assessing the risk oversight provided by management in connection with current and emerging risk exposures;
- assessing the impact of management's strategic plans and transformation as well as external events on the risk profile of the Group;
- assessing operational resilience and business continuity arrangements for the Society;
- assessing the financial risks to the Society from climate change;
- gaining assurance that an appropriate culture in relation to the management of risk continues to be maintained; and
- receiving reports from the Chief Risk Officer on a wide range of issues, including potential acquisitions, sustainability, new products and regulatory change.

Philip Moore was appointed Chair of the Risk Committee with effect from February 2021.The Committee comprised three other Non-Executive Directors during 2023, one being the Chair of the Society's Audit Committee. Other attendees include the Group Chief Executive, the Chief Financial Officer, the Chief Product Officer, the Chief Risk Officer and the Head of Internal Audit. It is the Chair's practice to meet separately with the Chief Risk Officer ahead of most meetings.

Investment Committee

The Investment Committee was established as a Board sub-committee in November 2016. The Committee supports and provides advice to the Boards of the Society and Wesleyan Unit Trust Managers in developing investment strategy and monitoring investment performance.

The Committee's main activities during 2023 included:

- reviewing the investment strategy for all funds (including Strategic Asset Allocation, the Society's Investment Beliefs and Sustainable Investing Policy) and to provide advice and recommendations to the respective Boards in light of the Board's risk appetite and risk framework;

- reviewing investment performance using external benchmarks as appropriate and challenge the Asset Manager on its investment decisions and resulting actions; and
- considering and examining relevant governance matters, including to ensure appropriate focus is maintained on the best interests of members and policyholders, in line with FCA Consumer Duty regulation.

The Committee is chaired by Linda Wilding, a Non-Executive Director who was appointed in 2021. The Committee also includes one other Board Non-Executive Director, and an independent member. Other attendees include the Chief Product Officer, the Chief Risk Officer, With Profits Actuary and Director of Investments.

Remuneration Committee

The Committee is responsible for the terms of remuneration for Executive Directors and other members of the Group Executive, including arrangements for short and long-term incentive payments and for ensuring risk is appropriately taken into account in all aspects of remuneration for Executive Directors and other members of the Group Executive. The Committee also exercises oversight over the Society's Remuneration Policy. No individual takes part in the setting of their own remuneration.

The Committee has been chaired by Linda Wilding since September 2019. The Committee comprised two other Non-Executive Directors during 2023. The Group Chief Executive and the HR Director are in attendance as required.

People, Culture and Governance Committee

The Committee's main activities during 2023 included regularly reviewing the structure, size and composition of the Board, in particular the balance of skills, knowledge and experience, and considering succession planning for Directors and other Senior Executives.

The Committee has considered the current composition of the Board and determined that it continues to be appropriate to the requirements of the business identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise giving due consideration to driving diversity in its broadest sense, including gender, ethnicity, background, skill set and breadth of experience.

Potential candidates are identified using a variety of methods, including external consultants, and undergo a rigorous interview and appraisal process before appointment to the Board. The Committee recommends Directors for re-election at the AGM giving due regard to their performance and ability to contribute to the Board in light of the knowledge, skills and experience required to ensure the continuing balance and progressive refreshing of the Board.

Other Board members with particular skills relevant to the nomination of new appointments may be invited to attend for all or part of any meeting, as and when appropriate. Nathan Moss, as Chair of the Society's Board, would not chair the Committee when it deals with the matter of succession to his role.

In addition, the Committee has reviewed people and culture matters, including inclusivity and diversity targets and actions to achieve these, as well as sustainability plans and wider corporate governance developments.

Part of the Committee's remit is to promote and monitor the Society's commitment to the principle of diversity and to achieving fairness and equality in the workplace. The Society has signed the Women In Finance Charter and committed to:

- support the progression of women into senior roles by focusing on the executive pipeline and the mid-tier level.
- set a gender target (42% of top roles – Board, Executive and Senior Managers - to be filled by women by 2025) and a gender strategy. In 2023 the figure was 41.3%.
- set a BAME target (20% of top roles - Board, Executive and Senior Managers – to be filled by BAME candidates by 2025). In 2023, the figure was 10.4% and activity to address this is a key focus at the Committee.

- publicly report on progress to deliver against this internal target.

Nathan Moss was appointed Chair of the Committee from 1 January 2018. The Committee comprises two other Non-Executive Directors and with the Group Chief Executive, Chief of Staff and HR Director also in attendance as required.

With Profits Committee

The Committee covers both the Open Fund and the Medical Sickness Society (MSS) Fund, which is closed to new business.

During the year, the Committee's key activities were to assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on:

- the way in which the Open Fund and MSS Fund are managed by the Society and whether this is properly reflected in the respective Principles and Practices of Financial Management (PPFM);
- whether the Society is complying with the principles and practices set out in the PPFMs;
- whether the Society has identified, and addressed effectively, the conflicting rights and interests of With Profits policyholders and other policyholders, or stakeholders, in a way that is consistent with treating customers fairly;
- any other issues that the Board or the Committee considers With Profits policyholders might reasonably expect the Committee to be involved in or are required to be considered under FCA rules.

The Committee can engage external professional consultants to assist in delivering its objectives effectively. There were six independent members of the Committee, two of whom were non-Executive Directors of the Society at the end of 2023.

The Terms of Reference of the various Committees, and the PPFMs, are available on request and from the Society's website - www.wesleyan.co.uk.

B1.1.3 Subsidiary Company Governance

The Society's subsidiaries are set out in Section A1.9. The Group is managed as far as possible as an integrated whole. The Boards of the Society subsidiary companies are chaired by a senior executive or non-executive director from the Society's Board (see below), with other senior executive colleagues appointed to the particular Board relevant to their role.

The Board of Wesleyan Unit Trust Managers Limited is chaired by Ian McCaig, an independent Non-Executive Director of the Society and has one other independent Non-Executive Director.

The Board of Wesleyan Financial Services Limited is chaired by Rita Bajaj, an independent Non-Executive Director of the Society and has two other independent Non-Executive Director.

B1.1.4 Main roles and responsibilities of key functions

The Society's structure is organised and aligned to Group Chief Executive, Group Executives and Area Director accountabilities, providing clear lines of responsibility and accountability for key elements of organisational governance. All functions and Business Areas are cognisant of the FCA Consumer Duty Principle and the need to embed this, as appropriate, in their respective activities.

The key responsibilities of each function and Business Areas are as follows as of 31 December 2023:

Distribution

- Wesleyan Financial Services (WFS) including General Insurance
    - To provide specialist financial advice and solutions to meet the personal, professional and business needs of the Society's chosen markets;
    - To deliver income and profit targets for the adviser force whilst delivering a high quality of service to all customers;
    - To operate within the procedures and guidelines laid down by the regulatory authorities;

- To deliver income and profit targets for General Insurance business whilst delivering a high quality of service to all customers; and

- Practice Plan Limited / DPAS Limited
  - To deliver income and profit targets for Practice Plan Limited / DPAS Limited;
  - To deliver high quality services to all customers; and
  - To develop and implement appropriate business strategies to achieve the targets set by Wesleyan group.
- Group Customer/Marketing/Digital
  - To gather customer insights and lead improvement of customer experience
  - To develop and implement the Group marketing strategy. To proactively support all of the Society's promotional activity through timely and effective communication;
  - To oversee the use of brands across the business;
  - To develop and implement the Society's digital strategy and online business development; and
  - To develop and implement the Society's mutuality strategy.

Operations

- Customer Operations
  - To deliver a high quality service to all the Society's customers; and
  - To develop and implement appropriate business strategies to achieve the targets set by Wesleyan group.
- Building Support Services
  - To maintain the office premises.
- Technology
  - To maintain and develop IT systems and services to enable the business to achieve its strategic ambitions and ensure the day to day running of business operations.
- Operational Resilience / Cyber Resilience
  - To act as lead co-ordinator (in conjunction with Risk) and controller of the process and associated systems and to provide challenge (although each business area has a responsibility for this in their areas). The Operational Resilience Committee oversees activity;
  - To ensure systems and physical assets are secure and there are systems and procedures to control any threats to these assets, including cyber-attacks;
  - To ensure customer, employee and business data is secure and controlled and managed in line with regulatory requirements; and
  - To protect against and reduce the likelihood of business disruption and in the event of disruption to ensure the business can recover effectively.
- Transformation and Change
  - To oversee the project management, governance and delivery of major projects and programmes (on time and to budget and quality).
- Data
  - To develop and maintain the quality of process and data across the Society.

- Procurement and Supplier Management
  - To develop processes for the onboarding and ongoing management of suppliers and ensure their cost effectiveness

HR and Talent

- HR
  - Activities including recruitment, retention, remuneration and benefits policy, employment relations and inclusion and diversity policy.
- Talent
  - Learning & development and employee engagement
  - To invest the Society's resources with the aim of producing superior long term returns consistent with acceptable risk levels.

Group Finance

- Finance
  - To develop the Society's Strategic Plan, support the Board in setting the strategic direction for the Society and coordinate the Society's strategic and business planning activity;
  - To produce budgets and forecasts as required, to track actual performance and to partner the business to discuss progress and assist in addressing variances;
  - Produce monthly financial information to manage and drive business performance;
  - To produce and validate financial models as required;
  - To collect and account for premium income, commissions, investments, pensions and expenses;
  - To maintain accounting books and records and to produce the Society's Statutory Annual Accounts, Prudential Regulation Authority and other statutory returns;
  - To ensure that the Society remains technically rigorous in all actuarial matters, including in its solvency and capital management, reserving and supporting production of financial statements;
  - To oversee the development and governance of the Society's products and pricing, ensuring that customers are treated fairly;
  - To assist the Board in developing investment strategy in its role as Asset Owner;
  - To maintain oversight of taxation matters and the relationship with HMRC; and
- Strategy and Communication
  - Overseeing the strategy and culture of the organisation with a focus on effective communications and employee engagement to support strategy delivery;
  - Delivery of external communications; and
  - Developing and implementing the Society's Corporate Responsibility strategy including charity fundraising activity.
- Company Secretary
  - Arranging agendas for, and attending, Board, Subsidiary Company, and Committee meetings and preparing minutes of meetings; and

  - Dealing with corporate governance matters, regulatory and statutory compliance and advising on legislation and other guidance on company secretarial and corporate governance matters and ensuring that the Rules of the Society are adhered to.

- Legal

  - Provide appropriate legal input and support to the business.

Group Risk and Regulatory

  - Provide independent objective challenge, oversight and support of risk management activity across the Society; facilitate the implementation and ongoing development of a robust and effective Risk Strategy and the Integrated Risk Management (IRM) framework, and ensure that these are embedded within the business;

  - Support the business through effective compliance and data protection oversight, ensuring the appropriate systems and controls are in place to meet the Society's regulatory requirements.

Corporate Audit

  - To provide independent and objective assurance on the Society's implementation of, and adherence to, internal controls and to assess the adequacy and effectiveness of these controls and recommend improvements.

B1.1.5 Authority and independence of key functions and how they report to and advise the management body

The Society had the following assurance (control) functions in place as of 31 December 2023:

- A Risk Management Function which has independence through its direct reporting line to the Risk Committee. The risk management function is responsible for the policies and processes that enable the Society to identify, assess, monitor and appropriately mitigate risks and/or oversee such risk mitigation activities in alignment with the Board's risk appetite, the Society's risk framework and capital management strategy.

- A Regulatory Function, which forms part of the Society's system of internal controls, advises, monitors and reports at all levels of the organisation on adherence to regulatory and other legal requirements (which in 2023 included the new FCA Consumer Duty), as well as internal policies, including oversight of documented handover procedures for designated roles under the Senior Managers Regime and succession plan in the event of such roles becoming vacant within the business.

- An Actuarial Function, responsible for contributing to the establishment of an effective system for modelling the risks underlying the Society's regulatory and business capital requirements, enabling the determination of the Society's own risk and solvency assessment and providing an opinion on the adequacy of underwriting and reinsurance arrangements. The role of Chief Actuary sits within the second line of defence reporting to the Chief Risk Officer and responsibilities for challenge and control over the quality of actuarial output and advice to the Board are allocated to this role. This arrangement removes the potential conflict of interest that existed before 2021 with the Chief Actuary having responsibility for both product development and pricing recommendations.

- A With Profits Actuary Controlled Function, reporting to the Chief Risk Officer, that advises the Society on the use of discretion in its with-profits business and formally reports to both the Board and policyholders its opinion on the Society's application of discretion each year. Aspects of the operation of with-profits business that are considered include bonus rates, investment policy disclosures to customers in product descriptions, surrender value methodology, new business plans and premium rates, allocation of expenses, allocation of investment fees charged, changes to the Principles and Practices of Financial Management and communications to current and/or potential policyholders.

- An independent and objective Internal Audit Function (Corporate Audit) which monitors the Society's implementation of, and adherence to, internal controls, assesses the adequacy and effectiveness of these controls, and recommends improvements.

The Compliance Officer with responsibility for the Regulatory Function reports to the Chief Risk Officer and has access to the Risk Committee and Group Chief Executive. The Compliance Officer provides a quarterly report to the Risk Committee and reports on other matters as required. The Compliance Officer attends the Committee to present his reports. As part of preparing the Regulatory Plan for the forthcoming year, the Compliance Officer assesses the level of resources within the Regulatory Function to ensure that they sufficient to undertake the planned activities.

The Chief Risk Officer reports to the Group Chief Executive and has access to the Risk Committee and Society Committee Chairs. The Chief Risk Officer provides a written report and attends each Risk Committee meeting. The Chief Risk Officer is also a standing attendee at each Audit Committee, Investment Committee and Board meeting. As part of preparing the risk function plan for the forthcoming year, the level of resources within the Risk Function is assessed to ensure that they are sufficient to undertake the planned activities.

B1.1.6 Implementation of risk management, internal control systems and reporting procedures across the Society

The Group Risk and Regulatory function provides support on risk management and regulatory compliance across the Society. Reporting of risk and compliance issues is carried out centrally to ensure consistency.

B1.1.7 Assessment of the adequacy of the system of governance

The Society's system of governance is assessed through:

- Reviews undertaken by the Regulatory Function and Internal Audit Function; and
- Reviews of Board effectiveness, including external independent reviews which are undertaken at least every three years.

A three-year Board effectiveness cycle commenced in 2022. In year one a questionnaire-based approach was used to identify areas for improvement for the Board and its Sub-Committees. A full interview-based review approach was adopted in 2023 with support for a full internal based review provided in 2024. The results of the 2023 review were generally positive and identified that the Board had many strengths, but highlighted some areas for improvement and additional focus. Action plans have been agreed to address the points raised.

B1.2 Further information on the Society's system of governance

This section contains further Information on the Society's System of Governance, including reporting lines and allocation of responsibilities.

The roles and responsibilities of the Board are set out in the Society's Rules pursuant to its Act of Parliament. Where the Society's Board has delegated authority to perform any of its functions to a Board sub-committee, the roles and responsibilities of the sub- committee are documented in the respective Terms of Reference (TOR), including the reporting on its activities and performance to the Board. The Board sub-committee TOR also document the responsibility of the Board to ensure that delegated duties have been effectively fulfilled.

Upon appointment to the Board, Non-Executive Directors are provided with a letter of appointment which documents the terms and conditions of the appointment in relation to their expected contribution to Board performance, and these broadly cover:

- Directors' requirements in relation to time commitment, attention, ability, and skills required for the performance of their duties. This also includes requirements to comply with certain external regulations and internal Fit and Proper Persons and Conflicts of Interest requirements;
- Required attendance at Board meetings, induction programme (which is tailored to the needs of each individual Director) and strategy days;

- Duties and expectations of Directors in relation to their knowledge and experience, independence and objectivity of judgement to enable:
  - Constructive challenges and contribution to the development of the Society's strategy;
  - The scrutiny of the performance of management in meeting objectives, and monitoring the reporting of performance;
  - Assessment of the accuracy of financial information and that financial controls and systems of risk management are robust; and
  - Consideration and approval of recommendations of the Remuneration and People, Culture and Governance Committees in respect of levels of remuneration of Executive Directors and the appointment and removal of senior management
- The requirements for the Society to provide Directors with access to Board papers and information about the Society, appropriate to the performance of their role, and to give the ability to challenge the Society's executive decisions. This includes access to external and independent advice if required.

The Board executes the performance of its duties through scheduled Board meetings and communication mechanisms, the outcomes of which are documented in the form of meeting agendas and minutes. The delivery of Board and management actions arising from these is also monitored.

B1.3 Remuneration policies and practices

B1.3.1 The principles of the remuneration policy

The role of the Remuneration Committee is to ensure that the Board and Group Executive Committee are appropriately rewarded for their performance throughout the year, by setting and implementing the Society's Remuneration Policy, determining each Executive Director's individual remuneration package and setting the performance measures for performance-related pay.

These decisions are carefully considered in the context of the Society's strategic goals, culture, external impacts, market practice and wider workforce remuneration.

The Remuneration Committee's role is to ensure that remuneration and incentives adhere to the principles of good corporate governance, support robust risk and conduct management practice, promote long-term sustainable Society performance and Environmental, Social and Corporate Governance. Bonus under the Annual Bonus and LTIP out turns are also assessed through an Equality, Diversity and Inclusion lens. The overarching principles of our approach to executive remuneration are:

PRINCIPLE 1

Competitive remuneration which is sufficient to recruit, motivate and retain senior leaders of the calibre required to lead the Society successfully.

PRINCIPLE 2

Aligned with our current financial performance, promotes robust conduct risk management, good customer outcomes and desired employee behaviours.

PRINCIPLE 3

Support our business strategy and the long-term security for our members, customers, employees and other stakeholders.

PRINCIPLE 4

Ensure our arrangements are transparent, understandable, fair, reasonable and proportionate.

B1.3.2 Remuneration Elements

Salary

Purpose and link to strategy: To attract and retain high performing individuals to lead the Society.

Base salary is reviewed annually, or more frequently if there is a significant change in an individual's role or responsibilities. Any decision on base salary is influenced by a range of factors including but not limited to:

- level of experience;
- Society affordability and performance;
- ability to attract/retain/ motivate;
- pay awards for the wider workforce;
- prevailing market conditions; and,
- periodic external benchmark data.

There is no maximum base salary.

Increases in base salary will normally be in line with those awarded to other Society employees but higher increases may be made, for example, to reflect:

- increase in scope of role or responsibility; or
- an Executive Director falling significantly behind the market rate for that role.

Salary is subject to annual review of individual contribution and Society performance.

Benefits

Purpose and link to strategy: to operate a competitive benefits structure.

Benefits currently provided are:

- a car allowance;
- private medical cover for the individual and their family;
- medical assessment;
- group product discounts (available to the wider workforce and directors on the same terms); and,
- death in service benefit of 4x pensionable base salary (8x for employees who joined prior to 1 October 2021).

There is no restriction on the benefits provided and other benefits may be added if considered appropriate. However, the cost of these benefits are taken into account in assessing affordability.

Pensions

Purpose and link to strategy: to provide post-retirement benefits in a cost-effective manner.

All Executive Directors are a member of the Society's Staff Group Personal Pension scheme. Where they are limited by the Annual Allowance, they will receive a partial cash allowance for the balance of their employer contributions above the Annual Allowance limit. If a cash allowance is paid the amount paid is reduced to allow for the cost of employer's National Insurance Contributions.

Pension scheme: The Society contributes up to 10% of base salary. The new CFO will transition from his current pension contribution of 15% of base salary to 10% on 1 April 2025. The Society regularly reviews pension benefits for Directors taking account of tax and legislative changes.

Annual Bonus

Purpose and link to strategy: to ensure that there is an appropriate incentive for Executive Directors to meet the annual objectives of the Society.

Individual performance evaluations for bonus are recommended by the Group Chief Executive following a similar procedure applied to the wider workforce but based on an individual Balanced Scorecard linked to delivery of the Society's overall strategy. The evaluation considers the individual's contribution towards the Society's desired behaviours and strategic goals, engendering robust risk, conduct and compliance management and customer outcomes. Performance evaluation of the Group Chief Executive is recommended by the Society's Chair with input from other Non-Executive Directors. 50% of any bonus earned is deferred. Any deferred amounts will be paid in three equal tranches after one, two and three years.

Variable pay will be subject to malus and clawback provisions.

Overall cash payment of:

- 60% of base salary for the CEO and 50% of base salary for the CFO if both the Society and individual perform on target; and,
- a further 60% of base salary for the CEO and 50% of base salary for the CFO if both the Society and individual perform at stretch target.

During the deferral period any unvested amounts may be adjusted up or down to reflect the performance of the ISA With Profits Fund (or other such fund as the Remuneration Committee deems appropriate).

All payments of Annual Bonus are subject to approval by the Remuneration Committee and are non-pensionable.

Balanced Scorecard for 2024

The Balanced Scorecard for the 2024 Annual Bonus will continue to include performance conditions based on a mixture of financial and non-financial measures assessed through a balanced scorecard approach.

PERFORMANCE MEASURE	WEIGHTING
Investment Performance Products per Customer	30%
Net Investment Inflows Operating Profit	40%
EOS Customer Index	30%

Long Term Incentive Plan (LTIP)

The Society introduced a rolling Long Term Incentive Plan (LTIP) from 1 January 2020.

Purpose and link to strategy: to strengthen the link between the rewards received for the performance delivered for our members and the long-term financial stability of the Society.

Any payment will be made in cash, net of relevant taxes. The awards will vest following the assessment of the relevant performance conditions which will, normally, be assessed at the end of a three-year performance period and then will be subject to a further holding period of two years. The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any conduct risk, compliance or other concerns.

LTIP awards will be subject to malus and clawback provisions up to the end of the holding period.

The maximum award is 120% of base salary for the CEO and 75% of base salary for the CFO. For 2024 only there will be a additional exceptional LTIP award of 50% of the normal award.

All LTIP payments are subject to approval by the Remuneration Committee and are non-pensionable.

The Remuneration Committee may vary or substitute any performance targets for the Annual Bonus or LTIP if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation or substitution is fair and reasonable and (in the opinion of the Remuneration Committee), the change would not make the condition less demanding than the original condition would have been.

2024 LTIP

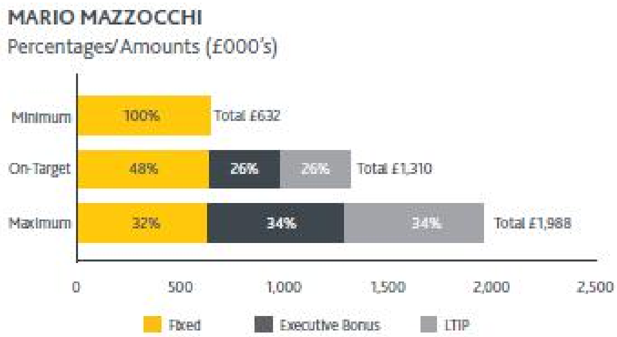
The 2024 LTIP will remain unchanged from 2023 LTIP as it will continue to align to the Strategic Plan, Diversity and Inclusion will be removed as a performance measure as a full review of this measure is undertaken to look at how this is measured so targets are aligned to our ED&I plans.

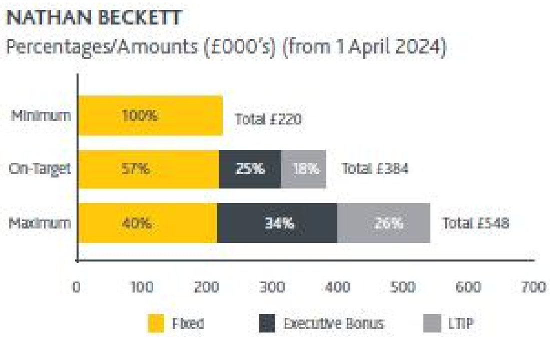
LTIP Measures for 2024 are set out below:

		2024
Life long partner	Customer Numbers/Growth	10%
Brilliant to do business with	Surplus Capital Generation	20%
	Customer Attrition	10%
Mutuality with edge	Culture and Inclusion Index	10%
	Cost Income Ratio	20%
	Return on Capital	20%
Environmental	Sustainability	10%
Total		100%

Illustration of Remuneration Policy for 2024

The chart below illustrates the potential awards for Executive Directors that would be paid under three different performance scenarios:





Note: the LTIP granted in 2024 includes the on-target and maximum performance for the normal LTIP and the additional exceptional award.

Below threshold	Fixed elements of remuneration only — base salary, benefits and pension.
On target performance	Annual Bonus: For illustrative purposes the CEO has been assumed to be paid 60% of salary and the CFO paid 50% of salary, the actual amount payable to each Director would depend on the Remuneration Committee's evaluation of individual performance. LTIP: For illustrative purposes we have assumed 50% achievement of maximum LTIP potential for both the CEO and the CFO.
Maximum performance	Annual bonus: For illustrative purposes the CEO has been assumed to be paid 120% of salary and the CFO paid 100% of salary assuming both the Society and individual have performed at stretch performance. LTIP: 100% of the maximum LTIP opportunity has been shown (120% of salary for the CEO and 75% of salary for the CFO).

B1.3.3 Performance criteria on which variable components of remuneration for the reporting period were based

2023 Annual Bonus Award

The maximum annual bonus possible for 2023 for the Executive Directors was 100% of base salary. The bonus is based on results achieved through the Balanced Scorecard (BSC) and personal performance for 2023. The targets set were aligned to the budget and support the three-year plan. Five of the six targets were achieved which resulted in a bonus payment of 50.89% of salary for Mario Mazzocchi and 49.89% of salary for Gillian Cass. These results reflect the performance achieved in 2023 and therefore the Committee did not apply its discretion to adjust the formulaic outturn.

AREA	MEASURE	WEIGHTING	THRESHOLD	TARGET	STRETCH
Customer	Investment Performance	30%			
	Products per customer				
Financials	Net Investment Inflows	40%			
	Operating profit				
Employee	Employee Opinion Survey	30%			
	Customer index				

	CEO	CFO
Bonus opportunity (% of salary)	100%	100%
Overall outcome (% of salary)	50.89%	49.89%
Overall outcome (£)	£277,859	£151,091

LTIP Vesting in 2023

The three year performance period for the 2021 LTIP concluded on 31 December 2023. The maximum possible value of the 2021 LTIP award is 100% of salary for the CEO and 75% of salary for the CFO. The overall vesting for the 2021 LTIP was 45.36% of maximum. The LTIP is subject to a further two-year holding period before payment is made in March 2026 and will continue to be subject to a conduct risk underpin.

Mario Mazzocchi achieved £226,800 (45.36% of max) for the 2021 LTIP. Gillian Cass achieved £95,256 (34.02%) for the 2021 LTIP.

MEASURE	WEIGHTING	THRESHOLD	MAXIMUM
Total customer	15%		
Assets Under Management	15%		
Customer Attrition	10%		
EOS	10%		
Cost Income Ratio	15%		
Return on Capital	15%		
Sustainability	10%		
Gender	5%		
Ethnicity	5%		

	CEO	CFO
LTIP opportunity (% of salary)	100%	75%
Overall outcome (% of salary)	45.36%	34.02%
Overall outcome (£)	£226,800	£95,256

LTIP Granted in 2023

The 2023 to 2025 LTIP was granted during the year with a maximum value of 100% of salary for the CEO and 75% of salary for the CFO.

B1.3.4 Material transactions with shareholders, members of the management body, or those exerting a significant influence over the Society

Not applicable. There were no material transactions with shareholders, members of the management body, or those exerting a significant influence over the Society during the reporting period.

B2 Fit & Proper Requirements

B2.1 Skills, knowledge and expertise

This section contains general information regarding the process for assessing the fitness and propriety of the persons effectively running Wesleyan and the persons responsible for key functions. The Society's Fit and Proper Policy covers the required standards we hold to ensure roles are filled by fit and proper employees.

Wesleyan Assurance Society and its subsidiary companies are committed to ensuring that they are fit and proper to manage the duties and responsibilities related to the roles and functions they are appointed to.

These persons have been chosen because they possess the qualities required to discharge their respective duty but also because they collectively have been assessed as able to provide for the sound and prudent management of the undertaking.

B2.2 Assessing fitness and propriety

The employer assesses employees for fitness and propriety against guidance issued by the regulator so that appropriate methods are used.

Assessing an individual's fitness covers:

- Qualifications relevant to the role;
- Knowledge, competence, capability and experience relative to the responsibilities of the role; and
- Ensuring the individual has undergone, or is undergoing all of the relevant training;

Assessing propriety includes:

- Considering whether the individual is of good repute and integrity;
- An assessment of their honesty; and
- An assessment of their financial soundness i.e. credit checks.

B3 Risk Management System Including the ORSA

B3.1 Risk management strategies, processes and reporting procedures

Wesleyan's vision for integrated risk management underpinning its business strategy is that:

- The Society accepts risk in order to generate profits and fulfil its customer proposition by providing tailored financial products.
- The Society manages risk in order to protect its capital so that it remains a financially strong organisation consistent with its mission statement and communications to policyholders.
- The Society is prepared to accept some volatility in operational profits but must manage risk to generate profits over the longer term.
- The Society's reputation in the discrete markets in which it operates is vital and this is taken into account in setting risk appetite and managing risk.
- All of the Society's employees have a responsibility for managing risk.

Wesleyan's risk management framework and risk appetite framework set out the key principles, management structures, appetite limits and assignment of risk management responsibilities across all the activities of the Society. This serves to define the boundaries for risk decision-making to ensure that the preferred type and quantum of risk is maintained in the context of Wesleyan's business strategy. The following minimum standards must be met:

- A Risk Management Framework (RMF), Risk Appetite Framework (RAF) and associated policies must be in place for managing risks, setting risk appetite, assigning risk management responsibilities and ensuring risk management is consistent with business strategy.
- Risk governance structures must be in place to ensure all applicable regulatory requirements and the Society's RMF standards are met and have appropriate oversight.
- A Risk Taxonomy must be in place setting out key risk types and their materiality.
- Risk appetite statements and limits must be in place for each key risk set out in the Risk Taxonomy.
- Processes and metrics must be in place to ensure risks are identified, assessed, and reported on a regular and consistent basis.
- The level of risk must be actively monitored against the capital available and the financial impacts on With Profits Policyholders.
- The resilience of the business to risk events must be tested through Stress and Scenario Testing (including Reverse Stress Testing). This includes testing the Society's operational resilience under a range of severe but plausible scenarios.
- The Society will produce an Own Risk and Solvency Assessment at least annually, with an out of cycle review carried out if there is a material change to the risk profile of the business.
- Contingency and crisis management plans must be in place with clear criteria set for when such plans are invoked.
- All of the Society's employees have a responsibility for managing risk.

The Society manages each risk category the same way through setting appetites and regular monitoring. The Society's Risk Appetite is reviewed annually by the Group Chief Risk Officer (CRO) with changes agreed with the Risk Committee and Board. The Risk Management Framework and Risk Appetite were updated and approved by the Board in September 2023. The Risk Function reports the management of its risk profile against appetite on a regular basis. The CRO report is provided to the Group Executive Committee monthly, to every Risk Committee; and a summary of the main points goes to the Board.

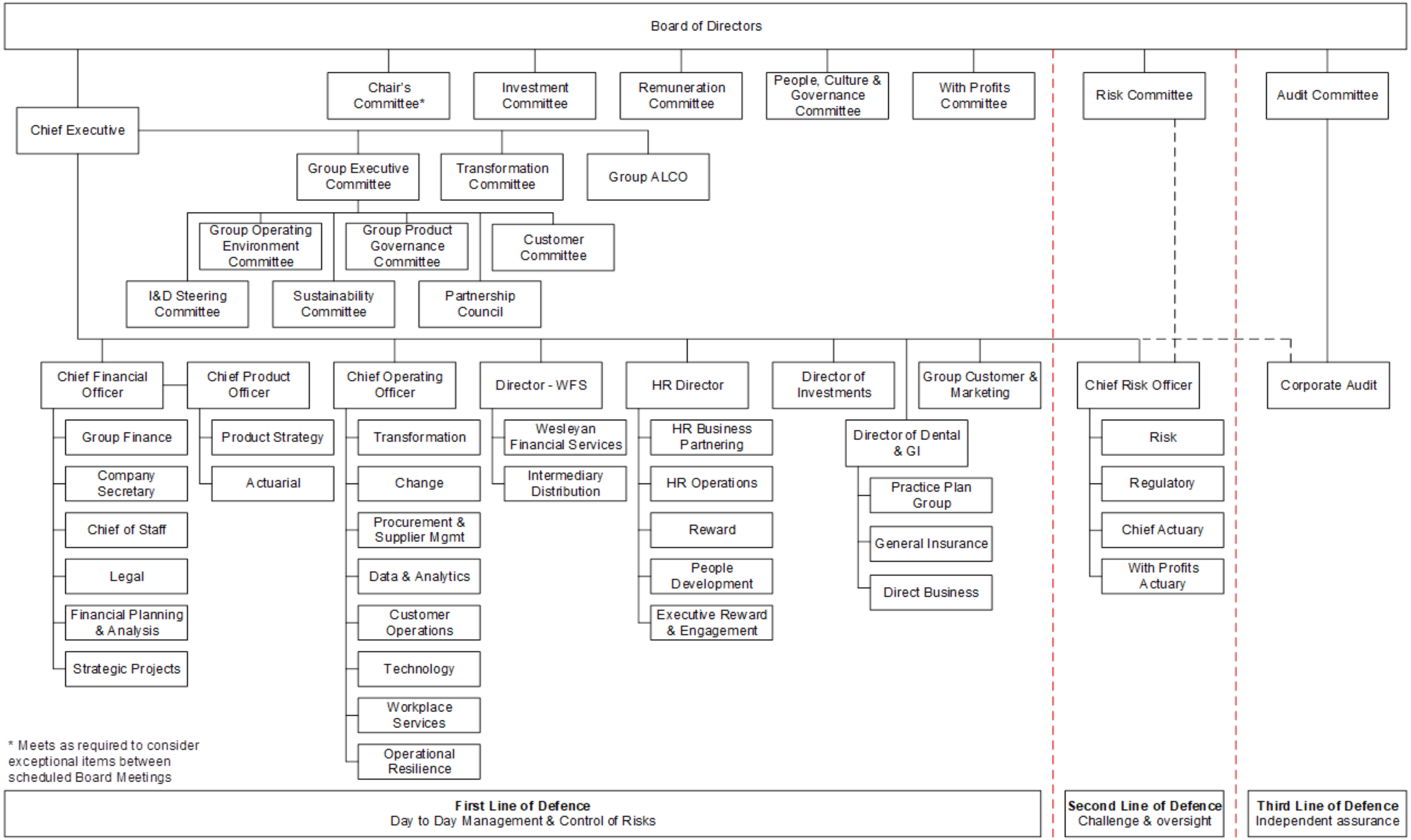
The risk monitoring process is carried out by the Risk Function working with the individual business representatives tracking key risks against the allocated risk appetite. The key results of this periodic assessment are recorded in the monthly CRO Report. The CRO report contains summarised information from all business areas' risk reports and tracks key risks across the Society against the Society risk appetite.

B3.2 Integration into the organisational structure and decision making processes

The Society's Governance Model

The Society's existing Governance arrangements relating to the management of risk are set out below

As at 31 December 2023



The Society's internal control accountabilities are aligned to the Three Lines of Defence model of control and assurance (see diagram above). This provides a clear allocation of responsibilities for the ownership and management of risks and controls, to avoid overlaps and/or gaps in governance. It operates as follows:

- Executive and management of the Society have primary responsibility for the day to day management and control of risks ('1st line of defence').
- The Risk Committee, supported by the Risk Function, assists the Board to formulate risk appetite, strategies and policies and limit structures for the management of risk and provides independent objective challenge, oversight and support of risk management activity across the Society. The Regulatory Functions monitor compliance with the PRA's and the FCA's handbooks and other regulations ('2nd line of defence').
- The Audit Committee, supported by Corporate Audit, provides independent and objective assurance on the effectiveness of the overall system of internal control ('3rd line of defence').

The 1st line of defence is any risk-taking operating unit or function. In the 1st line, ownership and accountability for any risks taken resides with the executive management and staff. The 2nd line is the Risk and Regulatory Function that coaches and provides oversight, quality assurance and challenge to operations. The 3rd line of defence includes Corporate Audit, which provides independent assurance to the Boards and their Audit and Risk Committees.

The Society's Risk Function assists its decision-making process through the Own Risk and Solvency Assessment (ORSA) process. The CRO provides summarised risk reports to the Group Executive Committee to aid the decision-making process. The Risk Function also provides the 2nd line validation of the Society's key decisions and models.

B3.3 ORSA process and integration

The Society's Own Risk and Solvency Assessment (ORSA) covers:

"the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a (re)insurance undertaking faces or may face and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times." (CEIOPS Own Risk and Solvency Assessment Issues Paper, 27 May 2008, paragraph 9).

The ORSA is management's primary tool for assessing, documenting and reporting its Integrated Risk Profile, and aligning this with the Society's risk, capital management and business strategies to establish the internal capital requirements over a medium-term planning period, and how the Society plans to meet those needs. The production of an ORSA is a regulatory requirement.

The process enables the Society to identify and understand all significant risks, with consideration for new or emerging risks, and to understand how these risks fit within the Society's risk appetite. The process includes the following key components:

- Understanding the general risks
- Stress and scenario testing
- Understanding the capital and solvency risks
- Producing the integrated risk profile
- Producing the ORSA
- Reviewing and confirming the business strategy
- Reviewing and confirming the risk appetite
- Understanding the gaps
- Applying Governance and controls

The ORSA process generates the ORSA report. Key findings in the report are reviewed and challenged by appropriate stakeholders and executives as part of the process to ensure independence. The final ORSA report is signed off by the Board annually following recommendations from the Risk Committee.

The ORSA feeds into the Society's Strategic Planning process. The report provides an in depth overview of the Society's risk profile and risk management strategy, including any recommendations regarding key issues to be taken into account in the decision making process.

Key Risk Indicators (KRIs) are periodically reviewed to ensure that key changes in the Society's risk profile are highlighted. Where required an out of cycle ORSA report is produced to inform the key stakeholders of the relevant changes in risk profile and to provide any strategic recommendations.

The ORSA policy and process is reviewed annually by the Risk Function and signed off by the CRO.

B3.4 ORSA review and approval frequency

The ORSA process is performed at least annually, as well as upon certain pre-determined triggers, such as significant changes in the Society's risk profile.

Updates to the ORSA policy are signed off by the CRO with confirmation of the changes to the Group Executive Committee and Risk Committee. Updates to the ORSA Report are reviewed, challenged and signed off through the governance process at the Group Executive Committee (GEC) and Risk Committees.

B3.5 Solvency requirements and the interaction of risk management and capital management

The ORSA process enables the Society to identify and understand all significant risks, with consideration for new or emerging risks. Where these risks are quantifiable, the capital and solvency impacts are assessed through the Wesleyan model. For non-quantifiable risks, such as reputational risk, these are considered and assessed using a qualitative approach. The most significant risks are then presented using an Integrated Risk Profile matrix, allowing all risks to be reviewed on a consistent scale using quantitative and qualitative criteria.

The results of this assessment are then detailed in the ORSA report. This is combined with a wider, forward looking review of the Society's capital and solvency requirements for the Society's business strategy in relation to the Society's risk appetite. The review and challenge process undertaken as part of the production of the ORSA report helps to identify any gaps and develop appropriate actions to address any issues raised.

B3.6 Non-applicable sections

The following sections are not applicable:

- Sensitivities – the Society does not use volatility or matching adjustments. There is also no material extrapolation of interest rate term structure used.
- Key data for an internal model – The Society does not use an internal model for Pillar I reporting.

B4 Internal Control System

B4.1 Internal control system

The Society's accountability framework is set in line with its organisational, legal and internal control structures. Organisational roles and responsibilities span the Society hierarchy which includes the Board, its subsidiary companies and its sub-committees, Executive/senior management and business operations. Each layer of accountability clarifies the respective roles of the Board and management and establishes the relationships between them.

As described above, the Society's internal control accountabilities are aligned to the Three Lines of Defence model of control and assurance.

The Society has developed an internal reporting system that includes information on all risks to which the Society is exposed at all levels, in an appropriate format. The internal reporting framework enables the fulfilment of Board and management accountabilities as well as enabling the monitoring of the Society's risk and capital position against its risk appetite. Internal reporting also includes reporting against strategies and policies. The Board reviews this information on a regular basis. Senior management may attend meetings of the Board or of Board committees in order to provide further information. In addition, Board members may seek direct access to management and staff.

The Society has also developed a dashboard for reporting metrics to oversee implementation and embedding of the FCA Consumer Duty Principle across the Group. A process for producing narrative reporting for the Group Product Governance Committee, Customer Committee and Board has been developed and dry runs completed in advance of the Board attestation in July 2024.

B4.2 Regulatory Function

The Society's Regulatory Function forms part of the Society's system of internal controls. It advises, monitors and reports at all levels of the organisation on adherence to regulatory and other legal requirements, as well as internal policies. The Compliance Officer reports to the Chief Risk Officer.

The Regulatory Function's objectives are to:

- Establish and maintain effective regulatory control systems, including monitoring and reporting to manage regulatory risk within the risk appetite set by the Board;
- Provide timely advice to the Society on relevant changes to the regulatory environment; and
- Promote high standards of performance and ethical behaviours by the Society's employees to help ensure the business delivers good customer outcomes in line with the FCA Consumer Duty requirements as they are implemented.

These are achieved through three key activities:

- Interpreting and applying regulations.
- Monitoring adherence to regulations and approved processes.
- Identifying remedies when issues arise through breaches.

The Regulatory Function supports the Board to raise awareness of the Regulatory risk appetite and supports management by identifying, assessing and overseeing the mitigation of regulatory risks. It monitors against regulatory risk tolerance levels and reports to the Executive and the Board where the risk appetite is exceeded and where unacceptable business practices are identified.

The Regulatory Function communicates pro-actively and effectively with its stakeholders. This includes ensuring that the Regulatory Function viewpoint is heard internally through attendance at relevant meetings and through meetings with individual decision makers where necessary. Where required, the Regulatory Function co-ordinates the Society's response to regulatory consultations via industry bodies or directly to the regulator concerned.

The Regulatory Function forms part of the 2nd line of defence. The Compliance Officer is responsible for the establishment and development of an effective Regulatory Function, which promotes high standards of integrity and independence and is adequately resourced, carrying out its role, in accordance with Wesleyan's ethical code and applicable regulations.

This resource is commensurate with the level of complexity of the regulations and operations over which the function has oversight and is adequately equipped to carry out its role, with the team having appropriate qualifications and competencies. The adequacy of resource is regularly reviewed to ensure it remains sufficient and appropriate.

B5 Internal Audit Function

B5.1 Internal Audit Function (Corporate Audit)

The Head of Internal Audit with responsibility for the Internal Audit Function reports to the Chair of the Audit Committee. The Head of Internal Audit provides a quarterly report to the Audit Committee and reports on other matters as required. He is a standing attendee at each Audit Committee. As part of the preparing the internal audit plan for the forthcoming period (usually 6 months), the Head of Internal Audit assesses the level of resources within the Internal Audit Function to ensure that they sufficient to undertake the planned activities.

The primary role of Corporate Audit is to help the Board, Audit Committee and Executive Management to protect the assets, reputation and sustainability of the organisation.

The diagram in Section B3.2 shows how the three lines of defence operate in the organisation and how audit (3rd line) fits into the governance structure.

Corporate Audit plans and executes its activities, principally the conduct of risk-based audits, to provide assurance to the Society's Board the Audit Committee, and Executive Management on the adequacy of the Society's internal control system and governance arrangements.

The Head of Internal Audit reports directly to the Chair of the Audit Committee, with a dotted line to the Chief Executive in a day-to-day line management capacity.

Corporate Audit derives its authority from the Board, through the Audit Committee. In carrying out its duties, Corporate Audit is authorised to have:

- Right of access to all records, resources, meetings, management information and personnel to allow it to perform its duties;
- Full and unrestricted access to the Audit Committee and Society Chair; and
- Obtain, where necessary, assistance of colleagues in areas of the Society where it performs audits, as well as other specialised services from within or outside the organisation.

B5.2 Independence and objectivity

Corporate Audit is impartial, unbiased and avoids conflicts of interest. Corporate Audit functions independently from the activities it audits, and its auditors are objective in performing their work. Corporate Audit, whilst consultative in approach, is free from interference in determining the scope of internal auditing, performing work and communicating results. Specifically:

- Corporate Audit is not part of, nor has any direct responsibility or authority over, any operational functions and/or activities reviewed and should not relieve others of such responsibilities;
- the Head of Internal Audit has a direct reporting line to the Chair of the Audit Committee;
- the responsibilities of the Audit Committee (see section B1.1.2) support the independence of Corporate Audit;
- all internal auditors ultimately report to the Head of Internal Audit;
- Corporate Audit is authorised to allocate resources, set audit frequencies and plans based on risk and/or audit cycle principles, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside the Society to accomplish its objectives; and
- Corporate Audit operates a policy of rotating staff where appropriate to ensure that independence and objectivity is maintained.

B6 Actuarial Function

B6.1 Implementation of the Actuarial Function's process

The various activities constituting the Actuarial Function are embedded within a number of teams and individual roles, reporting to the Chief Product Officer.

The key responsibilities of the Society's Actuarial Function are:

- To coordinate the production of the Society's internal capital reporting and produce actuarial information for the Society's external reporting;
- To recommend actuarial methodology, assumptions and models;
- To ensure the Society's policy data is fit for purpose for the actuarial work being carried out;
- To recommend the investment strategy for the Investment Team to operate within and monitor and report on its implementation;
- To deliver Capital Management support for the Wesleyan Society;
- To ensure that products sold by Wesleyan are priced appropriately; this includes providing product and profitability support to the business; and
- Support the objective of ensuring with-profits policyholders are treated fairly

The Actuarial Function provides services to Wesleyan Assurance Society and its subsidiary companies. Challenge and control over the quality of actuarial output and advice to the Board is performed by the Chief Actuary. The Chief Actuary is part of the second line of defence and reports into the Chief Risk Officer.

B6.2 Overview of activities

This section contains an overview of the activities the Actuarial Function has undertaken in each of its areas of responsibility.

To coordinate the production of the Society's internal capital reporting and produce actuarial information for the Society's external reporting; to control and manage the Society's policy data

Activities have included:

- Production of the Society's Balance Sheet results for the Board, including technical provisions and Internal Capital Requirement (ICR).
- Producing the Society's Pillar 1 technical provisions, Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) for the Board.
- Managing the monthly valuation data extraction and conversion process in line with regulatory and professional standards and requesting improvements to data quality as appropriate.
- Completing monthly solvency monitoring calculations.
- Co-ordinating data investigations to support the quality of actuarial valuations, including a review of reinsurance and accounting data.

To ensure the appropriateness of actuarial methodology, assumptions and models

Activities have included:

- Completing historic investigations on the Society's experience against our best estimate for mortality, persistency, morbidity and expenses.
- Assisting the Group Finance function by recommending changes to assumptions and implementing assumption changes, in accordance with regulatory standards.
- Reporting to the Actuarial Technical Committee, which meets regularly to discuss and agree actuarial methodology and assumptions.

To deliver Capital Management support for the Wesleyan Society

Activities have included:

- Completing the Society's annual Capital Plan and relevant sections of the ORSA as appropriate.
- Providing Capital Management support to the Wesleyan Group ALCO and Risk Function (further details are provided under 'B6.3 Risk Management' below).
- Ensuring that the Society's reinsurance arrangements are appropriate.

To support the objective to ensure the Society's with-profits policyholders are treated fairly

Activities have included:

- Co-ordinating asset share investigations and produce reports for the With Profits Actuary, Chief Actuary and the Board to determine annual and final bonus rates in line with COBS requirements.
- Managing the reviews of Surrender and Transfer Value bases for with-profits and non-profits policies and recommending changes in line with fair customer outcomes.
- Managing the reviews of Market Value Reductions and the completion of shadow fund pricing calculations for unitised with-profits products.
- Managing the target range monitoring process for with-profit payouts to ensure compliance with PPFM and the FCA Conduct of Business rules.

To ensure that products sold by Wesleyan are priced appropriately; this includes providing product and profitability support to the business

Activities have included:

- Undertaking the actuarial work involved in the development of new products and changes in product terms for new business.
- Recommending changes to product charges and premium rates for existing business in line with fair customer outcomes and business requirements.

Investment Strategy

Activities have included:

- Periodically reviewing and benchmarking the Investment Strategy to ensure it is set in way to meet the objectives of the with-profits fund.
- Presenting recommendations on changes to Investment Strategy and Strategic Asset Allocation to the Investment Committee for support prior to approval by the Board.

B6.3 Risk Management

This section contains a description of how the actuarial function contributes to the effective implementation of the risk management system.

The Actuarial Function has contributed significantly to the Society's risk management during 2023. This work has included:

- Modelling the Society's current solvency position (the "ICR Balance Sheet") on a continuous basis;
- Projecting the ICR Balance Sheet to understand the Society's future solvency needs over the business planning period; and
- Providing capital management support to Group ALCO.

B7 With Profits Actuary

B7.1 With Profits Actuary Responsibilities

The With Profits Actuary reports directly to the Chief Risk Officer. The With Profits Actuary also has direct access to the Chief Executive, the Chief Financial Officer, Chief Product Officer, the Group Executive and the Board. The With Profits Actuary reports at least quarterly to the With Profits Committee.

The key responsibilities of the With Profits Actuary are to:

- Ensure the fair treatment of With Profits policyholders and equity between different groups of policyholders;
- Ensure that this discretion is exercised in accordance with the Society's Rules, the Principles and Practices of Financial Management (PPFM) and all regulatory requirements; and
- Fulfil all regulatory requirements of the With Profits Actuary function.

B8 Outsourcing

B8.1 Outsourcing Policy

The Society has a Procurement and Supplier Management Policy (P&SM Policy), its purpose is to ensure that prior to choosing a service provider to fulfil a key function, a detailed examination of the potential service provider's ability and capacity to deliver the required functions or activities satisfactorily are undertaken; and secondly that there is a continued monitoring of the service provider's capability and performance.

This Policy applies for all suppliers to the Society and includes any material outsourcing and/or outsourcing arrangements entered into by the Society.

A Material Outsourcer and Outsourcer are defined in the FCA Handbook. Glossary Terms - FCA Handbook Under the Wesleyan P&SM Policy any Material Outsourcer is classified as Strategic meaning that a defect or failure in its performance would:

- Materially and adversely impact the quality of the system of governance
- Unduly increase Operational Risk or significantly reduce control assurance (e.g. if the service is a key mitigating control in the Operational Risk and Control Assessment Matrix)
- Impair the ability to comply with any relevant legal or regulatory requirements or the ability of the Regulator to monitor the Society
- Potentially cause detriment to customers or lengthen the time detriment was suffered;
- Undermine the soundness or continuity of Key Functions (any function or activity that is essential to the operation of Wesleyan as it would be unable to deliver its services without the function or activity).

Under the Wesleyan P&SM Policy any Outsourcer (non-Material) may be classified as Strategic, Critical or Key meaning that the level of defect or failure has been assessed and a proportionate approach applied to the oversight and governance to ensure continuity of supply to Wesleyan and its Customers.

B8.2 Outsourcing of Key Functions

The Society has identified the following functions as "Key" Functions, which could potentially be outsourced to a third party:

- Insurance Management
- Customer Services, including Claims Handling / Loss Adjustment
- Broking / Insurance Distribution Services
- Investment Management
- Actuarial Function

- Internal Audit Function
- Information Technology Function
- Building Services Function
- Any other function or activity that is essential to the operation of the Society if it would be unable to deliver its services without the function or activity.

The Society provides all of the above key services via its subsidiary, Wesleyan Administration Services Limited. The Society holds all the share capital of this subsidiary and has full control over the activities of this subsidiary.

At 31 December 2023, the Society has not outsourced the whole of any of its Key Functions.

B8.3 Outsourcing Processes and Controls

The Society has processes and controls over the lifecycle of any external supply arrangement (including Material Outsourcers, Outsourcers and Suppliers) to ensure that the service provider will have the ability and capacity to deliver the required service.

Such processes and controls include:

- An assessment as to the provider's ability to successfully manage the outsourced function, including due diligence to determine whether the Outsource Provider has:
    - the ability and capacity to deliver the required functions or activities satisfactorily, taking into account the undertaking's objectives and needs;
    - adopted all means to ensure that no explicit or potential conflicts of interest with the undertaking impair the needs of the outsourcing undertaking;
    - adequate risk management and internal control frameworks in place to ensure compliance with all applicable laws and regulations and to at least the same level as Society standards;
    - sufficient financial resources to carry out the outsourced services;
    - adequate provisions in place to protect confidential information and personal data;
    - competent and professional staff to perform the outsourced services; and
    - adequate Disaster Recovery, Operational Resilience and Business Continuity Plans in place (including periodic testing of backup facilities where that is necessary having regard to the function, service or activity outsourced).
- A detailed contractual agreement that is reviewed and approved by Legal Counsel or an appointed external lawyer, including a Governance model approach and reporting to include a Service Level Agreement (SLA) outlining key deliverables that must be put in place in respect of each outsourced service.
- On a regularised basis, an assessment of whether the quality of service being provided is in line with the agreed service levels in accordance with the written outsourcing agreement.
- An assessment also of whether the outsourced service provider is adhering to the procedures and controls put in place to mitigate the risks associated with the outsourced function.
- At least annually, a formal evaluation of the effectiveness of the outsourced arrangement. During 2023 an audit of Third Party Risk Management and Governance arrangements was performed, with no significant issues identified.

B8.4 Details of Material Outsourcing Arrangements

- Material Outsource Arrangements are overseen and governed to the most detailed level in Wesleyan with other Outsourcers and Suppliers having a proportionate approach.

- These arrangements are subject to ongoing review and governance, including:
    - Regular and frequent operational review meetings and an a strategic review of the relationship held at least annually.
    - Resilience, continuity and contingency and exit planning.
    - Ongoing monitoring of performance / financial health.

B9 Adequacy of the Governance Structure

The Society reviews the effectiveness of its governance framework by carrying out annual effectiveness reviews of its Board and committees. It also carries out an external review of Board effectiveness every three years. Should any issues arise from these reviews they would be addressed at Board level. No material issues have arisen during the year and the current governance structure is considered adequate for the nature, scale and complexity of the risks inherent in the business.

B10 Any Other Information

There is no other material information regarding the system of governance.

C RISK PROFILE

The Society's risk appetite is the amount of risk that it is prepared to accept in pursuit of its business objectives. Any new or materially revised exposure is carefully considered before being accepted in light of the risk appetite.

The Society's adherence to its risk appetite is assessed through quantitative and qualitative measures. Greater emphasis is placed on the risk appetite for Capital, Strategic, Market, Insurance, Liquidity, Operational, Conduct and Transversal risks. These risks are the focus of the Society's Board level risk appetite and are discussed below.

The Society's risk appetite framework goes further in translating the above, Board level risk appetites into granular risk appetites and limits. This allows the business to monitor its day to day activities and ensure they are consistent with the Society's overall risk appetite.

The Solvency Capital Requirement (SCR) is the minimum amount of funds that the Society needs to hold to satisfy its regulatory requirements. Details of the calculation and amount of the SCR, and the breakdown by risk type are given in section E2.

Board level risk appetite

Element	Risk Appetite Statement	How we will measure this
Capital	We will ensure that we remain financially strong with above average financial strength, in line with our strategic objective and consistent with our communications to policyholders. We will also ensure that we do not become too financially strong, where alternative uses of our surplus capital may be possible which would be of greater benefit to current and future policyholders	The following Estate capital principals are used to ensure we remain within risk appetite, and we achieve the Society's strategic goal. 1. Financial Strength: We aim to have above average financial strength both now and in the future. We have low appetite for breaching our regulatory capital requirement (SCR) pre management actions. 2. Capital growth: We will aim to sustainably grow our surplus capital over time to support Mutual Bonus payments and investment in the business for our policyholders. 3. Capital quality: We aim to hold high quality liquid investments to cover our minimum capital requirements. 4. Capital stability: We have low appetite for a volatile capital position that requires regular rebalancing and management actions. 5. Diversified Risk Exposure: We aim to have a diversified risk exposure and limit concentrations in one or more risk types. 6. Capability: We have no appetite for taking on risks that we do not have demonstrable capability to manage. Where this requirement is not met, we may use third parties to supplement in-house knowledge as we build that expertise. Any new risk exposures will require Board approval. The Capital risk appetite is mainly measured in terms of the Internal Capital Requirement (ICR), which is the expected loss incurred by the Estate in stressed conditions after an adverse event with a likelihood of 1 in 2000. Maintaining Regulatory solvency is a key target for our sustainability as a Society and we have no appetite for regulatory insolvency. Maintaining a strong credible capital position even in extreme but plausible circumstances is a key target for our sustainability as a Society.

Element	Risk Appetite Statement
Strategic Risk:	The Society has Moderate to High appetite for strategic risk which is managed through strategic planning processes (including the ORSA), business/product performance, horizon scanning and emerging risk identification. We have set risk appetite as Moderate to High as we accept that we will need to take risk in order to keep pace with market and competitor pressures and achieve our strategic objectives. In practice: We will seek rewarded risks to transform the business to deliver our purpose, which includes achieving good outcomes for customers and a financially resilient business. We will only take on risks that are consistent with achieving our purpose.
Market	Market risk is the risk of financial loss to the Society (whether borne by the estate or with profits policyholders) due to movements in financial markets. Our appetite for market risk varies by fund.

Element	Risk Appetite Statement
Insurance	We have a Low/Moderate appetite for insurance risk, with more appetite for risk types that meet customer needs and are an essential part of our customer proposition and less appetite for other types of insurance risk (lapse and expense). We predominantly accept longevity and morbidity risk and we acknowledge that these risks will give rise to unexpected losses from time to time.
Liquidity	We have a Low appetite for liquidity risk, ensuring that we are able to meet our financial obligations under stressed conditions.
Operational	Operational risk is accepted by the Society as an inevitable consequence of running its business. We typically have a low appetite for operational risk, but it varies by category.
Conduct	We have a Low appetite for exposure to Conduct risk accepting that from time to time the Group may deliver isolated instances of poor outcomes to customers, colleagues or our community but we have no appetite for these failures to be systemic.
Transversal risks: Risks which have a cross cutting nature across a number of principle risks, these risks can have a number of different impacts if they crystalise.	
Sustainability & Financial risks arising from Climate Change	We have a moderate appetite for financial risks associated with Sustainability and Climate Change. We have low appetite for material reputational damage due to Sustainability related issues.
Reputational risk	We recognise that our long-term sustainability depends on the strength of our reputation and relationship with our customers. Therefore, we have low appetite for material reputational risks, and we will always treat our customers fairly and act with integrity.
Risk Culture	Wesleyan has no risk appetite for actions which relate to a poor risk culture. Risk Management is the responsibility of all colleagues and should be embedded in our day-to day activities.
Customer Outcomes	Our risk appetite statement is linked to conduct risk: We have a Low appetite for isolated instances of poor outcomes to customers. We have no appetite for systemic poor outcomes to customers at any part of the product lifecycle.

C1 Strategic Risk

Strategic risk is defined as “The risk that the Society’s existing strategy is not sufficient or appropriate to maintain long term business resilience.”

Strategic risks are expected to cover the most significant current and emerging risks that can impact the ongoing viability of the organisation, including the loss of our competitive advantage.

Strategic risks should be forward looking and focus on issues that can have longer term impact (both downside risk and upside opportunities) as opposed to those issues which impact short term operating performance.

C1.1 Risk Mitigations

C1.1.1 Business Risk Mitigation Techniques

Strategic risk is controlled through setting and implementing an appropriate strategic plan, risk monitoring and management against risk appetite.

C1.1.2 Stress testing and sensitivity analysis for business risks (methods, assumptions & outcomes)

Strategic risk sensitivity analysis is not carried out in isolation due to the fact that its impact is not easily quantifiable. Scenarios that can pose serious challenges to our business model have been assessed as part of the ORSA scenario and reverse stress testing.

C1.2 Other Information

There is no other material information.

C2 Market Risk

Market risk is the risk of financial loss to the Society (whether borne by the estate or with profits policyholders) due to movements in financial markets. Our appetite for market risk varies by fund.

C2.1 Risk Exposures

C2.1.1 Assessment and management of market risk exposure

The control and monitoring of Market risk is carried out by the Risk Committee. At an executive level, the Group Asset and Liability Management Committee (ALCO) provides strategic and operational oversight of Market risk with support from the Group Finance and Risk functions. Investment Committee also provides investment risk oversight with a focus on investment strategy and performance. The Society's Board has the ultimate responsibility for ensuring Market risks are managed within risk appetite.

A split of the Solvency Capital Requirement by Risks is available in Table E2(i)(a). Market Risk accounted for 68% of the Group Solvency Capital Requirement at the end of 2023.

Group Finance provides regular Management Information for the assessment and quantification of Market risk exposure. The outputs from the half-yearly valuation process, run through the Society's ORSA Capital Model, are used to calculate its Market risk capital requirements. Monthly estimates of the capital position and the level of market risks are calculated and reported monthly.

The ORSA Capital Projection Model projects these Market risk capital requirements over the length of the Society's business planning period under a range of scenarios.

Both outputs provide critical input to the Society's ORSA and its strategic and business planning processes.

C2.1.2 Description of the risks

Market risk is one of the Society's key risks.

Risk type	Risk exposures
Market	**Borne by Estate** ▪ Losses from investments or losses arising from a mismatch in movements of assets and liabilities within the Estate. ▪ Extreme losses that cannot be allocated to With Profits Policyholders due to guarantees biting. ▪ Cost of smoothing in With Profits Fund. **Borne by Policyholders (With Profits Wesleyan Business)** ▪ Losses from investments. In the case of With Profits investment assets, this may be mitigated by smoothing, MVR's and any guarantees that apply. ▪ Losses on Non-Profit business **Borne by Policyholders (With Profits Third Party Business)** ▪ Losses from investments. In the case of With Profits investment assets, this may be mitigated by smoothing, MVR's and any guarantees that apply.

The Society's exposure to Market risk are detailed below:

Sub Risk Type	Definition
Equity level	The risk of financial loss if equity markets fall.
Property	The risk of financial loss if property values fall.
Interest rate	The risk of financial loss due to variations in interest rates.
Credit Spreads	The risk of financial loss due to the variations of credit spreads to expectations.
Counterparty Risk	There is a risk that a key counterparty defaults.
Inflation	The risk of financial loss due to the variations in inflation rate to expectations at pricing.
Currency Level	There is a risk of a financial loss due to fluctuations in the price of different currencies.

C2.1.3 Prudent person principle and market risk

The Society has a Prudent Person Principle policy (PPP) which sets out all the relevant principles it is required to follow in the management of investment of assets within Wesleyan Assurance Society relating to insurance business.

Each individual fund has its own Statement of Investment Principles (SIPs) drawn up in line with the PPP requirements.

The Investment Committee and Group ALCO monitor our investment operations against the relevant SIPs and provide strategic direction to ensure that the requirements of the PPP are being followed.

C2.2 Risk concentrations

Market risk concentrations (e.g. the maximum allowable percentage invested in an individual equity holding, country or currency) are documented within the SIP for each individual fund; compliance with these limits is monitored actively and reported through Group ALCO.

C2.3 Risk mitigations

C2.3.1 Market risk mitigation techniques

For the closed Medical Sickness Society (MSS) Fund interest rate risk is mitigated by a portfolio of swaptions (interest rate derivatives). We have also arranged a reinsurance contract that protects against excessive GAR payments that could be a result of falling interest rates.

Equity put options are held in the Society's Estate and provide capital protection from a significant increase in the cost of guarantees following severe equity market falls.

C2.4 Risk sensitivities

C2.4.1 Stress testing and sensitivity analysis for market risks (methods, assumptions & outcomes)

The Society has developed a Stress and Scenario Testing Policy which sets out its strategy for delivering stress testing, scenario analysis, sensitivity testing and reverse stress testing in order to meet both the regulatory and the Society's decision-making requirements.

The probability distribution forecast (PDF) produced by the ORSA Capital model allows management to demonstrate the capital implications of stresses on the balance sheet at any confidence level for any risk or product. The stress tests calculate the Society's Internal Capital Requirement (ICR) by taking the value that represents a stressed event from the ICR PDF for each modelled risk.

The Society undertakes sensitivity analysis around its key risks to better understand their impact. This understanding allows improved focus for checks and controls. The sensitivity test result also helps to sense check the asset and liability movements in our market risk stresses.

Table D2-17 sets out the results of sensitivity analysis undertaken for this period. These are prior to management actions and diversification benefits and based on standard formula Solvency Capital Requirement (SCR) calculations.

The Society's capital position is most sensitive to changes in equity levels, equity volatility and credit risk (covered separately below). This is consistent with the investment strategy of the Society. The Society has various options to reduce its equity exposure if market movements look to move in a detrimental manner. This can be done through selling equities or buying derivatives to hedge market movements. This could occur, for example, in response to a breach of an internal capital risk appetite threshold as part of the Society's Capital Breach Management Action Plan (CBMAP). In more extreme circumstances (eg. an extreme market shock), the Equity Sales Plan dictates that the Society sells off its equity holdings as certain market triggers are breached due to the society's capital falling below very low pre-determined levels.

C2.5 Other information

In addition to Life and Pension business, the Society has significant interest rate risk exposure from its staff pension scheme. This risk is reserved for in its internal capital (Pillar II capital) and is discussed further in section C7.

C3 Credit Risk

C3.1 Risk exposures

C3.1.1 Assessment and management of credit risk exposure

The control and monitoring of credit risk is carried out by the Risk Committee. At an executive level, the Group Asset and Liability Management Committee (ALCO) provides strategic and operational oversight of credit risk with support from the Group Finance and Risk functions. Investment Committee also provides investment risk oversight with a focus on investment performance. The Society's Board has the ultimate responsibility for ensuring that credit risks are managed within risk appetite.

A split of the Solvency Capital Requirement by Risks is available in Table E2(i)(a). Credit Risk accounted for 21% of the Group Solvency Capital Requirement at the end of 2023.

Specifically, the Society has developed Statements of Investment Principles (SIPs). The Chief Product Officer owns the SIPs and approves any changes, which are then notified to the Investment Committee, Risk Committee and Group Executive. The SIPs provide limits and tolerances at a granular level of asset type, which is a control on the credit risk levels that the Society can take on. The SIP then effectively becomes the mandate for the Investments Department who are responsible for investing within that mandate, to maximise the return in accordance with the benchmarks which are also specified in the SIPs.

As a minimum the following metrics have been adopted in relation to managing credit risks:

- Capital allocated to credit risks – from the ORSA Capital Model.
- Maximum exposure to a single counterparty.
- Risk limits in line with the approved SIP.
- Credit rating of the Society's Reinsurance Counterparties.

It should be noted that in the case of Unit Linked Funds and Unit Trusts the credit risk ultimately remains with policyholders and there are no wider strategic capital issues associated with these funds. It is imperative however that the amount of credit risk taken on remains within any limits or risk ratings communicated to policyholders.

C3.1.2 Description of credit risk

Credit risk is one of the Society's key risks, and is defined as:

> *"The risk of loss Wesleyan is exposed to if an investment counterparty, financial institution or reinsurer fails to perform its contractual obligations (including failure to perform them in a timely manner) including losses from credit downgrades and other adverse changes to the likelihood of counterparty failure".*

The Society sub-categorises credit risk into the following elements:

Sub risk type	Definition
Investment default or credit downgrade	The risk of a loss of funds placed with a financial institution or funds invested in bonds due to a failure of the counterparty or a credit downgrade.
Reinsurer default	The risk of a loss due to a default by a reinsurer. (The Society chooses to mitigate the potential for financial losses on its insurance risk exposure through reinsurance. This exposes the Society to the risk that the reinsurer does not fulfil their contractual obligations, leaving the costs of reinsured claims to be picked up by the Society).

C3.1.3 Prudent person principle and credit risk

Section 'C2.1.3. Prudent Person Principle and Market Risk' details how the prudent person principle is applied in the Society.

C3.2 Risk concentrations

C3.2.1 Description of material credit risk concentrations

For the purposes of Pillar 3 Risk Concentration Reporting (using the Standard Formula SCR) a threshold of £75m is applied for identifying and reporting significant risk concentrations. Concentrations below this threshold are monitored but do not materially influence the solvency and liquidity position of the Society.

In line with the requirements of the Delegated Act, the Society has considered the following transaction types for the purpose of identifying what risk concentration should be reported (subject to materiality):

Considerations		Is this applicable to the Society?
a)	Individual counterparties	Yes – there are numerous large investment holdings with individual third-party counterparties. The Society also has asset exposures to its re-insurers; Swiss Re, Canada Life, LV and Munich Re.. Finally, there are cash exposures to counterparties within the group subsidiaries.
b)	Groups of individual but interconnected counterparties, for example undertakings within the same corporate group	**Yes** – there are a number of investment holdings with interconnected counterparties (e.g. RBS and the UK Government).
c)	Specific geographical areas or industry sectors	**No** – given that concentration risk is mostly driven by the lack of diversification in issuers to which insurance or reinsurance undertakings are exposed, the market risk concentrations sub-module of the standard formula should be based on the assumption that the geographical or sector concentration of the assets held by the insurance or reinsurance undertaking is not material.
d)	Natural disasters or catastrophes	**No** – this is not deemed a material risk for a life insurance company.

In determining the reporting threshold to be applied for defining significant risk concentrations, the Society considers the following factors as set out in the Delegated Act:

- The solvency and liquidity position of the group.
- The complexity of the structure of the group.
- The importance of regulated entities from other financial sectors or non-regulated entities carrying out financial activities.
- The diversification of the group's investment portfolio.
- The diversification of the group's insurance activities, in terms of geographical areas and lines of business.

A £75m loss from a single counterparty is unlikely to be enough to cause a solvency breach in isolation (particularly if the loss is shared with WP policyholders) but would be enough for the event to be considered a “threat” to solvency. The threshold for threatening Society liquidity is much higher.

C3.3 Risk mitigations

C3.3.1 Description of risk mitigation techniques for credit risk and monitoring of effectiveness

In the case of derivatives, significant counterparty exposure is mitigated by the use of collateral.

Following the recapture of the main income protection reinsurance treaty, the Society no longer has a deposit back arrangement in place. This was no longer necessary and was settled on commercially favourable terms.

The recapture has also left the Society with limited reinsurance counterparty risk.

Also, the treaty with Canada Life Re to reinsure the MSS Fund GAR option take-up risk includes an Advance Claim clause to reduce the Society's counterparty risk in the event that this policy becomes an asset of the fund.

C3.4 Other Information

In addition to manufactured business, the Society has significant credit risk exposure from its staff pension scheme. This risk is reserved for in its internal capital (Pillar II capital) and is discussed in C7.

C4 Liquidity Risk

C4.1 Risk exposures

C4.1.1 Assessment and management of liquidity risk exposure

The control and monitoring of liquidity risk is carried out by the Risk Committee. At an Executive level, the Group Asset and Liability Management Committee (ALCO) provides strategic and operational oversight of liquidity risk with support from the Group Finance and Risk functions. The Investment Committee also provides investment risk oversight with a focus on investment performance. The Society's Board has the ultimate responsibility for ensuring that liquidity risks are managed within risk appetite.

The Society measures its liquidity position by considering the cash flows that occur over 4 days, 2 weeks, and then over a 3 month period, in stressed liquidity conditions.

The key risk indicator for liquidity, which is calculated on a monthly basis, is determined as:

- The current amount of liquid assets divided by
- The amount of stressed cash outflows

The amount of 'liquid' assets in the stressed scenarios is determined by reference to the type of asset. For example;

- UK cash at a bank that is repayable immediately on demand is deemed to be 100% liquid
- UK corporate bonds with terms of less than 5 years (where the issuing company is not a bank) are assumed to be only 50% liquid, and
- UK unlisted equities are assumed to be illiquid (therefore a zero value will be applied to these assets in the stressed scenarios)

The BRAG status, is as follows:

Liquidity stress coverage				
4 day / 2 week period cash outflow	*>4x	3x – 4x	2x – 3x	<2x
3 month period cash outflow	>2x	1.4x – 2.0x	1.2x – 1.4x	<1.2x

* The figures in the table indicate the coverage of liquid asset holdings over the stressed cash outflow. In this case the rating blue means that the liquid asset holding is greater than 4 times the stressed cash outflow (in a 4 day or 2 week period).

The tests are applied to the unit-linked and unit trust funds individually and also to the non-profit fund, with profits fund and the estate combined.

There is also a test applied to the non-profit fund in isolation to check the liquidity position if non-profit assets and liabilities become mismatched. This is the same as the above tests except that asset haircuts are only applied to cash accounts and deposits.

C4.1.2 Description of liquidity risk

Liquidity risk is concerned with the maintenance of appropriate levels of cash and liquid assets, as required by the Society's asset and liability profile. The Society's business can involve a substantial time lag between the receipt of premium income and payment of policy benefits. However, liquidity stress conditions may also materialise primarily due to an unanticipated increase in policyholders' claims e.g. through specific market conditions or adverse publicity.

C4.1.3 Prudent Person Principle and liquidity risk

See C2.1.3 (Prudent Person Principle and Market Risk) for details on how the Prudent Person Principle is applied in the Society.

C4.2 Risk concentrations

Whilst, in theory, risk concentrations are present for liquidity risk, they are immaterial and hence are not actively monitored.

C4.3 Risk mitigations

C4.3.1 Description of risk mitigation techniques for liquidity risk and monitoring of effectiveness

Liquidity risk is monitored on a monthly basis for all of the Society's funds. A breach is defined as the Key Risk Indicator (KRI) being in the red zone. Amber is an early warning indicator for the fund manager. Should the KRI be amber, then the fund manager is informed of this status. They would then allow for this status in their proposed actions for the fund and the liquidity risk monitoring should be updated more frequently than monthly (the exact frequency is to be determined taking into account the reasons behind the amber status).

Should a breach occur, then the reason for the breach should be investigated by the Middle Office Analytics Team. Depending on the findings, subsequent actions may include discussions with the Investments Team in order to restore the required levels of liquidity or, potentially, a review of the Statement of Investment Principles.

Following an extreme scenario, whereby there are insufficient liquid assets in a particular fund to meet a call on the fund, the Liquidity Contingency Plan would be activated.

C4.4 Risk sensitivities

C4.4.1 Methods, assumptions and outcome of stress testing and sensitivity analysis for material liquidity risks

Liquidity risk is not a material risk due to the capital strength of the Society. Sensitivities are carried out which shows the Society remains comfortably within appetite and that the Society would have more than sufficient cash or other liquid assets in a liquidity stress to meet its cash needs at the time and for a sustained period.

C4.5 Total expected profit included in future premiums

The total expected profit included in future premiums calculated is £81,066k as at year end 2023.

Expected profit included in future premium is calculated using Solvency II standard formula assumptions. A summary of the methods used are set out in the table below:

Line of business	Notes	Justification
With Profits	No adjustment.	Best estimate liability (BEL) for With Profits business does not include any allowance for profit in future premiums as it uses an asset share plus cost of guarantees methodology. This is confirmed by the sensitivity analysis. Unitised With Profits (UWP) business represents 98% of Open Fund BEL and accumulating Conventional With Profits (CWP) business represents over 99% of the MSS Fund BEL, and is therefore representative of the general reasoning point above. It is also impractical to perform this exercise for CWP business because of the need to separately calculate paid up benefits for each policy. We are making no adjustment for the recycling of profits and losses on non-profit / unit linked business into asset shares, as it is our understanding that the aim of this reporting item is to understand the full impact on technical provisions before any distribution of profit is made.
Unit Linked	Assume regular premium Lifetime Account Plus and Lifetime Account contracts are paid up. No change to servicing expenses (i.e. assume premium paying expenses continue for policies that aren't actually paid up. Paid up policies will continue to pay their paid up per policy expense).	Future premiums will reduce the Best Estimate Liability for Unit Linked Lifetime Account Plus / Lifetime Account business leading to additional profits. Premium paying pensions policies are already assumed to be paid up so no change is required. Smaller legacy classes of Unit Linked Life business are ignored on grounds of proportionality – the "negative sterling reserve" element of BEL for these products is less than £1m. The position will be monitored annually for Unit Linked Flexible Savings Plan (FSP) or Fixed term savings plan (FTSP) contracts. However, there is currently no allowance for future profits in the provisions for these contracts, where a unit reserve is simply held.
Health	Calculate a BEL for claims in payment. Incurred but not reported (IBNR) for claims of duration less than 2 years (not in model point files). Claims in payment annuity for claims of 2 years or more duration. Assume unchanged servicing expenses. Allow for reinsurance recoverable on same basis as retained business above. Implicitly assume all healthy lives lapse.	If a healthy life ceases paying premiums, then they no longer have any contractual right to benefits – therefore this is not a paid-up benefit, it would be a lapse. An alternative interpretation of guideline 80 would be to simply take the claims and expenses element of the existing technical provision. However, this would provide a clearly misleading result, significantly overstating Expected Profits In Future Premiums (EPIFP), and therefore we do not believe this is the intention of the reporting requirement.
Index-linked	No change in provision.	

C4.6 Other information

No material information to disclose.

C5 Insurance Risk

Insurance risk is defined as "The risk of unexpected insured claims against modelled expectations resulting in financial loss to the Society."

C5.1 Sub Risks

Persistency risk: Is defined as the rate of surrenders, as well as paid-up and other discontinuances, being higher or lower than the best estimate assumptions.

Longevity risk: If policyholders live longer, the cost of providing Annuities (including the cost of Guaranteed Annuity Rates) increases.

Annuity products are offered only to vesting pensions from our own back book and are not available on the open market to new customers. Only standard annuity products are written; i.e. no enhanced or impaired life annuities with relatively uncertain longevity profiles. We must also ensure that our customers do not suffer from this restriction on what we write by providing appropriate advice and/or using a panel to source appropriate annuities for them.

Expense risk: Is defined as the risk arising from the amount or timing of costs related to the management of policies to what is expected at the time of pricing. The impact of Life & Pensions expenses allocated to Open Fund With Profits policies is closely monitored by considering the reduction in investment return (i.e. expenses as % of aggregate Asset Share / Shadow Fund value)

Mortality: If mortality rates increase, then the fund incurs losses on Life assurance business, but this is offset by a release of reserves if policyholders with guarantees die before those guarantees vest.

Morbidity: If sickness claims increase, this increases the cost of potential claims on our income protection policies increases. For fixed premium products this loss is borne by with profits policyholders and the estate. For reviewable premium products and for new business, this impact may be mitigated by reviewing pricing.

C5.2 Risk Appetite

We have a low - moderate appetite for insurance risk, varying by the sub risk category.

Sub Risks
Persistency
Longevity
Expenses
Mortality / Longevity
Short Term Morbidity (Claims Rate)
Long Term Morbidity (Claim Rate)

C5.3 Risk Mitigations

C5.3.1 Insurance risk mitigations and monitoring of effectiveness

The Society uses reinsurance to protect against adverse experience in its insurance risk profile, which could jeopardise the adequacy of premium income to cover claims. This is covered in detail in the Society's Reinsurance Strategy and Policy.

The effectiveness of reinsurance arrangements is monitored regularly and is reported annually in the Actuarial Function report. The Society currently has limited reinsurance protection from its exposure to insurance risk, but this remains within risk appetite. We will continue to review in-force reinsurance arrangements as required. In addition, we will review the use of KPIs for reinsurance business to ensure the risks regarding reinsurance remain well understood.

C5.4 Risk Sensitivities

C5.4.1.1 Stress testing and sensitivity analysis for underwriting risks (methods, assumptions and outcomes)

The Society has developed a Stress and Scenario Testing Policy which sets out the Society's strategy to delivering stress testing, scenario analysis, sensitivity testing and Reverse Stress Testing (RST) in order to meet both the regulatory and the Society's decision-making requirements.

The Probability Distribution Forecast (PDF) produced by the ORSA capital model allows management to demonstrate the capital implications of stresses on the balance sheet at any confidence level for any risk or product group. The stress tests calculate the Society's Internal Capital Requirement (ICR) by taking the value that represents a stressed event from the ICR (PDF) for each modelled risk.

The Society undertakes sensitivity analysis around its key risks to better understand their impact. This understanding allows improved focus of our checks and controls. The sensitivity test results also help to sense check the asset and liability movements in our stresses.

C5.5 Other Information

We continue to consider any potential longer term effects of Covid in setting the appropriate assumptions for expected, future experience. We continue to consider our experience and incorporate industry views when setting assumptions.

In addition to Life and Pensions business the group also carries significant insurance risk exposure from its staff pension scheme. This risk is reserved for in its internal capital (Pillar II capital) and is discussed in more detail in C7.

C6 Operational Risk

Operational risk defined as "The risk of loss arising from inadequate or failed internal processes, people, systems, or from external events."

C6.1 Sub Risks

People risk: The risk of operational or financial loss due to inadequate resource, capability, motivated or diverse workforce.

Process: The risk of poorly designed or large manual workarounds in operation for key processes across the business leading to operational or financial loss.

Systems: The risk of poorly designed or operated systems leading to loss of IT services, financial/operational loss.

Cyber: The risk of financial loss, disruption or damage to the reputation of an organisation from some sort of failure of its information technology systems.

Model risk: Model risk is any risk associated with or arising from the use of a model including but not confined to:

- Inappropriate inputs;
- Inappropriate method applied by the model;
- Poor design of the model, including over complexity;
- Misuse of model through human error, poor process or insufficient understanding;
- Incorrect interpretation of outputs from the model;
- Poor model governance.

Transformation: The risks arising from transformation activities which could result in operational/financial loss.

Data: There is a risk that Data is inaccurate, incomplete or can not be processed in a timely manner leading to operational and financial loss.

Third party Management: The risk of operational/financial or reputational loss due to a third party not operating as expected.

Physical Security & Safety: The risk of harm to the premises due to internal or external extreme events. This risk also cover the harm to any persons on the premises due to accidental/intentional circumstances.

C6.2 Risk Appetite

Operational risk is accepted by the Society as an inevitable consequence of running its business. We have a low - moderate appetite for operational risk, varying by the sub risk category.

Sub Risks
People
Process
Third Party
Systems
Data
Cyber
Model
Physical Security & Safety
Transformation

C6.3 Risk Mitigations

C6.3.1 Description of risk mitigation techniques for Operational risk and monitoring of effectiveness

The Society mitigates operational risk by managing it against risk appetite. Breaches of appetite are dealt with as follows:

Amber level

- The Risk function is notified by first line management, if indeed it is not the Risk function which has identified the change in status.
- The escalation process may be followed through if the Risk function feels the change in status, coupled with the trend justifies escalation.
- The Risk function and the relevant first line Executive will confirm upon request at the Group Executive Committee (GEC) the extent of their amber status, associated trends, and the likelihood of rectification without action.
- Any required remedial action will be agreed at this meeting, and a first line executive made responsible for its delivery.
- The Risk Committee will only be informed of amber changes of status if tabled via the CRO risk reporting process.
- Monitoring is enhanced by the first line to observe trends relating to the risk and should be supplied to the Risk function no less than monthly.

Red level

- The Risk function is notified immediately by first line management, if indeed it is not the Risk function which has identified the breach.
- The escalation process is followed through. The GEC is notified as soon as is practicable, based on the Risk function's interpretation of the breach.
- The Risk function and the relevant first line executive confirms to the GEC the extent of the breach, its materiality and the options for rectification.
- The remedial action is agreed at this meeting and a first line executive made responsible for its delivery.
- The Risk Committee is informed of the breach at its next meeting, and progress towards rectification, at each subsequent meeting until the risk profile has returned within risk appetite.
- Monitoring is put in place by the first line to observe this remedial activity and should be supplied to the Risk function as frequently as is practicable, but no less than monthly.

Incident Management

Wesleyan have implemented a Gold, Silver and Bronze incident management methodology. This is based on external best practice and provides a structured overarching incident response and escalation hierarchy. Gold is responsible for setting and leading the strategic direction; Silver drives the tactical response; Bronze implements and manages the implementation of operational interventions.

C6.4 Risk Sensitivities

C6.4.1 Methods, Assumptions and outcomes of stress testing and sensitivity analysis for material operational risks

Operational risk sensitivity analysis is not carried out in isolation as its impact is not easily quantifiable. Scenarios with severe operational failures have been assessed in combination with other risks in reverse stress testing exercises.

C6.5 Other information

No material information to disclose.

C7 Deferred Benefit Staff Pension Scheme Risks

C7.1 Risk exposures

C7.1.1 Assessment and management of pension scheme risk exposure

This section relates solely to the risks for the Wesleyan Final Salary and the Wesleyan Career Average Revalued Earnings (CARE) Pension Scheme (WSPS). All benefits within this scheme are now deferred with no future benefits accruing.

The scheme is governed by the Trust Deed. The Trust Deed provides that the Trustee shall meet at least once every calendar year. In practice, the Trustee normally meets at least twice a year. All matters, including investment strategy decisions, are decided by a majority vote of those Trustee Directors present at the meeting. In the event of a tie, the Chair has the casting vote, regardless of whether they have previously voted on the same issue or not.

The internal Investment Manager, in conjunction with the Society's actuarial team reports to the Trustee on a quarterly basis. The Trustee then normally meets with the Investment Manager at each Trustee meeting to discuss the results achieved and to review the investments being made by the Investment Manager. Compliance with the Investment Policy Implementation Document (IPID) and the Statement of Investment Principles (SIP) is discussed and modifications made where appropriate.

The investment reporting covers:

- Asset allocation versus the benchmark, including the proportion of the Scheme's assets invested in quoted infrastructure, Preference Shares and non-Sterling bonds (reported biannually);
- The projected asset / liability cashflow comparison, in the stated 10-year term buckets, and any variances outside the + / −5% tolerance ranges (reported biannually); and
- Asset performance against the benchmark (reported quarterly on a YTD basis).

Group ALCO also monitors the level of risk in WSPS and the impact on the Society's capital position, as described below.

C7.1.2 Description of pension scheme risk

The main risks attributable to WSPS are:

- Insurance Risk (particularly, longevity risk).
- Market Risk (mainly inflation and interest rate risk).
- Credit Risk (mainly credit spread risk).

The general nature of these risks is the same as for the Society as a whole and is described in the relevant sections above.

C7.2 Risk concentrations

There are limits on the amounts of certain types of assets that the scheme may invest in. These limits are:

- No more than 2.5% of the fund may be invested in equity or property investment that behaves like debt.
- No more than 5% of the fund is permitted in quoted infrastructure investments (included in the Corporate Bond and Index-Linked ranges).
- No more than 2.5% of the fund is permitted in Preference Shares (included in the Fixed Interest and Corporate Bond ranges).
- No more than 5% of the fund is permitted in non-Sterling denominated bonds (across both Fixed Interest and Index-Linked).
- No more than 5% in value of the fund may be invested in units in authorised unit trust schemes.
- No more than 0.5% of the fund may consist of warrants.
- Unlisted or unquoted investments should be no more than 0.5% of the fund.

These limits are stated in the Risk Appetite Framework and Statements of Investment Principles (SIP) for the WSPS Fund, which are monitored by Group ALCO.

C7.3 Risk mitigations

C7.3.1 Pension Risk Mitigation Techniques

WSPS risk is controlled through risk monitoring (via key risk indicators) and management against risk appetite.

WSPS exposure to market risks is small with minimal equity holdings and inflation and interest rate risks are also closely matched.

Group ALCO monitors the level of risk in the WSPS and a series of key risk indicators are in place. Those in relation to risk concentration are described above, however, the fund must also demonstrate that:

- The Macaulay duration of the assets is within +/- 1 year of the Macaulay duration of the liabilities
- Only bonds rated above B are purchased.

Inflation matching is also tracked through the Society's Asset Liability Matching processes.

The breakdown of the Scheme's assets should broadly match the shape of the liability cashflows. To assess the degree of matching, the projected asset and liability cashflows will be allocated to 10-year term buckets.

The Society's actuarial team estimates the percentage split between the term buckets of the Scheme's projected liability nominal cashflows on a half-yearly basis (based on the original cashflow projections produced by the Trustee's advisers) and provide this to the Investment Manager. The Investment Manager aims to remain within + / −5% tolerance ranges for each term bucket. Tolerances are guidelines for monitoring purposes, rather than absolute limits.

C7.4 Risk sensitivities

C7.4.1 Stress testing and sensitivity analysis for business risks (methods, assumptions & outcomes)

WSPS is classed as an accounting liability under Solvency II rules, not an insurance liability. Therefore, we only need to apply the market and default stresses when calculating the Solvency Capital Requirement. This includes the impact on WSPS assets for the concentration and counterparty stresses. Insurance stresses (most notably, longevity) are, therefore, not applied to WSPS for the Solvency Capital Requirement.

The Society's Internal Capital Requirement (ICR) is calculated on the more realistic funding basis. A full set of stresses, including insurance risks, are applied to WSPS as part of this analysis. At the end of 2023, WSPS risks accounted for 16% of the ICR.

C7.5 Other information

There is no other material information.

C8 Quantitative Data for Assessing Dependencies of Risks Above

The standard formula is used for the calculation of the solvency capital requirement. The dependencies between risk modules are prescribed and no quantitative data is used.

D VALUATION FOR SOLVENCY PURPOSES

D1 Assets

The Society presents below the information regarding the valuation of assets for Solvency II purposes including (for each material class of assets):

- A quantitative explanation of any material differences between the asset values for Solvency II purposes and those used for financial reporting bases.
- A description of the assets valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

(i) Quantitative information

For each material class of assets, the value of the assets as reported in the Society's Solvency II balance sheet and comparison with the values reported in the Society's statutory accounts for financial reporting purposes is set out in the table below.

Where items are classified differently between the Solvency II balance sheet and the Society's statutory accounts, the balances presented in the 'Financial reporting' column have been correspondingly reclassified to follow the classification on the Solvency II balance sheet.

Asset description	Notes (see '(ii) Valuation bases, methods and main assumptions')	Solvency II basis 31.12.2023	Financial reporting basis 31.12.2023	Difference
		£000s	£000s	£000s
Intangible assets	a)	-	44,146	(44,146)[1]
Pension benefit surplus	b)	81,000	81,000	
Property, plant and equipment held for own use	c), d)	13,758	13,758	
Investments:				
Property (other than for own use)	d)	392,314	392,314	
Holdings in related undertakings, including participations	e)	1,800	81,600	(79,800)[1]
Equities	f)	2,686,975	2,686,975	
Bonds	f)	1,898,649	1,880,161	18,488[2]
Collective Investments	f)	249,684	249,684	
Derivatives	f)	15,994	15,994	
Deposits other than cash equivalents	g)	226,161	226,161	
Assets held for unit-linked contracts	h)	1,277,342	1,280,711	(3,369)[2]
Other loans and mortgages	i)	20,000	20,000	
Reinsurance recoverable:				
Health, similar to life	Section D2	9,143	9,143	
Life excluding unit linked	Section D2	913	913	

Asset description	Notes (see '(ii) Valuation bases, methods and main assumptions')	Solvency II basis 31.12.2023	Financial reporting basis 31.12.2023	Difference
Insurance and intermediaries	i)	1,518	1,518	
Reinsurance receivables	i)	979	979	
Receivables (trade, not insurance)		2,384	2,384	
Cash and cash equivalents	g)	124	124	
Any other assets, not elsewhere shown	j)	19,876	34,995	(15,119)[2]
Total Assets		**6,898,615**	**7,022,560**	**(123,946)**

Table D1 -1

[1] These differences are valuation adjustments between the Solvency II basis and financial reporting basis.

[2] These differences are reclassification adjustments between the Solvency II basis and financial reporting basis.

The financial reporting basis total assets reported in table D1-1 above is lower than the Society's reported statutory accounts by £36.2m as the value of in-force linked non-profit business is classified as an asset in the statutory accounts but classified under technical provisions in the Solvency II Balance Sheet. To ensure comparability this has been classified under liabilities within the financial reporting basis column in technical provisions in section D.2.3.

(ii) Valuation bases, methods and main assumptions

For each material class of assets disclosed above, the Society presents below the valuation basis for Solvency II purposes and any material differences with the valuation bases, methods and main assumptions used for financial reporting purposes in the Society's statutory accounts:

a) Intangible assets

As at the reporting date, the Society's intangible assets related to capitalised software costs.

Solvency II purposes:	Financial reporting purposes:
As per Article 12 of the Delegated Act, intangible assets are recognised only if they can be sold separately and their value can be derived from quoted market prices in active markets. Accordingly, at reporting date, the intangible assets have been valued at nil.	The recognition and valuation of capitalised software costs is in line with the requirements of FRS 102. They are initially measured at cost, and subsequently measured at cost less accumulated amortisation, and any accumulated impairment losses.

b) Pension benefit surplus

The Society operates a defined benefit pension scheme - Wesleyan Staff Pension Scheme ("the Scheme"), which since 1 October 2009 has been closed to new entrants. The Scheme closed to future accrual with effect from 5 April 2016. Methods and assumptions applied in calculating the pension surplus are detailed below in Section (iii) Significant judgements and sources of estimation uncertainties.

Solvency II purposes:	Financial reporting purposes:
For the Solvency II balance sheet, the Society applies the requirements of IAS 19: Employee Benefits and IFRIC 14 –The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The pension benefit surplus recognised represents the fair value of the scheme assets less the present value of the scheme liabilities. The Scheme's liabilities are valued at the reporting date based on external qualified actuarial report. The liabilities are valued on the Projected Unit Credit Method as defined in IAS 19. The net surplus recognised is limited to the present value of any economic benefits available in the form of refunds from the scheme. The directors consider that the Society has rights to the pension surplus on wind-up and a gradual settlement basis.	Although the Society applies FRS 102 in its Financial Reporting, there are no recognition and valuation differences with the IAS 19, IFRIC 14 basis applied for Solvency II purposes.

c) Plant and equipment held for own use

The Society defines plant and equipment held for own use as tangible assets that are held for use in the production or supply of goods and services, and for administrative purposes.

Solvency II purposes:	Financial reporting purposes:
On basis of proportionality, the Society has not applied the fair value model in measuring plant and equipment held for own use. The Society considers that this has little or no impact on the nature, scale, complexity and risks inherent in the business. This is re-assessed at every reporting date in line with the Society's materiality policy. Further, the costs of fair valuing such assets would be disproportionate with respect to the total administrative expenses. Accordingly, all plant and equipment for own use is valued at cost less accumulated depreciation and accumulated impairment losses.	For financial reporting purposes, the Society applies the FRS 102 Cost model in valuing plant and equipment held for own use. There are no differences with the Solvency II basis.

d) Investment property and property held for own use

The Society distinguishes between investment properties and property held for own use. Investment property is property held to earn rentals and for capital appreciation whereas property held for own use is used in the production of goods and services, and for administrative purposes.

Solvency II purposes:	Financial reporting purposes:
All properties are initially recognised at cost, being the purchase price paid including directly attributable transaction costs. They are subsequently stated at fair value based on property valuations (net of purchase costs) carried out by an external professional qualified valuer at the reporting date. External property valuations are performed annually to confirm that the carrying values of properties do not differ materially from its fair values. On a quarterly basis, the Society applies estimates based on indexation to assess the carrying values of properties.	There are no differences in valuation methodology.

e) Holdings in related undertakings, including participations

For Solvency II purposes, the Society defines participations as the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an entity.

The definition of control is not solely based on legal ownership but also includes the power to govern the financial and operating policies of an entity so as to benefit from its activities.

All of the Society's related undertakings are subsidiary investments and are 100% owned and controlled by the Society.

Solvency II purposes:	Financial reporting purposes:
All of the Society's subsidiary undertakings are unlisted and the directors consider that there is no active market for these subsidiaries as defined by International Accounting Standards (IAS). In the absence of quoted market prices, the Society applies the adjusted equity method to value its related undertakings. Under this method, the value of the subsidiary is based on the Society's share of the subsidiary's net assets at their Solvency II value at the reporting date with all goodwill and intangible assets valued at nil.	In accordance with FRS 102, the Society's subsidiary investments are stated at fair value at reporting date. The fair value is determined as follows: 1) Practice Plan and WUTM: applying expected present value techniques with forecasts based on the Society's Group Strategic Plan. 2) WFS: year-end regulatory surplus cash position.

f) Investments

This asset category includes the Society's investments in equities, bonds, collective investments and derivatives.

Solvency II purposes:	Financial reporting purposes:
All of the Society's investments are initially recognised at their fair values, being the transaction price. Listed investments are subsequently stated at fair value based on quoted market prices in an active market. An active market exists where transactions occur frequently enough to provide pricing information on an ongoing basis. The quoted market price is defined as the bid price at reporting date (or the last trading day before reporting date). Bonds values are recognised inclusive of accrued interest. The fair value of unlisted equities is determined using alternative valuation techniques as described in section D4 that maximise the use of market observable data such as recent arm's length transactions, discounted cash flow techniques and other pricing models.	For Financial Reporting, the Society values investments in its statutory accounts on the same basis. Bond values are recognised based at bid prices excluding accrued bond interest. Accrued bond interest along with other accrued income are accounted for separately, treated as other current assets.

g) Deposits other than Cash equivalents, Cash and cash equivalents

The Society defines its cash and cash equivalents as cash on hand and demand deposits that are available for operational use. This includes bank overdrafts that are repayable on demand and form an integral part of the Society's operational cash management.

Deposits other than cash equivalents are demand deposits that are long term in nature and are held for investment purposes with internal restrictions on their use.

Solvency II purposes:	Financial reporting purposes:
All cash, cash equivalents and deposits are stated at their face values as at reporting dates.	There are no differences with the Solvency II recognition and valuation basis.

h) Assets held for unit linked contracts

The Society has considered the PRA's guidance on product coding and the definition of index linked products. Based on this, the Society only holds unit linked contracts.

Assets held to cover unit linked liabilities reflect the terms of the related policies.

Solvency II purposes:	Financial reporting purposes:
Listed investments held for unit linked contracts are valued at fair values based on quoted market prices in an active market. An active market exists where transactions occur frequently enough to provide pricing information on an ongoing basis. The quoted market price is defined as the bid price at reporting date (or the last trading day before reporting date). Bonds held with unit linked assets are valued inclusive of accrued bond interest. Other accrued income on unit linked assets (such as accrued dividend income) is accounted and disclosed separately as Other assets on the Solvency II balance sheet.	For Financial Reporting, the Group values assets held for unit linked contracts on a similar basis. The value of unit linked assets on the statutory balance sheet is inclusive of all accrued income (bond, dividend and other interest income).

i) Insurance, intermediaries, re-insurance receivables and other loans

The Society discloses its current (less than 12 months) operational loans to its subsidiary undertakings and to staff as 'Other loans'.

Receivables include insurance, intermediaries, and reinsurance receivables. All of these receivables are current with a maturity of less than 12 months.

Insurance and intermediaries receivables are current amounts past-due for payment by policyholders, insurers, and others linked to insurance businesses that are not included in the cash in-flows of technical provisions.

Reinsurance receivables are amounts past due by reinsurers and linked to reinsurance businesses that are not included in reinsurance recoverable. The valuation basis for re-insurance recoverable is discussed in 'D2 Technical provisions'.

Solvency II purposes:	Financial reporting purposes:
Short term loans and receivables are initially recognised at fair value being the transaction price, and subsequent measurements take account of any adjustments required for bad debts. Therefore, at the reporting date, receivables are stated at fair value being amounts expected to be received. Non-current receivables are written down to their recoverable amounts using a market consistent discount rate for similar assets.	Loans and receivables are stated at transaction price on initial recognition and subsequent measurements are based on amortised cost using the effective interest method.

j) Any other assets

On the Solvency II balance sheet, 'Any other assets' comprises prepayments and accrued income (dividend income, bank interest and rental income). Accrued bond interest is not included here as it is reported as part of the bond value.

Any other assets are stated at amounts expected to be received less any bad debts.

There are no differences in the valuation of other assets for Solvency II and financial reporting basis; however for financial reporting purposes the Society discloses here accrued bond interest.

k) Finance and operating leases

At the balance sheet date, the Society held an immaterial operating lease arrangement, mainly in respect of property rented for own use.

On the basis of proportionality, the Society has not applied IFRS16 in valuing its operating leases.

The Society considers that this has little or no impact on the nature, scale, complexity and risks inherent in the business. This is re-assessed at every reporting date in line with the Society's materiality policy.

(iii) Significant judgements and sources of estimation uncertainties

The valuation of assets requires the Society to make judgements, estimates and assumptions that affect the reported amounts of assets. Significant judgements are those which involve the most complex or subjective assumptions and estimations as detailed below:

Pension benefit surplus

The Society measures the pension surplus under defined benefit plans as the net of the following:

- The fair value at the reporting date of the defined benefit plan assets; and
- The present value of its obligations under defined benefit plans at the reporting date.

Analysis of the pension surplus	Notes	31.12.2023	31.12.2022
		£000s	**£000s**
Fair value of the defined benefit plan assets	***Table D1-3***	364,600	367,000
Present value of defined benefit plan obligations	***Table D1-4***	(283,600)	(277,100)
Pension surplus asset		**81,000**	**89,900**

Table D1-2

The fair value and composition of the defined benefit plan assets as at the balance sheet date was as follows:

Asset class	Notes	31.12.2023	31.12.2022
		£000s	**£000s**
Property (other than for own use)		500	500
Equities		100	100
Government bonds		193,700	202,500
Corporate bonds		164,300	160,700
Other assets		6,000	3,200
Total	***Table D1-2***	**364,600**	**367,000**

Table D1-3

The present value of the defined benefit plan obligation was made up as follows:

Analysis of the defined benefit plan obligation	Notes	31.12.2023	31.12.2022
		£000s	**£000s**
Opening defined benefit obligation		277,100	433,300
Interest cost		12,700	8,300
Actuarial losses/(gains) on liabilities		6,600	(149,200)
Net benefits paid out		(12,800)	(15,300)
Past service cost		-	-
Closing defined benefit obligation	***Table D1-2***	**283,600**	**277,100**

Table D1-4

The defined benefit plan obligations are discounted and measured using the Projected Unit Credit which requires significant judgement and technical expertise in selecting appropriate assumptions that will influence the cost of the benefit.

A change in any of the assumptions can impact the measurement of the liability.

The main assumptions used by the independent qualified actuary to calculate the liabilities are as below:

Main assumptions	31.12.2023	31.12.2022
	% p.a	% p.a
RPI Inflation	3.25	3.45
CPI Inflation	2.65	2.65
Rate of general long-term increase in salaries	N/A	N/A
Pension increases in payment (LPI)	3.05	3.15
Discount rate for Scheme liabilities	4.50	4.70

Table D1-5

Post-retirement mortality

- 31 December 2023 - SAPS S3 tables with best estimate individual scaling factors and improvements in line with the CMI 2022 (S_k = 7.0, A = 0.25) projections and a long-term rate of improvement of 1.5% for males and 1.5% for females;
- 31 December 2022 - S3PxA tables with best estimate individual scaling factors and improvements in line with the CMI 2019 (S_k = 7.0, A = 0.25) projections and a long-term rate of improvement of 1.5% for males and 1.25% for females;

The future life expectancies at age 65 implied by these assumptions are as follows:

Life expectancy	2023	2022
	Years	Years
Male current pensioner	22	23
Male future pensioner (member currently aged 45)	23	24
Female current pensioner	24	24
Female future pensioner (member currently aged 45)	25	26

Table D1-6

The approximate impact on the balance sheet from a change in the key assumptions would be as follows:

Change in assumptions	Fair value of assets 31.12.2023	Defined benefit obligation 31.12.2023	Pension surplus asset 31.12.2023
	£000s	£000s	£000s
As per Balance sheet 31.12.2023			
Following a 0.25% p.a decrease in the discount rate[1]	364,600	(294,400)	70,200
Following a 0.25% p.a increase in the RPI inflation assumption[2]	364,600	(290,900)	73,700
Following a one year increase in life expectancy[3]	364,600	(294,400)	70,200

Table D1-7

Notes:
1. Assuming a 0.25% p.a. decrease in the discount rate used for the calculation of liabilities, but no effect on the asset value.
2. Assuming a 0.25% p.a. increase in the inflation assumption used for the calculation of liabilities, but no effect on the asset value.
3. Calculated assuming flat adjustments to all current and future mortality rates (rather than an adjustment to the rates of longevity improvements).

(iv) Changes in recognition and valuation basis

There were no changes in the recognition and valuation basis of assets during the reporting period.

D2 Technical provisions

D2.1 Solvency II Valuation bases, methods and main assumptions

The Society presents below the information regarding the valuation of technical provisions by each material line of business for Solvency II purposes including:

- A quantitative explanation of any material differences between the technical provisions values for Solvency II purposes and those used for financial reporting bases.
- A description of the technical provisions valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

(i) Quantitative information

For each material line of business, the value of the technical provisions as reported in the Society's Solvency II balance sheet is set out in the table below. The highlighted amounts below match the totals presented on the S.02.01.02 Balance Sheet.

Technical Provisions by Material Lines of Business (Gross)	Best Estimate 31/12/2023	Risk Margin 31/12/2023	Technical Provisions 31/12/2023
	£000s	£000s	£000s
Life, With-profits - ***Open Fund***	3,861,525	2,988	3,864,513
Life, With-profits - ***MSS Fund***	483,512	1,835	485,347
Health, Similar to life - ***Open Fund***	74,937	4,555	79,492
Health, Similar to life - ***MSS Fund***	162	-	162
Life, Other	641,223	2,308	643,530
Technical Provisions –Life (excluding Unit linked)	**5,061,359**	**11,686**	**5,073,044**
Technical Provisions – Unit linked	**1,243,650**	**742**	**1,244,392**
Totals	**6,305,008**	**12,428**	**6,317,436**

Table D2-1

(ii) Solvency II Valuation bases, methods and main assumptions

The intention underlying Solvency II is to provide a "market consistent" value of assets and liabilities, referencing reliable market prices wherever possible. The technical provisions set aside to cover the insurance liabilities are intended to be the amount that an insurer would have to pay if it immediately transferred its rights and obligations under those insurance policies to another willing third party in an arm's length transaction.

If the cash flows of a liability (and the variability of those cash flows) can be replicated exactly by the cash flows of an asset with a reliable market price then that price could generally be used as the value for the liability.

The cash flows of an insurance policy liability are seldom possible to match exactly. In this case, the technical provisions for the liability are made up of two components: the best estimate liability and the risk margin.

Technical provisions are calculated using best estimate assumptions, set in accordance with Solvency II requirements. The methods used are proportionate to the nature, scale and complexity of the risks.

The risk margin is defined as the cost of holding the necessary solvency capital over the lifetime of an insurance contract.

When valuing liabilities no matching adjustment, volatility adjustment or transitional measures were used.

For each material line of business disclosed above, the Society presents a qualitative explanation of the best estimate bases, methods and main assumptions used in valuation for Solvency II purposes.

a) Best estimate valuation methodology – Life With Profits participation

The best estimate liability is defined as the present value of all future cash flows related to the contract.

The Society has two With Profits Funds, the Ordinary and Industrial Long Term Business Fund (OILTBF) and the Medical Sickness Society Fund (MSSF).

The MSSF was set up under the terms of the Scheme for the merger with Medical Sickness Annuity and Life Assurance Society Limited on 1 July 1997. It contains all of the with-profits policies of Medical Sickness Society on that date and is maintained as a separate account within the Society's Long-term Business Fund. All other business sits in the OILTBF.

Contract boundaries

As with-profits contracts contain valuable guarantees, the Society assumes all future premiums are to be paid into these contracts (net of suitable decrement assumptions) to maximise the build-up of potential guaranteed benefits.

Valuation approach

Under Solvency II, the cash-flow projection used in the calculation of the best estimate must take into account all the cash in and out-flows required to settle the insurance and reinsurance obligations over their lifetime. For With Profits business this is equivalent to:

Asset Shares plus Cost of Guarantees, Options and Smoothing

i. Asset shares – valuation methodology

The asset share is a measure of the underlying "fair value" of a With Profits policy. It is retrospectively built up from past premiums paid, less expenses and charges, at the actual rate of investment return earned on the With Profits assets.

The investment return is calculated gross of tax for pensions and ISA business and net of tax for other business. For Open Fund business, these investment returns are after allowance for the return earned on subsidiary companies, and other adjustments.

The following table summarises the methods used to calculate the asset shares for different classes of contracts, which are discussed further below:

Method	Contracts Included
Open Fund Contracts	
Individual Asset Share Calculation	CWP Endowments[1] CWP Pensions
Adjusted Shadow Fund	UWP ISA[2] UWP Life UWP Pensions
Bonus Reserve Valuation	CWP Whole of Life CWP IB recurring Endowments
Other	CWP Annuities In Payment
MSS Fund Contracts	
Individual Policy Calculation	CWP Endowments
Grouped Policy Calculation	CWP Pensions (Table P)
Unsmoothed Early Retirement Calculation	CWP Pensions (Table C)
Other	CWP Annuities In Payment CWP Income Protection

Table D2-2

Open Fund Contracts

a) Individual Asset Share Calculation

The asset share is built up month by month as follows:

Individual Asset Share Calculation	
Asset share at start of month	
Plus	premiums received
Plus	investment return
Minus	claims paid
Minus	charges for expenses
Minus	charges for guarantees (if applicable)
Plus or Minus	profits from other sources

Table D2-3

All items are based on the actual experience for the year.

Where appropriate the investment return allows for tax including an estimate of the value of any unrealised capital gains tax. Tax relief on expenses is also allowed for. The return is offset by the investment expenses applying to the fund.

[1] CWP – Conventional With Profits
[2] UWP - Unitised With Profits

b) Adjusted Shadow Fund

The benefits payable under these policies are determined by reference to a shadow fund. Two separate unit accounts are maintained for each policy and every transaction that is carried out in the With Profits Fund is mirrored in the shadow fund, by purchasing or encashing shadow fund units of the same value as those purchased or encashed in the With Profits Fund. For an individual policy the value of the shadow fund holding allows for the smoothed, full investment return earned by that policy (after allowing for profits from other sources; expense profits and losses, policy charges, and tax, as appropriate).

The asset share of each policy is calculated as the shadow fund value multiplied by a fund level adjustment factor to allow for any required market value adjustments. The fund level adjustment factor is the ratio of the shadow fund price calculated using the unsmoothed investment return to the actual shadow fund price used to determine policy benefits.

c) Bonus Reserve Valuation

The Society calculates a prospective bonus reserve that includes a provision for final bonus to the death benefits payable on these policies. The supportable level of final bonus rate is determined based upon a projection of endowment asset shares on PRA prescribed assumptions used for policy illustrations. The discount rate used is equal to the PRA prescribed projection rate.

d) Other

This includes With Profits annuities in payment. These liabilities were calculated on a best estimate basis determined as the present value of future benefits payable to policyholders plus the present value of future expenses. Investment expenses are captured implicitly by reducing the interest rates used to discount these cash flows.

MSS Fund

a) Individual Asset Share Calculation

The asset share at the valuation date is built up month by month from policy inception as follows:

Individual Asset Share Calculation	
Asset Share at start of month	
Plus	premiums received
Plus	investment return
Minus	claims paid
Minus	charges for expenses
Plus or minus:	past adjustments

Table D2-4

All items are based on the actual experience for the year. Where appropriate the investment return allows for tax including an estimate of the value of any unrealised capital gains tax. Tax relief on expenses is also allowed for where appropriate. The return is offset by the investment expenses applying to the fund.

Expenses have been charged on a basis specified in an expense guarantee arrangement between the MSS Fund and the Open Fund.

b) Grouped Policy Calculation

The asset share is calculated as described in a) above for a comprehensive range of sample policies. The calculated asset share for these sample model points is expressed as a ratio of the accumulated value of guaranteed benefits. These ratios are then applied to the individual policies.

c) Unsmoothed Early Retirement Calculation

The asset share is determined from the expected claim amount payable at the valuation date multiplied by a factor to remove the impact of smoothing. The expected claim amount is based upon the early retirement benefit payable for each individual policy, which is the most representative calculation of what the customer is likely to receive on claim and therefore represents a best estimate of the underlying “fair value” of the policy.

d) Other

This includes With Profits annuities in payment and the accrued annual bonus on With Profits income protection policies. The liabilities were calculated on a best estimate basis determined as the present value of future benefits payable to policyholders plus the present value of future expenses. Investment expenses are captured implicitly by reducing the interest rates used to discount these cash flows.

ii. Options and guarantees of each product class

The Society has issued policies that include various options and guarantees, the most material of which relate to With Profits pensions business.

iii. Valuation methodology for the costs of options and guarantees

The costs of options and guarantees are determined from a stochastic market consistent projection of future returns on assets held by the Society. The key drivers of the cost of options and guarantees are:

- Risk free yields
- Volatility of future returns

5,000 projections of assets and liabilities were carried out in 2023.

iv. Allowance for Tax

For Life business, the investment return and expenses payable are determined net of tax. This is captured explicitly in the cash flow projections.

v. Allowance for MSS Fund and IB expense guarantees

An expense guarantee arrangement exists between the MSS Fund and the Open Fund, whereby the Open Fund has guaranteed future expense charges made in the MSS Fund. Under this arrangement, a best estimate liability for future costs in excess of the guaranteed charges is calculated.

An expense guarantee arrangement exists between the block of IB policies and the rest of the Open Fund, whereby the Open Fund has guaranteed future expense charges made to IB policies. Under this arrangement, a best estimate liability for future costs in excess of the guaranteed charges is calculated.

vi. Simplifications used in valuing the with-profits cost of guarantees

The significant valuation simplifications used in calculating the best estimate liabilities have been discussed in the previous sections.

b) Best estimate valuation methodology – Health, other life and unit-linked

The best estimate liability is defined as the present value of all future cash flows related to these contracts.

Valuation approach

i. Methodology

A deterministic valuation approach is adopted using best estimate assumptions as there are no financial options or guarantees contained within the non-profit or unit-linked policies requiring a stochastic valuation methodology. The best estimate liability is calculated gross of any reinsurance.

Unit-linked policies are initially valued at the face value of the units, using unit prices derived from the valuation of the underlying assets. The unit price for life contracts allows for tax including an estimate of the value of any unrealised capital gains tax.

The unit-linked liability also includes the discounted present value of non-unit cash flows under these investment contracts net of charges received, using best estimates of mortality, persistency and future expenses, including explicit investment expenses. The investment return earned by unit linked policies (net of tax for Life business) is the same as the interest rate used for discounting.

For Health and Other Life business, liabilities were calculated on a best estimate basis determined as the present value of future benefits payable to policyholders plus the present value of future expenses less the present value of future premiums. Investment expenses are captured implicitly by reducing the interest rates used to discount these cash flows.

ii. Yield curve

The best estimate cash flows will be discounted using the PRA supplied risk free yield curve (net of tax for life business).

iii. Allowance for tax

For Life business, the investment return and expenses payable are determined net of tax.

iv. Simplifications used

There are no significant simplifications used in the valuation of Health, Unit-Linked and Other Life Business.

c) Risk Margin

The risk margin is calculated by projecting the Solvency Capital Requirement (SCR) for non-hedgeable risks (SCRnh) over the remaining lifetime of the insurance liabilities and applying an annual percentage cost of capital equal to 4% (2022: 6%) per annum and a tapering factor reducing from 90% to 25%.

i. Allowance for management actions

The main management action is to assume losses on non-profit and unit-linked business can be charged to with-profits policyholders, which is set out in the PPFM as follows:

- All profits or losses in respect of non-profit annuity/deferred annuity business.
- All profits or losses in respect of unit-linked products sold by the Society.
- A share of profits or losses from non-profit and unit-linked Income Protection after premium reviews, as outlined below (approximately 80%, with the balance going to the Estate).
- A share of profits from non-profit (excluding annuities) and unit-linked products sold by Medical Sickness Society prior to merging with the Society. This is a very small business category.

Another management action is to increase premium rates on reviewable Income Protection policies to recover future losses on this line of business.

In order to treat our customers fairly, in adverse circumstances a maximum overall charge equivalent to 1% of With Profits policy asset shares would be made in any one year in respect of non-profit business. In extreme adverse circumstances, however, this limit will be relaxed. This would be a temporary relaxation until capital has returned to an acceptable level.

ii. Calculation approach

The Solvency II rules allow a simplified approach to be adopted for projecting forwards the SCRnh, where proportionate to do so. The Society has adopted a simplified approach, which projects the SCRnh in future years by assuming it will run off in line with best estimate liabilities net of the amounts recoverable from reinsurance contracts. The projected SCRnh will be discounted at the PRA specified risk-free rate of interest and these amounts will be multiplied by the standard formula cost of capital rate.

d) Technical provisions assumptions

i. Overview of key assumptions

The key assumptions in determining the Society's technical provisions are as follows:

Persistency	Persistency rates for life business are assumed to vary by policy duration and broad class of policy. Persistency rates for health business are assumed to vary by age and broad class of policy. Surrender rates for pension business are assumed to vary by policy duration, and to vest at retirement dates that vary by age. Surrender assumptions were not changed in 2023.
Morbidity	Applies to health business only. Morbidity rates are assumed to vary by age, gender, profession, deferred period and sickness period. Morbidity assumptions increased slightly in 2023.
Mortality	Mortality rates are assumed to vary by profession, age, gender and broad class of policy. In 2023, annuitant mortality rates for Wesleyan customers were increased to reflect most recent observed experience and future rates of improvement were also updated to reflect latest industry data.
Expenses	Expenses are split between new business, servicing, investment, claim management and broad classes of policy and assumed to increase over time according to an expense inflation curve. In 2023, per policy expense assumptions increased due to a method change in include several operating costs that were previously allowed for elsewhere and lower policy counts.
Guaranteed annuity rates (GAR) Take-up	GAR take-up rates are assumed to vary by prevailing interest rate and broad class of policy. GAR take up rate assumptions were not changed in 2023.
Retirement Age	Projected retirement ages are assumed to vary according to current age and broad class of policy. Projected retirement rate assumptions were not changed in 2023.

Table D2-5

These assumptions are intended to represent a best estimate of future experience. Investigations are undertaken on a regular basis to assess the experience of the business.

Methodology for setting the best estimate (excluding expenses)

The deterministic best estimate assumption will usually be derived from an analysis of historical experience and will take into account the level of uncertainty by ensuring that sufficient historical experience is taken into account from which a credible best estimate can be derived.

Methodology for setting the best estimate expenses

The Society's best estimate of future expenses is designed to ensure that all of the following types of expense incurred in servicing its insurance obligations are included:

- Administrative expenses,
- Investment management expenses, Claims management expenses, The Society's best estimate of future expense inflation takes into account:
- Future expected operational costs
- Market expectations of future inflation.

ii.Value of key assumptions

The principal assumptions made were as follows:

Persistency

Persistency rates are assumed to vary by broad class of policy ("homogeneous risk group"), according to policy duration for life business, both policy duration and age for health business. A flat average across the policy bands is used where the rates vary.

Product		Average Surrender/Paid Up Rate for the Policy Years (%)			
		1-5	6-10	11-15	16-20
Open Fund Contracts					
CWP savings endowment	Surrender	N/A	1.0	1.0	1.0
UWP savings endowment / ISA	Surrender	3.5	4.0	3.5	3.5
UWP bond	Surrender	2.0	2.3	2.3	2.3
CWP pension regular premium	PUP	N/A	N/A	11.1	6.5
CWP pension regular premium	Surrender	N/A	N/A	4.3	4.8
CWP pension single premium	Surrender	N/A	N/A	4.3	4.8
UWP indiv pension regular premium	PUP	7.5	7.5	7.5	5.5
UWP indiv pension regular premium	Surrender	3.5	5.0	5.0	5.0
UWP indiv pension single premium	Surrender	3.5	5.0	5.0	5.0
MSS Fund Contracts					
CWP savings endowment	Surrender	N/A*	N/A*	N/A*	2.5
CWP pension regular premium	PUP	N/A*	N/A*	N/A*	16.0
CWP pension regular premium	Surrender	N/A*	N/A*	N/A*	0.3
CWP pension single premium	Surrender	N/A*	N/A*	N/A*	0.3

Table D2-6

*No policies exist at these durations

Age Band	Average Lapse Rate for Age Last Birthday (%)			
Open Fund Contracts	Individual Health Insurance	Group Health Insurance	Medical Newly Qualified	Dental Newly Qualified
19 - 35	11.0	20.9	13.3	12.1
36 - 55	7.5	12.4	10.2	8.8
55 +	12.6	28.8	14.4	13.4

Table D2-7

Morbidity

The following bases have been used for active lives reserves on income protection policies ("health business").

Short-term sickness assumptions:

Deferred Period (weeks)	Sickness Period (weeks)	Professional Group (% of CMIR7)			
		Male Doctors	Female Doctors	Male Dentists	Female Dentists
0	0 /4	71%	89%	76%	42%
	4/13	52%	43%	60%	63%
	13/13	76%	84%	94%	100%
	26/26	76%	101%	109%	152%
	52/52	92%	139%	146%	168%
4	4/13	52%	43%	45%	63%
	13/13	76%	84%	76%	100%
	26/26	76%	101%	109%	152%
	52/52	92%	139%	146%	168%
13	13/13	88%	84%	76%	100%
	26/26	85%	101%	109%	152%
	52/52	92%	139%	146%	168%
26	26/26	99%	151%	109%	152%
	52/52	120%	139%	146%	168%
52	52/52	109%	113%	146%	168%

Table D2-8

Age adjustments to rates shown in table above:

Age Band	Professional Group			
	Male Doctors	Female Doctors	Male Dentists	Female Dentists
18 - 39	85%	200%	95%	185%
40 - 49	140%	275%	100%	185%
50 - 54	135%	205%	145%	130%
55 - 59	130%	185%	100%	110%
60 +	75%	90%	70%	60%

Table D2-9

Long term claim inception rates % of weekly 52/52 sickness rate:

Professional Group	Inception Rate
Male Doctors	95%
Female Doctors	93%
Male Dentists	95%
Female Dentists	95%

Table D2-10

Termination rates

The following rates of termination have been used, where appropriate, for disabled lives reserves on income protection policies.

	Doctors	Dentists
Rates of termination during the 104/All sickness period	Proportion of CMIR12	
- Deaths	40%	40%
- Recoveries	30%	30%

Table D2-11

Annuitant Mortality

The principal annuitant and deferred annuitant mortality assumptions for with-profits and other life contracts are set out in the table below:

Product	%	Table
Society		
Males	150	PMA08 subject to 100% CMI2022 model improvements (core assumption, 1.5% long-term improvements, Sk 7, A Factor 0.0%).
Females	135	PFA08 subject to 100% CMI2022 model improvements (core assumption, 1.5% long-term improvements, Sk 7, A Factor 0.0%).
Medics		
Males	95	PMA08 subject to 100% CMI2022 model improvements (core assumption, 1.5% long-term improvements, Sk 7, A Factor 0.5%).
Females	80	PFA08 subject to 100% CMI2022 model improvements (core assumption, 1.5% long-term improvements, Sk 7, A Factor 0.5%).
ASW		
Males	125	PMA08 subject to 100% CMI2022 model improvements (core assumption, 1.5% long-term improvements, Sk 7, A Factor 0.0%).
Females	140	PFA08 subject to 100% CMI2022 model improvements (core assumption, 1.5% long-term improvements, Sk 7, A Factor 0.0%).

Table D2-12

Expenses

The principal expense assumptions are set out in the table below. Provisions are held for known expenses in excess of the long-term best estimate basis:

Per Policy Expenses (Quoted Gross of any Tax Relief)	
Description	**£**
Open Fund	
Ordinary business	
Life	164.00
ISA	164.00
Pension	172.00
Group Locum	89.00
IP	130.00
Annuities	115.00
Industrial assurance business	
Premium Paying	11.49
Paid Up	2.87
MSS Fund	
Pensions – Premium Paying	203.32
Income Protection	152.49
Life – Premium Paying, Pensions – Single Premium/Paid Up	101.66

% of Premium Expenses	**%**
Open Fund	
Industrial assurance business	
Premium Paying/Premium Loan	22.00

Investment Expenses - % of fund	**%**
Open Fund	0.082
MSS Fund	0.080

Table D2-13

GAR Take-Up

The table below sets out the assumed percentage of eligible, varying by projected risk-free rate at time of retirement for maturing policyholders accepting the guaranteed annuity rate option on pension policies written by the Society.

	Retirement Age Band	
	MSS Fund	Open Fund
Risk-Free Rate		
i> 4.5%	45%	60%
4.5% >= i> 4.0%	45%	60%
4.0% >= i> 3.5%	45%	60%
3.5% >= i> 3.0%	45%	60%
3.0% >= i> 2.5%	45%	60%
2.5% >i	45%	60%

Table D2-14

Retirement Age

The table below sets out the assumed retirement age for MSS Fund pension policyholders, which is determined on the current selected retirement age and adjusted for the extent to which policyholders tend to delay their retirement:

Age Band	Expected Retirement Age (Age Band Average)
18 - 56	65
57 - 60	67
61 - 65	70
66 - 70	72
71 - 74	75
75+	Current age plus 1 year

Table D2-15

Open Fund contracts use expected retirement probability, which is determined according to age, as set out in the table below. A flat average across the age bands is used where the rates vary.

Age Band	Open Fund Contracts Average Expected Retirement Probability (%)
18 – 54	0.0
55 – 59	0.5
60 – 61	3.8
62 – 64	1.0
65	10.0
66	8.0
67 - 74	2.8
75	100.0

Table D2-16

There are no other significant policyholder actions assumed in the Solvency II balance sheet.

D2.2 Level of uncertainty within the Technical Provisions

The table at the end of this section shows sensitivities to movements in the assumptions used at 31 December 2023.

The sensitivities are shown separately for:

- Own Funds; and
- Technical Provisions

The impact on Technical Provisions is more significant than the changes in Own Funds. This is because a large proportion of the emerging losses from unit-linked, health and other life business in the stressed conditions would be charged to with-profits policyholders and hence would reduce the ultimate impact on Own Funds.

(i) Demographic

Annuitant mortality

Decrease in base mortality rates.

This sensitivity demonstrates the effect of a decrease in the rate of deaths. For annuity business and policies that contain a guaranteed annuity option a decrease in mortality rates will increase technical provisions, as the average period over which annuity payments have to be made will be extended.

Morbidity

Increase in base morbidity rates, plus a reduction in claim terminations

This sensitivity demonstrates the effect of an increase in the rate of serious illness. In addition, the rate at which long-term sickness claimants recover or die is assumed to reduce from best estimate levels.

Persistency

Proportionate decrease in lapse rates

This sensitivity reflects a single, downward movement in lapse rates. This means that fewer policies are being surrendered or terminated early, with the result that more policies are assumed to remain in-force. For unit-linked and other life and health business, a decrease in lapse rates will tend to reduce technical provisions. However, for with-profits business, a decrease in lapse rates will increase technical provisions as more policies are assumed to remain in-force to exercise guarantees and options.

(ii) Expenses

Increase in maintenance expenses, the ongoing cost of administering contracts.

This sensitivity is applied to the projected level of expenses. An increase in expenses beyond best estimate expense inflation will increase the liabilities for non-participating business.

(iii) Economic

Interest rates

An increase in interest rates

This sensitivity is designed to show the impact of a sudden shift in the risk-free yield curve. An increase in interest rates decreases the current market value of fixed interest assets but increases future reinvestment rates.

The value of technical provisions is also decreased when the interest rates rise as the discount rate used in the calculation will be higher. A decrease in rates will have the opposite effect. The sensitivity test for interest rates is market-related and this can give rise to non-symmetrical movements in technical provisions and Own Funds.

Credit stresses

Increase in yield of commercial fixed interest security over government debt

This sensitivity shows the impact in a sudden change in relative creditworthiness of corporate debt. The value of corporate debt assets will decrease when credit spreads increase, with no corresponding decrease in liability for policyholder assets.

Equity capital values and property capital values

Decrease in equity at the valuation date, without a corresponding fall or rise in dividend yield.

Decrease in property capital values, without a corresponding fall or rise in dividend yield.

These sensitivities show the impact of a sudden change in the market value of assets. The value of liabilities will decrease when asset values fall. The decrease will be less than the fall in asset values. Consequently, the available capital will be reduced by a fall in asset values.

Increase / (reduction) in value due to change in variable, sensitivities are equal to the equivalent SCR stress:

	Stress Assumption Used	Impact on Technical Provisions 2023	Impact on Own Funds 2023	Impact of SCR Ratio % 2023
	£m	£m	£m	%
Demographic				
Longevity improvement	20%	52.9	19.2	15%
Morbidity level (inceptions and terminations)	25.0% / (20.0%)	66.9	6.5	5%
Change to future lapses	-50%	30.2	9.6	8%
Expense (level and inflation increase)	10.0% / 1.0%	32.2	3.3	3%
Economic				
Interest rate rise (term 10 / 15/ 20)	1.4% / 1.1% / 1.0%	-198.0	37.4	29%
Credit stress - reduction in value of AA rated corporate bond (term 10 / 15 / 20)	8.5% / 11.0% / 13.5%	-26.4	34.5	27%
Equity level fall	39%	-1,270.7	36.9	29%
Property level fall	25%	-75.8	9.3	7%

Table D2-17 (Unaudited)

D2.3 Financial Reporting Valuation bases, methods and main assumptions

A comparison of the financial reporting and Solvency II valuation bases is provided in the table and accompanying commentary below.

Where items are classified differently between the Solvency II balance sheet and the Society's statutory accounts, the balances presented in the 'Financial reporting' column have been correspondingly reclassified to follow the classification on the Solvency II balance sheet.

Technical Provisions by Material Lines of Business	Notes	Solvency II Basis 31.12.2023	Financial Reporting Basis 31.12.2023	Difference
		£000s	**£000s**	**£000s**
Open Fund: Life – With Profits				
Best estimate	a)	3,861,525	3,929,562	(68,037)
MSS Fund: Life – With Profits				
Best estimate	b)	483,512	524,125	(40,613)
Open Fund: Health and other life				
Best estimate		715,470	715,470	-
MSS Fund: Health and other life				
Best estimate		852	852	-
Open Fund: Unit linked				
Best estimate	c)	1,243,650	1,243,650	
Total Best estimate liability	d)	**6,305,008**	**6,413,659**	**(108,650)**
Total Risk margin		**12,428**	**12,428**	
Total technical provisions	d)	**6,317,436**	**6,426,086**	**(108,650)**

Table D2-18

Notes:

The main differences in the valuation of technical provisions on a Solvency II basis and financial reporting basis are as follows:

a) In the Open Fund, there are differences in the valuation of subsidiary undertakings and intangible assets on a Solvency II basis and the financial reporting basis. On a Solvency II basis, subsidiary undertakings are recognised at their net asset values excluding goodwill, and intangible assets are valued at nil. On the financial reporting basis, subsidiaries are valued on a fair value basis. This variance in approach for subsidiary undertakings and intangible assets results in a deduction to assets held for With Profits Policyholders, and reduces technical provisions by £68.0m shown in table D2-19.

	Assets	Liabilities	Reason
	£000s	£000s	£000s
Subsidiaries	79,800	53,348	65% belongs to WP policyholders, so only this impacts liabilities
Intangibles	44,146	14,689	Not all intangible assets are owned by policyholders as some are owned by the estate
Total	123,946	68,037	

Table D2-19

b) The MSS Fund technical provisions in the financial reporting basis are set equal to the assets of the MSS Fund, to recognise that all of these assets will be distributed to current policyholders.

Under Pillar 1 of Solvency II, amounts set aside but not yet allocated to policyholders are not included in the technical provisions. This amount stands at £40.6m at year end 2023.

There are no other differences in the calculation of technical provisions for each material line of business.

c) Financial Reporting Technical Provisions differ from the Society's statutory accounts by £36.3m . This represents the value of in-force linked non-profit business which is classified as an asset in the statutory accounts but classified under technical provisions in the Solvency II Balance Sheet and therefore to ensure comparability has been classified under liabilities within the financial reporting basis column in technical provisions.

d) The total change of the best estimate liabilities and technical provision is £108.7m - the sum of the differences in Best Estimate Liability in the Open Fund, a), and MSS Fund, b).

D2.4 Re-insurance Recoverable

The Society has two material reinsurance agreements in place.

Swiss Re Health Treaty

This treaty provides quota share cover on an original terms basis under all non-property linked permanent health policies issued prior to 1 January 1997. The quota share reassured is 90% for with profits business and 75% for non-profit business, after allowing for any other reinsurance arrangements. This reinsurance contract has a value of £9.7m on the Balance Sheet.

Canada Life Assurance GAR Treaty

This Treaty was enacted in 2022 and provides stop-loss cover against large increases in GAR take-up at retirement for conventional with profits policies in the MSS Fund. The stop-loss provides full coverage against losses arising if GAR take-up rates exceed 60% over a period to 2037. This reinsurance contract has zero value on the balance sheet as claim rates are below the threshold.

D2.5 Material changes in technical provisions

Technical Provisions by Material Lines of Business	Technical Provisions 31.12.2023	Technical Provisions 31.12.2022	Difference
	£000s	**£000s**	**£000s**
Life, With-profits - **Open Fund**	3,864,513	3,491,421	373,092
Life, With-profits - **MSS Fund**	485,347	464,770	20,577
Health, Similar to life - **Open Fund**	79,492	70,467	9,026
Health, Similar to life - **MSS Fund**	162	318	(156)
Life, Other	643,530	672,404	(28,874)
Technical Provisions – Life (excluding Unit linked)	**5,073,044**	**4,699,380**	**373,664**
Technical Provisions – Unit linked	**1,244,392**	**1,173,922**	**70,469**

Table D2-20

The main reasons for the changes in technical provisions are as follows:

- 'Life, with-profits' liabilities increased in 2023 as a result of strong investment returns.
- 'Health, similar to life' liabilities increased due to stronger morbidity assumptions.
- 'Life, other' liabilities decreased due to weaker mortality assumptions and policies going off.
- 'Technical provisions – unit linked' increased in 2023 as a result of strong investment returns.

- The Risk Margin reduced across all lines of business as the cost of capital reduced from 6% to 4%

Further details on the impact of key assumptions changes are outlined in section E1 in table E1-3.

D3 Other liabilities (excluding technical provisions)

The Society presents below the information regarding the valuation of other liabilities for Solvency II purposes including (for each material class of other liabilities):

- A quantitative explanation of any material differences between the liability values for Solvency II purposes and those used for financial reporting bases.
- A description of the other liabilities valuation bases, methods and main assumptions used for solvency purposes and those used for financial reporting in the statutory accounts.

(i) Quantitative information

For each material class of liabilities, set out below are the values of the liabilities as reported in the Society's Solvency II balance sheet and comparison with the values reported in the Society's statutory accounts for financial reporting purposes.

Where items are classified differently between the Solvency II balance sheet and the Society's statutory accounts, the balances presented in the 'Financial reporting' column have been correspondingly reclassified to follow the classification on the Solvency II Balance Sheet.

Other liabilities description	Notes (see '(ii) Valuation bases, methods and main assumptions')	Solvency II basis 31.12.2023	Financial reporting basis 31.12.2023	Difference
		£000s	£000s	£000s
Contingent liabilities	a)	-	-	-
Deferred tax liabilities	b)	84,527	84,527	-
Derivative liabilities		21,318	21,318	-
Provisions other than technical provisions	c)	106	106	-
Payables:				
Financial liabilities other than bank debt	d)	18,705	18,705	-
Insurance and intermediaries payables	d)	23,833	23,833	-
Reinsurance payables	d)	253	253	-
Other payables	d)	6,372	6,372	-
Total other liabilities		**155,114**	**155,114**	**-**

Table D3-1

(ii) Valuation basis, methods and main assumptions

For each material class of other liabilities disclosed above, the Society presents the Solvency II valuation basis and any material differences with the valuation bases, methods and main assumption used for financial reporting purposes in the Society's statutory accounts:

a) Contingent liabilities and provisions

The treatment of contingent liabilities for Solvency II purposes is governed by Article 11 of the Delegated Acts under which contingent liabilities that are material are recognised on the Solvency II balance sheet as liabilities.

As at the reporting date, the Society mainly had exposure in relation to financial guarantees provided to its subsidiaries to ensure they continue to meet their capital requirements and remain a going concern.

Based on past experience and the Society's strategic business plans and projections, the Directors have assessed that the expected cost of these guarantees is immaterial.

Accordingly, in line with the Society's materiality framework, these guarantees are not considered to be material and therefore they have not been recognised on the Solvency II balance sheet.

Solvency II purposes:	Financial reporting purposes:
Contingent liabilities are regarded as material where information about the current or potential size or nature of those liabilities could influence the decision-making or judgement of the intended user of that information, including the supervisory authorities. They are measured at the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure defined by the PRA.	The Society applies the requirements of FRS 102 in its statutory accounts. ▶ On an FRS 102 basis, Contingent liabilities are distinguished from Provisions. Provisions that are probable and can be reliably measured are recognised as liabilities on the statutory balance sheet. ▶ Contingent liabilities are not recognised on the balance sheet and are only disclosed within financial reporting.

b) Current and deferred tax liabilities

The make-up of the deferred tax liability as at the reporting date is provided in '(iii) Significant judgements and sources of estimation uncertainties' below.

Solvency II purposes:	Financial reporting purposes:
Current tax is stated at the reporting date at the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date together with adjustments to tax payable in respect of previous years. Deferred tax is recognised based on temporary differences in the valuation of assets and liabilities in the Solvency II balance sheet and its tax base. The Society recognises deferred tax liabilities on taxable temporary differences on the fair value movement of investments (primarily equity and property investments). Deferred tax assets arise on temporary differences mainly in relation to current year losses. Deferred tax are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is not discounted.	There is no difference in the recognition and valuation basis applied by the Society in its financial reporting.

c) Provisions other than technical provisions

Provisions other than technical provisions relates to customer complaint redress provision. There is no difference in the recognition and valuation basis applied for Solvency II and financial reporting purposes.

d) Payables

Payables include financial liabilities other than bank debt, insurance and intermediaries payables and re-insurance payables.

- Financial liabilities other than bank debt includes current payables that are not insurance related.
- Insurance and intermediaries payable are current amounts past due to policyholders, insurers and other business linked to insurance, but that are not included in the cash out-flows of technical provisions.
- Reinsurance payables are current amounts payable to reinsurer other than deposits linked to reinsurance businesses that are not included in the cash out-flows of the reinsurance deposit.
- Any other liabilities are by nature accruals and mainly comprise deferred rental income on properties.

Solvency II purposes:	Financial reporting purposes:
On initial recognition, payables are measured at fair value being the transaction price. Subsequent measurements are adjusted only for any losses due to non-service from the supplier. Therefore, liabilities are reported at fair value being amounts expected to be paid. Subsequent measurements do not take into account changes in the credit standing of the Society.	For financial reporting purposes, subsequent measurements of financial liabilities are based on amortised cost using the effective interest rate method.

(iii) Significant judgements and sources of estimation uncertainties

The valuation of other liabilities requires the Society to make judgements, estimates and assumptions that affect the reported amounts of liabilities.

Significant judgements are those which involve the most complex or subjective assumptions and estimations as detailed below:

a) Deferred tax

The sources and amount of the net deferred tax liability is disclosed below:

Components of deferred tax	Notes	31.12.2023
		£000s
Timing differences in respect of investment values		89,794
Deferred tax on pension surplus asset		5,183
Deferred acquisition costs		(554)
Deferred tax on carried forward losses		(10,280)
Other timing differences		384
Total	***Table D3-1***	**84,527**

Table D3-2

Deferred tax liabilities mainly arise due to timing differences on investment values, dependant on market movements. As such, there is no explicit expiry date for the reversal of such timing differences.

The Society recognises a deferred tax asset of £10,280k. This relates to excess expenses over income carried forward from 2021 and 2022. Deferred tax assets have been recognised to the extent that the benefits can be realised through the reversion of deferred tax liabilities relating to income taxes levied by the same taxation authority.

There were no changes in the recognition and valuation basis of other liabilities during the reporting period.

D4 Alternative methods for valuations

(i) Valuation hierarchy

When valuing assets and liabilities for the Solvency II balance sheet, the Society defines the following valuation hierarchy, taking into account the characteristics (i.e., condition, location, and restrictions) of the item which market participants would take into account when pricing:

Level 1 - As the default valuation method, assets and liabilities are valued using quoted market prices in active markets for the same assets or liabilities.

Level 2 - Where the use of quoted market prices in active markets for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences such as the condition, location and the level of activity on the market for which inputs are observed.

Level 3 - Where there is no active market, the Society applies alternative valuation methods which rely as little as possible on undertaking-specific inputs and make maximum use of relevant market corroborated inputs.

(ii) Alternative valuation methods

When applying alternative valuation methods, the following approaches are adopted. This includes all assets and liabilities valued using adjusted equity method which is applied to the valuation of participations:

Market approach, including matrix pricing, which uses prices and other relevant information generated by market transactions involving identical items.

Income approach, including present value techniques, option pricing models and multi-period excess earnings method, which converts future amounts, such as cash flows or income or expenses, to a single current amount. The fair value shall reflect current market expectations about those future amounts.

Cost approach or current replacement cost approach reflects the amount that would be required currently to replace the service capacity of an asset.

(iii) Assets and other liabilities valued using alternative valuation methods

Alternative valuation methods are applied to the following assets:

Asset description	Solvency II value 31.12.2023	Alternative valuation method used
	£000s	
Investment property and property held for own use	402,831	The Society applies the income approach to value all properties. Most of the Society's property is occupied and earns rental income; therefore, it is valued by an external property valuer based on a market consistent rental yield basis. A market consistent yield (adjusted for location and condition) provides a reliable measure of the properties' fair value at the balance sheet date. Property appraisal techniques are inherently subjective and actual values can only be determined in a sales transaction. Recent property disposals have primarily resulted in realised gains/losses close to estimated marketed values.
Plant and equipment held for own use	3,241	Plant and equipment held for own use has been measured using the Cost Model (as per IAS) which systematically reduces an asset over its useful life to its residual value. The residual value is the price that the asset would achieve at disposal adjusted for its condition and location, which the Directors consider is a reasonable approximation of the fair values of plant and equipment. As disclosed in 'D1 Assets', the Society has not applied the fair value model in measuring plant and equipment. The Directors consider that the costs involved in obtaining fair values for these assets would be disproportionate to any impact to its balance sheet from adopting a fair value model.
Holdings in related undertakings, including participations	1,800	The Society considers that there is no active market for the Society's investment in subsidiaries. Therefore, it is not possible to value the subsidiaries based on a quoted market price. Accordingly, the Society applies the Adjusted Equity Method to value its investments. As noted, the Solvency II basis of valuation does not include goodwill.

Asset description	Solvency II value 31.12.2023	Alternative valuation method used
Unlisted investments (including within assets held for unit linked contracts)	13,973	As at the balance sheet date, the Society had £4.0m of unlisted equities and £10.0m of unlisted bonds. This represents less than 1% of its total investments as at reporting date. Unlisted investments for which no quoted market prices exist have been valued on the basis of a mark to market model. Such a model makes use of relevant publicly available information and recent market transactions for similar assets. All investments including unlisted investments are valued on a monthly basis. The frequency of the valuations ensures that the availability of market inputs is regularly assessed and compared against experience. In the absence of any observable market inputs, the Directors would consider impairment of the unlisted investments.
Loans to participations	20,000	The Society holds £20.0m of long term loans with one of its subsidiaries. These have been valued at face value at the balance sheet date. A fair value calculation discounting future cash flows has no material variance from the face value of the loans.

D5 Any other information

There is no other material information regarding the Solvency II valuation of assets, technical provisions, and other liabilities.

E CAPITAL MANAGEMENT

This section provides information regarding the Society's capital management approach, including its objectives and processes for managing Own Funds, the structure and quality of the eligible Own Funds and the calculation of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

It also provides details of any significant changes in the Society's capital management over the reporting period.

E1 Own Funds

(i) Policy, objectives, and processes for managing Own Funds

a) Policy

The Capital Management Strategy and Policy (''the Policy'') sets out the Society's capital management approach, including its objectives and principles, ensuring that these are aligned with the Board's risk management approach and satisfy all regulatory supervisors' requirements.

The Policy also sets out the Society's strategy in respect of managing its solvency requirements and the quality and amount of Own Funds available to cover those requirements.

b) Objectives

The objectives of the Policy are to ensure that:

- Sufficient capital resources are available to enable the Society to achieve its business objectives; and
- The capital base is aligned to the Society's risk appetite in an efficient and effective manner.

c) Processes

A Capital Plan report is produced at least annually, to include a plan for managing capital over the coming 12 months.

The Capital Plan is part of an approved Capital Planning Process which is used to ensure ongoing compliance with the Policy. This capital planning process provides:

- A plan for maintaining sufficient Own Funds over time, including how this will be monitored.
- Measures that could be taken in the event Own Funds falls below targeted levels, including details of the Society's Recovery & Resolution Plans; and
- Measures to ensure that the Society is in continuous compliance with regulatory and internal capital requirements.

This ongoing capital management activity is managed by the Society's Group Asset and Liability Committee, which normally meets monthly and is chaired by the Chief Financial Officer.

Any material deviation from the Policy needs to be reviewed and approved by the Society's Risk Committee on behalf of the Board.

d) Material changes in capital management

There have been no material changes in the Society's capital management strategy over the reporting period.

(ii) Amount and structure of Own Funds

The amount of the Society's Own Funds is set out in the table below:

Own Funds	References	31.12.2023	31.12.2022
		£000s	**£000s**
Excess of assets over liabilities	*a)*	426,064	496,648
Restricted Own Funds of the ring fenced fund	*b)*	(13,764)	(18,082)
Available Own Funds before deductions		**412,300**	**478,567**
Deductions for the GI Fund	*c)*	(3,495)	(3,445)
Deductions for participations in financial and credit institutions	*d)*	-	-
Available Own Funds after deductions		**408,806**	**475,122**

Table E1-1

a) Excess of assets over liabilities

The Society's Own Funds are defined as the excess of assets over liabilities. Such assets and liabilities are measured in accordance with Rule 2 of the Valuation part of the PRA Rulebook for Solvency II firms. The Society has no other source of Own Funds.

The excess of assets over liabilities includes the amount that corresponds to the expected profit included in future premiums.

The Society does not expect to receive supplementary contributions from its members; accordingly, it has no ancillary Own Funds at the reporting date.

The Society and its subsidiaries also do not hold any subordinated liabilities at the reporting date.

There are no items of basic Own Funds that are under transitional provisions.

b) Restricted Own Funds of the ring-fenced fund

The Society's principal activity is the transaction of long-term insurance business in the UK, namely life assurance, pensions and income protection insurance in the form of reviewable, With Profits and unit-linked contracts.

As discussed in Section D, the Society has two With Profits Funds - the OILTBF and the MSSF. The Society's MSSF was set up under the terms of the merger scheme with Medical Sickness Annuity and Life Assurance Society Limited on 1 July 1997.

Under the merger scheme, the whole of the surplus in the MSSF will be progressively and equitably distributed to the policies in that fund. Therefore, the MSSF Own Funds have a reduced capacity to fully absorb losses on a going concern basis due to their lack of transferability within the Society.

Accordingly, the Society considers the MSSF to be a ring fenced fund. The assets of the Society's OILTBF are not ring-fenced as they are required to support the MSSF in extremis.

In line with the Society's materiality policy, the assets, and liabilities of the MSSF are material and accordingly it calculates a notional solvency capital requirement (SCR) for the MSSF.

The MSSF Own Funds that are in excess of its notional SCR and therefore restricted from the Society's Own Funds are disclosed in the table below:

Restricted Own Funds of the MSSF	References	31.12.2023	31.12.2022
		£000s	**£000s**
MSSF Assets		548,951	525,116
MSSF Liabilities		508,338	481,540
Excess of assets over liabilities		40,613	43,576
Notional SCR		(26,849)	(25,495)
Restricted Own Funds		**13,764**	**18,082**

Table E1-2

c) Deductions from Own Funds – GI Fund

In its Solo Pillar 3 reporting, the Society reports as a non-composite entity underwriting life business only.

However, the Society has exposure in respect of Industrial disease claims arising on the book of general insurance policies sold to General Accident in 1995.

In line with the Solvency II Directive effective from 1 January 2016, the Society holds the GBP equivalent of EUR 3.7m which is the absolute floor of the minimum capital requirement (MCR) for non-life insurance business. This MCR floor equates to £3.5m at the reporting date and is deducted from the Society's eligible Own Funds.

The remaining amount of the Society's Own Funds are eligible Own Funds available to meet the SCR and the MCR.

d) Deduction from Own Funds - Participations in Financial and Credit Institutions (FCIs)

In line with Article 68 of the Solvency II Delegated Regulation, the Society assesses whether the value of participations in FCIs are individually, or in aggregate, greater than 10% of total available own funds to determine any required deductions.

The Society's FCI's individually, and in aggregate are below this threshold and therefore no deduction to own funds is made.

(iii) Analysis of movements in eligible own funds

The table below provides an analysis of the significant changes to the Society's eligible own funds for the reporting period:

Analysis of Movements in Eligible Own Funds	OILTBF	MSSF	Total
	£000s	£000s	£000s
Balance at 1 January 2023	**449,885**	**25,495**	**475,380**
Modelling Improvements	-	-	-
Effect of Method Changes	(26,877)	(7,115)	(33,992)
Effect of Investment Variations	23,431	5,551	28,982
Effect of Experience Variations	(8,555)	311	(8,244)
Effect of Assumption Changes	386	3,673	4,060
New Business	(21,000)	-	(21,000)
Effect of Pension Surplus	(8,885)	-	(8,885)
Charges to the Estate	(40,434)	-	(40,434)

Analysis of Movements in Eligible Own Funds	OILTBF	MSSF	Total
Change in Risk Margin	10,832	1,576	12,408
Excess Surplus Distribution	-	(9,048)	(9,048)
Other Factors	3,172	2,089	5,261
Restricted MSSF Own Funds	-	4,318	4,318
Balance at 31 December 2023	**381,956**	**26,849**	**408,805**

Table E1-3

The table above shows key elements of the movements in Own Funds in 2023. Eligible Own Funds in the Open Fund reduced by £68m, mainly due to the estate funding new business acquisition and business development costs. This was partially offset by positive investment returns earned by the Estate and, following a reduction in the annual percentage cost of capital set by the PRA, lower risk margin. Eligible Own Funds in the MSSF Fund increased by £1m.

(iv) Reconciliation to financial reporting excess of assets over liabilities

Being a mutual, the Society does not hold any other capital items in its statutory accounts other than the excess of assets over liabilities measured in accordance with the accounting rules. It is disclosed as the Fund for Future Appropriations (FFA) in the Society's statutory accounts.

The Society considers that the FFA meets the definition of 'surplus funds'.

The reconciliation reserve is the difference between the Society FFA ('surplus funds') and the available Own Funds before deductions as set out in the following table:

Main elements of the reconciliation reserve	References	31.12.2023	31.12.2022
		£000s	**£000s**
Excess of assets over liabilities		426,064	496,648
Restricted Own Funds of the ring fenced fund		(13,764)	(18,082)
Available Own Funds before deductions		**412,300**	**478,567**
Surplus funds (FFA)		(441,359)	(480,719)
Reconciliation reserve		**(29,059)**	**(2,152)**

Table E1-4

The table below summarises the asset and liability valuation differences between the financial reporting and Solvency II bases. Further details of these differences are provided in section D.

Excess of assets over liabilities - attribution of valuation differences	References	31.12.2023	31.12.2022
		£000s	£000s
Financial reporting – FFA		**441,359**	**480,719**
Differences in the valuation of assets		(123,945)	(118,707)
Differences in the valuation of technical provisions		108,650	134,636
Excess of assets over liabilities		**426,064**	**496,648**

Table E1-5

(v) Eligible Own Funds to cover the SCR and MCR

The table below analyses the Society's eligible Own Funds by Tier:

Eligible Own Funds	References	31.12.2023	31.12.2022
		£000s	£000s
Tier 1 - Surplus funds		441,359	480,719
Tier 1 – Reconciliation reserve		(29,059)	(2,152)
Own Funds before deductions		**412,300**	**478,567**
Deductions for the General Insurance Fund		(3,495)	(3,445)
Deductions for participations in financial and credit institutions		-	-
Total eligible Own Funds to meet the SCR (Tier 1 – Unrestricted)	***a)***	**408,805**	**475,122**
Total eligible Own Funds to meet the MCR (Tier 1 – Unrestricted)		**408,805**	**475,122**

Table E1-6

a) Quality of Own Funds

The entirety of the Society's Own Funds is the excess of assets over liabilities on both a statutory basis (surplus funds) and Solvency II basis (reconciliation reserve). In line with Article 69 of the Solvency II Delegated Regulation, the Society's surplus funds and the reconciliation reserve are classed as Tier 1 Own Funds as they have the following characteristics and features:

Characteristics:

- *Permanent availability:* The item is available, or can be called up on demand, to fully absorb losses on a going-concern basis, as well as in the case of winding-up.
- *Subordination:* In the case of winding-up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all other obligations, including insurance and reinsurance obligations towards policyholders and beneficiaries of insurance and reinsurance contracts, have been met.

Features:

- *Sufficient Duration*: Due consideration shall be given to the duration of the item, in particular whether the item is dated or not. Where an own-fund item is dated, the relative duration of the item as compared to the duration of the insurance and reinsurance obligations of the undertaking shall be considered.

- *Absence of incentives to redeem:* Whether the item is free from requirements or incentives to redeem the nominal sum.
- *Absence of mandatory servicing cost:* Whether the item is free from mandatory fixed charges.
- *Absence of encumbrances:* Whether the item is clear of encumbrances.

Quantitative limits applied to eligible Own Funds

As the entirety of the Society's eligible Own Funds are Tier 1, there are no quantitative limits applied.

In line with the Policy, as far as compliance with the SCR and MCR is concerned:

- The eligible amounts of Tier 1 Own Funds must be at least 50% of the SCR.
- Only Tier 1 and Tier 2 Own Funds can be used to cover the MCR.
- At least 80% of the MCR must be met by eligible Tier 1 Own Funds.

E2 SCR and MCR

(i) Amount of the SCR and MCR

The SCR represents the Society's solvency capital to cover a 1 in 200 year event or a 99.5% probability of being solvent in a year's time. The Society calculates the SCR using the Standard Formula which is subject to supervisory assessment.

In addition to the SCR capital, a Minimum Capital Requirement (MCR) must be calculated which represents the threshold below which the regulator would intervene.

Amount of the SCR and MCR	Reference	31.12.2023	31.12.2022
		£000s	£000s
SCR	***a)***	127,025	127,417
MCR	***b)***	31,756	31,854
Solvency ratios:			
Eligible Own Funds to meet the SCR and MCR		408,805	475,122
Ratio of eligible Own Funds to the SCR		**322%**	**373%**
Ratio of eligible Own Funds to the MCR		**1287%**	**1492%**

Table E2-1

a) SCR calculation by risk modules

The amount of the Society's SCR by each risk module is shown in the following table:

SCR by Risk Module	Reference	31.12.2023	31.12.2022
		£000s	£000s
Market risk		169,000	163,661
Life underwriting risk		25,055	24,804
Health underwriting risk		10,854	9,465
Counterparty default risk		1,803	1,833
Diversification		(24,101)	(23,164)
Basic Solvency Capital Requirement (net of loss absorbing capacity of technical provisions)		**182,611**	**176,599**
Operational risk		23,969	21,995
Loss- absorbing capacity of deferred taxes*		(79,555)	(71,177)
Net Solvency Capital Requirement using Standard formula		**127,025**	**127,417**

Table E2-2

*The loss-absorbing capacity of deferred taxes totals £79.6m, relating to the reduction in deferred tax liability provisions held for equity and property assets under SCR conditions. There is no allowance for future taxable profits or carry back losses in this figure.

b) Calculation of the MCR

The MCR is intended to correspond to an 85% probability of adequacy over a one-year period.

The MCR is determined from a formula ("linear MCR") which is restricted to have a value no less than 25% of the SCR and no higher than 45% of the SCR.

The linear MCR calculation includes a negative adjustment for discretionary benefits on With Profits business. As With Profits business makes up a significant proportion of the Society's technical provisions, this negative adjustment offsets the contribution from the Society's other technical provisions (guaranteed benefits, index-linked and unit-linked obligations, other life, and health insurance obligations), resulting in an artificially small MCR.

As a consequence, the Society's MCR is set equal to the minimum permitted value: 25% of the SCR.

Overall MCR calculation	Reference	31.12.2023	31.12.2022
		£000s	£000s
Linear MCR		(124,665)	(110,005)
MCR cap (45% of SCR)		57,161	57,338
MCR floor (25% of SCR)		31,756	31,854
Absolute floor of the MCR		3,495	3,445
Reported Minimum Capital Requirement		**31,756**	**31,854**

Table E2-3

c) Calculation approach and simplifications applied

The Society has adopted a proportionate approach to determining the SCR but has not adopted any of the simplified SCR calculations outlined in the Solvency II rules.

The following risk modules are excluded from the Society's SCR calculation, as the Society does not have any material exposure to these types of risk:

- Non-life underwriting risk.
- Intangible asset risk.

The Society's SCR calculations will be reviewed regularly for ongoing appropriateness.

(ii) Material changes to the SCR and MCR over the reporting period

The SCR and MCR are materially unchanged over the reporting period due to increases in the market and operational risk components being offset by an increase in the Loss Absorbing Capacity of Deferred Tax.

E3 Use of the duration-based equity risk sub-module

This section is not applicable as the Society does not apply the duration-based equity risk sub-module in the calculation of the SCR.

E4 Differences between the standard formula and internal model

This section is not applicable as the Society has received approval to calculate the SCR using the standard formula approach.

E5 Non compliance with the SCR and MCR and plans to maintain compliance

There were no instances of non compliance with the SCR and MCR over the reporting period.

The Society's Capital Management Strategy and Policy includes the Society's plans to maintain adequacy of capital resources.

E6 Any other information

There is no other material information regarding capital management.

GLOSSARY

Annual Bonus (With Profits):

Bonuses which are added each year to conventional with-profits policies to increase the guaranteed amount payable.

Annuity Policy:

An insurance policy that provides a regular income in exchange for a lump sum payment.

Asset Shares:

Asset shares reflect the amount of money paid into With Profits policies by way of premiums and investment returns, less the costs of administering those policies.

Assets Under Management:

Total assets actively managed or administered by, or on behalf of, the Group.

AVC:

Additional Voluntary Contributions – additional contributions paid by members of a company pension scheme to boost their retirement income.

Best Estimate Liabilities:

The expected value in today's money of all future cash flows in respect of in force business.

Business Continuity Plan:

A set of documents, instructions, and procedures to enable a business to respond to accidents, disasters, emergencies and/or threats.

Capital Investment Bond:

The With Profits bond offered by the Society.

Closed Fund:

A fund that has stopped taking on new business.

Collaterised Securities:

Securities whose value and payments are derived from a portfolio of underlying assets and are pooled for exposure to a particular risk.

Contributions Agency:

A former executive agency of the Department of Social Security which was set up to administer National Insurance, including the payment of contributions to personal pension arrangements used to opt out of the State Earnings Related Pension Scheme.

CWP:

Conventional With Profits.

Defined Benefit Scheme:

A type of occupational pension scheme, where the benefits are based on the employee's salary and service.

Defined Contribution Scheme:

A scheme under which the individual member's contributions and those of their employer are invested to accumulate a pot of money which is used to provide an income in retirement.

Derivatives:

Financial instruments, the prices of which are directly dependent upon the value of one or more underlying securities. They are often used to mitigate risk.

DR:

Disaster Recovery

Duration Matching:

A de-risking technique used so that changes in interest rates will influence asset and liability risk at the same rate, hence, keeping the surplus constant.

EPIFP:

Expected profits included in future premiums.

Equity Put Option:

This is a type of asset that gives an investor the right, but not the obligation, to sell equities on a specified future date for a specified price.

Estate:

The amount by which the assets (including PVFP) of the Society exceed the asset shares and other anticipated liabilities of the current in-force policies and represents a measure of financial strength. See also RBS.

European Insurance and Occupational Pensions Authority (EIOPA):

EIOPA is part of a recently established European supervisory framework that comprises three European Supervisory Authorities, one for the banking sector, one for the securities sector and one for the insurance and occupational pensions sector.

Final Bonus:

A bonus that is added to a policy when it becomes a claim. Final bonus rates are not guaranteed. The aim in setting final bonus rates is that policyholders should receive their policies' fair share of the fund. This is assessed using either asset shares or a shadow fund.

Financial Conduct Authority (FCA):

A regulatory body which focuses on the regulation of conduct by retail and wholesale firms.

FRS 102:

Financial reporting standards applicable in the UK and the Republic of Ireland. The Society applies FRS 102 in its Annual Report and Accounts.

FTSE:

FTSE is an independent company that provides indices to measure how stock markets and other financial markets perform. In the UK, the FTSE 100 index is widely used by the media to report on the valuation of the largest 100 quoted companies on the UK stock exchange.

Fund for Future Appropriations (FFA):

The excess of assets over the aggregate of policy and other liabilities. It is a measure of the Society's capital. Transfers to and from the FFA reflect the excess or deficiency of income over claims, expenses, tax, and changes in the technical provisions. The Society considers working capital to be more appropriate measure to monitor its financial strength.

Group:

Wesleyan Assurance Society and all of its subsidiary companies.

Group Operating Profit:

A measure of profitability used to provide a better understanding of the operating performance of the Group.

Guarantee:

The minimum level of benefit which the insurer will pay if the insured event occurs on a guaranteed date.

IAS 19:

International Accounting Standard 19 on Employee Benefits issued by the International Accounting Standard Body (IASB). The standard is applied by the Society in its Pillar 3 reporting for recognition and measurement of the Wesleyan Staff Pension Scheme.

IFRIC 19:

Further guidance on IAS 19 issued by the International Financial Reporting Interpretations Committee (IFRIC) on the Limits on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction. Applied by the Society in its Pillar 3 reporting for recognition and measurement of the surplus on the Wesleyan Staff Pension Scheme.

Income Protection:

Insurance typically covering loss of up to 75% of income due to illness or injury. Generally, payment is in the form of regular income payments, after a waiting period, while the member remains unable to work. Payments may continue until the end of the policy term or cease after a set period.

Individual Savings Account (ISA):

A tax-free investment contract, allowing investment into cash and stocks and shares.

Industrial Business (IB):

Life assurance business sold under the Industrial Assurance Acts 1923 to 1958 under which the premiums were originally contracted to be collected door-to-door.

Integrated Risk Management Framework (IRMF):

The Integrated Risk Management Framework (IRMF) is a framework which defines and documents Wesleyan Society's approach to risk management. The key objective of the IRM framework is to deliver a capability across the business that links strategy, risk, and capital.

In-Force Policy:

Long-term business written before the period end which has not terminated before the period end.

Internal Capital Requirement (ICR):

Internal measurement of the capital requirement for all material risks sufficient to maintain solvency within Wesleyan's risk appetite.

Limited Price Indexations (LPI):

Limited Price Indexation or LPI is the Retail Prices Index (RPI) capped at 5% and floored at 0%.

Linked:

In relation to unit linked contracts.

Long Term Incentive Plan (LTIP):

Variable pay arrangement provided to Executives.

Maintenance Expenses:

Expenses relating to the servicing of the in-force book of business.

Merger Scheme:

A Court-approved Scheme, which sets out how the Open Fund and the MSS Fund should be managed.

Minimum Capital Requirement (MCR):

The Minimum Capital Requirement is the minimum level of security below which the amount of financial resources should not fall.

MSS Fund (MSSF):

A closed fund set up under the terms of the Merger Scheme. It contains all the with-profit policies of Medical Sickness Society in-force on that date and is maintained as a separate account within the Wesleyan's Long-Term Business Fund.

Mutual:

A business that is owned by its members rather than by shareholders.

MVR:

Market value reduction. A reduction to the value of the units attaching to a Unitised With Profits policy on payment of a claim in circumstances where the policy's fair share of the fund is below the value of the units.

Non-Linked:

In relation to contracts that are not unit linked.

OILTBF:

The Ordinary and Industrial Long-Term Business Fund.

Open Fund:

The Wesleyan Long Term Business Fund excluding the MSS Fund.

Option:

A put (call) option is a derivative that gives an investor the right, but not the obligation, to sell (buy) an asset class on a specified future date for a specified price.

Participating/With-Profits Contracts:

A policy where, in addition to guaranteed benefits specified in the policy, additional bonuses may be payable from relevant surplus. The declaration of such bonuses (usually annually) reflects, among other things, the overall performance of the fund which the policy forms part of.

Principles and Practices of Financial Management (PPFM):

A document explaining how we manage our With Profits Fund.

Prudential Regulation Authority (PRA):

Part of the Bank of England that is responsible for the authorisation, regulation and day-to-day supervision of all insurance firms that are subject to prudential regulation.

PVFP/PVIF:

Present value of future profits/Present value of in force: a measure of the profits expected to be earned over the lifetime of in-force business.

RBS:

Realistic Balance Sheet. This provides a measure of solvency.

Regular Premium:

A series of payments for an insurance contract, typically monthly or annually.

Retail Price Index (RPI):

In the United Kingdom, the Retail Price Index (RPI) is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a representative sample of retail goods and services.

Risk Appetite:

The amount of risk that a business is prepared to take when carrying out its everyday activities.

Risk Capital Margin (RCM):

The additional capital a firm would need to hold to cover the effects of a number of 'What if?' scenarios that have been prescribed by the PRA.

SCR:

The Solvency Capital Requirement (SCR) is the amount of money set aside by the Society to cover a one in 200 risk event over a one year period.

Shadow Fund:

A measure used as a guide to a unitised with-profits policy's fair share of the fund. More details are provided in the PPFM.

Single Premium:

A single payment for an insurance contract.

Smoothing:

Smoothing is an important and fundamental aspect of with-profits policies, allowing policyholders to benefit from investment in the stock market, but with the short-term highs and lows evened out. More details of how smoothing works are provided in the PPFM.

Solvency II:

EU-wide legislation that provides a comprehensive framework for insurance supervision and regulation.

Sum Assured:

The guaranteed amount at the start of a conventional with-profits policy.

Surrender:

A policy claim other than on death or at maturity. For a pension policy surrender is often called a transfer, as the claim value is usually transferred to another pension provider.

Swaption:

A type of derivative used to mitigate risk from changes in interest rates.

TCF:

All firms regulated by the FCA have to support the FCA Sourcebook's principle that a firm 'must pay due regard to the interests of its customers and treat them fairly'. The TCF (treating customers fairly) principle aims to raise standards in the way firms carry on their business by introducing changes that will benefit consumers and increase their confidence in the financial services industry.

TWPPF:

Treating With Profits policyholders fairly – Principles as defined in FCA rule book COBS 20.2

UK Corporate Governance Code:

This Code sets out the standards of good practice for listed companies. It covers, amongst other things, the Board composition and its accountability and relations with business owners. Mutual organisations do not have to adhere to the Code, but we choose to, as we believe it is good business practice to do so.

Undertakings for Collective Investment in Transferable Services (UCITS):

UCITS provides a single European regulatory framework for in investment vehicle which means it is possible to market the vehicle across the WU without worrying which country it is domiciled in. Designed to enhance the single market while maintaining high levels of investor protection.

Unit Linked Business Principles and Practice Manual (ULBPPM):

This manual provides details of the principles and practices that Wesleyan Assurance Society (the Society) applies in the operations of all its internal unit-linked funds. One of the key aims of this manual is to demonstrate our commitment to treating our unit-linked customers fairly.

Unit-Linked Policy:

A policy where the benefits are determined by the investment performance of the underlying assets in the Unit-Linked Fund.

Unitised With-Profits Policy (UWP):

A policy for which the premiums buy units in a With Profits Fund.

Unit Trusts:

A collective investment which invests in a range of assets. It may by a general fund or specialise in a particular type of asset or in a particular geographical area.

With Profits Bond:

A unitised with-profits ‘whole of life’ policy or conventional with-profits fixed term policy sold on a single premium basis.

With-Profits Fund:

An investment fund where we combine all of our With Profits investors’ money and manage it on their behalf. The fund normally invests in UK and overseas shares, fixed interest securities including Government stocks and bonds, property, cash, and our own business activities. We regularly monitor where we invest the fund to take account of future liabilities.

Working Capital:

A measure of the Society’s financial strength. This is calculated as the excess of the Society’s assets over its liabilities using an approach specified by the Prudential Regulation Authority.

WSPS:

Wesleyan Staff Pension Scheme.

QUANTITATIVE REPORTING TEMPLATES ('QRTS')

General Information:

	Wesleyan Assurance Society
Group identification code	213800KDQAJRJL2A3X94
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2023
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

The Society presents below the following applicable quantitative reporting templates:

Audited:

QRT ref	Description
S.02.01.02 Balance Sheet	Specifying the Society's balance sheet information as at the reporting date using the valuation rules in accordance with Article 75 of Directive 2009/138/EC.
S.12.01.02 Life and Health SLT Technical provisions	Specifying information on the Society's life and health technical provisions for each line of business as defined in Annex 1 of Delegated Regulation (EU) 2015/35.
S.23.01.01 Own Funds	Specifying information on the Society's own funds as at the reporting date.
S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula	Specifying information as at the reporting date on the Society's Solvency Capital Requirement calculated using the standard formula.
S.28.01.01 Minimum Capital Requirement – Only life or only non life insurance or reinsurance activity	Specifying the Society's Minimum Capital Requirement as at the reporting date for its life business.

Unaudited:

QRT ref	Description
S.05.01.02 Premiums, claims and expenses by lines of business, Life	Specifying information for the Society's Life business – premiums, claims and expenses over the reporting period.

S.02.01.02
Balance Sheet

£'000		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	81,000
Property, plant & equipment held for own use	R0060	13,758
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,471,577
Property (other than for own use)	R0080	392,314
Holdings in related undertakings, including participations	R0090	1,800
Equities	R0100	2,686,975
Equities - listed	R0110	2,685,002
Equities - unlisted	R0120	1,973
Bonds	R0130	1,898,649
Government Bonds	R0140	1,081,242
Corporate Bonds	R0150	816,612
Structured notes	R0160	-
Collateralised securities	R0170	795
Collective Investments Undertakings	R0180	249,684
Derivatives	R0190	15,994
Deposits other than cash equivalents	R0200	226,161
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	1,277,342
Loans and mortgages	R0230	20,000
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	20,000
Reinsurance recoverables from:	R0270	10,056
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	10,056
Health similar to life	R0320	9,143
Life excluding health and index-linked and unit-linked	R0330	913
Life index-linked and unit linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries recievables	R0360	1,518
Reinsurance receivables	R0370	979
Receivables (trade, not insurance)	R0380	2,384
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	124
Any other assets, not elsewhere shown	R0420	19,876
Total assets	**R0500**	6,898,615
Liabilities		
Technical provisions - non-life	R0510	-
Technical provisions - non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit linked)	R0600	5,073,044
Technical provisions - health (similar to life)	R0610	79,654
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	75,099
Risk margin	R0640	4,555
Technical provisions - life (excluding health and index-linked and unit linked)	R0650	4,993,390
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	4,986,260
Risk margin	R0680	7,131
Technical provisions - index-linked and unit-linked	R0690	1,244,392
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	1,243,650
Risk margin	R0720	742
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	106
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	84,527
Derivatives	R0790	21,318
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	18,705
Insurance & intermediaries payables	R0820	23,833
Reinsurance payables	R0830	253
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	6,372
Total liabilities	**R0900**	6,472,551
Excess of assets over liabilities	**R1000**	426,064

S.12.01.02

Life and Health SLT Technical Provisions - Total Society

		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)
				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
R0010	**Technical provisions calculated as a whole**	0	0			0			0	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			0			0	0	0
	Technical provisions calculated as a sum of BE and RM										
	Best estimate										
R0030	**Gross Best Estimate**	4,345,037		0	1,243,650		0	641,223	0	0	6,229,910
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	583		0	0		0	330	0	0	913
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	4,344,454		0	1,243,650		0	640,893	0	0	6,228,996
R0100	**Risk margin**	4,823	742			2,308			0	0	7,873
	Amount of the transitional on Technical Provisions										
R0110	Technical Provisions calculated as a whole	0	0			0			0	0	0
R0120	Best estimate	0	0	0	0	0	0	0	0	0	0
R0130	Risk margin	0	0			0			0	0	0
									0	0	
R0200	**Technical provisions - total**	4,349,860	1,244,392			643,530			0	0	6,237,782

		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			
		C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	0			0	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	0	0
	Technical provisions calculated as a sum of BE and RM						
	Best estimate						
R0030	**Gross Best Estimate**		0	75,099	0	0	75,099
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	9,143	0	0	9,143
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re		0	65,956	0	0	65,956
R0100	**Risk margin**	4,555			0	0	4,555
	Amount of the transitional on Technical Provisions						
R0110	Technical Provisions calculated as a whole	0			0	0	0
R0120	Best estimate	0	0	0	0	0	0
R0130	Risk margin	0			0	0	0
					0	0	
R0200	**Technical provisions - total**	79,654			0	0	79,654

S.23.01.01
Own funds

S.23.01.01.01
Own funds

£'000		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	-	-		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	
Surplus funds	R0070	441,359	441,359			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	-29,059	-29,059			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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						
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	R0220	3,495				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	408,806	408,806	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	408,806	408,806	-	-	-
Total available own funds to meet the MCR	R0510	408,806	408,806	-	-	
Total eligible own funds to meet the SCR	R0540	408,806	408,806	-	-	-
Total eligible own funds to meet the MCR	R0550	408,806	408,806	-	-	
SCR	R0580	127,025				
MCR	R0600	31,756				
Ratio of Eligible own funds to SCR	R0620	322%				
Ratio of Eligible own funds to MCR	R0640	1287%				

S.23.01.01.02
Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	426,064
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	441,359
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	13,764
Reconciliation reserve	R0760	-29,059
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	81,066
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	R0790	81,066

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

S.25.01.21.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	1,412,287	0
Counterparty default risk	R0020	16,124	
Life underwriting risk	R0030	273,187	0
Health underwriting risk	R0040	75,853	0
Non-life underwriting risk	R0050	0	0
Diversification	R0060	-243,884	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	1,533,566	

S.25.01.21.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	23,969
Loss-absorbing capacity of technical provisions	R0140	-1,350,956
Loss-absorbing capacity of deferred taxes	R0150	-79,555
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	127,025
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	127,025
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	101,922
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	26,849
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

S.25.01.21.04

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	Yes

S.25.01.21.05

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	-79,555
LAC DT justified by reversion of deferred tax liabilities	R0650	-79,555
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	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

£'000

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	α	β	α.B + β.C
		C0020	C0030			
R0020	Medical expense insurance and proportional reinsurance			4.7%	4.7%	0
R0030	Income protection insurance and proportional reinsurance			13.1%	8.5%	0
R0040	Workers' compensation insurance and proportional reinsurance			10.7%	7.5%	0
R0050	Motor vehicle liability insurance and proportional reinsurance			8.5%	9.4%	0
R0060	Other motor insurance and proportional reinsurance			7.5%	7.5%	0
R0070	Marine, aviation and transport insurance and proportional reinsurance			10.3%	14.0%	0
R0080	Fire and other damage to property insurance and proportional reinsurance			9.4%	7.5%	0
R0090	General liability insurance and proportional reinsurance			10.3%	13.1%	0
R0100	Credit and suretyship insurance and proportional reinsurance			17.7%	11.3%	0
R0110	Legal expenses insurance and proportional reinsurance			11.3%	6.6%	0
R0120	Assistance and proportional reinsurance			18.6%	8.5%	0
R0130	Miscellaneous financial loss insurance and proportional reinsurance			18.6%	12.2%	0
R0140	Non-proportional health reinsurance			18.6%	15.9%	0
R0150	Non-proportional casualty reinsurance			18.6%	15.9%	0
R0160	Non-proportional marine, aviation and transport reinsurance			18.6%	15.9%	0
R0170	Non-proportional property reinsurance			18.6%	15.9%	0
				TS MCR.12		0

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	-124,665

£'000

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	α	α.B + β.C
		C0050	C0060		
R0210	Obligations with profit participation - guaranteed benefits	870,296		3.70%	32,201
R0220	Obligations with profit participation - future discretionary benefits	3,474,158		-5.20%	-180,656
R0230	Index-linked and unit-linked insurance obligations	1,243,649,790		0.70%	8,706
R0240	Other life (re)insurance and health (re)insurance obligations	706,849		2.10%	14,844
R0250	Total capital at risk for all life (re)insurance obligations		344,133	0.07%	241
				TS MCR.13	-124,665

	Overall MCR calculation	C0070
R0300	Linear MCR	-124,665
R0310	SCR	127,025
R0320	MCR cap	57,161
R0330	MCR floor	31,756
R0340	Combined MCR	31,756
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	31,756

S.05.01.02
Premiums, Claims and Expenses by Line of Business, Life (unaudited)

	Life	Line of Business for: Life Insurance Obligations						Life Reinsurance Obligations		Total
	£'000	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*	31,429	323,814	47,649	14,498	0	0	0	0	417,390
R1420	*Reinsurers' share*	1,513	367	0	1,790	0	0	0	0	3,670
R1500	*Net*	29,915	323,448	47,649	12,709	0	0	0	0	413,720
	Premiums earned									
R1510	*Gross*	31,429	323,814	47,649	14,498	0	0	0	0	417,390
R1520	*Reinsurers' share*	1,513	367	0	1,790	0	0	0	0	3,670
R1600	*Net*	29,915	323,448	47,649	12,709	0	0	0	0	413,720
	Claims incurred									
R1610	*Gross*	27,377	297,964	103,620	63,102	0	0	0	0	492,062
R1620	*Reinsurers' share*	5,273	0	0	335	0	0	0	0	5,608
R1700	*Net*	22,104	297,964	103,620	62,766	0	0	0	0	486,455
	Changes in other technical provisions									
R1710	*Gross*	-8,869	-393,669	-70,469	28,874	0	0	0	0	-444,133
R1720	*Reinsurers' share*	1,879	205	0	-25	0	0	0	0	2,059
R1800	*Net*	-10,749	-393,874	-70,469	28,899	0	0	0	0	-446,193
R1900	**Expenses incurred**	25,470	27,651	11,555	5,522	0	0	0	0	70,198
R2500	**Other expenses**									40,923
R2600	**Total expenses**									111,121

Wesleyan Assurance Society

‘WESLEYAN’ is a trading name of the Wesleyan Group of companies.

Wesleyan Assurance Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Incorporated in England and Wales by Private Act of Parliament (No. ZC145).

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