Solvency and Financial Condition Report

Summary

Overall this is a good solvency valuation result in 2019 primarily reflecting the beneficial impact of favourable investment returns. Capital requirements have increased but the Society still has a substantial level of 'free' assets at its disposal.

The Society's solvency ratio at the end of 2019 was 178% (2018: 193%). This is a healthy solvency position and means that the Society is covering its SCR almost twice.

The Board will continue to follow the long term objectives of our detailed Business Plan.

The outbreak of COVID-19 during the first few months of 2020 has resulted in a pandemic causing significant disruption across the globe. There is considerable uncertainty regarding the financial and operational impact of COVID-19 on the Society.

This Solvency and Financial Condition Report ("SFCR") primarily provides an overview of the Society's solvency and financial condition at 31 December 2019, with some parts of it being forward looking. The potential impact from Covid-19 has not been allowed for within the figures quoted or the associated reporting templates but commentary has been added to each section to highlight the key uncertainties arising from Covid-19 on the Society's financial condition.

David Thompson – Chief Executive

A Business and Performance

A.1 Business

The Dentists' & General Mutual Benefit Society Limited (DG Mutual) was founded in 1927 to provide Income Protection Insurance to enable individuals to create a fund by voluntary subscription of the members thereof for:

- relief and maintenance during sickness or infirmity
- option to secure a sum of money funded out of Society surpluses to be paid at or after the age of 55
- option of insuring a sum of money to be paid at the death of a member
- relief of members in distressed circumstances
- utilise the reserves for the benefit of future generations
- members are UK, Ireland or EEC residents.

The Society was incorporated in 1999 under the Friendly Societies Act 1992 – Reg. No. 456F. The Society is currently authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The PRA's address is 20 Moorgate, London EC2R 6DA and the FCA's address is 12 Endeavour Square, London E20 1JN.

As a Friendly Society each member is entitled to attend and vote at a general meeting. A member may appoint one proxy to attend and, on a poll, vote at the meeting instead of the member. Currently the Society's members are mainly based in UK and Western Europe.

The Society's registered office is No 4 Park Farm Barns, Chester Road, Stonebridge, Warks, CV7 7TL.

The Society is run by a Board of Directors currently comprising:

Mr P Mather BSc FRICS - Chair
Mr A Willman BA(Hons)
Mr N Lacey BSc FCA
Miss E Pleasance – Senior Independent Director
Miss S Pyle LLB Barrister
Mr N Grainger Actuary
Mr D Thompson BSc ACA
Mrs P MacPherson Dental Hygienist
Mrs M Green Dentist

The Annual Report and Financial Statements are audited by BDO LLP, Chartered Accountants & Statutory Auditor, 150 Aldersgate Street, London EC1A 4AB.

The Society has appointed Cara Spinks of OAC Actuaries and Consultants as our Chief Actuary who is the SMF 20 holder. The Board considers using a third party actuarial resource for all matters to be appropriate rather than an internal function due to the size of the Society.

A.2 Underwriting Performance

The 2019 operating results for the Society were in line with both forecasts and 2018. The financial targets were met except where noted. Over 99% of all claims were paid out for the 11th year running with over 75% paid within 1 working week.

59 new members were recruited (2018: 52). Net premiums in 2019 were split UK £2,335,000 and Ireland £1,382,000 (2018: £2,466,000 and £1,379,000). Acquisition and administrative costs were

maintained below 40% of net subscription income. Sickness benefit as a ratio to subscription income was 37% against a target of 36%.

A.3 Investment performance

Investment returns were in line with international market conditions and overall income was £1,575,951 (2018: £1,097,748). Income from financial investments includes £594,690 from fixed investments and £563,454 from other listed investments (2018: £737,688 and £504,325 respectively).

Unrealised gains on investments at the year-end were £2,458,635 (2018: losses of £2,150,369). The Society continues to be a going concern. Investment expenses in 2019 were £243,864 (2018: £156,979).

A.4 Performance of other activities

There are no other activities carried out by the Society other than those described above.

A.5 Any other information

The only other information provided is in relation to Covid-19.

Sickness claims and underwriting performance have been affected by the pandemic. For new applications after 27 March 2020, claims on the Society's day 1, 1 week, 4 week and 8 week deferred period contracts will not be eligible if they are in respect of Covid-19. The Society is regularly reviewing its stance on continuing with sales of its shorter deferred period products and closely monitoring claims and lapse experience as the situation unfolds.

The Society is also monitoring sales of its income protection products to determine if there is likely to be a material departure from its business plan.

The recent falls in stock markets have reduced the value of the Society’s investments and performance is being monitored with the Society’s advisors, HSBC.

B System of Governance

B.1 General information on the system of governance

The Society's Board of Directors is committed to reaching and retaining a high level of corporate governance and has adopted The Annotated Corporate Governance Code for Mutual Insurers. The Board has implemented such requirements of the Code deemed appropriate and practical and explains any areas of non-compliance. It does not consider that its governance falls short of any of the requirements to such an extent that there exists an adverse and material departure from the provisions which would lead to a significant failure in ongoing control.

The roles of the Chairman and the Chief Executive are separate with a clear division of responsibilities. The Board, the Chairman, its committees and all Board members are subject to rigorous annual evaluation through a process of self-evaluation and then formal review by the Chairman and Chief Executive.

The performance of the Chairman is evaluated by Board members and reviewed by the Senior Independent Director.

The Board oversees the remuneration policy to ensure all variable components (e.g. bonus or pension schemes) are appropriate to meet corporate guidelines and details correctly disclosed. The Annual Report includes details of all executive emoluments and details of all transactions with related parties.

There were nine members of the Board at the year-end; six have served for more than nine years. The Board considers that length of service does not adversely affect the ability of the Board to act in the best interests of the Society's members. Those five members have retained their independence in attitude and application and bring to the Board stability knowledge and insight through long experience. All Board members meet the definition of independence as set out in the code.

All Board members are subject to re-election at each Annual General Meeting.

The Board considers the composition of the board as a crucial element of corporate governance. The Board do not consider quotas for diversity such as the proportion of women on the Board as appropriate because appointments are made on merit rather than through positive discrimination.

Board of Directors Terms of Reference

Objective: To bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.

Requirements: To be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement. To be competent and reliable persons able to achieve those objectives in a satisfactory manner.

Responsibility: There is a joint responsibility, and individual responsibilities, for each member of the Board to ensure that the Board fulfils its obligations and controls its strategy, performance and resource plans.

A member of the Board is responsible for ensuring that arrangements are made for the fulfilment of the Society's statutory duties and may be liable to penalties should the Society fail in this respect.

To ensure that the person appointed as Chief Executive has the requisite knowledge and experience to discharge the functions of the office.

To ensure that the Secretary is charged with the duty of complying with the statutory requirements and is a competent and reliable person able to discharge those duties satisfactorily.

The Executive

Membership of the Executive Committee consists of the Chairman, Vice Chairman, Chief Executive and any other Board members deemed appropriate from time to time. It is authorised to act on behalf of the Board of Directors but always subject to their actions being ratified by that Board in due course.

Nomination & Resource

This committee reviews the structure, size and composition of the Board of Directors giving full consideration to succession planning for the Board and senior management. It is responsible for identifying and nominating candidates to fill vacancies on the Board and its Committees. It is also responsible for setting all Board and senior staff remuneration levels. It quantifies the resource requirements of the Society against the targets set in the Business model.

The committee carries out regular reviews of all outsourced work and an annual performance review is submitted to the Board. The Society does not outsource matters of management although it does, where required, bring in subject matter experts to assist with specific matters. The Society does however outsource the Actuarial Function to OAC plc, internal audit to CK Accountants and investment management to HSBC.

The committee reviews the efficiency of these professional advisers at each meeting. Meetings are held twice a year but provision is made to meet as needed.

Audit and Risk

The Audit & Risk Committee reviews and reports to the Board of Directors on the integrity of the financial statements, the adequacy of the Society's systems of business risk and control including the adequacy and accuracy of reports made to the Board of Directors and the PRA. It receives external and internal auditor's reports and reports to the Board of Directors on the adequacy of the inspection programme together with recommendations for improvements or changes.

Investment & Finance

This Committee ensures that the acquisition and disposal of assets is reviewed in line with the strategy laid down by the Board of Directors and with the fund manager with reference to performance, future opportunities and targets. It ensures the financial management of the Society is reviewed in line with the Business model. The Committee meets at least four times a year.

B.2 Fit and Proper requirements

The 'Fit and Proper' and the 'Senior Managers and Certification Regime' (SM&CR) requirements are the standard required by the FCA and the PRA when appointing controlled function holders and DG Mutual applies the same requirements when appointing those who effectively run the Society or have other key functions. The Society is satisfied that compliance with the framework is sufficient to ensure that individuals fulfilling controlled functions meet all relevant regulatory requirements.

B.3 Risk Management System including the Own Risk and Solvency Assessment

Risk Management and Control

The following key principles outline the Society's approach to risk management and internal control:

- The Board has responsibility for overseeing risk management.
- The Audit & Risk Committee handle a number of delegated functions on behalf of the Board.
- An open and receptive approach to solving risk problems is adopted by the Board.
- The Management Team supports, advises and implements policies approved by the Board.
- The Society makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- Managers are responsible for encouraging good risk management practice.
- Identified Key risk indicators are regularly reviewed and are closely monitored.

Overview of risk identification, assessment, management and mitigation process

The Society has a Risk Register which is reviewed and re-assessed at least annually through the Audit & Risk Committee. Risk is an agenda item on the agendas for all meetings of the Board and its Committees.

Own Risk and Solvency Assessment (ORSA)

The ORSA is a rolling process that provides a detailed analysis of the Society's capital adequacy, risk management and forward looking perspective. This is achieved by using a combination of internal, actuarial and regulatory documents and information to appropriately report on the Society's position.

The ORSA document includes the following sections

- Executive Summary detailing the solvency position, the current Risk Appetite, the current risk summary, management actions and overall Board conclusion of solvency position.
- Supporting Appendices
- Current Management Operating Report
- Detailed Risk Register
- Valuation of Assets & Liabilities and Stress Tests analysis
- 5 Year Business Plan 2020 – 2024
- Investment Strategy
- IT Strategy
- Disaster Recovery Plan

The ORSA is updated throughout the year with at least an annual update. Where necessary the ORSA will be updated upon Board's request.

B.4 Internal Control System

The Board is responsible for the system of internal control. The internal control framework is designed to safeguard member and Society assets and to facilitate the effectiveness and efficiency of operations which helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations. The Board is also responsible for setting risk appetite and ensuring that there is a robust system for risk management in place.

The Board has delegated to the Audit & Risk Committee oversight of the relationship with the External Auditor to ensure that they remain independent and objective.

The Committee considers annually the performance and cost effectiveness of the Internal Auditors and make recommendations where necessary. The Committee consider each year the effectiveness of the performance of the external auditors and in particular the technical competence, service delivery, cost effectiveness, independence and objectivity taking into consideration UK professional and regulatory requirements. The Committee ensures that internal controls as outlined in the Procedures manual are in operation and Internal Auditors report on their effectiveness on each visit. The Society has a Compliance Officer to ensure all regulations are complied with.

Moore Stephens LLP were appointed as external auditors in 2018 following a competitive tender. Since this date a merger has taken place with BDO LLP. The fees for audit service are considered annually by the Board.

B.5 Internal Audit

CK Accountants are the external independent internal auditors and report to the committee twice a year. The Society considers outsourcing to third party internal auditors to be appropriate over an internal function given our size. CK Accountants are independent being a third party firm and providing no other services to the Society and the Board reassesses their independence every year.

B.6 Actuarial Function

The Actuarial Function is outsourced to OAC plc. The Chief Actuary to the Society is Cara Spinks, an employee of OAC plc.

B.7 Outsourcing

The Society does not outsource matters of management although it does, where required, bring in subject matter experts to assist with specific matters.

Other than the outsourced functions described above, the Society also outsources re-insurance to Hannover Re to mitigate the potential cost of the claim risk where this could have a significant impact on the Society's reserves.

B.8 Any other information

The only other information provided is in relation to Covid-19.

The Society is now operating off-site with a skeleton staff available to receive and scan the post and mail out documentation to members who have no access to email or the internet. Claims and member services enquiries are being managed by staff working from home, with volumes of both calls and emails under active monitoring. This has been achieved relatively smoothly but has introduced new operational risks, which are being carefully managed.

C Risk Profile

C.1 Underwriting risk

Underwriting risk is the risk that arises from uncertainties as to the occurrence, amount and timing of insurance liabilities. The Society's long term insurance risk arises from the following uncertainties:

Morbidity risk - the risk that sickness claims are significantly more than expected in terms of numbers and value.

Lapse risk - the risk the policies cease and therefore contributions from future premiums are not as high as anticipated.

Expense risk - the risk that the future costs of administering claims are higher than anticipated.

Providing insurance policies is the business of the Society and we must accept these risks to remain in business. Some of the risk can be mitigated by reinsurance. The major risks are in poor underwriting and claims assessment and management. This would increase the level of claims. There are also risks associated with medical advancements which improve longevity.

The current product range is profitable and therefore the levels of persistency would also impact on the business. This is because the Long Term Business Provisions recognise the expected future profits generated by these policies which would not be achieved if policy lapses were higher than anticipated.

Most of the Society's current book is self-insured however for some old products there is a small amount of reinsurance. Reinsurance is used to mitigate the potential cost of the claims risk where this could have a significant impact on the Society's reserves.
The Society also mitigates risk through internal claims and underwriting audits together with making use of external reviews on a regular basis.

C.2 Market risk

Market risk is the risk that as a result of market movements the Society may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets.

Sources of general market risk include movements in interest rates, equity prices, exchange rates and property prices. The Society also faces financial risks in respect of counterparty default exposures. The investment strategy is kept under regular review by the Investment Committee. The Investment Committee also monitors all investment activity on behalf of the Board.

Each of the exposures to risk are analysed regularly to assess their likely impact and probability. The overall level of risk is assessed in the calculation of the Society's Solvency Capital Requirement (SCR) in accordance with the PRA Rulebook, which takes into account the correlation of individual risks. The Board is responsible for reviewing the risks faced by the Society and approving the required level of capital to be held against each risk element.

Equity price risk
Holdings in equities are by their nature subject to market movement. In order to mitigate this risk, the Society operates an Investment & Finance Committee which overseas investment activity, monitors investment managers and ensures that the investment policy and asset allocations are adhered to. The Society manages its assets for the benefit of its members. The asset allocation

policy, counterparty limits and other controls provided in the Investment Policy balance the risks against the rewards.

Investment managers are used to manage much of the Society's investment portfolio with the Chief Actuary being asked to review the Investment Policy. Investor Policy statements are used to assist in the portfolio management with investment managers.

Interest rate risk

Interest rate risk exists for all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility. Due to the nature of the Society's products, the long term business funds may be impacted by these interest rate movements. Asset-liability matching is performed to broadly match expected liability cash flows on a realistic basis in each fund. However, this can never be exact due to the uncertainties involved.

Exchange rate risk

The Society has a number of directly held equity investments in foreign currencies which present an exchange rate risk. The Society's holdings in USD represent 16.4% of the investments held, Japanese Yen 2.2% and EUR 2.7%. Exchange rate risk is not hedged and so a change in the exchange rate will lead to a corresponding change in the value of assets.

Counterparty default risk

Counterparty default risk is the risk of loss incurred by the Society if a counterparty fails to perform its contractual obligations, including failure to perform them in a timely manner. The Society's exposures are mostly in respect of £5.5m cash balances held at 31 December 2019 (2018: £4.7m). The cash deposits are spread between HSBC, National Westminster and Ulster Bank. The Society has a low level of exposure to reinsurers and this is declining with the maturity of the portfolios. There are not therefore any specific actions envisaged to manage reinsurer default risk. Counterparty default stress would lead to a 1.5% decrease (2018: 3.2% decrease) in the Society's surplus capital, before allowing for correlation.

C.3 Credit risk

Credit risk results from the sensitivity of the value of assets and liabilities to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.

The terms of the Society's investment mandates require an appropriate spread of holdings within specified parameters, with the majority of assets being 'A' rated bonds or higher. There are also limits on the maximum exposure to any single counterparty and on the level of exposure to lower rated bonds. This results in a relatively modest exposure to lower rated and hence more risky assets within the investment funds.

The Society considers regular reviews from the fund manager so that the risk within the funds remains appropriate. At 31 December 2019 the Society held £20.0m (2018: £20.5m) of listed fixed interest securities. Of these the Society held £12.2m (2018: £11.1m) of corporate bonds. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

C.4 Liquidity risk

Liquidity risk is not having sufficient liquid resources to meet changing market conditions and being unable to meet obligations as they fall due or being able to secure them only at excessive cost.

Liquidity is required to honour all cashflow commitments, both on and off balance sheet, and these are generally met through cashflows supplemented by assets readily convertible to cash. The management of liquidity is consistent with the economic capital, regulatory and operational needs across the Society.

The Board is responsible for defining the risk appetite and monitoring liquidity risk exposure. Liquidity risk oversight is performed by the Investment Committee. The Investment Committee sets and monitors appropriate asset ranges bearing in mind the liquidity needs for each fund.

C.5 Operational risk

Operational risks are those risks which may affect the ability of the Society to operate effectively in the interest of its members. Such risks may occur due to the breakdown of systems, internal controls or oversight of or lack of compliance with relevant legislation. The materialisation of such risks may cause the Society to lose its reputation and so affect its ability to continue to take on new members and cause financial loss.

Management of operational risk involves first identifying the objectives of the Society across all areas before identifying the risks of not achieving them. The assessment of those risks is completed in both terms of probability and impact in order for the Society to consider how to eliminate, reduce, transfer or accept any potential problem. Ongoing monitoring is required and any significant risks identified should be allocated for action.

The risks that were identified by this process and the management and mitigation were:
Financial control of claims, investment fluctuations and control of expenses - Strong cost control with Board oversight.
Increases in morbidity – close monitoring of claims experience on monthly basis.
Operational risks and increases in expenses – detailed M.I. overseen by Management and Board.
Reputational & Governance – detailed Corporate Control Manual implemented with assurances from Internal and External Auditors to the Board.

The Audit and Risk Committee in conjunction with the other Committees have developed a full Risk Map which is considered at each Audit and Risk Committee meeting. It is further reviewed and adopted by the Board at each meeting. The risk map is then embedded with the day to day operations of the Society. There is a robust mechanism of reporting changes to the risk profile and the subsequent amendments of controls to be adopted from staff to Committees and the Board.

C.6 Other material risks

Accepting these risks is a result of being open to new business. Higher new business volumes have in the past exposed the Society to potential free asset issues whilst low new business levels may result in an inability to recover the costs of writing that new business.
The Society has continued to monitor new business levels although the implications of new business strain have reduced in recent years. The Society does continue to have a risk in falling customer service levels should business levels outpace the Society's ability to deliver a high standard of service.

The stagnation in demand and increasing competition increases the risk of writing too little business. The Society's strategy is to diversify into new product areas with alternative distribution methods to mitigate this risk.

C.7 Any other information

The only other information provided is in relation to Covid-19.

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

- an increasing incidence of claims,
- an increase in lapses,
- reductions in new business,
- reductions in asset values, and
- lower future investment income and growth.

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

The Society has already taken steps to mitigate deteriorating claims experience and is monitoring the other risks closely, with management regularly reporting to the Board. Management have assessed the impact of COVID-19 on cashflow and liquidity and have no concerns at present. This continues to be monitored regularly.

D Valuation for solvency purposes

D.1 Assets

Assets have been valued in accordance with Article 75 of the Solvency II Directive which requires that the assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arms' length transaction.

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

£m	**31 December 2019**	**31 December 2018**
Gilts	7.8	9.4
Other fixed interest	12.2	11.1
Equity holdings (including equity funds)	19.9	17.2
Property	0.0	0.0
Cash and deposits	5.9	5.0
Other assets	0.2	0.2
Total assets	**46.0**	**42.9**
Value of reinsurance	(0.8)	(1.4)
Total assets for solvency purposes	**45.2**	**41.5**

The listed investments are all included at market value.

There is no directly held property.

Cash and deposits are valued at face value.

Other assets are shown at the value calculated in the accounts.

The value of reinsurance is taken to be the best estimate of the value of recoveries from reinsured business. This is negative because the premiums paid to the reinsurer are greater than the expected recoveries on a SII basis.

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

The Society has no intangible assets.

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

The Society has no related undertakings.

There has been no significant exercise of judgement in arriving at the values shown.

The assets (and liabilities) shown for solvency purposes are quoted gross of reinsurance, with the value of reinsurance shown separately. The financial statements show assets excluding reinsurance and liabilities are stated at their net values. This difference is for reporting purposes only and has no impact on the overall result.

Other than presentation, including the difference in treatment of reinsurance noted above, there are no differences between the valuation of assets for solvency purposes and those shown in the financial statements.

D.2 Technical provisions

The following table summarises the Society's technical provisions:

£m	31 December 2019	31 December 2018
Members' accounts at the valuation date*	18.5	20.0
Future final bonus	5.9	5.8
Growth life bond	0.1	0.2
Sickness reserves for healthy lives	(21.0)	(25.5)
Sickness reserves for sick lives	5.8	5.6
Incurred but not yet reported	0.1	0.1
Total best estimate liabilities	**9.4**	**6.2**
Risk margin	6.1	6.0
Technical provisions	**15.5**	**12.2**

*including allocations declared for the valuation year

All of the Society's technical provisions relate to health (similar to life) business. The Society sells Holloway income protection business and pure income protection business in the UK and Ireland.

<u>Valuation methodology</u>

The components of the best estimate liabilities have been calculated as follows:

- UK and Irish members' capital accounts (including both non-commuted and commuted accounts) are all linked to the Society's Holloway contracts of insurance. The amounts are guaranteed to be payable on maturity or earlier on death. The Society applies its discretion in the amount it pays in the event of withdrawal before maturity.

- Each year these benefits, at the discretion of the Society, may be increased by both a capital apportionment bonus, in respect of any favourable investment returns over the year, and a share apportionment bonus in respect of any favourable sickness experience (akin to a bonus equal to premiums less claims less expenses).

- The value of these accounts is equal to the discounted value of the Holloway deposit accounts including allowance for future capital and share apportionment bonuses and future final bonuses.

- UK and Irish sickness business is valued using a gross premium methodology. This means that the reserve is calculated as the value of future sickness payments plus expenses less future premiums payable.

- Monthly cashflows are projected for each individual contract equal to the expected monthly sickness payment (where relevant) assuming all policyholders are healthy at the date of valuation, gross of reinsurance plus the monthly cost of maintenance expenses allowing for future expense inflation minus the expected future monthly premiums payable.

- Each monthly projected cashflow is then reduced by the probability the contract remains in force. Terminations arise from lapses and withdrawals, mortality and maturities or retirements.

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

- Additional reserves are held to cover all UK and Irish income protection claims in payment based on the discounted value of all future sickness cashflows expected to arise from the current block of claimants.

- The valuation assumes that share apportionment and final bonuses continue at the rates in force at the valuation date and implicitly assumes that capital apportionments continue in line with underlying risk free rate. The Society may decide to pay lower or higher rates having regard to the Society's financial resources at that time.

- An additional reserve is held to cover the value of claims where policyholders have fallen sick but where they have not reported that fact to the Society (or they have reported the claim but it has yet to be admitted by the Society). This is valued as $1/26^{th}$ of the average annual claims over the past three years to allow for the average two-week delay in notification/approval of a claim.

- The value of guarantees within the Holloway business has been shown to be immaterial and no specific allowance has been made.

The regulations allow the Society to hold negative reserves and it is a requirement that the reserves are realistic. On that basis the Society recognises the full value of such contracts even when the values are negative.

Reserves are calculated separately for each contract the Society has in force at the time of the investigation.

The Solvency II Directive requires that the calculation of technical provisions should include:

- all expenses that will be incurred in servicing insurance and reinsurance obligations; and
- inflation, including expenses and claims inflation.

In order to comply with this the aggregate amount of renewal expenses is calculated at product level using the Society's total budgeted maintenance related expenses and new business volumes for the five years immediately following the valuation date. Per policy expenses are then calculated at product level using the projected run-off of in force policies allowing for future new business. Per policy expenses are assumed to increase annually in line with the Society's expense inflation assumption.

Acquisition related expenses are not brought into the regulatory valuation as the valuation is only concerned with business written up to the valuation date (except as described above). Future acquisition costs are assumed to be covered by the profit margins within the new business written after that date. This is consistent with the "going concern" basis Solvency II requires.

The Society has one reinsurance arrangement in place. This is a quota share treaty with Hannover Re that reinsures 50% of the sickness benefits for the Bond income protection products sold between 2001 and 2010 in the UK, where the reinsurance becomes payable once the policyholder has been sick for 26 weeks.

The value of reinsurance is calculated using a gross premium valuation methodology (as described above for income and liability cashflows). The value of reinsurance is stated as an asset in the Society's Solvency II balance sheet.

The Society's liabilities are denominated in GBP and Euros.

None of the Society's contracts had any options or any guaranteed surrender values in place during the year up to the valuation date.

All the Society's cashflows are discounted at the required risk-free rates of interest set by EIOPA as at the valuation date (separate rates apply to GBP and Euro denominated liabilities).

The risk margin is calculated for the business as a whole. It represents the cost of providing the Solvency Capital Requirement ("SCR") excluding diversifiable market risk for the run-off of the business using the required cost of capital rate of 6%.

All of the Society's liabilities relate to health (similar to life) business and there is no requirement to split the risk margin by line of business. The risk margin for 2019 is £6,131,000.

The value of the risk margin is calculated using the simplified assumption that the amount of the SCR at the end of each year excluding diversifiable market risk will reduce in line with the key risk driver for the particular sub-risk considered (for example, for morbidity risk, the key risk driver used is the present value of sickness benefits in force). After applying the 6% cost of capital to the projected SCR's, the values are discounted using the risk-free yield curve.

Valuation assumptions

The basis used to determine the best estimate liabilities is set out below. These are the realistic assumptions that the Society is expected to set based on actual experience. There are also many parameterisations prescribed by the Standard Formula which are not within the control of the Society and have not been listed.

The Solvency II risk free yield curves published by EIOPA at the reporting date have been used.

The sickness basis for each of the Society's contract types is as set out in the tables below.

UK business

Deferred period	Inception rates	Female loading	Recovery rates
0 weeks	23%	85%	80%
4 weeks	23%	85%	80%
13 weeks	23%	85%	110%
26 weeks	23%	85%	110%
52 weeks	23%	85%	110%

Irish pure protection business

Deferred period	Inception rates	Female loading	Recovery rates
0 weeks	52%	10%	80%
4 weeks	52%	10%	80%
13 weeks	52%	10%	110%
26 weeks	52%	10%	110%
52 weeks	52%	10%	110%

The rates expressed in the two tables above are a % of industry CMIR12 tables.

Mortality rates while healthy: 40% of AMC00/AFC00.

Lapse rates:

Type	% per annum
Non-commuted	5.0%
Commuted	5.0%

Per policy expenses have been derived from the budgets set in the Society's latest Business Plan and the projected number of policies in force from the year-end 2019 model. These calculations assume that the Society continues as a going concern and allows for the impact of the new business policies projected in the Business Plan on the projected policy count. The expenses are inflated by the expense inflation assumption.

Expense inflation affects the valuation of the Society's per policy costs and should reflect the expected rate of increase of per policy expenses. Per policy expenses have been increased from the valuation date in line with the UK implied inflation spot curve published by the Bank of England.

Future bonuses (share and capital apportionment bonuses) have been assumed to continue at current rates. Final bonus rates have also been assumed to continue at current rates. Capital apportionments are implicitly assumed to continue at the risk free rate.

The exchange rate used at 31 December 2019 to convert the Society's Euro denominated liabilities to sterling was €1: £0.8500.

There is no allowance for tax.

Other information

With any modelling exercise there will be an underlying level of uncertainty present. Uncertainty arises primarily from the data being used, the choice of assumptions, and from the choice of model.

The data used is checked rigorously to mitigate the risk that errors may materially affect the valuation result. Data is also reviewed over time to check for consistency between different time periods. A reconciliation is carried out between reporting periods to allow for actual movements in the data over the year.

Assumptions may be demographic or economic and are set using historical experience and the current market environment and expectations. Actual and emerging experience is reviewed against expectations at least annually and more frequently if necessary. The results of these analyses are fed into the assumption setting process for the valuation. Results are assessed for their sensitivity to key assumptions.

The model used is tested regularly to mitigate the risk that errors may materially affect the valuation. The choice of model is made so as to comply with the regulations whilst ensuring an efficient projection process and some simplifications may be necessary to achieve this.

There are no differences between the valuation for solvency purposes and the values that are shown in the financial statements.

No use has been made of a matching adjustment.

No use has been made of a volatility adjustment.

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

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

D.3 Other liabilities

The only other liabilities the Society has are current liabilities of £695,000. These consist of creditors and other accruals. The value used for valuation purposes is the same as that shown in the financial statements.

D.4 Alternative methods for valuation

No alternative valuation methods have been employed.

D.5 Any other information

The only other information provided is in relation to Covid-19.

The notional value of the Society's investments has reduced since the 2019 year end due to the economic turmoil and huge uncertainty caused by the pandemic. However, the recent reduction in government bond yields has had an opposite effect on the Society's best estimate liabilities denominated in Euro, all else being equal, since the value of future profits is now worth more. This does not take account of any increase in claims and lapses which may reduce the value of future profits.

There is considerable uncertainty regarding the development of claims and lapse experience and the impact this may have on the best estimate liabilities. There will undoubtedly be an increase in claims inceptions during 2020 but whether that will manifest itself in longer term experience is unknown. The impact of the various Government financial support packages is also unknown. The impact on lapses is even less certain and it will be many months before any credible assessment of experience can be made.

E. Capital management

E.1 Own Funds

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

The Society's ORSA is a rolling process in which the Society reviews the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened. This is achieved by using a combination of internal, actuarial and regulatory information to appropriately report on the Society's position. It is the responsibility of the Board to determine that an appropriate review process is in place. At any point where a threshold in the Society's risk appetite is breached an automatic review of the ORSA will be triggered.

Solvency, risk appetite and management actions are reviewed on a quarterly basis, or more often if regulatory, market or economic conditions dictate. The Society's risk register, business plan and investment strategy are reviewed annually, or more often if regulatory, market or economic conditions dictate. The Society's normal business planning period is five years.

If the Society's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement ("SCR"), then the Society will draw up appropriate plans to rectify that position. These plans will be appropriate to the Society's circumstances at the time but might include:

- taking such management actions as may be anticipated within its SCR calculations;
- reviewing and refocusing its strategic objectives and priorities;
- re-pricing its contracts of insurance;
- reviewing its expense base, including potentially closing to new business; or
- seeking a transfer of engagement.

How and how much of the Society's surplus funds are distributed as bonuses is normally decided annually by the Board, once the Society's year end solvency position has been determined and taking into account recommendations from the Society's actuary. There are no definitive rules as to how surplus should be distributed or how the surplus should be split between capital or share apportionments and final bonus. However, the Society is mindful of historic practice in setting bonuses and tries to ensure that bonuses do not vary significantly year on year and broadly reflect members' contribution to surplus funds.

The Society's Own Funds are shown in the following table:

£m	**31 December 2019**	**31 December 2018**
Total admissible assets	45.2	41.5
Technical provisions	15.5	12.2
Other liabilities	0.7	0.6
Total liabilities	16.2	12.8
Own Funds	**29.0**	**28.7**

All of the Society's capital is classified as Tier 1. The amount of Tier 1 Own Funds at the reporting date is £29,008,000. There are no restrictions on the use of Own Funds and this amount is available to cover the SCR and the Minimum Capital Requirement ("MCR").

The Society has a reconciliation reserve of £29,008,000. This includes £14,578,000 of expected profits arising on future premium receipts on pure income protection business.

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

There are no items subject to a transitional arrangement.

There are no items of ancillary Own Funds.

There are no deductions from Own Funds and no restrictions on availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Society uses the Standard Formula to calculate its Solvency Capital Requirement ("SCR").

The SCR at 31 December 2019 was £16,319,000 after allowing for management actions. This figure is subject to supervisory assessment.

The SCR split by risk module is shown in the following table:

£m	**31 December 2019**	**31 December 2018**
Market risk	9.3	8.0
Counterparty default risk	0.5	0.9
Health risk	10.9	10.1
Diversification benefit	(4.5)	(4.3)
Basic Solvency Capital Requirement	16.2	14.7
Operational risk	0.1	0.1
Solvency Capital Requirement	**16.3**	**14.8**

The Society's surplus funds after capital requirements are shown in the following table:

£m	**31 December 2019**	**31 December 2018**
Own Funds	29.0	28.7
Solvency Capital Requirement	16.3	14.9
Surplus funds	**12.7**	**13.8**

The Society has not adopted any of the Standard Formula simplifications set out in the Delegated Act for the SCR calculation and does not use any undertaking-specific parameters.

The Minimum Capital Requirement ("MCR") is the minimum amount of capital that the Society must hold. The MCR is calculated using a linear formula and must lie between 25% and 45% of the SCR after management actions have been allowed for. It has an 'absolute floor' of €3.7m. The Society's MCR is calculated as 25% of the SCR which equates to £4,080,000 at the reporting date.

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

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

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

The Society does not use an internal model.

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

The Society has complied with the SCR and the MCR throughout the reporting period.

E.6 Any other information

The only other information provided is in relation to Covid-19.

A review of solvency has been undertaken at a low point of the markets during March and applied to the 2019 year-end position. In addition, a further stressed scenario making adverse assumptions for sickness and lapses has also been run on this reduced asset position. This has provided comfort to the Society's Board and external auditors that the Society is adequately covering its Solvency Capital Requirement and Minimum Capital Requirement and is expected to continue to do so over 2020.

.

F Approval by the Administrative, Management or Supervisory Body of the SFCR and Reporting Templates

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

The Board has considered the possible impact of Covid-19 on the Society's finances and operations, as described above and concluded that the Society is able to continue to meet its obligations to policyholders and regulators.

The situation is changing rapidly, and the Board is continuing to closely monitor the position as events unfold.

We are satisfied that:

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

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

Chief Executive
16th May 2020

Dentists' and General Mutual Benefit Society Ltd

Solvency and Financial Condition Report

Disclosures

31 December

2019

(Monetary amounts in GBP thousands)

General information

Undertaking name	Dentists' and General Mutual Benefit Society Ltd
Undertaking identification code	213800S8A5ZO9E34UY54
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

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

S.05.02.01 - Premiums, claims and expenses by country

S.12.01.02 - Life and Health SLT Technical Provisions

S.23.01.01 - Own Funds

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

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

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	40,331
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	3,625
R0110	*Equities - listed*	3,625
R0120	*Equities - unlisted*	
R0130	*Bonds*	19,409
R0140	*Government Bonds*	7,518
R0150	*Corporate Bonds*	11,891
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	17,297
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	-858
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-858
R0320	*Health similar to life*	-858
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	5,548
R0420	Any other assets, not elsewhere shown	166
R0500	**Total assets**	45,187

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	15,484
R0610	*Technical provisions - health (similar to life)*	15,484
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	9,354
R0640	*Risk margin*	6,131
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	695
R0900	**Total liabilities**	16,179
R1000	**Excess of assets over liabilities**	29,008

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	4,017								4,017
R1420	Reinsurers' share	300								300
R1500	Net	3,717								3,717
	Premiums earned									
R1510	Gross	4,017								4,017
R1520	Reinsurers' share	300								300
R1600	Net	3,717								3,717
	Claims incurred									
R1610	Gross	1,612								1,612
R1620	Reinsurers' share	108								108
R1700	Net	1,504								1,504
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0								0
R1900	**Expenses incurred**	1,600								1,600
R2500	**Other expenses**									
R2600	**Total expenses**									1,600

S.05.02.01

Premiums, claims and expenses by country

Life

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			IE					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	2,635	1,382					4,017
R1420	Reinsurers' share	300						300
R1500	Net	2,335	1,382					3,717
	Premiums earned							
R1510	Gross	2,635	1,382					4,017
R1520	Reinsurers' share	300						300
R1600	Net	2,335	1,382					3,717
	Claims incurred							
R1610	Gross	1,183	430					1,612
R1620	Reinsurers' share	108						108
R1700	Net	1,075	430					1,504
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0					0
R1900	**Expenses incurred**	727	873					1,600
R2500	**Other expenses**							
R2600	**Total expenses**							1,600

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**																0
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
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**												-12,845	22,199			9,354
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default													-858			-858
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re												-12,845	23,057			10,212
R0100	**Risk margin**											6,131					6,131
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole																0
R0120	Best estimate																0
R0130	Risk margin																0
R0200	**Technical provisions - total**											15,484					15,484

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	29,008	29,008			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	29,008	29,008	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	29,008	29,008	0	0	0
R0510	Total available own funds to meet the MCR	29,008	29,008	0	0	
R0540	Total eligible own funds to meet the SCR	29,008	29,008	0	0	0
R0550	Total eligible own funds to meet the MCR	29,008	29,008	0	0	
R0580	**SCR**	16,319				
R0600	**MCR**	4,080				
R0620	**Ratio of Eligible own funds to SCR**	177.75%				
R0640	**Ratio of Eligible own funds to MCR**	711.02%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	29,008
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	29,008
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	14,578
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	14,578

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	11,953		
R0020	Counterparty default risk	444		
R0030	Life underwriting risk	0	9	
R0040	Health underwriting risk	13,775	9	
R0050	Non-life underwriting risk	0	9	
R0060	Diversification	-5,657		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	20,514		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	149
R0140	Loss-absorbing capacity of technical provisions	-4,344
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	16,319
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	16,319
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

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

USP Key

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

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

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

S.28.01.01

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

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

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

		C0040
	Linear formula component for life insurance and reinsurance obligations	
R0200	MCR_L Result	76

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	13,685	
R0220	Obligations with profit participation - future discretionary benefits	9,372	
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		81,047

		C0070
	Overall MCR calculation	
R0300	Linear MCR	76
R0310	SCR	16,319
R0320	MCR cap	7,344
R0330	MCR floor	4,080
R0340	Combined MCR	4,080
R0350	Absolute floor of the MCR	3,187
R0400	**Minimum Capital Requirement**	4,080