Exeter Friendly Society Limited

Annual Report and Accounts 2022

The Exeter

You matter more.

Exeter Friendly Society Limited

Board:	
Wallace Dobbin, BA, Barrister	Board Chair and Independent Non-Executive Director (retired 31 December 2022)
Peter Hubbard	Board Chair and Independent Non-Executive Director (appointed as Non-Executive Director 1 August 2022. Formal regulatory approval as Chair of the Board received 11 November 2022)
David Brand, BA, FIA	Senior Independent Non-Executive Director
Steve Payne, BSc, FIA	Independent Non-Executive Director
Helen McEwan, BA, AFPC	Independent Non-Executive Director
Keith Baldwin	Independent Non-Executive Director
Isobel Langton	Chief Executive
John Gunn, BSc, FFA	Executive Director
Steve Bryan, BA	Executive Director
Chris Pollard	Executive Director (resigned 30 June 2022)
Professor Willie Hamilton, CBE, MD, BSc, FRCP, FRCGP	Medical Director
Zoe Kubiak, FCG, MSc	Company Secretary
Registered Office:	Lakeside House, Emperor Way, Exeter EX1 3FD Tel: 0300 123 3201 Email: member@the-exeter.com Website: www.the-exeter.com
With Profits Actuary:	Trevor Fannin, BSc, FIA, Willis Towers Watson (resigned 1 February 2022)
	Wendy Crockford, BSc, FIA (appointed 1 February 2022)
Independent External Auditors:	Mazars LLP
Bankers:	Barclays PLC
Investment Managers:	Royal London Asset Management Limited
Tax Advisers:	Grant Thornton UK LLP

Cautionary Statement: The Strategic Report and certain other sections of this annual report contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in which the business operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ from those currently anticipated. The Exeter is a trading name of Exeter Friendly Society Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (Registered Number 205309) and is incorporated under the Friendly Societies Act 1992 (Registration Number 91F).

Contents

Business highlights

KEY NUMBERS

Total numbers of members

116,115

Total value of claims paid

£45m

New business sales

£15.5m

Gross premium income

£80.3m

Total group assets

£237.6m

Trust pilot trust score**

4.4/5

Charity support

£112k

HEALTHWise

USAGE INCREASED BY 60%

Top services used

No1
Remote GP 24/7

No2
Mental health support

No3
Physiotherapy consultations

*Reserves & solvency margins are a key performance indicator and are reviewed regularly by the Board to ensure weremain financially secure into the future.
**Based on 617 reviews.

Who we are

Our organisational roots trace back to the founding of the Pioneer Friendly Society in 1888 and the Exeter Hospital Aid Society in 1927, meaning we have a long and proud heritage of serving our members' interests as best we can.

The needs of the Society's members have shifted radically through this period, which has witnessed world wars, the advent of the NHS, many new medical breakthroughs, the computer age, the internet era, a global pandemic and more recently the war in Ukraine. As the world around us has changed we have constantly had to innovate and adapt to ensure we have a healthy business that is stable and capable of doing the right thing for its members.

Our strategic ambition is to:

1. Continue to deliver a sustainable future for The Exeter and its members;
2. Be clear on what we stand for and be the best at what we do; and
3. Maintain our unique place in our markets.

This doesn't necessarily mean we will be the biggest, but that shouldn't stop us striving to be the best at what we do. The products and services we provide to our customers reflect the value we want to bring them, what we stand for and why they should choose us.

This ambition is reflected in our 2023 Business Plan goals and is aligned to our strategy and the propositions we offer our customers. As we enter 2023, we believe we are in a strong position to continue working towards our strategic ambition.

We want more people to have the confidence that their livelihoods, lifestyles and loved ones are protected in the event of their illness, injury or death.

We are committed to creating inclusive and accessible insurance solutions that better serve the needs of a wider range of people.

Our Purpose
To provide more people with more peace of mind in a more uncertain world

Our Brand Promise

The Exeter
You matter more.

Our Commitments

1. To us, you're more than a customer, you're a member
2. We put people before profit
3. Our measure of success is the claims we pay
4. We do more to cover more people
5. We take care of you

Our Vision
To stand out as the insurer people trust most to deliver true peace of mind

We aspire to hold an unrivalled reputation for the sense of assurance and confidence we inspire, and the loyalty and trust we earn, from our customers.

Our size as an organisation is no barrier to the size of the reputation we continue to build for ourselves.

Chair's Statement

I am delighted to introduce my first annual report as your newly appointed Chair of the Society. Also being Chair of Dudley Building Society and prior to that Chair of Co-op Insurance, I am passionate about the role mutuals have to play in the UK financial landscape. By their very nature mutuals are closely connected to their members, with purposes that extend far beyond profit. This has never been more relevant than now.

In today's environment with significant economic uncertainty, ongoing geo-political volatility, the continued impacts of COVID-19 and the journey towards net zero economies, we know that it is vital that we continue to anticipate and adapt to the needs and expectations of our members. Whether that be in the products and services we offer, our drive for wider accessibility to insurance, or the role we play in the wider community as a socially responsible organisation.

Despite these changing times, we have recorded another positive year in terms of both financial performance and the service we provide members. We welcomed an additional 7,460 members to the Society and paid over £45m in claims to those in need of income protection, those seeking medical care and to families who lost their loved ones.

As 2023 looks to be another year of uncertainty, with rising costs for food, fuel, and other essentials, we know that our members across the UK will be having to make sacrifices. We ask any member who is struggling to meet their premium payments to contact us as soon as possible, so that we can do our best to support you.

It has been two years since Isobel Langton joined the Society as Chief Executive (April 2021) and in that time, we have built a clear strategic roadmap with strong momentum for building and delivering a more focused member-centric experience in the years to come. Even with a persistent shift towards digital relationships across all industries, we know that during times of need a human touch matters most to our members, and we are supporting our dedicated colleagues to deliver this experience for all members. This starts with a renewed focus on our values and what it means to be truly member focused. The Board is considering a number of options to allow the business to make the necessary expenditure to implement these significant changes to the business. By making these changes we believe we will ensure the growth and sustainability of the Society to its members and stakeholders for the long-term future.

We also recognise that climate change and associated risks are not only material to our organisation, but important to our members, and in 2023 we will continue to develop and enhance our Environmental, Social and Governance (ESG) Strategy.

Over the next 12 months, The Exeter will be focused on raising the bar on our member experience. Alongside this we will continue to deliver a programme of work that involves people from all areas of our business focussing on what makes The Exeter such a special place to work, with high rates of colleague engagement and member advocacy. At a Board level, I will be working to ensure that our Non-Executive Directors continue to lead by example and as some of my Board colleagues will be reaching the end of their tenure during 2023 and 2024, I will be working to ensure we continue to bolster our senior leadership team with ever broader experience and greater capability.

I would like to close by thanking both our outgoing Chair Wallace Dobbin for his 17 years of service to the Society and also Chris Pollard who stood down as an Executive Director, both leaving the Society in a strong position and ready to embark on its next chapter. My sincere thanks to our team of colleagues who work so tirelessly on behalf of our members.

I am always happy to hear directly from you with your feedback, you can email me at chair@the-exeter.com.

Peter Hubbard
Board Chair

Message from the Chief Executive

As Peter mentioned, it's been another extraordinary year in which we have recorded a solid performance both financially and in the service we provide to our members. Once again, we saw an increase in our membership numbers, which now stand at over 116,000 and we issued more policies than ever, a 28% increase year-on-year. The income protection, life and health insurance markets all continue to grow, and our policies continued to provide peace of mind for more and more people. As The Exeter grows, it is more important than ever that we continue to support the thousands of members who need to make a claim every year.

It has now been two years since I joined The Exeter and we are well on the way with the implementation of our strategy, which has been developed with the support of the Board. We've focused on establishing a clearer "north star" for the organisation along with a new purpose and greater clarification of our vision and strategic ambitions. A review of our customer touch points has highlighted some areas where we can focus on raising the bar in the experience we offer our members, whilst building a sustainable organisation for the future.

As we implement our strategy, we are increasing investment in key functions across the organisation. For example, we are making a significant investment in improving our claims capability, to improve members' experience. Ensuring we can provide support to members when they need to claim is fundamental to our purpose, and these investments will continue into 2023 and beyond.

Our colleagues are a source of great strength for us, and a critical part of our strategy is creating the environment and conditions where they are empowered and inspired to be at their best on behalf of our members. We've embarked on a fresh approach to resource management and development to allow our colleagues to do what they do best, supporting members, and we're creating the capacity for them to be able to bring more value by re-thinking how we carry out some of the routine and non-value adding tasks, whilst also equipping them with more tools to deliver excellent member experiences.

The COVID-19 pandemic had a huge impact on the health industry as a whole. The impact and disruption has been far reaching and led to an increased awareness of the presssures facing our NHS, together with greater awareness of the risk of disease and the need for active health management. The launch of our guided healthcare option in 2022 was well received by the industry and helped to increase our year-on-year sales for health insurance by 117%.

As healthcare costs continue to increase, limitations on government funding means we could see an increase in private sector involvement. In this regard, there are many opportunities for us at The Exeter to increase our emphasis on improving people's health and wellbeing, working beyond the traditional role of a health insurer.

A positive change over the last few years has been our now permanent shift to hybrid working. Requiring our people to be in the office five days a week is no longer the norm. Colleagues now enjoy a blend of office and home-working with some coming daily to the office, and others attending when necessary for collaboration-based working, training, business planning and project coordination. We acknowledge the importance of regular social contact, and we know that for some, home is not an option, but we want everyone to benefit from the increased flexibility hybrid working creates.

Thank you to our Chair and the Board for your ongoing support, to the Executive Team and colleagues for all your efforts and to you, our members, for continuing to rely on The Exeter in your times of need.

I'm excited about the future, the Society's prospects and how we can continue to find ways to make our members' lives easier.

Isobel Langton
Chief Executive

Principal Activities and Business Model

The principal activities of The Exeter are the provision of Income Protection (IP), Private Medical Insurance (PMI) and Life Insurance (Life) to its members. We also offer Health Cash Plans (HCP).

The Exeter's insurance businesses consist of both general and long-term elements, the former represented by its books of PMI and HCP business and the latter through its IP and Life. All insurance policies are underwritten by The Exeter and sales of new policies are distributed primarily through financial advisers and broker networks.

COVID-19

The initial focus, when the pandemic hit, was on ensuring that the business could continue to deliver a first-class service to members. However, the wellbeing and security of our people was just as important. The Board has continued to receive regular updates on how the pandemic has impacted colleagues, suppliers and agents and on how they are responding to it. Although COVID-19 was considered a material risk, this has been downgraded since the abatement of the pandemic. Nevertheless, uncertainty remains as to the future trajectory of the pandemic, including the emergence of new strains of the virus and medical outcomes of the long-term effects of COVID-19 on individuals. Please refer to the Risk Management Report, page 13 for details on this and all risks.

In 2021 a commitment was made to provide our health insurance members a fair return on their premiums once the impact of the pandemic was fully understood. With many private hospitals requisitioned by the NHS during the pandemic members did not have the opportunity to use their cover and, we did not receive the expected level of claims across 2020 and 2021. We did not consider this fair. Therefore a total of £5.3 million was returned to our health insurance members in 2022.

Ukraine

Whilst the Society has no direct operation or investments in either Russia or Ukraine, we are keeping a close eye on the evolving situation and its effect on the wider global economy. Inflation and economic risk factors are components of our risk management. This is an area of active monitoring and managing of any impact. As such we believe we understand the short-term risks and impacts and have controls in place. However, the long-term impacts remain uncertain, and this area will continue to be monitored closely.

Climate Change

In 2022, the Board agreed its sustainable business framework to support the Society in its aim to continue to make a positive social impact. We will take a holistic view to consider how best to become a more responsible organisation for our members. In its considerations of climate change the Board's aim has been to balance the views of all of its stakeholders including members, members, colleagues, suppliers, regulators and the communities the Group operates within. It also considered its reputation, the long-term success of the Society and financial strength. The full Climate Change and Environmental, Social and Governance (ESG) report can be found on page 18.

Supplier and Member engagement

Working successfully with our business partners is very important to the Society and we aim to maintain a close and collaborative relationship with our suppliers. To do this we have dedicated internal managers who meet with key suppliers and partners at least once a month to discuss levels of service and ways to continue to provide and improve on the strong service we provide to our members. During 2022 we continued to engage regularly, attending group events and taking part in specialist panel discussions with our suppliers and members.

We develop relationships with our members based on mutual trust and our ability to strive to effectively meet their needs. We seek to operate in a way that allows us to work closely with our members and use feedback from them as an opportunity to inform us of our levels of service and to continue to provide improvements.

We strive to treat all members fairly. This includes ensuring our more vulnerable members receive the assistance they need in all contact we have with them. We do this not to comply with regulations, but because we believe it is the right thing to do and because we genuinely care about our members. We have a specific member group whose sole focus is for the fair treatment of vulnerable members. One example of our fair treatment to our members was a rebate to our health members following the pandemic to ensure they received a rebate on their policy, which they were unable to use.

The drivers of vulnerability are ill health, detrimental life events, low levels of resilience, and lack of capability. With this in mind, it is clear that when using our services, a number of our members may indeed be considered vulnerable. Through training we ensure the whole business contributes to ensuring that, in the FCA's words, vulnerable members experience outcomes as good as other consumers and receive consistently fair treatment. On top of this The Exeter became the first insurer to sign up to the Vulnerable members Charter, working closely with the UK Financial Vulnerability Taskforce (FVT). Adoption of the Charter allows both firms and individuals to demonstrate their commitment to an independent standard.

The Board in 2022 approved an initial implementation plan to meet the new FCA Consumer Duty standards. These standards require firms to provide a higher standard of care around culture and behaviour, including ensuring firms' strategies, governance, leadership and people policies reflect good customer outcomes. The Board appointed the Chair of the Governance and Risk Committee to be the Consumer Duty Champion. The new duty aligns with the work already being implemented by the business in respect of its purpose, vision and strategic objectives.

Colleague engagement

We are committed to engaging our colleagues in our strategy and the crucial role they play in delivering it. We believe that companies with high trust and collaborative cultures achieve better financial results for themselves and their members.

As part of Board decision making, consideration is given to all stakeholders, including our colleagues. This is outlined in more detail on page 31. We have continued to develop and evolve our various colleague forums to ensure they have opportunities to understand and play an active role in matters that impact them and the work that they do. The CEO also continues to host meetings to directly engage with different colleagues for an informal chat and to allow an open channel for any issues and concerns to be raised. The Chair of the Nomination Committee, attends a number of the Employee Consultation Forums to ensure colleagues also have direct access to an independent member of the Board.

Colleagues have a confidential line into trained members of the People Team to discuss any issues, concerns or areas of support needed, along with the channel available to them via the Whistleblowing Policy. Colleagues also have direct access to our independent directors, in particular the Chair of the Governance and Risk Committee, as part of the Whistleblowing policy.

Strategic progress

Over the last year or so, the Board and the Executive Team have worked closely together to review and update our strategy and our ambition. The starting point is our purpose and vision:

- Our purpose is to provide more people with more peace of mind in a more uncertain world.
- Our vision is to stand out as the insurer people trust most to deliver true peace of mind.

Our history shows that we've always been a purposeful and principled company, driven by the right intentions for our members. Clearly setting out our purpose and vision provides the underlying principles that will guide us as we move forward and in a constantly changing and uncertain world.

This creates more clarity around who we are, what's most important to us and deepens the connection with our members and each other.

Our strategic ambition is to:

- Build a strong and sustainable future for The Exeter and its members;
- Be clear on what we stand for and be the best at what we do; and
- Continue to secure our unique place in our markets.

This doesn't mean we are aiming to be the biggest, or achieve a certain scale, rather our focus is on being the very best we can be at what we do, guided by our purpose and vision.

It is also important to us and our members that we are clear on the value that we bring to them through our overall experience and proposition. We believe this value is built on three core themes:

1. Inclusion – we strive to provide cover, choice and options for as many people as possible;
2. Service not just Product – the real product we provide our members with is service and experience; and
3. We know what's important – reflecting our deep understanding of our members and their changing needs.

Our initial strategic priorities have been aligned to the first stages of achieving our strategic ambition, building the strong foundations we need to achieve our longer term goals.

Raising the bar in member experience

We recognise the critical role that the experience our members have with us plays in our future success, and we are striving to raise the bar further in the experience we offer. We believe that this will create compelling reasons for members to come to us and stay with us and that delivering a consistently excellent customer experience will further enhance our reputation for our genuine commitment to members.

We also extend this thinking to our intermediary partners, seeking to deepen trust and grow the breadth of our relationships, actively seeking ways to support them flexibly as they adapt and evolve their own business models.

Building the future-ready organisation

As the environment around us and the markets we are in continue to rapidly change and evolve, even more so following the global pandemic, it has never been more important for us to be more responsive and adaptable to change and to manage constantly changing risk. New structures, processes, ways of working and streamlined governance will build our capability to be more flexible and more effective, all enabled through new, value-adding technologies to help increase speed and improve efficiency.

Unleash our culture

Our colleagues are a great source of strength for us and their continued engagement, support and trust will be critical to achieving our strategic ambition. We are creating the mindset, environment and conditions where our colleagues feel empowered and inspired to do their best work in service of our members. Our focus is also increasing on evolving how we lead, involve, engage and communicate with each other, adapting to the needs of modern hybrid working.

Business Plan

Our business plan for the coming years reflects the investment in our systems and people that are core to delivering our strategy. The plan is focused on growing sustainably whilst improving our efficiency through improved systems and people capabilities supporting a controlled cost base.

Overall the plan is aimed at generating and preserving value for our members over the long-term, providing a firm capital base on which to support future growth.

Key performance indicators and Strategic Scorecard

The Board monitors several key performance indicators to measure its success in delivering its strategy for the organisation, including sales, premium income, membership, claims, operating expenses, reserves, capital and solvency. In addition, a strategic scorecard has been developed that enables the Board and all colleagues to see, at a glance, the progress being made against our business plan and strategic goals.

The strategic scorecard contains measures covering the Business Plan and the three initial Strategic Priorities across members, colleagues and the organisation itself. The metrics have been chosen as being the most relevant measures of achievement against strategic targets and performance of products against expected results.

Membership and members

Membership is key to The Exeter as it reflects the scale of the Society; and the long-term ability to continue to provide services to members depends upon membership being stable or growing. Overall, therefore, the membership base showed an increase on previous years, where total membership was 116,115 (2021: 108,655) at the year end.

	2021	2022	Movement	%
General Business Membership	21,860	24,725	2,865	13.1%
Long Term Business Membership IP	55,908	59,450	3,542	6.3%
Long Term Business Membership Life	12,845	15,979	3,134	24.4%
Society Membership	90,613	100,154	9,541	10.5%
Cash Plan Membership	18,042	15,961	(2,081)	(11.5%)
Group membership	108,655	116,115	7,460	6.9%

Written premium income and sales

Written premium income comprises premiums from new policies sold in the year along with combined premiums of historic sales.

	New Business 2022 £	New Business 2021 £	**Increase / Decrease**	**Gross Written Premium 2022 £**	Gross Written Premium 2021 £	**Increase / Decrease**
PMI	**5.7m**	2.6m	**115.9%**	**36.1m**	34.5m	**8.8%**
Income Protection	**5.4m**	5.3m	**1.4%**	**31.5m**	28.4m	**10.9%**
Life Protection	**3.5m**	3.5m	**(2.1)%**	**10.2m**	7.9m	**29.7%**
Health Cash Plan	**408k**	534k	**(23.6)%**	**2.5m**	2.8m	**(6.4%)**

Gross premiums written by the Group and Society reported under UK GAAP are found in Note 5, which details premium written for both new business and renewals.

Claims and expenses

The Society's policies are designed to pay claims for the benefit of members and therefore, we consider this is a key measure of performance. In addition, our policies are priced to ensure fair premiums for all our members, and at a level that will ensure that the Society is sustainable and able to meet its members obligations and needs in the long-term.

At Group level the commission payable to intermediaries increased by 2.1% to £15.4 million (2021: £14.9 million). Net operating expenses increased by 15.6% from £24.6 million to £28.4 million. This information is detailed in Note 9.

The total claims paid out for the Group in 2022 was £36.4m (2021: £39.2m). This information can be found in note 7.

Claims (net)	**2022 £**	2021 £	**Increase / Decrease**
PMI	**27.8m**	30.0m	**(7.1%)**
Income Protection and Life Protection	**6.7m**	7.3m	**(8.1%)**
Health Cash Plan	**1.8m**	1.9m	**(7.7%)**

Asset and liability movements

The Exeter invests its assets in bank deposits, government securities, corporate securities and equities. The organisation has a policy of not using equities to match any insurance liabilities and therefore such investments are included in funds for future appropriation.

Investment markets have been volatile during 2022 resulting in unrealised losses on investments. Interest rates have increased considerably throughout the year, resulting in a reduction in the value of our bond investments. Where we apply asset-liability matching, this has been effective as the net loss is offset by the movement in reserves.

An analysis of the Society's financial assets can be seen in Note 17 the financial statements.

Financial Reinsurance

During the year, financial reinsurance was placed to provide a financing arrangement that covers new business sales of Real Life products for a period of three and a half years. It has been agreed that the reinsurer will pay a proportion of the initial commission on covered policies in exchange for proportion of cashflows arising from those policies, until the borrowing plus interest is repaid, with a maximum repayment term of 12 years. Full details of the financing arrangement is detailed in Note 24.

Movements on reserves and solvency

The Group Fund for Future Appropriations and General Reserves decreased by £13.5 million resulting in a combined Group Fund for Future Appropriations and General Reserve of £173.8 million (2021: £206.8 million). This information is further detailed in Note 19.

Solvency margins are a key performance indicator and are reviewed regularly by the Board to ensure we remain financially secure into the future. We report our solvency position directly to the Prudential Regulation Authority (PRA). We align reporting in the Annual Report and Accounts as closely as possible with the requirements of Solvency II reserving only for the long-term business fund.

Solvency II is the regime by which the Board runs the capital resources of the business. The measure of capital used for management purposes is defined as "Solvency II own funds" and these resources are measured against the relevant capital levels as defined in the regulations:

- Minimum Capital Requirement ("MCR") which is the level calculated by a prescribed standard formula below which a company must not fall to remain compliant.
- Solvency Capital Requirement ("SCR") which is a requirement (also calculated by prescribed standard formulae) which creates a threshold for Regulatory intervention if it is breached.
- Companies are also required to assess their own capital requirement based on a forward-looking assessment of future capital requirements know as an Own Risk and Solvency Assessment ("ORSA").
- The ORSA is a strategic Board tool that is used by The Exeter to ensure that the business is managed in a way that considers and takes account of all risks. The ORSA may introduce higher capital requirements if the Board believes it is appropriate.

Each element of the business is assessed separately for capital purposes and therefore The Exeter's overall capital requirement is split between long term business, general business and the cash plan operations. These elements are considered further below.

The Exeter sets a risk appetite to define the level of risk that the Board believes to be appropriate given the nature and scale of our operations. When assessing the level of Solvency II own funds held against the capital requirements, we set a limit above the relevant capital requirement below which solvency should not fall. If the level of Solvency II own funds approaches the limit there are a number of risk mitigation actions that can be undertaken to improve this situation which could include revisions to the Society's investment strategy, pricing strategy or restricting new business operations to reduce capital usage.

The unaudited Solvency II position for The Exeter is managed separately for the long term and general business funds and the results can be summarised as follows:

General Business Fund (unaudited)

	General Business Fund	
	2022	**2021**
	£000	**£000**
Available capital	**87,780**	**109,009**
Capital requirements:		
MCR	5,307	6,082
SCR	21,229	24,328
Available capital as a % of MCR	1654%	1792%
Available capital as a % of SCR	414%	448%

Long Term Business Fund (unaudited)

	Long term Business Fund	
	2022	**2021**
	£000	**£000**
Available capital	**80,988**	**95,233**
Capital requirements:		
MCR	13,797	16,300
SCR	55,188	65,200
Available capital as a % of MCR	587%	584%

The cash plan operations are conducted within a 100% owned subsidiary which is separately regulated and monitored. As a result, it has a separate capital adequacy requirement which must be separately monitored and maintained. Details of the current unaudited solvency position for the Exeter Cash Plan Limited are set out below:

	Exeter Cash Plan	
	2022	2021
	£000	£000
Available capital	**3,323**	3,652
Capital requirements:		
MCR	2,325	2,112
SCR	661	687
Available capital as a % of MCR	143%	173%

Principal Risks and Uncertainties

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. In meeting its obligations, the Board has carried out an assessment of the principal risks facing The Exeter, including those that would threaten its business model, good customer outcomes, future performance, solvency, or liquidity.

The Exeter classifies risks using the following categories:

1. Risks customers transfer to us (insurance risk, e.g., mortality, morbidity, health and persistency risks);
2. Financial risks that we incur (e.g., credit, market and liquidity risks);
3. Risks that we incur in the course of normal business (e.g., operational, broker & premium credit, conduct, information systems and cyber security risks); and
4. Strategic & external risks (e.g. business btrategy, political, people, economic & environmental risks).

Risks customers transfer to us (Insurance risks)

Insurance risks arise from the inherent uncertainties as to the occurrence, amount, and timing of insurance liabilities. Long-term insurance risk arises from mortality, morbidity, persistency, and expense variances. General insurance risk arises from risks in general insurance contracts which lead to significant claims in terms of quantity or value. Systems are in place to measure, monitor and control exposure to all these risks. These are documented in policies for underwriting, pricing, claims and reinsurance. The Board's Governance and Risk Committee is responsible for recommending the approval of relevant risk related policies and monitors compliance thereto based upon reporting provided by the Actuarial and Risk Management teams.

Financial risks that we incur

The Exeter is exposed to a range of financial risks through its financial assets, financial liabilities, insurance contract liabilities or assets, climate change transition and physical and associated reinsurance balances. In particular, the key financial risk is that in the long-term its investment proceeds are insufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, liquidity risk and credit risk, which also encompasses concentration and counterparty risks.

Risks that we incur in the course of normal business

The Exeter is exposed when the disruption to normal business operations is compromised. The risk of loss resulting from ineffective, inadequate, or failed internal processes, conduct, broker relationships, systems, or external events can disrupt the flow of business operations. The losses can be directly or indirectly financial. This is managed through having regularly reviewed policies, procedures, process maps and oversight by line management, Compliance and Risk Management teams.

Strategic & External Risks

Strategic risk refers to the internal and external events that may make it difficult, or even impossible, for an organisation to achieve their objectives and strategic goals. These risks can have severe consequences that impact organisations in the long-term. This risk would be considered external when an organisation has little or no control over if, when or how it might occur. For example regulatory risk should the regulatory capital framework change.

Further details of the principal risks facing the business, and the Board's policies and processes for managing or mitigating those risks, can be found in the Risk Management Report below. Having monitored and reviewed The Exeter's risk management and internal control systems during the year, the Board is satisfied that these are operating effectively.

Risk management framework

This section summarises the framework that the Society has determined to be the most appropriate and includes principal risks that the Society is exposed to and the way the Society manages them. The Society has adopted an enterprise-wide risk management (ERM) framework to ensure that risks are managed effectively. This framework comprises the three lines of defence model which provide three levels of independent oversight and assurance of the risk management carried out by the business.

Risks are assessed on a fund-by-fund basis and then aggregated for The Exeter as a whole. The Board's Governance & Risk Committee reviews the risk management framework at least annually and receives quarterly reports from the Chief Risk Officer. In addition, the Executive Board receives regular risk management reports and the Chief Risk Officer has a direct responsibility to the Chair of the Governance and Risk Committee.

The Board has set a risk appetite measured as a proportion of available capital for each of the funds. The utilisation of capital against this appetite is measured and considered regularly and appropriate action taken to address any issues. In addition, the Board has established its risk preference for the fifteen high level risks which is an informed subjective assessment of the degree of risk that the Board is content to accept. Please refer to Note 3 for the detailed value related assessments of risks.

How we manage principal risks

Change in risk level during 2022:	Increased ↑	Static ←→	Decreased ↓

Risks Customers transfer to us

New products and existing products are subject to review and approval via the Proposition Governance Committee, Executive Board and the Board. The quality and performance of our intermediary partners is monitored by the Distribution Quality Management Committee of the Executive Board to ensure that unsuitable insurance risks are not being introduced. Additionally, to mitigate risk in the long-term business fund the Society places reinsurance in the global reinsurance market.

Concentration risks are allowed for in Solvency II calculations using the Standard Formula. The market risk SCR incorporates the risk of any concentration of assets and the catastrophe risk SCR incorporates a concentration of insurance risks.

Risk	Risk Management	Change
Mortality Uncertainties over the timing and value of claims. Claims on policies should be within modelled mortality expectations.	• High quota share reinsurance • Distribution Quality Management reviews • Proposition governance reviews and approvals • Capital requirements and Risk Margin & Technical provisions • ORSA reviews • Executive and Board regular reviews • Validation of assumptions and calculations • underwriting philosophy and processes	←→
Morbidity Uncertainties over the timing and value of claims. Frequency and severity of claims falling outside expectations modelled by the Society.	• Experience analysis • Acquire right levels of experience and data. • Reinsurance, including Reinsurers' expertise • Capital requirements and Risk Margin & Technical provisions • ORSA reviews • Executive and Board regular reviews • Validation of assumptions and calculations • underwriting philosophy and processes	←→

Risk	Risk Management	Change
Health Uncertainties over the timing and value of claims. This relates to customers falling ill or having accidents with a greater frequency or severity than modelled by the Society and to claims being higher than expected due to increased healthcare costs.	• Regular reviews with outsourcing claims provider • Regular review of competitor products and pricing • Acquire right levels of experience and data. • Validation of assumptions and calculations • Capital requirements and Risk Margin & Technical provisions • ORSA reviews • underwriting philosophy and processes	←→
Persistency Continued rise in policy lapses and cancellations. Currently, lapse rates are lower than expected wtih persistent rates healthy. There is a real risk in how tough economic conditions will affect consumer spending thus increasing the risk.	• Distribution Quality Management reviews • Proposition governance reviews and approvals • Acquire right levels of experience and data • Validation of assumptions and calculations • Capital requirements and Risk Margin & Technical provisions • Executive and Board and regular reviews	↑

Financial Risks

Each of the exposures to risk are analysed regularly to assess their likely impact and probability. The overall level of risk is then compiled into a detailed report considering the correlation of individual risks to arrive at a required level of capital. 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. Please refer to Note 3 for more detail.

Risk	Risk Management	Change
Market Movements in asset values including equities, bonds, interest rates and exchange rates.	• Assets and liabilities matching policies • Robust investment policy • Investment committee reviews • Monitoring of markets both domestically and globally Stress/scenario tests ORSA reviews, Capital requirements and Risk Margin & Technical provisions	↑
Credit Credit defaults or expected defaults from/of counterparties with whom we invest funds, or of reinsurance counterparties. Also, failure of policyholders to pay premiums when due.	• Regular reviews of investment policy • Invested funds with a preference for securitised assets • Reinsurance and asset & liability matching policies • Exco and Board Reviews to specify min/max credit level of transaction with credit counterparties/ reinsurers • Quarterly validation/ monitoring checks on the data • Capital requirements and Risk Margin & Technical provisions • ORSA reviews • Stress/scenario tests	←→

Risk	Risk Management	Change
Liquidity Not being able to make payments when due as a result of insufficient cash, or readily realisable liquid assets.	• Daily/weekly/monthly validation/monitoring checks on the data (bank accounts) • Cashflow forecasting • Solvency Monitoring • Validation of assumptions and calculations - Pricing and Profitability reviews • ORSA reviews • Stress/scenario tests • Regular reviews of investment/liquidity policy • Executive Committee and Board reviews	←→

Risks that we incur in the course of normal business

All the risks within this category are variants of Operational Risk, which in turn is the risk of loss resulting from insufficient, inadequate, or ineffective people, processes and/or systems.

Risk	Risk Management	Change
Broker Risk of loss or lost opportunity from failing to adequately vet, monitor and manage broker relationships resulting in defaults in payments by intermediaries; inability to recover claw back (including fraud on premiums); missed New Business opportunities; and poor persistence/ high claims.	• Cooperation with regulators • Distribution Quality Management/Credit controller • Proposition governance reviews • Monthly review of commission claw backs on lapses by Compliance • Validation of assumptions and calculations - Pricing and Profitability reviews • Stress/scenario test • Regular reviews of Broker policy • Monitoring of markets both domestically and globally • Elixir reports	←→
Information The loss of confidentiality, integrity, or availability of information, data, or information (or control) systems and reflect the potential adverse impacts to organisational operations	• We use CIS 18 Critical Security Controls (CIS Controls) framework to benchmark the maturity of our controls • Security Education and Awareness Training • Compliance with industry standards ISO27001 and Cyber Essential Plus. • Effective Release Management process. • Review of resource levels and capabilities to ensure they meet the needs of a changing organisation. • Highly effective supplier management and good quality contract in place. • Committee reviews inc. Security/Supplier • Staff training and induction • Regular MI reviews • Maintenance and support agreements. • System monitoring tools issuing automated alerts.	↑

Conduct Defined by the regulator as 'actions of a financial institution or individual that leads to customer detriment, or has an adverse effect on market stability or effective competition'.	• Strong Leadership development • Clearly stated and communicated Strategy, Values & Behaviours • Strong policy framework and culture • Senior management responsibility for oversight of material outsourcing • Executive Committee and Board Reviews • Senior Managers understand and fulfil responsibilities under the SMCR • Compliance with the PRA Rulebook, FCA Handbook, the Principles for Business and desired TCF Outcomes/Customer Duty • Employee development that is fit for purpose • Vulnerable Customers Champions Forum • Product Governance Framework, target market assessments, fair value assessments, product reviews • Regular MI review including breach, error and complaints data and root cause analysis • Staff engagement activities to reinforce values and behaviours	←→
Operational • Direct or indirect loss and poor member outcomes arising from inadequate or failed internal business processes. • Unable to make payments out (claims/ 3rd party/ commission/ salaries/ member reimbursements) • Unable to receive payments (premium collections) • Unable to process new business and underwriting • Unable to provide Member Support	• Strong Leadership development • Strong policy framework and culture • Continuous process and procedure reviews • Regular quality assessments • Peer reviews of work • Continuous leadership development • People training/ inductions • Strong departmental communication/collaboration • Regular Product training • Regular MI review including breach, error and complaints data and root cause analysis • Executive Committee and Board and Operational Reviews	←→
IT Systems The potential for any technology failure could lead to a line of Business applications being unavailable; portal access to advisers being unavailable; and call centre being unavailable.	• Executive Committee and Board and Operational Reviews • ISO27001 Information Security Management system in place and externally audited • ISO27001 accreditation held • Cyber essentials + accreditation held • We use CIS 18 Critical Security Controls (CIS Controls) framework to benchmark the maturity of our controls • Change Management and Release Management Processes • Supplier Relationship Management • Architectural Design Principles, Effective Programme and Project Management processes. • Reviews of system resources and capabilities. Systems designed to match the demand/capacity required. • Supplier Relationship Management • Change Management and Supplier Relationship Management • Technical debt reviews, architectural design principle • Architectural design principle • Technical debt reviews, operational system review	←→

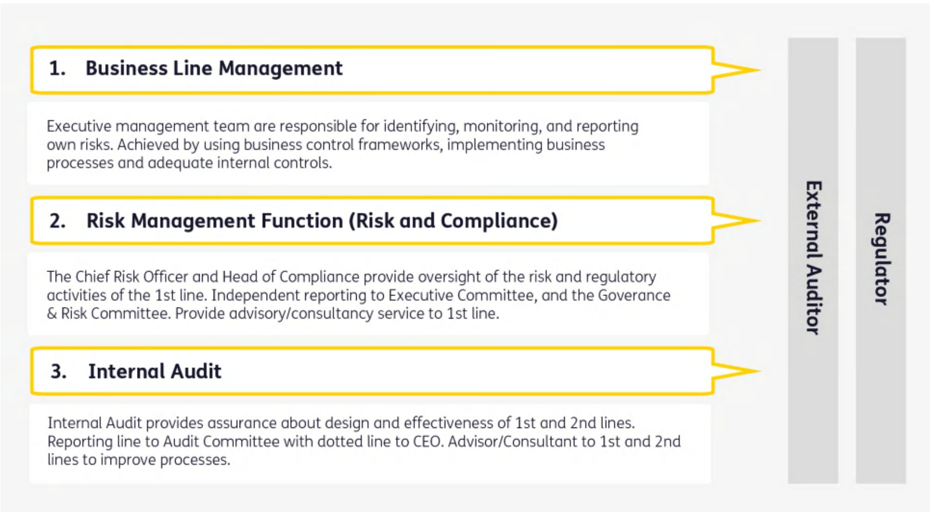
Strategic & External Risks

Risk	Risk Management	Change
Political, Economic & Environmental Risk This relates to changes in government policy, regulation, economic & environmental approaches. Impact of climate change and move to low carbon economy.	• Market knowledge • Monitor political landscape • Monitor regulatory landscape • ORSA/Scenario tests • Climate change scenario analysis • Physical adaptations /Transitional Climate change financial controls • ESG Committee reviews • Regular Executive Committee economic and external environment outlook discussions	↑
Business Strategy The risk of loss emanating from the failure to set or achieve a sustainable business strategy resulting in poor financial performance, risk to solvency, regulatory censure and/or reputational damage. ***People*** The risk of financial losses and negative social performance related to inadequacies in human capital and the management of human resources ***Horizon & emerging risks*** Also captured within this category are horizon and emerging risks, these being potential risks that may or may not materialise and those that we can see approaching but for which there is insufficient detail or data to be able to formulate a meaningful risk value or probability.	• Regular marketing communications and proposition market news • Business plan reviews • Leadership development and employee value proposition • ORSA projections and reviews • System thinking and process continuous improvements • Cost and expense management and reviews • Monthly Balanced scorecard and strategic reviews • Change progress reviews • Regulatory and compliance monitoring and thematic review • Strong Leadership development • Pay and benefits in line with the market • Clearly stated and communicated Values & Behaviours • Strong policy framework and culture • Executive Committee and Board Reviews • Staff training and inductions • Staff engagement activities to reinforce values and behaviours.	↔

The Three Lines of Defence

Everyone within The Exeter is responsible for identifying and managing risks within their day to day activities. Fifteen high-level risks have been identified by the Board and these are owned by individual members of the Executive Management team.

These fifteen high-level risks are supported by a significant number of lower-level risks and internal controls that are owned and managed on a day to day basis by direct reports of the Executive Management team. Together, these risk owners form the first line of defence in the Society's risk management framework.



Climate Change and Environmental, Social and Governance (ESG)

We have started to develop a formal Environmental, Social and Governance (ESG) strategy in 2022 to help us articulate how we will reduce the impact on our environment, what our social priorities are and how we effectively govern ourselves. We are at the beginning of our ESG journey and to assist us to get this right from the outset we have partnered with an independent specialist in this field.

The Exeter is committed to doing all we can to make a positive impact for society. As a mutual, we exist for the benefit of our members and it's our responsibility to be the Society they would like us to be.

Being a responsible business means identifying and actively managing the ESG risks and opportunities we face as a Society. Our key priorities are:

- Being there for our members;
- Valuing our colleagues;
- Operating our business responsibly and protecting the environment; and
- Supporting our communities.

Tackling climate change is a shared global responsibility and we all have a part to play in this. The Society is both responding to the needs of our members and actively reducing our own environmental impact to help drive the transition to a low carbon economy.

Climate risk Report

In 2019, the UK Parliament declared a climate emergency, making the UK the world's first major economy to pass laws to end its contribution to global warming by 2050. Since then, it has been clear that major change is coming in the way we look at climate change across the whole economy.

The science on climate change is clear. Changes in the climate are expected to have both acute physical effects (like more severe and frequent climate change-related events). At the same time, attempts to limit global warming to an increase of less than 2°C are expected to lead to dramatic action and changes in policy to rapidly lower CO_2 emissions.

Against this background, the then UK Chancellor Rishi Sunak announced in November 2020 that the UK would be the first country to make it mandatory by 2025 for businesses across the economy to disclose their climate risks. The model for these would be the framework of the Taskforce for Climate-Related Financial Disclosures (TCFD), which was created by the global Financial Stability Board in 2015 to promote financial transparency related to climate risks. While we are not yet required to produce these disclosures, we have nevertheless chosen to describe the journey we are on when it comes to climate change, using TCFD structure and content.

This year, we have continued our progress towards understanding, reporting on and managing climate change risk, so we can be transparent about efforts to minimise our environmental impact. This matches our ambition to have a positive impact on our local environment and be seen as an ethical employer and supplier. It also makes us more attractive to would-be members and employees, who rightly expect organisations to make a determined effort to limit climate change.

Strategy	Reporting
The resilience of our strategy to different climate related scenarios including a 2c or lower scenario	The material climate-related risks and opportunities, short, medium and long-term have been identified (including extreme weather events and transition to a lower carbon economy), these are outlined in the Risk Management Report, page 8 for details on this and all risks. The key climate-related opportunities have also been identified. Primarily the opportunity to fulfil our purpose, and that we expect customers to be more likely to choose companies showing leadership on ESG and climate issues. As an insurance company focusing on healthcare and protection, we are particularly aware of the inextricable link between the health of the planet, human health and healthcare. The impact of these risks and opportunities will be modelled in 2023 and these will be reviewed and monitored by the Governance and Risk Committee.
Risk Management	
Our processes for: **a) identifying and assessing climate related risks;** **b) managing climate related risks; and** **c) how our processes are integrated into our overall risk management.**	The Society uses an Enterprise Risk Management (ERM) framework to identify and monitor risks. Regular reports are provided to the Governance and Risk Committee as well as the Board. The Society's ERM framework and ORSA reflect the risks related to climate change. We are at the start of our ESG programme, we expect to provide more detail in future reporting around our risk processes.
Metrics and Targets	
Metrics used to assess our climate-related risks and opportunities in line with strategy and risk management processes **Scope 1, 2, and if appropriate scope 3 greenhouse gas (GHG) emissions, and the related risks** **Targets to manage our climate-related risks and opportunities and performance against these targets**	At the end of 2022, an external independent consultant was engaged. Sourcing reliable and meaningful data is one of the challenges facing the Society and with assistance from the external consultant who has made a number of positive recommendations and actions for 2023. The Exeter's environmental targets and metrics are set out in this report and includes our action plan to transition to a lower carbon business as net zero in our direct operations.
Governance	
Board oversight of climate-related risks and opportunities **Management's role in assessing and managing climate-related risks and opportunities**	The Board is ultimately responsible for the climate change plan and ESG framework. The Governance and Risk Committee and the Board receive regular updates on climate change and ESG. The Investment Committee monitors and keeps under review, through the Investment Guidelines, the investments made by the Society. ESG and green investments are key topics reviewed regularly by the Committee. The Executive Committee is accountable for the executive leadership and development of the ESG programme.

Climate Reporting

Our sustainability and carbon management consultant, Carbon Footprint, identified a number of suitable carbon off-setting initiatives, which are verified carbon standards projects, for The Exeter to support.

Carbon Footprint has independently assessed The Exeter's Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2010 standard and has used the 2021 emission conversion factors published by the Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the market-based approach for its assessment. This approach reflects the emissions from the electricity sources or products that we have specifically chosen. This method also utilises supplier-specific factors such as a preference, with residual factors being used where supplier-specific factors are not available.

Target Setting

The forecast of GHG emissions, independently assessed by Carbon Footprint, for The Exeter until 2050 using the dataset for the year ending 2022, and based on an active market-based approach, indicates that The Exeter can achieve the following:

- 50% reduction in emissions per employee by 2027*
- 90% reduction in emissions per employee by 2043*

*This is based on 205 employees in 2022

The total location based carbon footprint for The Exeter for the year ending 31 December 2022 was 187.32 tonnes CO_2e, and the market-based total is 129.46 tonnes CO_2e (excluding scope 3 screening). The table set out below in the Energy and Greenhouse Report details results of The Exeter's carbon footprint assessment by scope and source activity.

The following were recommendations resulting from the review for the Board to consider as part of their ambition to actively work towards its climate change strategy:

- Continue to maintain a 100% zero emissions renewable tariff.
- Implement a salary sacrifice scheme to colleagues and encourage low emission vehicles from June/July 2023. Also provide learning for colleagues around behavioural benefits of using remote meetings where possible.
- Conduct colleague surveys to establish whether home-working domestic energy supply is from a 100% renewable energy tariff or source.
- Aim to reduce the computing hardware budget in future years and invest in hardware maintenance.
- Consider becoming carbon neutral through carbon offsetting, especially in the remaining years where further reductions cannot be achieved.

The figures reported in the above table are provided by Carbon Footprint and currently remain under review by the Board.

Energy and Greenhouse Gas Report

The GHG emissions have been assessed following the GHG Protocol Corporate Reporting standard and has used the 2022 emission conversion factors published by Defra and BEI. The assessment follows dual reporting where the location-based and market-based approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table below summarises the GHG emissions for reporting year: 1st January 2022 to 31st December 2022. This is the first year The Exeter has assessed its emissions, and this will set the baseline for future assessments.

Scope	Activity	Location Based tCO_2e	Market Based tCO_2e
Scope 1	n/a	-	-
Scope 1 Sub Total		**0.00**	**0.00**
Scope 2	Electricity generation	47.03	4.27
Scope 2 Sub Total		**47.03**	**4.27**
Scope 3	Home-workers	48.68	48.68
	Computing	31.28	31.28
	Employee-owned car travel (grey fleet)[1]	29.75	29.75
	Well To Tank	20.29	9.11
	Paper	5.20	5.20
	Hire cars[1]	0.57	0.57
	Electricity transmission & distribution	4.30	0.38
	Water (and wastewater)	0.13	0.13
	Waste	0.07	0.07
Scope 3 Sub Total		**140.29**	**125.18**
Total tonnes of CO_2e		**187.32**	**129.46**
Tonnes of CO_2e per employee		**0.92**	**0.64**
Tonnes of CO_2e per £ million turnover		**2.91**	**2.01**

[1] There is no scope 1 assessed.
[2] Based on 205 employee in 2022, taken as an average throughout the year.
[3] Based on turnover of £61.69m for 2022.

Measures have been undertaken to reduce our electricity consumption during the year as well as reducing our travel.

Activity	Baseline Year 2022
Total energy consumed (kWh)	372,971
Total Gross Location-Based Emissions (tCO_2e)	187.32
Total Gross Market-Based Emissions (tCO_2e)	**129.46**
Total Net Market-Based Emissions (tCO_2e)	**129.46**
Intensity ratio: tCO_2e (gross Scope 1 & 2, market-based) per £M revenue	**0.07**

[1]SECR Elements

Our priorities

Being there for our members

Our commitment - we believe that it is important for the Society to act in a way that means we are a responsible corporate citizen. This is our aim and we believe our members would expect this from us.

Planned measurement:

- Increase member engagement through direct communication, media, website and the AGM.
- Measurable targets through the Vulnerable Customers Champions Forum.
- Through constantly measuring our complaint upheld outcomes to ensure we act in line with the expectations of our members.

Valuing our colleagues

The Exeter works hard to create an environment where our colleagues can feel included, valued and engaged. One of our objectives is to continue to be rated highly on the regular 'Great Place to Work' colleague survey and to ensure our colleague engagement remains high.

During the year colleagues were asked how it feels to work for The Exeter using the Great Place to Work survey. The Great Place to Work survey asked colleagues to comment on a wide range of topics including communication, management, involvement, job security, culture, diversity, recognition, strategy, talent management, teamwork and wellbeing, as well as the work environment and processes.

The survey results for 2022 provided a Trust Index Score of 79% (2021: 88%), remaining above threshold of 65% of being officially certified as a Great Place to Work, our response rate was 79% (2021: 85%). We have begun a process of looking at ways of improving colleague satisfaction for all colleagues. However, a number of positive themes came through from the survey, that colleagues believed the business had a 'family feel', that they believed The Exeter cared for them. This was demonstrated through all colleagues receiving an ad-hoc cost of living payment in October to help with rising costs. Other areas highlighted positively were focus on wellbeing and support for new starters.

Our commitment - to become a more inclusive company and break down all barriers to employment, making sure all of our colleagues feel at home, share in the success of the business and build great skills.

Planned measurement:

- Delivery of the Inclusion and Diversity Plan across the business.
- Improve the balance of gender pay.
- Improve on the number of learning and skills hours utilised.

Operating our business responsibly and Protecting the environment

We understand there is an urgent need for action on climate change. Identification of potential impact and aiming to deliver on a series of initiatives to help reduce our direct impact on society is a priority.

Our commitment – strive to tackle climate change by reducing carbon emission and risks from our business, our investments and supply chains.

Planned measurement:

- Continue to achieve 100% renewable electricity usage and a reduction of overall usage.
- Aim to reduce our GHG emissions, waste, water and travel emissions.
- Responsible investing and looking to transition to as full a sustainable Investment Policy as possible.

Supporting our communities

Our commitment – We believe that The Exeter should create and retain close relationships between our business and the communities where we live and work. This means sharing our time, knowledge and expertise through fundraising and colleagues providing actual hands-on support.

Measurement:

- Measurement and increased charitable support, outlining additional charitable work supported, noting that these are both national and local charities.
- Improve our community commitment by supporting local ventures.
- Supporting an apprentice scheme or local education schemes.

Charity

Over the course of 2022, The Exeter Champions Committee was given a budget to help facilitate the Committee's mission statement "to support The Exeter's Corporate Social Responsibility Policy through charity giving in the local community and to 'Enable people to live the brand, to lead by example, provide support and guidance to create a brand led culture people are proud of'".

The corporate Charity of the Year for 2022 was FORCE Cancer Charity, as voted for by The Exeter colleagues. Colleagues also had the opportunity to apply for funding or pound matching for charitable activities through the Committee's pound matching and community donation schemes.

Through all of the above schemes The Exeter has donated a total of £112,075 (2021: £78,391) to charitable causes, inclusive of the £5,450 for the AGM and £59,057 With La La Choirs .

The following are some of the fundraising achievements by colleagues and the Exeter Champions Committee:

Total donation by employees and their families £7,543 including sums for Ukraine DEC (2021: £18,960)

Total corporate charity partner donations £43,657 (2021: £45,450)

Total employee nominated charity donations £13,013 (2021: 13,980)

Total to Ukraine DEC £30,000

Our inclusion, diversity and equality

The work of the Board in driving inclusion and diversity in 2022 continued. The Board has pledged to continue to progress our inclusion and diversity agenda. The Exeter's people and culture are at the heart of the business, through supporting the excellence of operations, their passion for quality of service and determination to ensure members receive the best care possible. It is therefore important that we continue to identify, develop, educate and promote a diverse pool of talent, which we believe will provide the variety of experience and viewpoints that lead to better decision making.

One of the strengths of our business, comes from being an inclusive and supportive team, where we recognise that individual experiences and views make us unique in the way we come together in our shared values and vision. It is our belief that the more our colleagues reflect the diversity of our stakeholders, including colleagues, members and the communities we operate, the better our business will be to continue to service their needs.

The Board is mindful of its responsibilities to consider succession planning for not only the Board but for its Executive Team and senior management. The Executive, Senior Management team and the Nomination Committee annually reviews The Exeter's talent pipeline in order to ensure that the business works towards identifying talented candidates in the short, medium and long-term for all key roles.

The Board recognises through its feedback from members that it needs to do more to drive inclusion and diversity, in particular at Board level and to ensure this cascades through the culture of the whole business, to better reflect the diversity of our members and stakeholders. Inclusion and diversity continues as a Nomination Committee standard agenda item and the Chair of the Nomination Committee, along with the CEO, holds monthly meetings with senior management within the business to discuss progress.

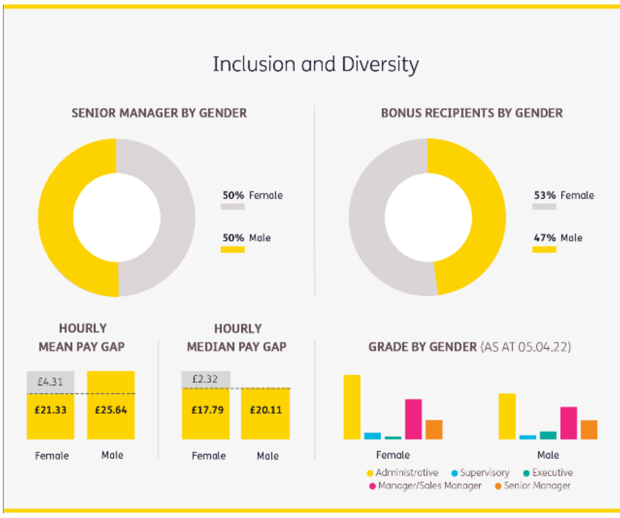
As part of its remit, the Nomination Committee reviews the Group's policies on workforce inclusion and diversity, and their objectives and link to the Group's strategy. The Group has always operated an open and inclusive hiring and colleague management practice. The Board, in reviewing the Group's policies and framework, was satisfied that they supported the development of a more diverse workforce and leadership within the business. The Exeter’s inclusion and diversity Policy and Statement can be found on the website.

The time-frame for fully implementing the framework and achieving a significant and solid measurable change will likely take time, due to a low turnover of colleagues within the business. However, where possible work placements will be offered, whilst also taking advantage of improved flexible working, this should assist to broaden our recruitment opportunities. The table below sets out the Group's commitment designed to assist delivery against the inclusion and diversity Policy objectives.

Disclosure	Commitments	Progress to date
Engage with executive search agencies in a manner which enhances opportunities for diverse candidates to be considered for appointment	Only those executive search firms who follow the principles of or are signed up to the Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code) will be considered when recruiting for a Board position. The Nomination Committee will work with the executive search agency to prepare an appropriate role brief, including relevant skills, underlying competencies, and personal capabilities desired, to support the agency in assessing candidates from a broad range of backgrounds who will assist the business to build upon and reinforce our culture. To facilitate the provision of a broad and diverse range of candidates the Nomination Committee will require long-lists to be drawn up following consideration of candidates from both within and beyond the corporate mainstream, in line with the requirements of the Voluntary Code.	Early in 2022 the Committee met with an executive search firm to discuss and develop the role brief for the Board Chair role. The search for a replacement Chair, was completed in July with a formal appointment of Peter Hubbard on 1 August 2022.
Support Board-level diversity throughout the succession planning process	Succession planning will be reviewed, at least annually, by the Committee and will address the need for progressive refreshing of the Board, in accordance with the requirements of the Code. The Committee will assess current individual Board member competencies and develop its understanding of the qualities needed for the Group's continued Board and Committee effectiveness in the longer term. This review will also consider the long-term diversity of the Board. Independent Non-Executive Directors will normally serve no more than nine years to support progressive refreshing of the Board and to maintain appropriate levels of independence. Appointments of Independent Non-Executive Directors for periods beyond nine years will be made only in exceptional circumstances.	The Committee continues to look at Board succession and the skills and experience mix at least annually. Questions intended to elicit the Board's consideration and assessment of its Directors' competencies and diversity makeup and ambition have continued to be included in the Board evaluation conducted internally.
Support efforts to increase diversity in the senior management pipeline towards executive and non-executive Board positions	Senior management succession planning processes will include identification of individuals within the organisation with Board-level potential and will support those individuals to progress their careers.	The Exeter has reaffirmed its commitment to better gender and inclusion and diversity balance through its inclusion and diversity Statement which is published on the main website. In 2021 The Exeter signed up to the AFM's Mutual Diversity Alliance and the Women in Finance Charter.

Gender breakdown

We can report that 53% of all colleagues are female and, of all colleagues holding a senior management role, 50% are female. The gender balance at the top of the group has taken time to change because we have maintained a stable senior team.



S172(1) Directors' Duties Statement

Whilst the Group continues to report under the Friendly Societies Act 1992, it has elected to present a Section 172(1) statement to explain how the directors have had regard to the matters set out in Section 172 of the Companies Act 2006 (the Act). This includes a fundamental duty to promote the success of the Society for the benefit of its members as a whole. This duty is central to the Board's decision-making processes and outcomes.

General confirmation of Directors' duties

The Directors are fully aware of and understand their duties. The Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. When making decisions, each director ensures that they act in the way they consider, in good faith, would most likely promote the Society's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to Section 172(1) (a) to (f).

(a) The likely consequence of any decision in the long term

The directors continue to recognise how the Society and its operations are viewed by different stakeholders and have factored this in its creation of the three-year and longer-term business plan and strategy. The directors have taken decisions during 2022 that they believe best promote the Society's long-term success for the benefit of its members as a whole.

Furthermore, the strategic objectives, which are set and monitored through a rolling long-term planning process and delivered through our focus on member service and satisfaction, colleague training, development and wellbeing. The business plan is operated within tight budgetary controls and in line with regulation and The Exeter's ORSA.

(b) The interests of the Society's employees

The directors recognise that our colleagues are fundamental to the future growth and success of the Society. That success depends on attracting, retaining and motivating colleagues.

The Board and management actively engaged with colleagues throughout the year. More information about employee engagement can be found on page 31.

(c) The need to foster the Society's business relationships with suppliers, customers and others

In addition to members and colleagues, the directors recognise the benefits of engaging with a broad range of stakeholders including suppliers, customers, governments, regulators, non-government organisations, and communities. Developing and delivering our strategy depends on building and maintaining constructive and positive relationships across these stakeholders. Further information on this can be found on page 31.

The directors continue to build our relationships with key strategic and commercial partners, always with a focus on quality of service. This includes Board members regularly meeting with key suppliers. The directors ensure there is constantly an open and transparent engagement with our regulatory bodies and other stakeholders.

(d) The impact of the Society's operations on the community and environment

The directors appreciate that collaboration with charities, non-government organisations and community groups helps to create stronger communities and provide insights that enable the Board to understand our impact on the community and environment, and the consequences of decision made in the long term. Throughout the year the Board engaged with stakeholders to understand the issues and factors that are significant for them, and a number of actions were taken as a result of this engagement.

(e) The desirability of the Society maintaining a reputation for high standards of business conduct

The Exeter aims to meet the changing needs of its customers and to enable the transition to a lower carbon future. The business continually reviews its minimum expectations for all those we work with or alongside. The Board also annually approves the Modern Anti-Slavery Statement, to ensure that its high standards are maintained both within the business and its supply chains.

(f) The need to act fairly between members of the Society

The Exeter continued its commitment to delivering quality services, value for money and satisfaction to its members, with direct engagement with members.

After weighing up all relevant factors, the directors consider which course of action best promotes the long-term success of the Society, taking into consideration the impact on stakeholders. In doing so, the directors act fairly between the Society's members.

Principal decision making

The agenda for each board meeting is planned a year in advance, and prior to each meeting, is considered by the Chair, the Chief Executive and the Company Secretary. Meeting reports for the Board include: CEO Report, Distribution and Marketing Report, Operations Report, Chief Risk Officer's Report on regulatory matters and member issues, and the Finance Director's Report on the trading and financial performance of the Society. Each Committee Chair also provides an update on the decisions made at Committee level and includes a regular update on member, governance and colleague matters. The Board also ensures compliance with relevant legislation and regulation, maintaining high standards of compliance, internal controls and risk management.

For each principal decision made by the Board, the following was taken into consideration:

- How stakeholders interests were considered and what influence this had on the decision;
- The impact on risk management of the Society's principal or emerging risks;
- The consequence for the Society's long-term success; and

- The impact on affected stakeholders and (where relevant) the environment.

The table below provides a further example of the mechanism used by the Board in their decision making:

Principal decision considered by the Board	How stakeholders and other factors were considered
Holding the 2022 Annual General Meeting (AGM) in person, or video conference or as a hybrid meeting	The Board considered the impact on members of only providing an in-person meeting or whether the decision should be to continue to extend the ability for a hybrid meeting to be available for all members. The decision was taken to consider the broader impact of making the meeting accessible as possible. The risk impact of the holding a hybrid meeting was considered minimal. However, there was some slight reputational risk to the Society for not making this as accessible by all. The impact to the environment was also considered and by holding the meeting as a hybrid meant that members could attend with little CO2 impact by attending on-line.
Review and approval of the business plans and Society strategy	Stakeholders, including members, customers, colleagues, are reflected in the business strategy plan which filters through the business and to our members through delivery of the Society's strategic long, medium and short term aspirations. The risk to the strategic plans are failure to deliver, this may occur if remedial actions are not taken and could impact all stakeholders. As part of the risks assessed for this decision, environmental issues were identified as a low risk to the sustainable future and stakeholders.
Review and approval of the Holloway Bonus	The Board considered all aspects, actuarial and technical in relation to the decision on setting the level of bonus for its Holloway members, including the wider members of the Society. The Board considered the risk of non-payment or not setting the bonus at the right level to sustain future payments and growth.
Operational Resilience	The Governance and Risk Committee received regular updates on the operational resilience of the Society, including its key processes and material suppliers. A framework and risk review was undertaken in 2022 in respect of the impact to the business and its stakeholders, with mitigations and actions in place.
Board succession planning	The Board, through the Nomination Committee reviewed its succession plans. In 2022 the Board considered those independent non-executives reaching their full nine year term on the Board during 2023 and 2024 and the skills and experience of the Board as a whole. In the year, Wallace Dobbin retired and was replaced by Peter Hubbard. As part of the appointment process, various stakeholders were consulted both internally and externally.

Full details on how the Board and the directors have fulfilled their section 172 duties can be found through the Strategic Report and Corporate Governance Report. The following sections have therefore been incorporated by reference into this statement:

This Strategic Report on pages 4 to 26 (inclusive) was approved by the Board and signed on its behalf by:

Peter Hubbard
Board Chair
31 March 2023

Isobel Langton
Chief Executive
31 March 2023

Corporate Governance

Corporate Governance Report

Governance

Good corporate governance is essential to the Board's commitment to running the Society's business in the best interests of its members. Through the year ended 31 December 2022, The Exeter has complied with the AFM Corporate Governance Code 2019 ("the AFM Code") and additionally voluntarily applied in almost all relevant areas of the FRC UK Corporate Governance Code 2018.

During the year ended 31 December 2022, the Group continued to follow a corporate governance framework closely aligned to the UK Corporate Governance Code 2018. The Exeter complied in almost all areas of the UK Corporate Governance Code 2018, with the exception of the three year external board effectiveness review, which will be undertaken in 2023.

Board Effectiveness

The role of the Board Chair is to maintain high standards of corporate governance and to ensure the Board is equipped to carry out its duties, spending sufficient time on key areas that enable the delivery of the strategic objectives. The corporate governance framework in place defines responsibilities and ensures there are the right systems and controls in place to ensure the Board and its Committees effectively oversee the business, and provide challenge where required. The governance framework supports effective decision-making and assists directors to discharge their statutory duties, in particular, their duty to promote the long-term success of the Society. The Board and its Committees review an annual programme of matters.

The Role of the Board

Leadership

The Board leads the Society's governance structure. It provides stewardship of the business with the purpose of safeguarding its long-term sustainable success, assessing and managing its risk and creating value for the Society's members, colleagues and other stakeholders including contributing to the communities and wider society in which it operates.

Culture

The Board sets the tone of the culture of the Society. An entrepreneurial and customer focused approach has been established with a view to providing a quality product and service to our members.

The Board protects and promotes the culture of the Society in a number of ways, including the use of internal controls and processes, clear communication and feedback, colleague engagement through independent external surveys and an annual employee conference.

Purpose and Values

An essential part of the Board's leadership role is to establish the Society's purpose, define its values whilst promoting and monitoring its culture, ensuring that its obligations to members and other stakeholders are understood and met.

The Society's purpose and values are outlined in the strategic report on page 5.

Group Strategy

The Board approves, has effective oversight of and monitors the implementation of the Society's strategy. The strategy continues to ensure the business remains flexible to our members' needs, providing the latest technology and capturing future market opportunities. More details on our business model and strategy can be found in the strategic report on page 4.

Governance and Risk

The Board is responsible for the oversight of risk and for setting the Society's risk appetite. In doing so, it ensures that the necessary resources are in place for the Society to meet its objectives and measure its performance.

The Board has established a robust governance and risk framework which is devised to ensure that the business is being operated and managed appropriately, and that prudent and effective controls are in place to identify emerging and principal risks and to manage or mitigate those risks. Further details on risk management can be found on page 13.

Accountability to our members

The Board has a duty to ensure that relevant legislation and regulations are adhered to, and that proper accounting records and effective systems and controls are established, maintained, documented and audited to safeguard members' interests.

The Board ensure that the Society continues to operate in the interest of its members as a whole and is collectively accountable to them for the success of the business. In exercising its duty to promote the success of the Society, the Board has regard to its other stakeholders, the environment, the reputation of the Society and the need to act fairly between its members. Stakeholder engagement can be found on page 31.

Management Delegation

The Board delegates the delivery of the strategy and day-to-day management of the Society to the CEO, who is accountable to the Board for its successful leadership and operations.

Matters Reserved to the Board

The Board has a formal schedule of matters reserved for its decision as follows:

- purpose, strategy and management
- values, culture and stakeholders
- Board membership and other appointments
- financial and other reporting and controls
- audit, risk and internal controls
- contracts and capital structure
- communication
- remuneration
- delegation of authority
- corporate governance and other matters

The Board and its Committees

The Board is responsible for the Society's long-term objectives and strategy with the aim of generating and preserving value over the long term. In carrying out its responsibilities, the Board considers opportunities and risks to the future success of the business, the sustainability of the business strategy and the Society's governance.

The Board is responsible for monitoring progress made against strategic objectives, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively. The Board is assisted by five principal committees (Audit, Governance & Risk, Nomination, Investment and Remuneration), each of which is responsible for reviewing and dealing with matters within its own terms of reference. The formal terms of reference for the principal committees, approved by the Board, can also be found on our website.

The independent Non-Executive Directors are responsible for bringing independent judgement to discussions held by the Board, using their breadth of experience and understanding of the business to constructively challenge and help develop proposals on strategy. The independent Non-Executive Directors' terms and conditions of appointment are available upon request.

There is a formal schedule of matters specifically reserved for the Board's decision and a Corporate Governance Handbook which sets out responsibilities and the structure of delegation of authority by the Board to management. The schedule of matters is reviewed and approved annually by the Board.

The Board held seven Board meetings in 2022, including one meeting devoted to the development of strategy. In addition, the independent Non-Executive Directors met on one occasion without the Executive Directors. Meetings between the Chair and independent Non-Executive Directors, both with and without the presence of the CEO, are scheduled in the Board's annual programme. During the year, the independent Non-Executive Directors held regular meetings without the presence of the Executives, typically following each Board meeting. These meetings were encouraged by the Chair and provide the independent Non-Executive Directors with a forum in which to share experiences and to discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships.

The attendance record during the year of Directors at formal meetings of the Board and its Committees is shown on page 40.

The Company Secretary acts as Secretary to the Board and its Committees. Every Director has access to the Company Secretary, who helps to ensure that Board procedures are followed, and that good corporate governance and compliance processes and practices are adhered to. Together with the CEO and the Company Secretary, the Board Chair ensures that the Board and its Committees are kept properly informed and is consulted on all matters reserved to it. Board papers and other information are distributed in a timely fashion to allow Directors to be properly briefed in advance of meetings.

The Board has established a procedure for Directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties.

THE BOARD
The Board comprises the Chair, Executive Directors and Independent Non-Executive Directors, and is responsible for the performance and long-term success of the Society, including health and safety, leadership, strategy, values, standards, controls and risk management.

AUDIT COMMITTEE	GOVERNANCE & RISK COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	INVESTMENT COMMITTEE
Responsible for oversight of the Society's financial reporting and the effectiveness of the internal and external audit functions.	Provide oversight and advice for the current and potential future risk exposures and future risk strategy, including determination of risk appetite. In addition, is responsible for monitoring compliance oversight and the Risk Management Framework.	Ensures the Board has the necessary balance of skills, experience and diversity to oversee the delivery of strategy.	Determines the reward strategy for executive directors and senior management in the context of the wider workforce to ensure reward is aligned to shareholders' interests.	Responsible for determining and agreeing the investment guidelines and policy, including establishing and maintaining ongoing investment limits, credit policies, and external professional advisors.

Roles in the Boardroom

The Board comprises Executive and independent Non-Executive Directors, such that no one individual or small group of individuals dominates the Board's decision making. The Non-Executive Directors are all deemed independent.

The division of responsibilities between the various roles of the Board members is detailed below, demonstrating a clear division between the role of the Board and Executive management. The role descriptions of the Board Chair, CEO and Senior independent Non-Executive Director (SID) are regularly reviewed by the Board and are updated as necessary to reflect changes in legislation or best practice.

NON-EXECUTIVE CHAIR Leads the Board and ensures its overall effectiveness in discharging its duties.	• Shapes the culture in the boardroom and promotes openness, challenge and debate. • Sets the agenda for Board meetings, focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability. • Where appointed, to chair meetings to ensure there is timely information flow before meetings and adequate time for discussion and debate at the meetings. • Fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom. • Leads relations with members and stakeholders in order to understand their views on governance and performance against strategy.
INDEPENDENT NON-EXECUTIVE DIRECTORS Ensure that no individual or small group of individuals can dominate the Board's decision making.	• Independent Non-Executive Directors meeting the independence criteria set out in the Code comprise half of Board membership. • Provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account.
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR Provides a sounding board for the Board Chair and serves as an intermediary for other Directors and members.	• To act as a sounding board for the Board Chair and to serve as an intermediary for other Directors where necessary. • Provides the Board Chair with support in the delivery of objectives, where necessary. • Works closely with the Nomination Committee, leads the process for the evaluation of the Board Chair and ensures orderly succession of the Board Chair's role. • Acts as an alternative contact for members, providing a means of raising concerns other than with the Board Chair or senior management.
CEO AND EXECUTIVE DIRECTORS Lead the implementation of the Group's strategy set by the Board.	• CEO is responsible for delivering the strategy and for the overall management of the Society. • CEO leads the Executive Committee and ensures its effectiveness in managing the overall operations and resources of the Society. • Executive Directors provide information and presentations to the Board and participate in Board discussions regarding management, financial and operational matters.
DESIGNATED NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT	• Brings the views and experiences of the workforce into the boardroom. • Enables the Board to consider the views of the workforce in its discussions and decision making.

Provides an effective engagement mechanism for the Board to understand the views of the workforce.	
COMPANY SECRETARY Supports the Chair and ensures Directors have access to the information they need to perform their roles.	• Provides a channel for Board and Committee communications including Board information and support. • Advises the Board on corporate governance matters and supports the Board in applying the AFM and UK Corporate Governance Codes and other statutory and regulatory requirements.

The Executive Committee

The Society also has an executive management committee, the Executive Committee. This committee was established to support the Chief Executive and to consider various matters for recommendation to the Board and to deal with day-to-day matters within the authority granted by the Board. There is a clear division of responsibilities between the Board Chair, as leader of the Board, the independent Non-Executive Directors who bring independence and oversight, and the Chief Executive and Executive Directors who are responsible for the day to day running of the business. The Executive Committee assists the Chief Executive in the performance of their duties. Its Terms of Reference are approved by the Board and include:

- The development and implementation of strategy, operational plans, policies, procedures and budgets;
- The monitoring of operational and financial performance;
- The identification, assessment and control of risk;
- Monitoring compliance with legal and regulatory obligations;
- The priority of and allocation of resources; and
- Monitoring and reacting appropriately to competitive forces in each area of operation.

The Committee meets weekly with formal governance meetings taking place monthly and at other times as special business circumstances may dictate. Its work is supported by subcommittees which focus their attention on key issues such as operational improvement and development, the fair treatment of customers, information security and counter-fraud measures.

The Executive Committee receives regular reports from the Chief Executive on key issues arising from Board meetings including key operational decisions.

Executive Committee members are:

Isobel Langton	Chief Executive
Steve Bryan	Director of Distribution and Marketing
Gordon Greig	Strategy and Change Director (appointed 1 January 2022)
John Gunn	Finance Director
Sally Hodge	Chief People Officer
Claire Hird	Customer Service Director (appointed 1 January 2023)
Socrates Mhlanga	Chief Risk Officer (appointed 1 January 2022)
Chris Pollard	Chief Operating Officer (resigned 30 June 2022)
Paul Smith	Chief Information Officer

Regular attendees include the Head of Finance, the Head of Compliance, the Chief Internal Auditor, the With Profits Actuary and the Company Secretary.

Executive Team


Isobel Langton
Chief Executive Officer


Steve Bryan
Director of Distribution & Marketing


Gordon Greig
Strategy & Change Director


John Gunn
Finance Director


Sally Hodge
Chief People Officer


Claire Hird
Customer Service Director


Socrates Mhlanga
Chief Risk Officer


Paul Smith
Chief Information Officer


Professor Willie Hamilton
Chief Medical Officer

Board Strategy Day

The Board met in July to review in detail each element of the Society's strategy and vision, business plan, IT infrastructure and longer-term strategic opportunities. Key actions are reflected in management's planning for the business with the Board having had the opportunity to review progress with the key strategic projects throughout the year.

Board and Committee annual effectiveness review

To be effective as a Board, directors must function cohesively as a group. Each year, an evaluation of the effectiveness of the Board, its Committees and individual directors is conducted. Each independent Non-Executive Director has an annual performance appraisal conducted by the Board Chair. This provides an opportunity to identify and optimise the Board's strengths as well as highlighting areas for further focus and development. Executive Directors are evaluated within the performance evaluation framework for employees generally and by the Remuneration Committee in the context of their remuneration.

In 2022, the Board undertook an internal evaluation led by the Board Chair and Company Secretary. The review took place in November and December 2022. The process took the form of a questionnaire, covering general areas of effectiveness, completed by each Board and Committee member. The results of the review has led to a number of areas of focus for the Board during 2023.

The evaluation of the performance and contribution of each director was conducted by the Board Chair. The reviews concluded that each director continues to perform effectively and demonstrate commitment to their role.

Board appointments and re-election

The Nomination Committee considers the balance of skills and experience on the Board and the requirements of the business. Appointments are made on merit against objective criteria and with due regard for the benefits of diversity and inclusion on the Board. The recruitment process for directors involves appropriate sources of objective external opinion. Further information about the responsibilities of the Nomination Committee in relation to Board appointments is provided on page 47.

Directors must be authorised by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) for the Senior Insurance Manager Functions they are performing within the Society, and comply with the rules, principles and standards of conduct laid down by those respective authorities.

As recommended by the UK Corporate Governance Code 2018, all Directors are subject to election at the first Annual General Meeting following their appointment to the Board and are required to seek re-election annually thereafter. Any term of office beyond six years for an independent Non-Executive Director is subject to particularly rigorous review and the Board's general policy is that independent Non-Executive Directors ideally should not, unless there is a strong business case, serve more than nine years.

Information and professional development

The Board believes strongly in the development of all employees and directors. On appointment, a tailored induction programme is arranged for each new Director which includes a series of meetings with other Directors and Senior Management as well as provision of key information about the Society.

Further detail regarding the appointment and induction of Executive and independent Non-Executive Directors can be found on page 47. Any training or development needs are identified during this process and in the course of subsequent annual evaluations of the Board's and individual director's performance and effectiveness. The Society provides the resources required for developing directors' knowledge and capabilities through continued personal development and membership of professional bodies.

The offices of Board Chair, Chief Executive and Company Secretary are distinct and held by different individuals. The Board Chair ensures that the Board receives accurate, timely and clear information sufficient to enable it to fulfil its responsibilities. Under the direction of the Board Chair, the Company Secretary ensures that good information flows within the Board, its Committees, and between Senior Management and independent Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary, to whom all directors have access, also has responsibility for advising the Board through the Board Chair on all governance matters and for ensuring that Board procedures are complied with. All Board members have access to independent, professional advice and the benefit of appropriate liability insurance, both at the Society's expense.

Conflicts of Interest

As part of their ongoing development, the Executive Directors may take on one external non-executive role on a non-competitor board, for which they may retain the remuneration in respect of the appointment. To avoid any conflict of interest, all appointments are subject to Board approval and the Board monitors the extent of directors' other interests and the time commitment required to fulfil those interests to ensure that its effectiveness is not compromised.

Each director has a duty to avoid a situation in which they have or might have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Society. This duty is in addition to the obligation that they owe to the Society to disclose to the Board an interest in any transaction or arrangement under consideration by the Society. The Board follows an established procedure when deciding whether to authorise an actual or potential conflict of interest. Only independent directors (i.e. those who have no interest in the matter under consideration) are able to make the relevant decision and, in making the decision, the directors must act in good faith and in a way they consider will be most likely to promote the Society's success. Furthermore, the directors may, if appropriate, impose limits or conditions when granting authorisation.

The Board considered and authorised each director's reported actual and potential conflicts of interest and also considers any changes on an ad hoc basis throughout the year.

Our stakeholders

The Board's approach to stakeholder engagement

The Board recognises its responsibility to take into consideration the needs and concerns of our stakeholders as part of its discussion and decision-making processes. The table below highlights how the Board ensures effective engagement with, and encourages participation from, our stakeholders.

The views and interests of stakeholder are considered in the development, delivery and oversight of the Society's business model, strategy and culture and, where Board decisions impact stakeholders, management is tasked with ensuring that potential impacts on stakeholders are fully considered and presented to the Board.

Although the Board and its Directors sometimes engage directly with stakeholders, for the most part engagement takes place at an operational level. Because of this, the Board mainly forms views on stakeholders through reports and information presented to it by management. The Board keeps these processes under review to ensure that they remain effective so that the Board continues to have the information it needs to understand the views of stakeholders and to apply this knowledge to discussion and decision making.

The table below gives an overview of how the views and interests of our stakeholder groups are represented or reported at Board level and are factored into the Board's decision-making processes.

	Why we engage	How we have engaged
Members	Our members are key to the long-term success of the Society, both in terms of retaining existing members and attracting new members. The Exeter is committed to providing quality, appropriate and affordable policies to its members.	The Board seeks to have regular, clear, effective communication and aims to treat members fairly. Members are encouraged to participate at our AGM either in person or virtually. The Board seeks to ensure all its dealings are fair, transparent and that our products provide members with good value outcomes. This year the AGM was open for attendance and live streamed to enable all members to attend and vote. In responding to members, we seek to make our processes as helpful and informative to the member as possible, mindful of different member preferences. This involves ensuring that our member service colleagues are well trained for telephony or email correspondence and making other technology available where possible. One example of responding to the needs of our members was to produce the full AGM information pack in Braille. We obtain feedback from the way we engage with our members through periodic market research. Understanding what is important to our members is essential to the success of the businesses. Management has well-established processes and solutions for capturing market information with respect to changes in business trends. These are reported to the Board by the executive team through the CEO's reports and presentations provided by the management teams.
Suppliers & Intermediaries	The Exeter has three main suppliers, who we rely on to provide exceptional service to our members. Our intermediaries are key to our business to distribute our products. We rely on them to understand our products and our members' needs. Other key suppliers are our outsourced IT service support, intermediaries and reinsurers.	The Board recognises that building trusted partnerships with our suppliers is crucial. Suppliers and outsourcing partners take many forms including member service supplier, IT service providers, intermediaries and reassurers, etc. We strive to work closely and maintain a good relationship with our intermediaries. This is administered through supplier managers, and Executive Committee members on key relationships. A number of suppliers take the form of the provision of services or advice as opposed to the supply of goods. For these suppliers we focus on ensuring there is a robust outline of scope for the services required, that the service or advice is fit for purpose and meets the original scope of work. These services are closely monitored and maintained. The Exeter considers broader factors when looking to our partners, recognising the impact suppliers have on the Society. The Board has sought to ensure good working conditions throughout all of its supply chain. The Exeter ensures that it adheres to supplier payment terms. The Board is kept informed about suppliers and intermediaries. The Board is also provided with reviews of business performance both product and intermediary level. From these reports and those from the

		CEO and the Director of Distribution and Marketing, the Board is able to form an overall view of the business. Further examples of oversight are through the review of external surveys and results.
Colleagues	Our colleagues are crucial to our business to deliver our strategy and services to our members. It is crucial to the business and to our colleagues that the positive and inclusive culture we have developed continues	The Exeter strives to provide a positive, safe working environment, with focus on health, wellbeing, providing an inclusive working environment and offering great developmental opportunities. There are various mechanisms in place to ensure engagement with colleagues, these are: • Colleague feedback surveys. • Regular colleague one to ones and coffee mornings. • Regular colleague updates, currently provided via video, to provide updates on business, performance, and general updates. • All colleague conference, which is usually held annually to provide support, updates, and time to meet the members of the Board informally. • Ensuring robust and relevant policies are in place. • Providing performance measurements which are in line with the business strategy and culture. The Board regularly receives updates on the Society's People strategy and colleague matters. Helen McEwan, independent Non-Executive Director and Chair of the Nomination Committee is appointed as the Board colleague representative. Helen regularly attends colleague committee meetings, informal video coffee meetings, and the Employee Consultation Forum. The CEO provides an update on people matters to the Board at every scheduled meeting. The Board and its Committee have direct access to and receive presentations from the Chief People Officer. The Board retains oversight of colleague matters including health and safety, resource, succession planning, talent development, inclusion and diversity, cultural awareness and reward and retention. The Board is kept informed of the effectiveness of colleague strategies through a range of reports, including colleague engagement surveys.
Community & CSR	The local community is made up of the people who live in the area where the business is located. Though not necessarily members of The Exeter they are all neighbours to the business. We ensure that we are concerned with the local environment, infrastructure, and the impact the business has on jobs and prosperity in the local area.	The Exeter aims to build a positive relationship with our community. FORCE Cancer Charity has been the colleagues' charity of choice for the last year. We seek to make a positive difference to the environment and do not send any waste to landfill. Our aim is to continue to work towards reducing our overall emissions. The Board is kept informed of activity through receiving regular reports presented to the Governance and Risk Committee, the Nomination Committee and at its Board meetings.
Governments and Regulators	Regional and national government bodies and agencies which implement and enforce applicable laws, regulations, and guidance across our industry.	The Head of Compliance, Chief Risk Officer and Company Secretary, and other subject matter experts regularly update the Board and its committees on regulatory developments affecting the Society.

How the Board considers its principal decisions and how we engage with our stakeholders

Members	Colleagues
We treat our members fairly and provide them with quality. The Exeter values its colleagues and considers these its' key asset to the business. Our people are central to the success of the business.	The Exeter values its colleagues and considers these its' key assets to the business. Our people are central to the success of the business.
Key areas: • Treat our members fairly • Value for money • Market leading products and services • Long term sustainability of the business and strategy • Good member relationship	**Key areas:** • Health and wellbeing • Health and safety • Engagement and development • Inclusion and Diversity • Positive and enjoyable work environment
How we engage: • Annual General Meeting (AGM). • Through direct communication, via emails, video conference calls, telephone or website enquiries. • Through the Annual Report and Accounts. • Correspondence provided via the intermediaries. • Member survey, either through internal and external independent providers. • Feedback sought from members in relation to specific topics, such as inclusion and diversity. • Continual development of technology to assist members during the life of their policy, such as the HealthWise app.	**How we engage:** • Regular communication using a mix of channels to encourage two-way dialogue. These include video conference calls, yammer, video updates and the internal intranet. • Regular performance check-ins and virtual or face to face development conversations. • External independent engagement surveys delivered by Great Place to Work and Investors in People. • Providing a dedicated area of the internal intranet for COVID-19, and also for health and wellbeing. • The business listened to feedback from colleagues and implemented a 'real time' reward system hosted virtually, to reward individuals who were nominated by colleagues, as going beyond the remit of their job.
How the Board engages and considers this stakeholder: The Board receives reports from the Company Secretary or the Director of Distribution and Marketing. When making strategic decisions, the Board considered how the decision will impact the delivery of long-term member value. The business also continued to use intelligent general practitioner reporting ("iGPR"), electronic reporting and record screening in an effort to speed up the process for the benefit of our members and provide a simple way for GP's to submit their reports. We do not receive many complaints, but when we do, we take them very seriously. We welcome feedback from our members in any form. Our member care team are trained to respond efficiently and effectively to resolve any member query as quickly and clearly as possible.	**How the Board engages and considers this stakeholder:** The Board acknowledges the importance of attracting, retaining, and developing talent and considers the views of colleagues when making decisions. The Board regularly considers the topic of inclusion and diversity, and in 2022 re-approved the Exeter Friendly Inclusion and Diversity Policy and website statement. Consideration is also given to colleague rewards and bonuses during the year, taking into consideration their view. Feedback has also been received and considered as part of any Executive remuneration decisions. The Board receives regular reporting on important matters affecting the colleagues, including plans to invest in training and development, outcomes of colleague surveys and engagement. Whilst the Board has maintained a confidential Whistleblowing Line to record any allegations of wrongdoing, fraud or bribery, there were no instances reported during the year. The Board has supported the training and delivery of the colleague mental health first aiders.

Community & CSR	Suppliers	Government & Regulators
Supporting our community and respecting the environment are important to us to make a difference. We seek to support the local community through fundraising and direct charitable donations, by colleagues undertaking community projects in their own and the Society's time, by generally trying to be good corporate citizens in line with the Society's values and objectives.	Working with our outsourcers, intermediaries and service providers is important to the smooth and secure running of the business, to ensure a constant level of quality and support is provided to both our colleagues and members. Intermediaries are key to our business, and we value their role in providing our products to members.	Ensuring the business is informed of any government, legal or regulatory changes is key to ensuring the Society and our members are kept safe and the products they are provided lead to good long-term outcomes.
Key areas: • Addressing the financial impact of climate change and seeking to reduce our carbon footprint as far as is practicable • Sustainability Community support through direct funding and charitable fund raising • Providing placements and assistance	**Key areas:** • Service management of outsourced work • Payment practices • Responsible sourcing • Quality communication between service providers, intermediaries, and outsourcers	**Key areas:** • Regulatory change • Climate and environmental matters • Colleague matters • Regulatory consultations
How we engage: • Colleague fundraising projects and initiatives • Creating local job opportunities • Building on community activity and understanding of local issues and priorities • Collaboration with ESG bodies to improve knowledge to look to make a positive impact on society	**How we engage:** • Conversations (face to face or virtual) • Training and development of processes • e-communication • Audits • Service level and business development meetings (face to face or virtual)	**How we engage:** • Responding to regulatory consultations • Meeting and working with regulators • Regulatory returns • Responding to changes in legislation • Participation in government schemes • Participating with working health bodies
How the Board engages and considers this stakeholder: A number of Directors and colleagues met with our chosen charity, to discuss ways of providing support, whether through fund raising or voluntary assistance from colleagues. Colleagues created their own fundraising schemes to support various local charities. The Board, when making strategic decisions for the business, considers the longer-term impact of each of the areas the business supports locally, and the chosen charity. The Board receives an annual update on the charitable and community initiatives completed in the year. The Board is committed to being a responsible business and to have a positive impact on the lives of our members, colleagues, and communities. The Board recognises that expectations around ESG issues will continue to increase and receives regular updates on progress towards the Society's climate change programme.	**How the Board engages and considers this stakeholder:** Feedback and mutual communication with our intermediaries. Regular feedback and working with our outsource providers to monitor and agree quality and service targets. This was through regular meetings attended by senior management and on occasion, by an Executive Director. Feedback from our intermediaries comes from active relationship management, benchmarking and annual intermediary events attended by an Executive Director and senior management. This overall picture helps shape our thinking and how we work effectively with brokers and improve services. Audits for risk assessment and policy compliance, this would usually be facilitated through on-site attendance. During the year, the Board reviewed and approved the Modern Slavery Act 2015 Transparency Statement and Policy, which can be found on our website. The Board received regular reporting updates from the business areas which interface with suppliers, intermediaries, and service providers. This included reporting from the Internal Audit team in respect of audits carried out on our outsourced partners' operations and seeks evidence of quality assurance	**How the Board engages and considers this stakeholder:** The Board engages with regulatory bodies to contribute to and implement important key changes in regulation. Details of engagements with regulators are reported to and, when appropriate, discussed by the Board prior to submission to the regulators. The Board responds to enquiries from or to regulatory bodies regarding information requests, or regulatory filings and fees.

	through compliance with relevant international standards such as ISO27001. In working closely with our suppliers, we look to obtain good value for our members. Through regular reporting, the Board considers the impact to suppliers when making key strategic decisions.	

Inclusion, Diversity and Equity

Continuing from the initial inclusion, diversity and equity work from 2021, the business remains focussed on targeting awareness across the business. This has also been built into the business strategy to ensure there is a sustainable, agile and diverse workforce. Across The Exeter, the workforce comprises of just over 200 colleagues with at least 50% of senior management roles being held by women. As an employer of less than 250 colleagues, we are not required by law to publish our gender pay but we do so on a voluntary basis as part of our reporting in the Climate Change and Environmental, Social and Governance (ESG) report, this can be found on page 18.

The Exeter recruitment practices continue to be reviewed to further create inclusion and diversity opportunities.
This includes seeking out and joining organisations that will assist to expand the recruitment pool, alongside opening up community-based opportunities and considering the way language is used by the business in its adverts, websites and general communications. The Board is fully supportive of this initiative with the Chair of the Nomination Committee and Senior Management meeting regularly to discuss progress in this important area.

Culture

The Board assesses and monitors culture, and ensures that policies, practices and behaviours are aligned with the Society's purpose, values and strategy. The Board monitors and assess culture through the following mechanisms:

- Considers the results of all 'pulse' and external surveys such as the Great Place to Work survey.
- Annually reviews The Exeter's code of conduct and policies.
- Ensures that the Board and its members regularly meet colleagues both formally and informally.
- Helen McEwan, Independent Non-Executive Director and Chair of the Nomination Committee, on behalf of the Board attends and reports back on discussions at regular Employee Consultation Forum meetings.
- The Nomination Committee considers at each meeting, inclusion and diversity, talent development, culture and colleague engagement.
- External resource has been used to provide some guidance and insight.

The Exeter sets out a consistent level of expectations across all areas of its strategy. These principles help create the culture of trust, inclusion and collaboration. We are confident that this behaviour is thoroughly embedded within the organisation and forms the basis of the culture of The Exeter.

Modern anti-slavery statement

The Exeter opposes all forms of human trafficking, forced labour, bonded labour and child slavery. We are totally opposed to such abuses in our direct, indirect and supply chain operations. The business continues to focus on raising awareness of modern slavery issues and encouraging good practices among our suppliers and colleagues. We have published our 2022 statement on our website, reinforcing our commitment to this important issue.

Financial crime prevention

We have a zero-tolerance approach to financial crime, bribery and corruption. We have policies, frameworks and controls in place to help ensure that we only receive or pay money to or from clients, third parties, partners and suppliers that we have identified as suitable to do business with. We run mandatory annual training for our colleagues which requires passing a test that confirms their understanding of both our policies and the part our people play.

We also maintain a register of gifts, entertainment and hospitality we receive or provide. We have processes for reporting and reviewing breaches of our policies. In 2022 we had no breaches.

Compliance with the Association of Financial Mutuals Code

The Board has considered the Association of Financial Mutuals (AFM) Corporate Governance Code 2019, in particular the principles of best practice. The following table sets out the extent the Society has applied these principles:

	Principle	Applied	How Applied
1.	**Purpose and leadership:** An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	Yes	• The Society's purpose, vision and core value (page xx) were reviewed and updated as part of the 2023-2025 strategy review. The first year of the 2022-2024 strategy was successfully delivered in 2022, including membership growth and income growth were all achieved despite the impact caused by the pandemic. These objectives have since evolved into the 2023-2025 strategy which includes more consideration of customer value proposition, colleague satisfaction, and sustainability in our investments as well as the implementation of a climate change strategy. • Through the leadership of the Board, a clear vision for the Society's purpose and overall values is articulated which defines the strategy and culture of the organisation. Through internal consultation, this has been embedded at all levels. • The protocols are in place including the Corporate Governance and Policy handbooks and learning which support the execution of the overall purpose and vision of the Society across the organisation.
2.	**Board composition:** Effective board composition requires an effective chair and balance of skills, backgrounds, experience, and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.	Yes	• The Board operates through clear and established protocols and governance processes. These are set out in the matters reserved to the Board and its Committees' terms of reference. This ensures all matters and decisions are appropriately challenged and transparent. • The Board is supported by an Executive Committee and the Executive Management Team and internal operational committees, including, the Executive, Information and Security, Employee Consultation, Proposition Governance and Distribution Quality Management and other Committees. • Accountability is through routine internal evaluations of the Board and its Committees, with an external evaluation scheduled to take place later in 2023. Once the more recent Board changes have been fully embedded. • The Board composition is balanced between Executive and Independent Non-Executive Directors. Longevity, diversity, skill, experience and continued independence of non-executives is evaluated annually.
3.	**Director responsibilities:** The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	Yes	• Through the presentation of various board and committee reports, the directors use these to understand the business and any decision making requirements. These include the Internal Auditor presenting to the Audit Committee on a regular basis. The internal audits carried out during 2022 demonstrated that we have effective governance arrangements and robust operational resilience procedures in place. • Through the Company Secretary, the Board has been given any necessary learning support, policies and management information. This has enabled Directors to fulfil their role and align their decisions and thinking in line with the success and vision of the organisation. Non-executives are also asked to attend external seminars and conferences where possible. • All directors and non-executive directors complete an annual fit and proper person test to ensure that they are suitable and able to carry out their roles and to provide transparency with regards to any potential conflicts of interest. • Terms of reference are in place for each of the Board's sub-committees and are subject to annual review with any recommended changes submitted for Board approval.
4.	**Opportunity and risk:** A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	Yes	• Through clear definition of the Society's vision and strategy, the Board's decisions are always focused on delivering quality long-term, and sustainable value to its members. • Principal risks have been identified with a robust monitoring, mitigation and reporting system in place. These have been articulated and reported in the Risk Management Report on page 13. • Using the Own Risk and Solvency Assessment (ORSA) report and business planning, the Board debates the Society's risk appetite, carrying out scenario testing and identifies how any potential threats can be successfully managed and converted into opportunities. • The Society has invested and increased its resources in risk management over recent years, with more third-party assessments on cyber security.
5.	**Remuneration:** A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay	Yes	• The Society's Remuneration Policy is set out and monitored by the Remuneration Committee. The policy has clear objectives to incentivise management based on the long-term sustainable success of the Society's strategic vision and business plans. • Succession planning and retention of talent, at both senior and the operating level of the organisation, continue to be a key area of focus for the Board.

	and conditions elsewhere in the organisation.		• Employees and executive directors are remunerated based on market rates and bonuses are paid based on the Society's and their performance to encourage a common goal. Directors' bonuses include targets linked to the success of the three yearly strategic review aligning to longer-term success.
6.	**Stakeholder relationships and engagement:** Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Yes	• Through the Society's vision and strategy, stakeholder engagement is embedded at all levels of the organisation and externally where applicable. • The Board and senior management clearly define and promote the direction of engagement across all areas of the organisation. • The Board promotes a meaningful annual cycle of stakeholder engagement and continues an ongoing programme of employee consultations and forums and have appointed Helen McEwan, Independent Non-Executive Director, with responsibility for colleague engagement. Isobel Langton has been appointed the champion representative for diversity and inclusion. • The Board also has appointed Steve Payne as the Consumer Duty champion. required by regulation.

Board of Directors

Below are details of the members of our Board. All of the Non-Executive Directors meet the definition of independent directors as provided by both the 2018 UK Corporate Governance Code and the Association of Financial Mutuals Corporate Governance Code 2019. The full biographical details of the Board can be found on our website.

Director	Peter Hubbard	David Brand	Helen McEwan	Keith Baldwin
Appointed to the Board	Board August 2022 Board Chair November 2022	January 2014	September 2016	August 2019
NED/ Executive	Independent NED	Senior Independent NED	Independent NED	Independent NED
Committee Chair / Committee member	Board Chair, Nomination and Remuneration	Audit Chair, Investment Chair, Governance & Risk, Nomination and Remuneration.	Nomination Chair, Audit, Governance & Risk, Investment and Remuneration.	Audit, Governance & Risk, Investment, Nomination and Remuneration.
Experience	Peter has had an extensive career within the regulated environment, having served in both executive and non-executive roles. Peter is currently the Chair at Dudley Building Society, and Chief Executive of AXA Insurance. Peter was previously the Non-Executive Chair at Co-operative Insurance and also the Group Chief Executive at UK General Insurance. Peter has previous experience working for Lloyds Banking Group in e-commerce and strategy roles. He brings experience in regulated insurance and financial services along with a strong background in leadership.	David is a qualified actuary and brings to the Board significant expertise in insurance and reinsurance as well as extensive knowledge in finance, risk and governance having held a number of senior leadership positions in the UK life reinsurance arm of the Hannover Re group, including Managing Director. He also previously served as a member of Council of the Institute of Actuaries and on the Health Committee of the Association of British Insurers.	Helen has a wealth of experience across the life and pensions industry with particular expertise in strategy, leadership, operations, communications and stakeholder management. Helen was previously Partnerships Director at Aegon, Commercial Director at True Potential and Business Development Director with Now Pensions. Helen is also a former Trustee of Edinburgh Young Carers charity. Helen is passionate about providing high quality, value for money financial products and services which offer great outcomes for customers.	Keith has extensive experience across the financial services arena with expertise in Business Strategy, Corporate Governance, Sales and Marketing and Business Acquisition. His previous roles consist of Deputy Chairman and Chief Executive Officer of Allied Dunbar Assurance and Chief Operating Officer of Zurich (UK, International and Ireland) Life.
Current external appointments	Non-Executive Chair of the Dudley Building Society	• Non-Executive Chair of Countrywide Assured and CASLP (formerly Sanlam Life and Pensions) • Non-Executive Chair of Movestic Liv based in Sweden.	• Chief Pensions Officer to the Universities Superannuation Scheme.	• Chair of the Board of Trustees of the Jon Egging Trust. • Non-Executive Director of General Aviation Safety Council. • Liveryman of the Honourable Company of Air Pilots.

Director	Steve Payne	Isobel Langton	John Gunn
Appointed to the Board	September 2015	April 2021	April 2019
NED / Executive	Independent NED	Chief Executive	Finance Director
Committee Chair / Committee member	Governance & Risk Chair, Remuneration Chair, Audit, Investment and Nomination	Investment	Governance & Risk
Experience	Steve has held a variety of senior roles in the Life and Health insurance industry. He was previously Managing Director for individual and group protection at Friends Life after building a successful life and health business for Bupa. Steve also has 16 years of Reinsurance experience, helping to set-up Gerling Global RE now owned by SCOR. Responsibilities have included all areas of our business, and significant change management and business integration within the Resolution group. Steve was chair of ILAG (The Investment and Life Assurance Group), a former member of the ABI Protection Committee, and as a qualified Actuary, was twice Chair of the Institute and Faculty of Actuaries Healthcare Conference. Steve is also a member of The Exeter.	Isobel brings over 30- years of insurance industry experience and is a senior financial services leader whose background is predominantly in protection and pensions. Isobel's most recent position was as Chief Executive of Royal London's Intermediary Division, where she created and implemented strategy for their protection business and led the pensions business through a period of significant success. Isobel has a passion for creating a great customer service experience with a focus on developing innovative propositions and delivering value for money. She is also committed to the ideals and values of mutuality.	John joined the Society as Chief Actuary and Chief Risk Officer in February 2017 and was appointed to the Board as Finance Director in April 2019. John has spent his entire career in Life and Health insurance, joining Scottish Life immediately on graduation from Heriot Watt University. After qualifying as an Actuary in 2004, he spent 10 years working for Royal London's protection businesses in the UK and Ireland in a variety of roles including Head of Pricing, Head of Actuarial and Head of Products. Prior to joining The Exeter, John also worked at Scottish Widows and as General Manager at Omnilife.
Current and previous external appointments	• Independent Non-Executive Chair at Safe World Insurance Group UK Ltd. • Pacific Life Re (resigned January 2022)		

Director	Steve Bryan	Willie Hamilton
Appointed to the Board	July 2017	April 2005
NED/ Executive	Director of Distribution and Marketing	Medical Director
Committee Chair / Committee member	-	-
Experience	Steve joined the Board of the Society in July 2017 as Distribution and Marketing Director. In his role at The Exeter, Steve is responsible for sales, marketing, proposition development and relationship management. Steve has spent his entire career in the Financial Services sector, starting out on the graduate training scheme of Lloyds Bank, having graduated from the University of Leeds in Economics and Accountancy. Subsequently, a distinguished 20-year tenure with Legal & General followed in a variety of roles across the General Insurance and Protection divisions, culminating in Steve heading up Intermediary distribution across both divisions. Steve brings to The Exeter a wealth of experience across Protection, General Insurance, Mortgage and Healthcare markets.	Willie has received several accolades during his distinguished career. He has won Research Paper of the Year twice. He has also written two textbooks, one on orthopaedics and the second on cancer, the latter winning a British Medical Association prize. He was the clinical lead for a NICE (National Institute for Health and Care Excellence) guideline NG12, on investigation of suspected cancer, and sits on several Department of Health Committees relevant to cancer. He was awarded a CBE in the 2019 New Years' Honours list for his 'services to improving early cancer diagnosis'.
Current external appointments		Willie has also been the Chief Medical Officer for Liverpool Victoria for over twenty years.

Directors skills and experience

Below is a general overview of the skills and experience of the Board.

Director	Life, IP and General Insurance	Reinsurance	Medical	Financial / Audit / Investment / Pension	Risk / Compliance	Actuarial	Senior Executive / Chair	Cybersecurity / IT	ESG	Marketing / Distribution / Underwriting
Peter Hubbard	●	●		●	●		●	●	●	●
Keith Baldwin	●			●	●		●	●	●	●
David Brand	●	●		●	●	●	●	●	●	●
Steve Bryan	●				●		●	●	●	●
Helen McEwan	●			●	●		●	●	●	●
John Gunn	●	●		●	●	●	●		●	
Willie Hamilton	●		●		●		●		●	
Isobel Langton	●	●			●		●		●	●
Steve Payne	●	●		●	●	●	●	●	●	●

Board and Committee membership attendance record

Against each Director's name is shown the number of meetings of the Board and its Committees at which the Directors were present as a member and in brackets the number of such meetings that the Director was invited as a member of the Board or Committee to attend during the year.

Director	Board[(1)]	Audit	Governance & Risk	Investment	Nomination	Remuneration
	(7)	(6)	(5)	(4)	(8)	(5)
Wallace Dobbin [(2)]	4 (7)	-	-	-	5 (5)	3 (3)
Peter Hubbard[(3)]	4 (4)	-	-	-	3 (3)	2 (5)
Keith Baldwin	6 (7)	6 (6)	4 (5)	4 (4)	7 (8)	4 (5)
David Brand	7 (7)	6 (6)	5 (5)	4 (4)	8 (8)	5 (5)
Helen McEwan	7 (7)	6 (6)	5 (5)	4 (4)	6 (6)	5 (5)
Steve Payne	7 (7)	6 (6)	5 (5)	4 (4)	5 (5)	5 (5)
Isobel Langton	7 (7)	-	-	4 (4)	-	-
Steve Bryan	7 (7)	-	-	-	-	-
John Gunn	7 (7)	-	5 (5)	-	-	-
Professor Willie Hamilton	7 (7)	-	-	-	-	-
Chris Pollard[(4)]	2 (2)	-	-	-	-	-

(1) This included one strategy meeting

(2) Wallace Dobbin retired 31 December 2022

(3) Peter Hubbard was appointed 1 August 2022 and Board Chair 11 November 2022

(4) Chris Pollard resigned 30 June 2022

Committee Reports

The Board has five established Committees: Audit, Governance and Risk, Investment, Nomination and Remuneration to undertake a detailed review of those matters within their remit, as defined by each Committee's Terms of Reference. These Terms of Reference are available on request and are published on the Society's website.

The Board reviews the minutes of Committee meetings and receives reports and recommendations from the Committees. The composition and performance of the Committees are reviewed annually by the Board.

Audit Committee

Committee membership and attendance

All members of the Committee are Independent Non-Executive Directors. The Board believes members have the necessary range of expertise to provide effective challenge to management. Committee meeting attendance can be found on page 40.

Invitations to attend Committee meetings are extended on a regular basis to the Board Chair, the Chief Executive, the Finance Director, the Director of Distribution and Marketing, the Chief Internal Auditor and the Medical Director. Representatives from the independent external auditors attended meetings by invitation. Other senior managers are invited to attend as required and include the Head of Finance.

The Committee has held regular private meetings separately with the independent external auditors and Chief Internal Auditor. These meetings address the level of support and information exchange and provide an opportunity for participants to raise any concerns directly with the Committee.

Role of the Committee

The Committee's full terms of reference, which are reviewed by the Committee and submitted to the Board for approval on an annual basis, are available on the Society's website. A summary of responsibilities are as follows:

- The Annual Report and Accounts, financial returns, and other financial statements, to consider the key accounting judgements and estimates.
- The appropriateness of the accounting policies, including the going concern and viability statement.
- Monitor the annual financial statements of the defined benefit pension scheme, where not monitored by the Board as a whole.
- Advise the Board on its view of the 'fair, balanced and understandable' reporting to also ensure the information is understandable by members to assess.
- The appointment or dismissal of the Chief Internal Auditor, the approved internal audit work programme, key audit findings and the quality of internal audit work.
- The independence of the independent external auditors, the appropriateness of the skills of the audit team, the approved audit plan, the quality of the firm's execution of the audit, and the agreed audit and non-audit fees.
- Review the commentary received from the independent external auditors on the FRC's Audit Quality Review Report on the firm.

In carrying out its duties, the Committee is authorised to obtain any information it needs from any director or colleague. It is also authorised to seek, at the expense of the Society, appropriate external professional advice whenever it considers this necessary.

The Committee did not need to take any independent advice during the year.The Committee's key areas of focus

The Committee has set a set agenda for the year although it adapts this to take account of changes in the business and the Board's strategy to ensure that there is challenge and oversight from an audit perspective and to ensure a strong control environment. The Committee's key areas of focus for 2022 were:

Brief summary of the Audit Committee's activities during 2022

- Reviewed the Annual Report and Accounts, financial returns and statements.
- Reviewed reports from the external auditor on the financial statements. These covered the significant audit risks, areas of audit focus, appropriateness of any significant management judgements used in preparing the accounts and the effectiveness of systems of internal control.
- Approved the external audit plan, the external auditor's terms of engagement and the fees to be paid.
- Reviewed and approved where necessary the internal audit reports, policy and charter.
- Considered feedback from the internal evaluation process.
- Recommended changes to the Committee terms of reference to the Board for approval.

Membership

David Brand (Chair)
Keith Baldwin
Helen McEwan
Steve Payne

Financial Reporting	• Reviewed the Annual Report and Accounts, monitoring the integrity and any significant issues of the financial statements. • Received reports on the key judgements and accounting policies in the preparation of the financial statements. • Reviewed reports from the external auditor on the financial statements. These covered the significant audit risks, areas of audit focus, appropriateness of any significant management judgements used in preparing the accounts and the effectiveness of systems of internal control. • Reviewed the Society's Going Concern assumption and Viability Statement and confirmed the Directors have carried out a robust assessment of the principal and emerging risks and how they are being managed or mitigated. • Provided advice and recommendation on whether the Annual Report and Accounts, taken as a whole, were fair, balanced and understandable, and provided the members with the information necessary to assess the Society's position, performance, business model and strategy. • Made recommendation to the Board, for it to be put to the Members for approval at the Annual General Meeting, in relation to the appointment of the independent external auditor.
External auditor	• Approved the external audit plan, the external auditor's terms of engagement and the fees to be paid. • Reviewed and monitored the external auditors, independence, objectivity and effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. • Reviewed and approved the external auditor independence policy relating to non-audit services. • Received and reviewed the external auditors year-end independent review and reports.
Internal auditor	• Regularly reviewed and considered the internal audit plan for the year. • Received quarterly internal audit reports, challenged the robustness of their findings and agreed appropriate actions with management. • Reviewed how issues identified for action, whether arising from internal audit reports or from internal control processes, are progressed and reported, ensuring an effective framework for the management of issues within the business. • Reviewed the Chief Internal Auditor's independence, skills and experience to continue in role for another year in accordance with the guidance recommendation from the Internal Audit Financial Services Code of Practice for effective internal audit.
Control oversight	• The Committee regularly reviewed and considered the Actuarial Function report along with the work of the independent With Profits Actuary. In February 2022 the external appointment was replaced by an internal actuary who took over this responsibility. • Reported to the Board, any identified matters in respect of which it considered that action or improvement was needed and made appropriate recommendations. • Reviewed and monitored any control findings actions resulting from the independent external audit.
Routine matters	• Conducted an annual review of the Committee's performance. • Reviewed and approved the committee's terms of reference and minutes. • Agenda forward planner for the year ahead reviewed.

Financial Reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the independent external auditors the appropriateness of the annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the independent external auditors;
- whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for members to assess the Society's position, performance, business model and strategy; and
- any correspondence from regulators in relation to the Society's financial reporting.

To aid its review, the Committee considers reports from the Finance Director, the Chief Actuary and also reports from the independent external auditors on the outcomes of their annual audit.

The primary areas of judgement considered by the Committee in relation to the 2022 accounts and how these were addressed were as follows:

- Insurance contract assets (Long Term Business Fund) – the calculation of the long-term insurance liabilities is an issue where management and professional judgements are important. These are addressed by the Committee challenging the Chief Actuary and management on the key assumptions made and considering any relevant professional advice that may have been received. The independent external auditors also report on the reasonableness of significant accounting estimates. The independent external auditors also consider this as part of their report on page 66.
- Insurance contract liabilities (General Business Fund) – whilst these are more straightforward to calculate than for long term business, because the contracts are renewable annually and claims have a shorter tail, the Committee is required to satisfy itself that the assumptions used in the estimation of the claims incurred but not reported and claims incurred but not settled, unearned premium and unexpired risks provisions are reasonable. This it does by challenging the Chief Actuary and management on the key assumptions and considering any relevant professional advice that may have been received. The independent external auditors also consider this as part of their report on page 66.
- Age at Entry Management Account for the PMI business – whilst the amount set aside to cover the value of potential future losses on Age at Entry business is not required to be recognised in the financial statements as a liability, the Committee is required to

satisfy itself of the appropriateness of the method used in its calculation for the purposes of its disclosure in the Notes to the Financial Statements. The value attached to the Account is also integral to the calculation of the Society's capital requirements for the General Business Fund and is therefore included in the ORSA calculations. The Committee satisfies its obligations by challenging the Chief Actuary and management on the key elements of the calculation and considering any relevant professional advice that may have been received.

The Committee receives regular reports on the basis for the ongoing Solvency II reporting.

Independent external audit

The Committee manages the relationship and monitors the performance of the external independent auditors on behalf of the Board and makes recommendations to the Board in relation to their appointment, re-appointment or removal. These recommendations are then put to the members for approval at the Annual General Meeting (AGM). The Board recommended the re-appointment of Mazars LLP as the Exeter's independent external auditors, and the appointment was approved by the members voting at the AGM on 23 June 2022.

The Society has policies in place which aim to safeguard and support the independence and objectivity of the external independent auditors. One such policy requires the prior approval of the Board for the engagement of the independent external auditors for non-audit work. The independent external auditors are not normally engaged to provide any other services in line with current standards. Grant Thornton UK LLP continue to provide tax support services to The Exeter, having originally been appointed in December 2020 to replace Mazars.

The effectiveness of the external audit process is assessed as part of the Committee's annual effectiveness review, which takes the form of a survey issued to the Committee members. The Committee Chair collates the findings of the effectiveness review and ensures that any issues relevant to the audit process are acted upon.

Non-audit Fees

The Committee regularly considers the engagement of, and level of fees payable to, the independent external auditor for non-audit work, considering potential conflicts and the possibility of actual or perceived threats to their independence. The Society's policy is to consider whether to place material non-audit services work with the independent external auditor on a case-by-case basis, based on an assessment of who is best placed to do the work having regard to availability, resources, capability, experience and any conflicts of interest of potential candidate firms for the work. The Committee makes any choice based on what it considers to be in the Society's best interest overall, having regard to potential independence issues if the work is placed with the company's independent external auditors. Non-audit services offered to the independent external auditors would not include the design or operation of financial information systems, internal audit services, maintenance or preparation of accounting records or financial statements that would be subject to external audit, or work that the Committee considers is reasonably capable of compromising its independence as auditor. Mazars did not provide any non-audit services.

Internal audit

The Audit Committee is required to assist the Board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans. To fulfil its duties, the Committee reviewed:

- The internal audit's plans and its achievement of the planned activity, including resourcing; and
- The results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolutions.

The Internal Audit function advises management on the effectiveness of the Society's internal control systems, the adequacy of those systems to manage business risk and to safeguard its assets and resources. The Internal Audit function provides objective assurance on risks and controls to the Committee.

The risk-based audit work plan is agreed by the Committee annually. Progress against the internal audit work plan is reviewed at each Committee meeting, in order that any changes in priorities or resourcing can be discussed and agreed.

During 2022, seven internal audit engagements were undertaken (2021: 11), with two scheduled audits being completed early in 2023.

David Brand BA, FIA
Audit Committee Chair
31 March 2023

Governance and Risk Committee

Committee membership and attendance

Nearly all members of the Committee are Independent Non-Executive Directors. The Board believes members have the necessary range of expertise to provide effective challenge to management. Committee meeting attendance can be found on page 40. Invitations to attend Committees are extended on a regular basis to the Board Chair, the Chief Risk Officer and Head of Compliance.

Regular attendees are the Chief Executive, the Director of Distribution and Marketing, the Medical Director and the Chief Risk Officer. Other senior managers are invited to attend as requested which include the Information Security Manager, the Strategy and Change Director and the Head of Compliance.

The Chief Risk Officer and Head of Compliance both have direct access to the Committee and its Chair, and they meet at least once a year with the Committee, without the Society's management present.

Role of the Committee

The Committee's full terms of reference, which are reviewed by the Committee and submitted to the Board for approval on an annual basis, are available on the Society's website.

The Committee ensures and provides assurance to the Board that the Society's risk management strategy and governance arrangements are appropriate to its business, its market and meet the requirements of the regulatory regime.

A summary of responsibilities are as follows:

- Review and advise the Board on the overall risk appetite, tolerance and strategy throughout the year including material risk identification.
- Oversee and advise the Board on new risks, current risk exposures and future risk strategy.
- In conjunction with the Audit Committee, keep under review the overall risk assessment processes that inform the Board's decision making, regularly review and approve the parameters used in these measures and methodology adopted, and set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- Advise and make necessary recommendations to the Board on proposed strategic transactions.
- Keep under review the risk self-assessment process and make any necessary improvements and recommendations.
- Approve and monitor compliance with the ORSA Policy and provide oversight and challenge for the ORSA process.
- Keep under review the adequacy and effectiveness of the risk management systems and review and approve the statements to be included in the Annual Report, in respect of internal controls and risk management.
- Provide qualitative and quantitative advice to the Nomination and the Remuneration Committees to ensure executive remuneration policies encourage good risk management.

Brief summary of the Governance & Risk Committee's activities during 2022

- Monitored and reviewed the effectiveness of the Society's risk management systems and internal controls.
- Reviewed and recommended for approval the annual ORSA report.
- Monitored and reviewed the effectiveness of the Compliance function. Keeping regulatory change and reporting under constant evaluation.
- Conducted a robust assessment of key risks, including cyber, ESG and economic climate. Considered management and mitigation measures.
- Considered feedback from the internal evaluation process.
- Recommended changes to the Committee terms of reference to the Board for approval.

Membership

Steve Payne (Chair)
Keith Baldwin
David Brand
Helen McEwan
John Gunn

The Committee's key areas of focus

The Committee's key areas of focus for 2022 were:

Risk	• Reviewed and monitored the quarterly Risk Report (including the quarterly Risk Dashboard). • Reviewed and challenge the Climate Change Risk Management Plan and ESG Framework. • Reviewed and made recommendation to the Board in respect of the annual Enterprise Risk Management framework. • Reviewed, challenged and made recommendation to the Board of the bi-annual Risk Control Self-assessment.
Compliance	• Reviewed and monitored the quarterly Compliance Function Report, including impact of regulatory change, progress update. • Reviewed the annual PRA periodic summary meeting review. • Review the FCA returns. • Reviewed and approved the threshold conditions report. • Reviewed the members' complaints report.
ORSA and Strategy	• Reviewed, challenged and made recommendations to the Board in respect of the Business and Strategy Plan. • Reviewed the Operational Resilience: Impact on business services and impact tolerances. • Reviewed, challenged and made recommendation for final approval, by the Board, of the 2022 ORSA Report, and its design, objectives, sensitivities and is review and approval process.
Governance and other areas of oversight	• Reviewed, challenged and made recommendation to the Board in respect of the annual Financial Crime Report, Money Laundering Report and the Whistleblowing Report. • Reviewed and monitored the quarterly SII report including any recommendations in relation to SII management actions. • Reviewed and monitored the bi-annual IT and Cyber Security report and ad-hoc business penetration testing report. • Reviewed and monitored the Distribution and Quality Management Report as well as the quarterly Strategy and Change Report. • Reviewed, challenged and made recommendation for approval, by the Board, of the Risk Appetite. • The Corporate Governance Handbook recommending any changes for approval by the Board.
Routine matters	• Reviewed, challenged and made recommendation for approval, by the Board, of all Solvency II policies. • Conducted an annual review of the Committee's performance. • Reviewed and approved the committee's terms of reference and minutes. • Reviewed, challenged and made recommendation for approval, by the Board, of the Matters Reserved to the Board. • Agenda forward planner for the year ahead.

Whistleblowing and Fraud

The Society remains committed to high standards of business conduct and expects all of its colleagues to act accordingly and has policies in force to assist with this.

- Review the adequacy and security of the Society's arrangements for its colleagues and contractors to raise concerns, in confidence, about possible wrongdoing.
- Review the Society's procedures for detecting fraud. Review the Society's systems and controls for the prevention of bribery.
- Review regular reports from the Money Laundering Reporting Officer of the adequacy and effectiveness of the Society's antimony laundering systems and controls.

Risk Management

The Board determines the strategy for risk management and control. Senior management designs, operates and monitors risk management and internal control processes. The Governance and Risk Committee, on behalf of the Board, reviews the adequacy of these processes and ensures appropriate risk management systems and processes are in place to identify, evaluate and manage risks faced by the Society. This process is regularly reviewed by the Board. Any risk-related issues are investigated, and additional compliance or internal audit resources allocated as needed.

In 2022, the Board approved the updated Risk Appetite and Risk Register, which are regularly reviewed and form the basis of discussion and decision-making. Further details for the Risk Appetite, Risk Register and key risks affecting the business are set out in the Risk Report on page 13 and Note 3 of the Financial Statement, on page 87.

Cyber, IT and data

The Committee continued its oversight of the IT controls framework and infrastructure along with the provisions in place to defend against cyber-attacks, which are becoming increasingly sophisticated. It also considered the work being undertaken by the business to ensure compliance with GDPR and other regulations.

Compliance

The Committee provides oversight of the Society's governance and regulatory compliance arrangements and monitors their on-going effectiveness. The Committee regularly reviews reports from the Compliance function including the outcomes and recommendations arising from its monitoring programme.

The Committee also devotes a significant portion of its time to ensuring that the Society meets its obligations under Solvency II. During the year, the focus was on the methodology and assumptions for the Solvency Capital Requirement calculations and the review and recommendation to the Board of the Society's Own Risk and Solvency Assessment Report (ORSA).

Steve Payne, BSc, FIA
Governance & Risk Committee Chair
31 March 2023

Nomination Committee

Committee membership and attendance

All members of the Committee are Independent Non-Executive Directors. The Board believes members have the necessary range of expertise to provide effective challenge to management. Committee meeting attendance can be found on page 40.

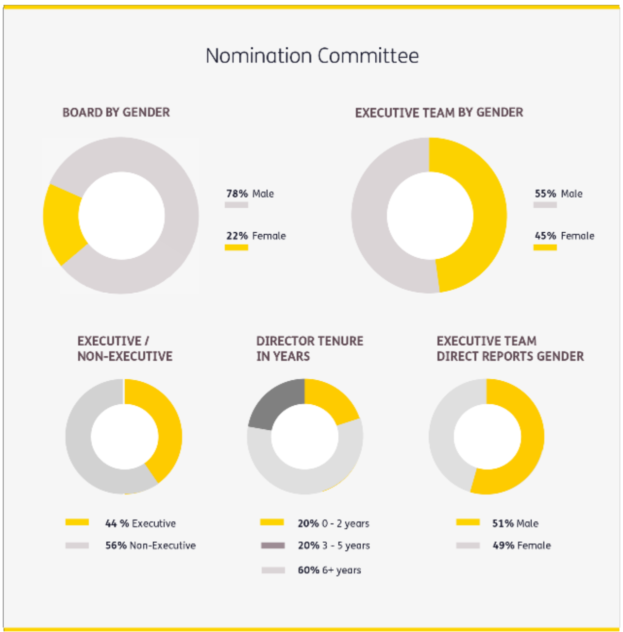
Role of the Committee

The Committee's full terms of reference, which are reviewed by the Committee and submitted to the Board for approval on an annual basis, are available on the Society's website. A summary of responsibilities are as follows:

- To keep the Board's composition under regular review in terms of size, structure, skills, experience and diversity in response to changing business needs and opportunities.
- Identify the particular skills, knowledge and experience required for a specific Board appointment and conduct the search and selection process.
- Recommend the appointment of new candidates to the Board and renewal, where applicable, of existing non-executive director appointments.
- Monitoring and keeping under review, inclusion, diversity and equity at both Board level and across the Society.
- Review plans for executive director and senior management development and succession.

Board changes during 2022

On 30 June 2022, Chris Pollard stepped down from the Board. Peter Hubbard was appointed a non-executive director on 1 August 2022 and as Board Chair on 11 November 2022, once regulatory approval had been given. Wallace Dobbin retired from the Board on 31 December 2022. The process of appointment is noted below. David Brand who has served as a non-executive director since 2 January 2014 will be retiring from the Board at the conclusion of the AGM on 28 June 2023.



Brief summary of the Nomination Committee's activities during 2022

- Reviewed the size, composition, diversity and skillset of the Board and its Committees.
- Considered feedback from the internal evaluation process.
- Dedicated significant time to succession planning for the Board, the Executive Committee and senior management.
- Recommended to the Board approval of the appointment of Peter Hubbard as non-executive director and following regulatory approval, as Chair of the Board.
- Recommended changes to the Inclusion, Diversity and Equity Policy to the Board for approval.
- Recommended changes to the Committee terms of reference to the Board for approval.

Membership

Helen McEwan (Chair)
Keith Baldwin
David Brand
Peter Hubbard
Steve Payne

The CEO and Chief People Officer is invited to attend Committee meetings.

Time commitment, election / re-election of non-executive directors

The Board gives an approximate idea of the time commitment expected from its Independent Non-Executive Directors on appointment, noting that additional requirements may emerge during the year. The Committee reviewed the independence, effectiveness, and commitment of each of the Independent Non-Executive Directors and concluded that none were overextended, or unable to fulfil their duties to the Board.

Prior to the Board recommending an Independent Non-Executive Director for re-election at the Annual General Meeting, the Committee considers their appointment giving due regard to performance, skills, knowledge and continuing commitment to the role and ability to contribute effectively to the Board and to ensure the continuing balance of the Board. On the basis of the above criteria the Committee considers that the current Board continues to be appropriate for the needs of the business. As a result, all the existing Directors, with the exception of David Brand who is stepping down from the Board, will be standing for election or re-election at the Annual General Meeting in June 2023.

The Committee's key areas of focus

The Committee has set a set agenda for the year although it adapts this to take account of changes in the business and the Board's strategy to ensure that there is challenge and oversight. The Committee's key areas of focus for 2022 were:

Board composition	• Consider and make necessary recommendations to the Board on the retirement of Wallace Dobbin as Board Chair. • Formal review of the composition of the Board, including skills, experience, diversity and tenure of the directors. • In line with the selection and appointment procedure, the Committee agreed on a suitable candidate for appointment to the Board. • The Committee made an appointment recommendation to the Board in respect of Peter Hubbard as a non executive director and as Board Chair, upon confirmation of approval from the regulator.
Inclusion, Diversity and Equity	• A standing agenda item for an update at each meeting in respect of inclusion, diversity and equity was agreed and actioned. • Review and monitor the delivery of the inclusion, diversity and equity framework for the business. • Review and recommendation of the inclusion, diversity and equity website statement.
Governance and oversight	• Review and recommend to the Board the annual election and re-election of directors at the 2022 AGM. • Review and recommendations in respect of the Exeter Friendly Society Board and Employee Inclusion, Diversity and Equity Policy. • Review of the Executive Committee and senior management structure including succession planning.
Routine matters	• Conducted an annual review of the Committee’s performance. • Reviewed and approved the committee’s terms of reference and minutes. • Agenda forward planner for the year ahead.

Selection and appointment process

In identifying suitable candidates for appointment to the Board, the Committee always considers candidates on merit against a role objective criterion. The following is the approach that is used for seeking and evaluating external candidates.

Selection and appointment of the new Board Chair

It is the practice of the Committee, led by its Chair, to appoint an independent external search consultancy to assist in Board appointments to ensure that an extensive and robust search can be made for suitable candidates. For example, Thorburn McAllister Executive Search was appointed to assist with the search and appointment of the new Board Chair in 2022. Thorburn McAllister Executive Search had no other connection or conflict of interest with the Society.

When fulfilling a Board level appointment, the Committee will consider the following:

Board composition	• Discuss and agree the timing, the role description and requirements of an appointed candidate. • Review the overall structure, size and composition of the Board and its Committees including the skills and experience, diversity, and tenure of the Directors currently appointed. • The Committee would agree the desirable qualities, having considered the Society's business model, strategy, and external environment including stakeholders.
Role brief development	• Develop a comprehensive role brief for position to be filled. • The brief would be aligned with reference to the skills and experience, the Exeter Friendly Society’s Inclusion, Diversity and Equity Policy, related commitments, and any other key corporate governance requirements.
Shortlisting	• The mandate would be given to the external search agency to provide suitable candidates for an initial long list of candidates from a broad range of backgrounds. • The Chair of the Committee, the Board Chair and the Chief People Officer would collaborate with the external search agency to prepare a short-list for review by the Committee. • The Committee would then agree the appropriate candidates to be invited for interview.
Interview	• To assess the candidates, a formal multiple-stage interview process would be used and tailored for relevance to the role. • Initial interviews would be held with the Committee Chair and the Board Chair supported by the Chief People Officer. • To agree on the final candidates invited for final interview, a calibration exercise would be undertaken. • Final interviews held with the members of the Committee with the agreed final two candidates. • The other Board members would also be invited at this stage to meet with the final candidates.
Due diligence and recommendation	• A comprehensive due diligence and role referencing process would be undertaken. • Upon satisfactory completion, appointment recommendations would be made to the Board for approval of the candidate.

Induction process

The Committee, supported by the Company Secretary, oversee the induction programme of any new director, which is designed to help establish a broad knowledge and full understanding of the Society's business, challenges, aspirations, and culture. Each programme is tailored to meet a new Director’s specific requirements and is phased to allow feedback and further customisation of development activities, where required. Typical induction programmes include:

- individual one-to-one meetings with all Directors and the Company Secretary;
- meetings with members of the Executive Team and Senior Management;
- meeting with the Society's external auditor and the investment brokers;
- being given the option to meet with colleagues and being introduced informally;
- being provided with a formal external director training, which has previously been facilitated by the Institute of Directors; and

- access to online resources, including to the Board and Committee minutes, key reference materials, and briefings on market status and competition.

In 2022 Peter Hubbard received a full induction. This included meeting all colleagues during the year, which was in person where possible and via video conference call in all other circumstances.

Talent and succession

The Committee is mindful of its responsibilities to consider succession planning for the Board. The Senior Executive, Senior Management team and the Committee also annually review the Company's talent pipeline in order to ensure that the Society works towards identifying talented candidates in the short, medium and long-term for all key roles.

Helen McEwan BA, AFPC
Nomination Committee Chair
31 March 2023

Investment Committee

Committee membership and attendance

The Board believes members have the necessary range of expertise to provide effective challenge to management. Committee meeting attendance can be found on page 40.

Regular attendees are the Board Chair, the Finance Director and representatives from the Investment Managers, Royal London Asset Management Limited (RLAM). The Committee is appointed by the Board, following recommendation by the Nomination Committee and operates under written Terms of Reference and meets at least three times a year.

Royal London Asset Management was appointed as the Society's investment managers in 2011, following a selection process that was overseen by the Committee. A separate contract is in place with HSBC Bank Plc for the provision of custodial services for the Society's investments. A thorough and detailed three-year review was undertaken in June 2021, and the Committee concluded and recommended the re-appointment of RLAM as the Society's investment manager.

Role of the Committee

The Committee's full terms of reference, which are reviewed by the Committee and submitted to the Board for approval on an annual basis, are available on the Society's website. A summary of responsibilities are as follows:

- Review and recommend investment guidelines to the Board, including monitoring and amending established limits for investments and credit policies including investment and counterparty liability, taking advice from the Chief Actuary and other financial advisors.
- Monitoring of investments to ensure they are consistent with the Investment Guidelines and report on any variations with required remedial actions.
- Determine appropriate counterparty limits and credit rating requirements.
- Set and monitor appropriate performance benchmarks for each fund and regularly review performance with external fund managers.
- Regularly review the external fund managers' policy for compliance with the Stewardship Code and report the outcomes to the Board.
- At least every three years review the capabilities, performance and costs of the fund manager and make appropriate recommendations to the Board.

Brief summary of the Investment Committee's activities during 2022

- Reviewed and monitored the investments against approved guidelines. Reported on any variations and action taken.
- Determined counterparty limits and credit rating requirements.
- Reviewed the performance of the Investment Fund Managers.
- Recommended changes to the Investment Guidelines.
- Recommended changes to the Committee terms of reference to the Board for approval.
- Considered feedback from the internal evaluation process.

Membership

David Brand (Chair)
Keith Baldwin
Helen McEwan
Steve Payne
Isobel Langton

The Committee's key areas of focus

The Committee has set a set agenda for the year although it adapts this to take account of changes in the business and the Board's strategy to ensure that there is challenge and oversight. The Committee's key areas of focus for 2022 were:

Investment activity	• The Committee reviewed the investment managers' reports and investment summaries, including receiving the annual Investment Management Report.
Internal Reporting and activity	• The Committee reviewed its investment summaries prepared and presented by the Finance Director. • The Committee reviewed its investment guidelines, with a change approved to move some assets to less carbon intensive funds. • The Committee monitored the economic impact on the various investments, including increasing interest rates, inflation and war in Ukraine.
Routine matters	• Reviewed the performance and ongoing appointment of the external investment managers, considering their performance, capabilities and overall management costs. • Conducted an annual review of the Committee's performance. • Reviewed and approved the committee's terms of reference. • Set Agenda forward planner for the year ahead.

David Brand BA, FIA
Investment Committee Chair
31 March 2023

Remuneration Committee

Committee membership and attendance

All members of the Committee are Independent Non-Executive Directors. The Board believes members have the necessary range of expertise to provide effective challenge to management. Committee meeting attendance can be found on page 40.

Role of the Committee

The Committee's full terms of reference, which are reviewed by the Committee and submitted to the Board for approval on an annual basis, are available on the Society's website. A summary of responsibilities are as follows:

- Review the Remuneration Policy for all Executive Directors and the Board Chair.
- Review the ongoing appropriateness and relevance of the Remuneration Policy.
- Determining the total individual remuneration package of each Executive Director, the Board Chair and other designated Senior executives.
- Obtaining reliable, up to date remuneration information of other companies of comparable scale and complexity to assist remuneration decision making.
- Responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Society, and approve the total annual payments made under such schemes.
- Determine the policy for, and scope of, pension arrangements for each Executive Director and other designated Senior Executives.
- Ensuring the contractual terms on termination, and other payments made, are fair to the individual, and to the Society, that failure is not rewarded and to mitigate any loss is fully recognised.
- Oversee any major changes in colleague benefits structures throughout the Society.
- Agree the policy for authorising claims for expenses from the directors.

Brief summary of the Remuneration Committee's activities during 2022

- Determine the Executive and employee compensation including pay increases, termination and bonus awards.
- Determine the Chair Fee.
- Keeping under review the changes in regulation in particular seeking ways to determine how to appropriately align the executive and employee pension scheme.
- Reviewed and approved the 2021 Directors' Remuneration Report
- Recommended changes to the Committee terms of reference to the Board for approval.

Membership

Steve Payne (Chair)
Keith Baldwin
David Brand
Peter Hubbard
Helen McEwan

The Committee's key areas of focus

The Committee has set a set agenda for the year although it adapts this to take account of changes in the business and the Board's strategy to ensure that there is challenge and oversight. The Committee's key areas of focus for 2022 were:

Remuneration	• Reviewed and made recommendation of the Executive Director Bonus Scheme payments 2021/2022. • Review of the business performance 2021/2022 and proposed bonus scheme final payment. • Reviewed and made recommendation of the Executive Director remuneration. • Continued the review of the Executive Bonus schemes, to ensure bonuses are better aligned with the strategy of the business, its performance and upcoming regulatory requirements. • CEO remuneration arrangements. • Reviewed the Chair Fee.
Other activity	• Review of value create and alignment with the business strategy. • Executive and colleague pension alignment review. • Approved the provision of an employee ad-hoc cost of living payment. • 2022 all colleagues pay review and bonus award.
Governance	• Review and approved the Directors' Remuneration Report • Conducted an annual review of the Committee's performance. • Reviewed and approved the committee's terms of reference and minutes. • Agenda forward planner for the year ahead.

Steve Payne, BSc, FIA
Remuneration Committee Chair
31 March 2023

Directors' Remuneration Report

On behalf of the Board, I am very pleased to present the Directors' Remuneration Report for the year to 31 December 2022. The report has been structured broadly in accordance with the remuneration disclosure regime that applies to Stock Exchange listed companies, to ensure that the Society's remuneration policies and practices are presented in a clear and informative way.

Remuneration policy

The Board recognises the need to engage colleagues at all levels who are capable of delivering its strategy and thereby ensuring the long-term prosperity of the Society. To this end it has developed remuneration principles clearly aligned with that strategy, which promote the appropriate behaviours and deliver rewards linked to the success of the Society and the personal performance of the individual.

The remuneration of the Executive Directors is based on the following principles:

- Executives are rewarded for creating long term value for the Society and hence its members;
- Performance related rewards form part of the total remuneration package;
- The remuneration package is competitive in the market in which the Society operates;
- Failure is not rewarded; and
- Contractual terms are agreed which ensure that, on termination, payments are fair to the individual and the Society.

The current reward package at The Exeter is a combination of base salary, variable pay and a market competitive benefits package. The Remuneration Policy is designed to support the Society's values and business culture by balancing the need to recognise and reward high performance with the requirements to manage risk and ensure that it promotes colleague behaviours which are in the best interests of its members. The Remuneration Committee considers the reward package of other Group colleagues when determining the Executive Directors' remuneration for the year. This includes annual base salary reviews, benefits and bonus schemes.

The full Remuneration Policy is stated below.

Remuneration policy table

Type of Remuneration	Purpose and link to the strategy	How it operates
Executive Directors		
Base salary	To attract and retain individuals with skills and experience relevant to the role and appropriate to contribute to the success of the Society.	Base salaries take account of: • Skills and experience; • Salaries across the Society; and • By reference to the published information from comparable organisations in the financial services sector including data from the Willis Towers Watson Financial Services Survey (excluding London). Salaries are usually reviewed annually with changes implemented from 1 April each year.
Benefits	To attract and retain individuals with skills and experience relevant to the role and appropriate to contribute to the success of the Society.	The main benefit provided is the provision of Private Medical Insurance cover for Executive Directors and their immediate families.
Annual Bonus (Executive Director Bonus Scheme)	Variable pay is designed to enable managers and colleagues to share in the success of the Society and is payable upon achievement of a set of defined business and individual performance targets.	Corporate and individual performance targets are set by the Remuneration Committee at the start of each year and achievements reviewed after the year end. The Committee can use its discretion to award or adjust bonuses and awards can be subject to claw-back if performance is misstated, in the event of misconduct or if there has been a major failure of management resulting in substantial damage to the business or reputation of the Exeter Friendly Society Group.
Pension	To attract and retain individuals with skills and experience relevant to the role and appropriate to contribute to the success of the Society.	The Executive Directors are members of the Society's defined contribution Group Personal Pension Plan, which is available to all colleagues. Pension entitlements are not included as salary for the purpose of bonus calculations.
Non-Executive Directors		
Fees	To attract and retain individuals with skills and experience relevant to the role and appropriate to contribute to the success of the Society without compromising their independence.	Annual fee for Board Chair. Annual fee for Independent Non-Executive Directors. Additional fees paid to the Committee Chairs. Fees are reviewed periodically, with the Board Chair's fee reviewed by the Committee and the Independent Non-Executive Directors' fees reviewed by the Chair and Executive Directors to avoid any conflict.

Maximum value potential	Performance metrics	Changes to policy in 2022
No specific cap on salaries. In determining any increases, the rate of increase for other colleagues is considered.	Personal and corporate performance and the levels of increase throughout the Society are considered when deciding whether a salary increase should be awarded.	No changes. Details of how the Society's policy on base salaries has been implemented in 2022 are provided on page 55.
No pre-determined maximum.	None.	No changes.
Reviewed and determined by the Committee annually. The maximum bonus opportunity for Executive Directors is 200% of base salary. 40% of the annual bonus award for Executive Directors is deferred for two years post-award.	Performance is measured against key corporate performance indicators and individual performance.	Details of how the Society's variable pay policies have been implemented during the year are provided from page 58.
A maximum Society contribution of 15% of base salary for Executive Directors, except where they have contributed the maximum to their pension, in which case they were given the cash equivalent.	None.	No changes. Details of the pension contributions made by the Society during the year are provided in the table on page 56.
No specific cap on fees. However, fee levels are benchmarked against market levels.	None.	No changes. Details of the fees paid during the year are provided on page 56.

Comparability of policy across the Group

The following notes outline any differences in the Society's policy on the remuneration of its Executive Directors from other colleagues within the Group by reference to each element of remuneration:

Base Salary

There are no differences in the application of Remuneration Policy across the Group in relation to base salaries. The Committee considers the overall salary budget and percentage increases made to other colleagues with similar levels of performance when setting Executive Directors' salaries.

Benefits

There are no differences in policy although the benefits available may vary according to the level of the colleague within the business. Every colleague is entitled to free Private Medical Insurance (PMI) cover with the Society and a 50% discount on normal premium rates for their spouse or partner and dependent children. Executive Directors and colleagues above a certain level are entitled to free PMI cover for themselves and their spouse or partner and dependent children.

Pensions

There are no differences in policy although the rates of pension contributions made by the Society vary according to the seniority of the colleague within the business.

Annual bonus

The Company Annual Bonus Scheme applies to all colleagues with the exception of the Executive Directors and other members of the Executive Board. The maximum bonus opportunity within this Scheme varies by the level of the colleague within the business.

The Executive Directors and other members of the Executive Board are eligible to participate in the Executive Director Bonus Scheme and Executive Bonus Scheme respectively with 40% of the annual bonus awards made under these Schemes are deferred for two years post-award. The Medical Director does not participate in the bonus schemes, as his executive role is largely an advisory one and to ensure complete independence when advising on specific cases.

Relative importance of remuneration elements

The Committee's view is that performance-related elements of the remuneration package for Executive Directors should be a significant proportion of the total. This serves to align the actions of these Directors with the interests of members.

The charts below illustrate the mix, as at the date of this report, between the fixed and performance related pay of Executive Directors on target performance levels compared to the minimum and maximum thresholds.

Director	Performance	Base Salary	Executive Director Bonus Scheme	Pension
Isobel Langton (Chief Executive)				
	Minimum	87%	0%	13%
	On Target	57%	34%	9%
	Maximum	47%	47%	6%
Steve Bryan (Director of Distribution and Marketing)				
	Minimum	87%	0%	13%
	On Target	47%	47%	6%
	Maximum	32%	63%	5%
John Gunn (Finance Director)				
	Minimum	87%	0%	13%
	On Target	57%	34%	9%
	Maximum	47%	47%	6%

Executive Directors' recruitment and service contracts

When recruiting Directors, the Society's policy is to pay appropriately to attract individuals with the skills and experience appropriate to the role to be filled, taking into account remuneration across the Group, including other senior managers, and that offered by comparable businesses. Base salaries are set against market data and internal comparisons. All elements of reward are aligned to the Remuneration Policy.

Executive Directors are employed on contracts subject to no more than nine months' notice and specify that any Director appointed by the Board during the year holds office until the next Annual General Meeting and must then stand for election to continue in office. The Committee endorses the principle of mitigation of damages in the event of the early termination of service agreements.

Independent Non-Executive Directors' letters of appointment

The Independent Non-Executive Directors do not have contracts of service but are provided with letters of appointment. Such appointments are initially for a three-year term although, in accordance with the UK Corporate Governance Code 2018, all Directors stand for re-election by members each year at the Society's Annual General Meeting.

The letters of appointment set out the time commitment expected of the Independent Non-Executive Directors in the performance of their duties. They also provide for a notice period of six months although this may be reduced in circumstances where they are no longer able to meet the obligations and conditions of their appointment.

Considerations elsewhere in the Group

The Committee is aware of the potential disconnect which can be created if Executive Director remuneration is set in isolation and therefore is updated during the year with details of the pay and employment conditions in the wider workforce. In particular, the Committee is made aware of general salary increases, base level salary in relation to the wider market, general benefit provision and the proposed level of annual bonuses. Where possible the Committee consults with colleagues with regards to pay, this is usually through the regular employee consultation forum.

In setting the Remuneration Policy for Executive Directors, the Committee has taken account of the pay arrangements for other colleagues in the Group. The same principles apply to Remuneration Policy for all colleagues, that pay should be benchmarked against relevant markets to ensure competitiveness whilst controlling costs, and that performance related pay should be aligned with and help drive the achievement of the Group's business strategy. In determining any increase in the level of base salaries for Executive Directors, the policy requires that the rate of increases for other colleagues is considered. The Committee did not exercise any discretion in 2022 in respect of Executive pay or bonuses.

Consultation with members

Where possible and appropriate, the Board is committed and has had direct and open dialogue with members on Executive Director remuneration. The Directors' Remuneration Report is subject to a vote at the Annual General Meeting.

Annual Report on remuneration

The following table shows the breakdown of total remuneration for Directors in 2021 together with the prior year comparatives:

	2022 £000s						2021 £000s				
	Salary / Fees	Benefits / Expenses	Bonus	Society Pension Payment[1]	Termination Benefits	Total	Salary / Fees	Benefits / Expenses	Bonus	Society Pension Payment	Total
Executive Directors											
Steve Bryan	200	0	478	30	0	**708**	195	0	439	29	**664**
John Gunn	198	0	248	30	0	**476**	191	0	234	29	**453**
Isobel Langton	332	0	176	50	0	**558**	238	0	142	24	**404**
Chris Pollard[2]	103	0	117	29	224	**473**	191	0	219	29	**439**
Professor Willie Hamilton	93	0	0	0	0	**93**	86	0	0	0	**86**
Andy Chapman[3]	0	0	216	0	0	**216**	332	2	391	44	**770**
Sub-totals	**926**	**0**	**1,235**	**139**	**224**	**2,524**	**1,233**	**2[4]**	**1,426**	**155**	**2,815**
Non-Executive Directors											
Keith Baldwin	49	1	0	0	0	**50**	48	0	0	0	**48**
David Brand	60	1	0	0	0	**61**	58	1	0	0	**59**
Wallace Dobbin[5]	87	0	0	0	0	**87**	84	0	0	0	**84**
Peter Hubbard[6]	26	2	0	0	0	**28**	0	0	0	0	**0**
Helen McEwan	54	3	0	0	0	**57**	53	0	0	0	**53**
Steve Payne	60	2	0	0	0	**62**	58	2	0	0	**60**
Sub-totals	**336**	**9[7]**	**0**	**0**	**0**	**345**	**301**	**3**	**0**	**0**	**304**
Totals	**1,262**	**9**	**1,235**	**139**	**224**	**2,869**	**1,534**	**5**	**1,426**	**155**	**3,119**

(1) The Directors have the option of receiving payments in lieu of some or all of these pension contributions. The following have opted to take this allowance; Isobel Langton, John Gunn, and Steve Bryan.

(2) Chris Pollard Resigned 30 June 2022

(3) Andy Chapman retired June 2021, the table reflects deferred bonus payments

(4) Benefits for the Executive Directors relate to the premium paid for an Income Protection Policy.

(5) Wallace Dobbin retired 31 December 2022

(6) Peter Hubbard appointed Chair 11 November 2022

(7) The expenses quoted are those which the Non-Executive Directors (NEDs) have incurred for travel or accommodation whilst on NED duties at Head Office. HMRC consider these to be taxable so the figure disclosed is the grossed up value of these expenses (other expenses incurred on NED duty which are not in respect of Head Office are not taxable and have therefore not been disclosed).

Executive Directors

Base Salary

The annual base salary levels of the Executive Directors were not increased in 2021. The following table sets out the 2021 and 2022 comparative salaries of the Executive Directors:

Name	As At April 2022	As At April 2021
Isobel Langton (Chief Executive)	£335,000	£322,004
Steve Bryan (Director of Distribution and Marketing)	£201,000	£195,314
John Gunn (Finance Director)	£201,000	£190,550
Chris Pollard (Chief Operating Officer, resigned June 2022)	£190,550	£190,550
Professor Willie Hamilton (Medical Director)	£50,391	£48,564

Variable pay - Executive Director Bonus Scheme

Variable pay at Exeter Friendly Society Limited is designed to enable managers and colleagues to share in the success of the Group and is payable upon achievement of a set of defined business and individual performance targets. Performance incentive plans for senior managers and Executive Directors are structured to ensure a strong focus on both short and longer term business performance. The amounts paid depend on the Committee's measurement of Group performance against the business targets for the relevant period.

The Executive Director Bonus Scheme is for the Executive Directors (excluding the Medical Director) and is designed to deliver awards that reflect the performance of the individual executive and the Society over the short and long term. It is designed to be motivational and rewarding for executives, whilst protecting the assets of members and complying with best practice. The Medical Director does not participate in the Scheme, as his executive role is largely an advisory one.

Each year the participating Executive Directors can earn a bonus of up to an agreed percentage of salary for the achievement of individual and corporate objectives. The bonus award is based on three performance elements:

- Corporate measured performance;
- Individual performance; and
- A risk and governance modifier (which may reduce or withdraw an award, if there have been significant compliance or governance breaches, or excessive customer complaints).

The corporate performance measures may vary from year to year but for 2021 and 2020 they were Net Earned Premium (after reinsurance impact) and Operating Expenses (excluding commission to brokers). The planned targets for both measures were agreed by the Board following approval of the updated three-year Business Plan at the beginning of the respective years.

Net Earned Premium

Achieving within 1% of the target for Net Earned Premium generates a bonus of 20% of base salary. For every 0.5% by which performance exceeds the target range, the bonus increases by 2% up to a maximum 40% of base salary. Conversely, for every 0.5% by which performance falls below target, the bonus reduces by 3% of base salary. Therefore, this element of bonus falls to zero when Net Earned Premium is 4.3% below target and reaches the maximum level of 40% of base salary at 6% above target.

Operating Expenses

Achieving within 2% of the target for Operating Expenses generates a bonus of 20% of base salary. For every 1% outside the target range, the bonus increases or reduces by 3% of base salary. Therefore, this element of bonus falls to zero when Operating Expenses are 8.7% above target and reaches the maximum level of 40% of base salary at 8.7% below target.

The Remuneration Committee have authorised discretion to adjust the metrics above when they feel that the calculated outcome does not reflect the performance of the business. Previous recent examples of where the Remuneration Committee over-riding used its discretion to adjust the calculated bonus are;

- In 2020, the Remuneration Committee agreed that discretion would be used over this year's bonus payments, bypassing the normal formula of what we have achieved against target. It was agreed that a 25% reduction would be applied to reflect the reduction in expense costs arising as a result of the COVID-19 pandemic that the Committee decided were not within normal management control.
- In 2021, no adjustments were made to bonus payments.
- In 2022 the Remuneration Committee agreed a multiplicative uplift of 25% to all bonus levels to reflect an exceptional year. Whilst expenditure was in excess of budget this reflects significant investment to support long term strategic initiatives.

The following table shows the targets that were set for the corporate performance measures in both 2022 and 2021 and the awards made in respect of those measures:

Corporate Performance Measure	**2022**				**2021**			
	Target £000s	**Actual £000s**	**Percentage of Target Achieved**	**Entitlement as a Percentage of Base Salary**	Target £000s	Actual £000s	Percentage of Target Achieved	Entitlement as a Percentage of Base Salary
Earned Premium net of IPT	77,181	77,666	100.6%	20.0%	74,669	73,601	98.6%	17.6%
Operating Expenses[1]	22,822	23,161	101.5%	20.0%	21,100	19,252	91.2%	40.0%
Remuneration Committee override				25.0%				
Corporate Performance Measure applied				**50.0%**				**57.6%**

[1] Operating expenses in this context excludes deferred acquisition costs; product development costs; pension costs and sundry year end write-offs.

Pension arrangements

The Executive Directors are members of the Society's defined contribution Group Personal Pension Plan, which is available to all colleagues. They may also make their own contributions in addition to those made on their behalf by the Society. The contribution made by the Society on behalf of the Executive Directors in both 2022 and 2021 was 15% of base salary. The Medical Director is not entitled to pension contributions from the Society.

Other benefits

The Executive Directors are entitled to free Private Medical Insurance cover with the Society for themselves, their spouse or partner and dependent children. The Society also pays the insurance premium for an Income Protection policy held in the Chief Executive's name.

External fees received

No external fees were received by any executive during the year.

Independent Non-Executive Directors

Independent Non-Executive Directors, including the Board Chair, are remunerated solely by fees. They do not receive any incentive payments or other benefit entitlements from the Society.

The review of remuneration for the Independent Non-Executive Directors (other than the Board Chair) is delegated to the Chair, the Chief Executive and Executive Directors of the Board, who may take advice from external remuneration consultants, as appropriate. Their remuneration is intended to reflect the time commitment and responsibilities of the role and is validated by reference to the published information from comparable organisations in the financial services sector.

Steve Payne, BSc, FIA
Remuneration Committee Chair
31 March 2023

Directors' Report and Statement of Directors' Responsibilities

The Directors present their report, together with the audited consolidated financial statement, for the year ended 31 December 2022. The Directors' Report comprises pages 61 to 64 and the other sections and pages of the Annual Report and Accounts cross referenced below which are incorporated by reference. The Corporate Governance statement comprises pages 26 to 35. In line with common practice, certain disclosures normally included in the Directors' Report have instead been integrated into the Strategic Report (pages 4 to 26)

The following cross-referenced material, is incorporated into this Directors' Report:

- Environmental, Social and Governance (page 18);
- Risk Management Report (page 13);
- Information on our colleagues (page 22);
- Information on how the directors have engaged with colleagues, have had regard to colleague interests and the effect of that regard on the Society's principal decisions (page 31);
- Business relationships with suppliers, customers, members and the effect of that regard, including any principal decisions taken (pages 31 and 31);
- Directors Responsibility Statement (page 61); and
- The Corporate Governance Report (page 26).

Members of the Board of Directors

Details of the directors, with their biographies, can be found on pages 38 to 40. The following director changes occurred during 2022:

Chris Pollard	Stepped down from the Board on 30 June 2022
Peter Hubbard	Appointed to the Board on 1 August and as Board Chair 11 November 2022
Wallace Dobbin	Stepped down from the Board 31 December 2022

David Brand who has served as a non-executive director since 2 January 2014, will be retiring from the Board at the conclusion of the AGM on 28 June 2023.

Statement of Directors' Responsibilities

The following statement should be read in conjunction with the Statement of Independent Auditors' Responsibilities (noted on page 66) and is made by the Directors to explain their responsibilities for the preparation of the financial statements.

The Directors are responsible for preparing the Strategic Report, the Strategic Review, the Directors' Report, the Corporate Governance Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Friendly Society law requires the Directors to prepare, for each financial year, financial statements comprising a balance sheet and an income and expenditure account. Under that law the Directors have prepared the financial statements in accordance with International Accounting Standards in conformity with the requirements of the Friendly Societies Act 1992.

Under Friendly Society law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society as at the end of the financial year and the income and expenditure of the Society for the financial year, or where a true and fair view is not given, the necessary information is provided to explain why this is so.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, in conformity with the requirements of the Friendly Societies Act 1992, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's and the Group's transactions, that disclose with reasonable accuracy at any time the financial position of the Society and the Group and enable them to ensure that the financial statements comply with the Friendly Societies Act 1992. They are also responsible for safeguarding the assets of the Society and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Society's position, performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section confirm that, to the best of their knowledge:

- the Society's financial statements, which have been prepared in accordance with the applicable set of accounting standards, in conformity with the requirements of the Friendly Societies Act 1992, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Society and Group and the undertakings included in the consolation taken as a whole;
- the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business, together with a description of the principal risks and uncertainties that it faces; and
- they consider it appropriate to adopt the going concern basis of accounting in preparing them and have not identified any material uncertainties to the Society's ability to continue to do so for twelve months from the date of approval of the financial statements.

Each Director in office at the date the Directors' Report is approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Society's independent auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Society's independent auditors are aware of that information

The Directors are responsible for the maintenance and integrity of The Exeter's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report and other disclosures

The directors of the Society present their report together with the audited consolidated financial statements for the year ended 31 December 2022. The Directors' report has been prepared in accordance with the requirements of section 415 of the Companies Act 2006 (the Act) and should be read together with the Strategic Report and the Corporate Governance Report.

Principal activities of the Society

The Society comprises of the Exeter Friendly Society Limited and its subsidiaries. The principal activities of the Society are the provision of life and protection insurance. Details of the subsidiaries are set out on page 8.

Corporate Governance

As required by statute the Society complies with the AFM's code on corporate governance. Whilst it is not required to comply with the UK Corporate Governance Code 2018 (the Code), the Board holds the Society to the highest standards of Governance, and as such, the Society has voluntarily decided to comply with the Code. At 31 December 2022, the Society was compliant. Full details can be found in the Corporate Governance Report, on page 36.

Directors and their interests

The details of the directors who served during the financial year ended 31 December 2022 and up to the date of signing the financial statements are set out on page 2, along with their biographies, which are set out on page 35. In accordance with the Code, all directors retire and stand for re-election at the AGM every year. All eligible directors will retire and stand for re-election at the 2023 AGM.

In accordance with the rules of the Society, there is a requirement for all conflicts or potential conflicts of directors' interests to be approved. The Board has reviewed the interests of the directors and their connected persons, and no interests during the year were required to be approved. The Board reviews any new or ongoing interest at each Board or Committee meeting. No director has any material interest in any contract with the Society or any subsidiary undertaking, which was significant in relation to the Society's business.

Stakeholder Engagement

The Board is fully engaged to promote the success of the Society as set out in section 172 of the Companies Act 2006 and have acted in accordance with these responsibilities. The Society's largest stakeholder is its members and customers along with the financial advisers that support them, other stakeholders are our suppliers, colleagues and the communities in which we work. Full details of the Society's stakeholder engagement and regard to their interests can be found on page 31.

Health, safety and welfare at work

The Exeter places great importance on the health, safety and welfare of its staff. Relevant policies, standards and procedures are reviewed on a regular basis to ensure that any hazards or material risks are removed or reduced to minimise or, where possible exclude the possibility of accident or injury to staff or visitors. The policies, standard procedures are communicated to staff through contracts of employment, Employee Policy Handbook, and briefings. All staff have a duty to exercise responsibility to do everything possible to prevent injury to themselves or others.

Financial Crime

The Society remains conscious of the increasing threat financial crime poses to the business and to its members, in particular cyber-crime, which is a growing risk. The Society is fully committed to conducting its business with high ethical standards and provides all colleagues with on-line training. As well as the on-line training, all colleagues are provided with the employee Policy Handbook, which contains among other policies, Whistleblowing, Corporate Social Responsibility, Conflicts of Interest, Anti-Bribery, Modern Anti-Slavery and Gifts, Entertainment and Hospitality.

Directors' and Officers' liability insurance

Throughout 2022, the Society has maintained liability insurance cover for its Directors and officers and as permitted under Section 106 of the Friendly Societies Act 1992. This cover remains in force at the date of this report. The Society arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which an indemnity does not meet. The insurance policies do not provide any protection in the event of a director or officer being found to have acted fraudulently or dishonestly in respect of the Society or its subsidiaries.

Creditor payment policy

Our policy is, where possible, to agree the terms of payment with suppliers at the start of trading, to ensure that suppliers are aware of the terms of payment and pay in accordance with its contractual and other legal obligations.

We aim to settle the supplier's invoice for the complete provision of goods and services (unless there is an express provision for stage payments), when in full conformity with the terms and conditions of the purchase, within the agreed payment terms. The Society's creditor days were 13 days at 31 December 2022 (2021: 16 days).

Environmental, Social and Governance

The Board is committed to improving its corporate, social and environmental impact and full details on the Society's activities can be found on page 18.

Charitable donations and political contributions

No political donations were made in 2022 (2021: £nil). Donations totalling £112,075 (2021: £78,391) were made to charities during 2022. As part of the 2022 AGM the society made a donation to the FORCE Cancer Charity for every vote cast, this initiative raised £5,450 (2021: £5,045). In addition to this figure, an amount of £3,560 (2021: £2,250) was paid in respect of medical insurance policies that included a hospice donation as a benefit.

Relations with members

The Board is fully committed to the fair and reasonable treatment of all members, who are both owners and customers of the Society. The Board reviews a wide range of key performance and risk indicators at each of its meeting, including several that assess how well the Society is meeting its commitments to treating customers fairly.

The Society actively encourages feedback from members through a variety of methods including member surveys, correspondence and telephone contact; as well as through the issue of annual statements, renewal notices and the AGM information pack and notice of meeting. In 2022 the AGM information pack continued to raise a number of member questions, which the Board welcomed, considered and provided a response.

Bonuses to Holloway plan policyholders (Long Term Business Fund)

Only those members with a Holloway plan are entitled to a bonus. In deciding a bonus and interest declarations this year, the Board of Directors has taken into account both fairness to members and the financial climate during the year.

The Board is therefore recommending bonuses and interest rates as set out below:

Bonus Declaration

Ordinary Shares: £1.60 (2021: £7.20 including a special one-off bonus of £6.00)

Commuted Shares: £1.82 (2021: £1.81)

Interest Rates

Ordinary Accounts 4.2% (2021: 1.5%)

Commuting Members and Juveniles: 1.5% (2021: 0.8%)

Over 65's: 1.5% (2021: 0.8%)

The Terminal Bonus to be paid to all ordinary members whose policies mature or surrender from April 2021 was 80% of the member's dividend account. The equivalent Terminal Bonus rate for April 2022 to March 2023 was 90%.

The total of all dividend accounts is the Members Dividend Account, which is held at face value as a liability in the Long Term Business Fund.

Complaints and disputes

The Board ensures there are processes in place for investigating, handling and recording complaints. Complaints are seen as valuable opportunities to improve the way we work and to improve our relationship with members. We aim to rectify our errors without undue delay, and we investigate and explain our position if a complaint is not justified.

The Exeter is a member of the Financial Ombudsman Service, to which unresolved complaints are referred if all other avenues fail to bring about a satisfactory conclusion.

With-Profits Actuary

During the financial year Wendy Crockford was appointed (1 February 2022) the Group's With-Profits Actuary. In compliance with Section 77 of the Friendly Society's Act 1992, Mrs Crockford has confirmed that neither she nor her family have any pecuniary interest in the Society, in respect of her role as the Fund's Actuary.

Independent external auditors

The Audit Committee oversees the Society's relationship with and monitors the performance of the external independent auditors and makes recommendations to the Board in relation to their appointment, reappointment or removal. These recommendations are then put to the members for approval at the Annual General Meeting.

All relevant information has been provided to the firm's independent external auditors, Mazars LLP, who were reappointed as the Society's independent external auditors at the Annual General Meeting on 23 June 2022. Mazars LLP are willing to continue in office and a resolution will be proposed at the Annual General Meeting scheduled on 28 June 2023 for their re-appointment.

Annual General Meeting (AGM)

In continuing to reduce carbon emissions, the Society will again provide a personalised postal invitation to those members who have not opted to receive this electronically. The paper pack will not include a copy of the year under review or annual report and accounts, both which can be found online on the Society's website. A hard copy of these reports is also available upon request to the Society.

For those members with special requirements such, as a Braille copy of the AGM pack, please contact the Society so this can be arranged for you.

The AGM of the Society will be held at midday on 28 June 2023 at Lakeside House, Emperor Way, Exeter EX1 3FD. The notice convening the meeting, together with guidance on voting at the AGM, will be sent to all members in advance of the meeting.

At the AGM the Board Chair and Chief Executive each provide a presentation on the main developments in the business and members have the opportunity to raise questions and put forward their views. All directors of the Board are present at the AGM to answer questions.

Statement of Board Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Group's profit and loss for that period.

Going concern

The Strategic Report provides the Society's key performance indicators, capital management, business environment and future outlook and also provides information about the principal risks and material uncertainties affecting the Group and can be found on page 13. After making suitable enquiries, the directors are satisfied that the Society has adequate resource to continue in business for at least twelve months from the date of approval of the financial statements and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements. The basis of preparation of the going concern is detailed in Note 1 on page 77.

The Russian invasion of Ukraine has continued. To date, we have not seen any impact on our operations and modest impacts on our balance sheet. Our investment strategy is to invest only excess assets in investments, such as equities. Our equity investment at the end of 2022 was £27m (2021: £25m) with the remainder invested in lower risk assets. We are also exposed to inflation risk. For some of our liabilities, we mitigate this risk by holding index-linked bonds to match those liabilities. The value of these index-linked bonds at the end of 2022 was £30m (2021: £50m). The reduction in value during 2022 is due to both the sale of some of these assets following a review of our asset-liability matching and a reduction in asset values which was also matched by a reduction in value of the corresponding liabilities. Scenario testing indicates that the strength of our balance sheet will allow us to meet any short-term challenges that falls in equity values and increases in inflation brings.

The Directors consider it appropriate that the financial statements have been prepared on a going concern basis and also confirm there were no material uncertainties identified for a period of twelve months from the date of approval of the statements.

Viability statement

The Directors have an obligation to confirm that they believe that the Society will be able to continue in operation, and to meet their liabilities as they fall due. This viability statement considers the Society's current financial and strategic position and the potential impact of its principal risks, to explain the directors' assessment of the Society's prospects over a period that they consider to be appropriate.

Assessment of viability

In making their assessment, the Directors have considered the Group's top and emerging risks, and the stress testing activity which has been carried out to assess the potential impact of these risks. When reviewed alongside the Society's strategic plan, and the strength of the Society's current financial position, the Directors conclude that the Society remains viable over a three-year period.

Time horizon

The Directors consider a period of three years to be appropriate. Whilst there is always going to be difficulty in predicting the future path of the UK or the wider global economy with any degree of precision, it strikes the right balance between assessing likely outcomes with the current information we have, whilst accepting a degree of uncertainty. Notwithstanding this, information contained within the outer years of our financial forecasts supports the assessment of the Directors that the Society reasonably expects to remain viable in the longer term.

In light of the analysis summarised below, the Board has assessed the Society's current viability, and confirms that the Directors have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the next three years. This is through a combination of the three-year Business Plan and the Own Risk and Solvency Assessment (ORSA), which were both approved by the Board in December 2022. The three-year rolling strategic plan is a formal projection of capital and liquidity based upon profitability forecasts. The availability of the Business Plan gives management and the Board sufficient visibility and confidence on the future operating environment for this time period.

The three-year time frame has also been chosen because:

- it is within the period covered by the formal medium-term plans approved by the Board which contain projections of profitability, cash flows, capital requirements and capital resources;
- it is also within the period over which internal stress testing is carried out; and
- it is representative of the period and level of anticipated regulatory change in the financial services industry.

The Directors are satisfied that this period is sufficient to enable a reasonable assessment of viability to be made.

Consideration of key risks

In making its assessment the Board has:

- Carried out a robust and detailed assessment of the Society's risk profile, material existing and emerging risks (please see the Principal risks and uncertainties set out on page xx), in particular those risks which management believes could cause the Society's future results of operations or financial condition to differ materially from current expectations or could adversely impact the Society's ability to meet regulatory requirements.
- Reviewed how those risks are identified, managed and controlled.
- Considered the Business Plan which provides an assessment of forecast up to the end of 2025.
- Considered the Society's viability under various stress scenarios to ensure it can meet its liabilities as they fall due for the next twelve months.
- Considered the stability of the markets in which it operates, supply chain resiliency and regulatory changes.
- Reviewed the draft statutory accounts and the in-depth disclosure of the financial performance of the Society.

The Directors have considered the impact on the Society's risk profile of the prevailing macroeconomic environment, the changing needs of our members and our work to ensure our processes and systems remain robust. Throughout the year, the Board has considered the principal risks which are most relevant to Society's strategy, which include:

- Geopolitical and macroeconomic environment – As a UK focused business, the Society's performance is aligned to the UK's economic conditions. Whilst there remains uncertainty regarding the future profile of interest rates, the Society maintains a robust level of capital and liquidity and regularly undertakes internal stress tests to ensure these are sufficient under a range of severe scenarios.
- Competitive environment and consumer behaviours – The level of competition remains a key consideration. This could be driven by shifting customer behaviours, regulatory changes and continued innovation in the financial services sector, and new participants using price and service advantage to challenge our market share aspirations and profitability.
- Financial crime and cyber security – The Directors continuously monitor the external landscape to identify potential cyber or fraud threats whilst operating and continually improving our key financial crime and cyber controls to protect our members and services.
- Operational resilience – Maintaining resilient systems, infrastructure and processes remains critical. We continue to monitor and strengthen our controls environment whilst pro-actively monitoring the resilience of our services to ensure there is no disruption to the services we provide our members.

Stress-testing

Management assessed the financial impact of a number of severe but plausible downside scenarios (both individually and in combination) by overlaying them against the three-year business plan. The most important stress scenarios modelled and their link to the Group's Principal Risks and Uncertainties are detailed below:

- Increase in claims – Insurance Risk
- Increase or reduction in persistency – Insurance Risk
- Increase in claims combined with increase or reduction in persistency – Insurance Risk
- Change in new business volumes – Strategy Risk
- Increased competitor activity – Strategy Risk
- Loss of relationship with key business partner – Operational Risk
- Failure to deliver sustainable cost savings – Operational Risk

In each of these severe but plausible scenarios, the Directors reasonably expect that the Group will continue in operation and be able to meet its liabilities as they fall due over the three-year period considered.

Statement of solvency

Throughout the year the Group and the Society maintained capital reserves in excess of its Solvency Capital Requirement and Minimum Capital Requirement.

Viability statement

The Board therefore has a reasonable expectation that the Society has adequate resources to continue to operate and to meet its liabilities as they fall due across the three-year review period.

As a consequence of the work performed to support the viability statement above, the Directors also considered it appropriate to adopt the going concern basis in preparing the financial statements which are shown on page 77.

Approved on behalf of the Board of Directors:

Peter Hubbard
Board Chair
31 March 2023

Isobel Langton
Chief Executive
31 March 2023

Independent Auditors' Report to the Members of Exeter Friendly Society Limited

Opinion

We have audited the financial statements of Exeter Friendly Society Limited ("the Society") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Society and Group Consolidated Statements of Income and Expenditure, the Society and Group Statements of Other Comprehensive Income and Expenditure, the Society and Group Balance Sheets, the Society and Group Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2022 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements 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 financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Society's ability to continue as a going concern;
- Reviewing the 'Going Concern and Viability Review' prepared by management for the Board, covering the going concern period of 12 months from the date of the financial statements;
- Reviewing regulatory correspondence;
- Reviewing the Own Risk and Solvency Assessment, which gives a forward-looking assessment of own risks and solvency requirements and the future capital position based on severe but plausible scenarios applied by the Board, and contains severe but plausible Reverse Stress and Scenario Tests;
- Considering information obtained during the course of our audit and events after balance sheet date for any evidence that would contradict management's assessment of going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 Group's and the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address the matter and our key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Valuation of the long-term insurance contract asset (gross and net) The Group's and the Society's gross and net long-term insurance asset, as disclosed in Note 21.2, is significant at £92.9m gross and £76.2m net (2021: £92.5m and £77.8m respectively). It is based on estimates and is subject to inherent variability. The valuation of the long-term insurance contract asset is subjective, particularly in the context of selecting and applying the assumptions (economic and non-economic) and the methods and approaches used to determine its valuation. The valuation of the long-term insurance contract asset is particularly sensitive to the assumptions for morbidity and persistency. Consequently, if either of these assumptions were inappropriate, it could lead to a material misstatement in the financial statements.	In conjunction with our actuarial and IT specialist team members, our procedures to address the valuation of the long-term insurance contract asset included, but were not limited to, the following: • reviewing the model and assessing the appropriateness of the design and implementation of key controls over both changes to it and its operation including simplifications and modelling of guarantees; • challenging the assumptions-setting processes, including assessment of appropriateness of design and implementation of key controls and benchmarking against external data as appropriate; • reviewing experience analysis, challenging management on expert judgements made, and evaluating assumptions with particular emphasis on newer products; • recalculating expenses assumptions and testing allocation of expenses to fund, product and activity, having regard to consistency with audited data and the robustness of the forecasting process; • testing accuracy and completeness of model point files used for valuation; • testing the data included in the derivation of the Holloway Bonus, its calculation and exercising professional scepticism regarding considerations relating to treating customers fairly; and • considering the reconciliation of changes in technical provisions and excess assets. **Our observations** Based on the work performed and the audit evidence obtained, we consider that the valuation of the long-term insurance contract asset is reasonable.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	Overall Group and Society materiality: £3.5m
How we determined it	Materiality was set by reference to the sum of the Society's Fund for Future Appropriations ('FFA') and Reserves (of which it represented 2%).
Rationale for benchmark applied	The sum of the Society's FFA and Reserves was chosen as it is a measure of the accumulated surplus and we have determined, in our professional judgement, it to be the principal benchmark within the financial statements relevant to members in assessing the Society's financial position and performance. Since the sum of the FFA and Reserves of the Group is similar to that of the Society, we used the same materiality level for both the Group and the Society.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £2.6m, which represents 75% of overall materiality. When determining performance materiality we considered our knowledge of the Society and the Group, the overall control environment, as well as the number, nature and size of misstatements identified in previous audits.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £0.17m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and the Society, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the Group and Society financial statements. All non-dormant subsidiaries within the Group were subject to a full scope audit and the audits were performed by the group audit team. At the level of the Society, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express 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 financial statements, 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 financial statements 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.

Opinions on other matters prescribed by the Friendly Societies Act 1992

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Society and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 61 to 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 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 economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the Society and their industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with the regulatory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the Society and the industry in which they operate, and considering the risk of acts by the Group and the Society which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group companies and the Society are in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant regulatory authorities including correspondence with the PRA and the FCA;
- Reviewing minutes of directors' meetings; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Friendly Societies Act 1992.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the long-term insurance contract asset and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 27 August 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2020 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society or other group companies and we remain independent of the Society and the Group in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit Committee.

Use of the audit report

This report is made solely to the Society's members as a body in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body for our audit work, for this report, or for the opinions we have formed.

Sam Porritt (Senior Statutory Auditor)
Chartered Accountants and Statutor Auditor
30 Old Bailey
London EC4M 7AU
31 March 2023

Consolidated Statements of Income and Expenditure

for the year ended 31 December 2022

Technical Account - General Business	Note	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
Gross premiums written	5	**38,628**	35,891	**36,136**	33,228
Change in the gross provision for unearned premiums	5	**(2,508)**	1,381	**(2,469)**	1,266
Earned premiums net of reinsurance		**36,120**	37,272	**33,667**	34,494
Claims incurred, net of reinsurance					
- Gross claims paid	7	**(29,663)**	(31,952)	**(27,888)**	(30,030)
- Change in the provision for claims gross amount	8	**(234)**	(950)	**(256)**	(966)
Total claims incurred		**(29,897)**	(32,902)	**(28,144)**	(30,996)
Net operating expenses	9	**(10,991)**	(8,195)	**(10,067)**	(7,288)
Balance on the general business technical account		**(4,768)**	(3,825)	**(4,544)**	(3,789)

Technical Account - Long Term Business	Note	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
Gross premiums written	5	**41,779**	36,336	**41,779**	36,336
Outwards reinsurance premiums	5	**(13,577)**	(11,749)	**(13,577)**	(11,749)
Earned premiums net of reinsurance		**28,202**	24,587	**28,202**	24,587
Investment Income					
- **Income from other investments**	6	**326**	662	**326**	662
Claims incurred, net of reinsurance					
- Gross claims paid	7	**(15,298)**	(15,648)	**(15,298)**	(15,648)
- Reinsurers' share	7	**8,554**	8,312	**8,554**	8,312
- Change in the provision for claims gross amount	8	**1,158**	21,614	**1,158**	21,614
- Change in the provision for claims reinsurers' share	8	**(1,864)**	(2,610)	**(1,864)**	(2,610)
- Bonus and rebates		**(808)**	(2,875)	**(808)**	(2,875)
Total claims incurred		**(8,258)**	8,793	**(8,258)**	8,793
Net operating expenses	9	**(32,636)**	(31,286)	**(32,636)**	(31,286)
Investment expenses and charges					
- Investment expenses and charges		**(17)**	(11)	**(17)**	(11)
- Value adjustment on financial liability financing		**(103)**	0	**(103)**	0
- Losses on realisation of investments		**(218)**	(35)	**(218)**	(35)
Total investment expenses and charges	6	**(338)**	(46)	**(338)**	(46)
Unrealised losses on investments	6	**(826)**	(539)	**(826)**	(539)
Tax attributable to long term business		**0**	0	**0**	0
Excess of expenditure over income		**13,529**	(2,171)	**13,529**	(2,171)
Loss transfer from / (gain transfer to) the fund for future appropriations		**13,529**	(2,171)	**13,529**	(2,171)
Balance on the long-term business technical account		**0**	0	**0**	0

Non-Technical Account		Group		Society	
	Note	**2022**	2021	**2022**	2021
		£000	£000	**£000**	£000
Balance on the general business technical account		**(4,768)**	(3,825)	**(4,544)**	(3,789)
Balance on the long-term business technical account		**0**	0	**0**	0
Investment income	6				
- Income from other investments		**1,680**	1,744	**1,631**	1,700
- Gains on realisation of investments					
Unrealised losses on investments	6	**(17,361)**	4,409	**(17,161)**	4,461
Investment expenses and charges	6				
- Investment expenses and charges		**(269)**	(297)	**(269)**	(297)
- Unrealised losses on investments					
- Gains on realisation of investments		**2,471**	0	**2,471**	0
Impairment in Subsidiary	14	**0**	0	**(243)**	0
(Excess of expenditure over income) / excess of income over expenditure on ordinary activities before tax		**(18,248)**	2,030	**(18,116)**	2,075
Tax on excess of income over expenditure on ordinary activities		**0**	0	**0**	0
(Excess of expenditure over income) / excess of income over expenditure on ordinary activities before tax		**(18,248)**	2,030	**(18,116)**	2,075

All income and expenditure relates to continuing operations. As a Friendly Society, all net earnings are for the benefit of participating policy holders and are carried forward within the Fund for future appropriations and Reserves.

The notes from page 77 to 124 form part of these financial statements.

Statements of Other Comprehensive Income and Expenditure

for year ended 31 December 2022

	Note	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
(Excess of expenditure over income) / excess of income over expenditure on ordinary activities before tax		**(18,248)**	2,030	**(18,116)**	2,075
Actuarial gain (loss) / gain on pension scheme	20	**(1,275)**	1,161	**(1,275)**	1,161
Unrealised gain on property revaluation		**44**	438	**44**	438
Total recognised (loss) / gain in the year	19.1	**(19,480)**	3,629	**(19,348)**	3,674

Statement of Changes in Equity

For the year ended 31 December 2022

As a Friendly Society, all net earnings are for the benefit of participating policyholders and are carried forward within the Fund for future appropriations and Reserves. Accordingly, the Society has no equity, and a Statement of Change in Equity hasn't been prepared. Movement in reserves is further analyse in note 19.

Balance Sheets

as at 31 December 2022

	Note	Group		Society	
		2022	2021	2022	2021
		£000	£000	£000	£000
ASSETS					
Intangible assets					
- Intangible assets	15	**2,146**	2,763	**2,146**	2,763
Investments					
- Investments in group undertakings	14	**0**	0	**3,284**	3,528
- Other financial investments	17	**97,593**	123,926	**95,821**	121,954
Insurance contract asset					
- Insurance contract assets	21	**102,837**	102,468	**102,837**	102,468
Debtors					
- Debtors arising out of direct insurance operations	18	**18,162**	15,008	**17,349**	14,210
Other Assets					
- Property and Equipment	16	**3,604**	3,907	**3,604**	3,907
- Cash at bank		**8,748**	16,252	**6,931**	14,032
- Amounts due from subsidiary underakings		**0**	0	**62**	183
- Pension Scheme Surplus	20	**1,031**	2,200	**1,031**	2,200
Prepayments and accrued income					
- Accrued interest		**68**	77	**68**	77
- Deferred acquisition costs	13	**2,861**	1,376	**2,746**	1,277
- Prepayments		**536**	368	**522**	358
Total Assets		**237,586**	268,345	**236,401**	266,957

	Note	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
LIABILITIES					
Reserves	19.1				
- General Business Fund Reserves		**88,342**	106,590	**88,228**	106,344
- Revaluation reserve		**658**	614	**658**	614
- Pension Reserve		**720**	2,017	**720**	2,017
Fund for future appropriations	19.2	**84,093**	97,601	**84,093**	97,601
Technical provisions	21				
- Provision for unearned premium		**17,580**	15,072	**16,981**	14,511
- Reinsurers share of technical provisions		**16,647**	14,783	**16,647**	14,783
- Unexpired Risk Reserve		**922**	1,161	**922**	1,161
- Claims outstanding		**4,861**	4,494	**4,675**	4,285
- Members' dividend account		**9,267**	9,143	**9,267**	9,143
Financial Liability - Financing	24	**1,278**	0	**1,278**	0
Provisions for other risks and charges	26	**0**	5,323	**0**	5,323
Creditors					
- Creditors arising out of direct insurance and reinsurance operations	25	**3,728**	3,447	**3,663**	3,329
- Amounts due to subsidiary undertakings		**0**	0	**28**	28
- Other creditors including tax and social security	27	**4,115**	3,418	**3,997**	3,211
- Pension liability	20.2	**90**	120	**90**	120
Accruals and deferred income		**5,284**	4,562	**5,154**	4,487
Total Liabilities		**237,586**	268,345	**236,401**	266,957

The financial statements beginning on page 70 and the notes on pages 77 to 124 were approved and authorised for issue by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Peter Hubbard
Board Chair

Isobel Langton
Chief Executive

Statement of Cash Flows

for the year ended 31 December 2022

	Note	Group 2022 £000	Group 2021 £000	Society 2022 £000	Society 2021 £000
Cash flows from operating activities					
Cash (used in) / generated from operating activities	29	**(9,933)**	(2,440)	**(9,480)**	(4,613)
Dividend income received		**411**	555	**411**	555
Interest income received	29	**1,594**	1,851	**1,545**	1,806
Net cash generated used in operating activities	29	**(7,928)**	(34)	**(7,523)**	(2,252)
Cash flows from investing activities					
Purchase of property, plant and equipment	16	**(158)**	(555)	**(158)**	(555)
Purchase of intangible assets	15	**(99)**	(400)	**(99)**	(400)
Net cash used in investing activities		**(257)**	(955)	**(257)**	(955)
Cash flows from financing activities					
Increase in financial liability - financing	24	648	0	648	0
Net cash received from financing activities		**648**	0	**648**	0
Exchange rate gains / (loss) on cash and cash equivalents		**33**	(71)	**33**	(71)
Net decrease in cash and cash equivalents		**(7,504)**	(1,060)	**(7,100)**	(3,278)
Cash and cash equivalents at the beginning of the year		**16,252**	17,311	**14,032**	17,311
Cash and cash equivalents at the end of the year		**8,748**	16,252	**6,931**	14,032

The notes on pages 77 to 124 form part of these financial statements.

Analysis of change in net debt

Group	At 1 Jan 2022 £000	Cash Flows: Cash £000	Cash Flows: Non cash £000	At 31 Dec 2022 £000
Cash and cash equivalents	16,252	(7,504)	**0**	8,748
Financial Liabilities - Financing (note 24)				
Financial liability - financing	**0**	(648)	(528)	(1,176)
Value adjustment on financial liability - financing	**0**	0	(103)	(103)
	0	**(648)**	**(631)**	**(1,278)**
Total	**16,252**	**(8,151)**	**(631)**	**7,470**

Society	At 1 Jan 2022 £000	Cash Flows: Cash £000	Cash Flows: Non cash £000	At 31 Dec 2022 £000
Cash and cash equivalents	14,032	(7,100)	**0**	6,931
Financial Liabilities - Financing (note 24)				
Financial liability - financing	**0**	(648)	(528)	(1,176)
Value adjustment on financial liability - financing	**0**	0	(103)	(103)
	0	**(648)**	**(631)**	**(1,278)**
Total	**14,032**	**(7,748)**	**(631)**	**5,653**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1 Accounting policies

1.1 Basis of preparation and consolidation

The Group's and Society's financial statements have been prepared in accordance with UK accounting standards, including Financial Reporting Standard (FRS) 102, 'The Financial Reporting standard applicable in the United Kingdom and Republic of Ireland' and FRS 103, 'Insurance Contracts' as issued by the Financial Reporting Council, the Friendly Societies Act 1992 and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (the Regulations).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial assets and financial liabilities at Fair value through profit or loss as permitted by FRS 102. The financial statements produced by subsidiaries for consolidation are prepared using accounting policies consistent with those of the Group.

The group is incorporated and domiciled in England and Wales, the registered address is Lakeside House, Emperor Way, Exeter, EX1 3FD.

These financial statements are presented in pounds sterling, which is the functional currency of the Group and Society. The accounting policies have been applied consistently and the consolidated financial statements have been prepared on a going concern basis.

The Group's principal business activities, risk management approach and risks and uncertainties are described in the Strategic report.

Unless otherwise stated all figures in the financial statements are presented rounded to the nearest thousand pounds.

i Subsidiaries

Subsidiaries are entities controlled by the Group. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity and where the parent owns half or less of the voting power of an entity but it has:

a) power over more than half of the voting rights by virtue of an agreement with other investors;

b) power to govern the financial and operating policies of the entity under a statute or an agreement; and

c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

1.2 Significant accounting judgements, estimates and assumptions

The key accounting estimates and judgements relate to the following areas:

i Selection of accounting policies

The directors have applied judgement in determining the most appropriate policies.

ii Valuation of long term technical provisions

The Group calculates its long term technical provisions on the basis of best estimate liabilities plus a risk margin using Solvency II principles. Solvency II requires a best estimates provision, adjusted for a risk margin to reflect the uncertainty of cashflows.

Under Solvency II, the best estimate technical provisions for life insurance policies are the expected present value of all future cash flows under the policy, including premiums, claims, expenses and commission, which occur after the valuation date but within the period of coverage of the contract boundary. For income protection insurance the contract boundary is the retirement date and for term insurance it is the end date.

As income protection business is underwritten at outset, we have considered the contract boundary to be the policy 'retirement' date. Just over 40% of the income protection business (as at 30 September 2021 based on annual premium in force) is written on a reviewable premium basis. Allowance for premium reviewability is made via management actions within SCR stresses. The contract boundary for term assurance business will be the expiry date. Only business incepted at the valuation date is included.

The projections for Solvency II purposes are calculated using best estimate assumptions and allow for discounting at a prescribed risk-free interest rate. The Solvency II technical provisions require a risk margin to be added to the best estimate of technical provisions to reflect the additional cost of capital needed to offset the risks inherent in the insurance. This risk margin is calculated on a Solvency II basis, net of the impact of associated reinsurance; however, FRS 103: Insurance Contracts, prohibits the netting of reinsurance assets against the related insurance liabilities. Therefore, the Group has calculated both a gross of reinsurance and a net of reinsurance risk margin and the reinsured element to ensure the risk margin is appropriately presented in accordance with FRS 103.

As the valuation methodology is on a best estimate basis with a risk margin, the long term insurance liability can be negative. In our case, the future value of premiums significantly exceeds the cost of claims and expenses and therefore results in a negative position and is therefore disclosed as an asset. The corresponding reinsurance balance is also negative (i.e. the value of reinsurance premiums exceeds reinsurance recoveries) and so is presented as a reinsurance liability.

Policy reserves make allowance for policies where there is an expected net cash inflow to the Group (negative reserves). Allowance is made however for negative reinsurance reserves where there is an expected cash outflow due to the reinsurer. The Group has two main reinsurance contracts with Pacific Life Re and Swiss Re. The Group also holds a Lapse Reinsurance treaty with Hanover Re, this treaty does not impact the best estimate technical provision but does have a material impact on the Risk Margin and therefore the overall value of insurance contracts when reported under FRS 103.

The principal assumptions used are morbidity, mortality, persistency and expenses. Interest rates are an important assumption too and the Group use those prescribed under Solvency II. The assumptions used for morbidity are based on standard industry tables, adjusted where appropriate to reflect the Group's own experience. The assumptions used for expenses and persistency are based on product characteristics and relevant experience. The assumptions used for discount rates are based on prescribed Solvency II market yields. Due to the long term nature of these obligations, the estimates are subject to uncertainty and Solvency II therefore prescribes a Risk Margin which adjusts reserving for this uncertainty.

The terms of the Treaty with Pacific Life Re for income protection policies sold until late 2016 provided for initial reinsurance commission to be paid to the Group. As a result of this up-front commission the reinsurers receive a higher proportion of the future premiums, leading in many cases, to a negative reinsurance reserve, based on the 50% treaty share of future claims and premiums. From November 2016, all long term business has been under a reinsurance Treaty with Swiss Re which provides for the payment of risk premiums only with no upfront commission, therefore the reserving will slowly change over time as the proportion of policies covered by this treaty increases. **Details of the key assumptions are contained in Note 23**.

The effect of assumptions will have an impact in both the current and future years.

ii Valuation of general insurance technical provisions - claims

For Private Medical Insurance and Cash Plan policies within the general fund, estimates are made for the expected ultimate cost of claims reported as at the year end date and the cost of claims incurred but not yet settled (IBNS) to the Society and claims incurred but not reported to the Group. It can take many months before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than provided. Standard actuarial claims projection techniques are used to estimate outstanding claims. These techniques use past patterns of delay between claims being incurred and settled and combine them with estimates of ultimate loss ratios and seasonality of claims. Case estimates are used for some reported claims where the ultimate amount is not known.

To the extent that the ultimate cost is different from the estimate, where experience is better or worse than expected, the surplus or deficit will be credited or charged to gross claims within the statement of income and expenditure account in future years. **Details are contained in Note 21.1**.

The effect of assumptions will have an impact in both the current and future years.

iii Valuation of pension liabilities and other post-employment benefit obligations

The value of pension obligations is determined using an actuarial valuation. This involves making assumptions about interest rates, expected returns, longevity and future benefit indexation. Due to the long term nature of these obligations the estimates are subject to significant uncertainty. **Details of the key pension assumptions are contained in Note 20**.

iv Valuation of intangibles

The Group's policy is to measure intangible assets at the point of acquisition calculated as the cost of acquisition less the fair value of the assets acquired. The key assumption used in the valuation of intangibles is the longevity of the asset, which determines the useful economic life. At each reporting date, the Group reviews the carrying amounts of its intangible assets and looks for indicators of impairment. Indicators of impairment are events or circumstances that indicate the carrying value may not be recoverable. This can include factors such as new strategic projects, or acceleration of system replacement. If any such indication exists, management use their judgement to estimate the asset's recoverable amount. **Details are contained in Note 15**.

v. The age at entry management account

The Age at Entry Management Account (AEMA) represents funds set aside to compensate for the ageing of the Age at Entry book and it is gradually released over time as the associated business runs off. The AEMA is not a statutory liability under the Solvency II regime, but internally we treat it as a liability, and deduct it from available assets in our ORSA calculations. The AEMA is a discretionary amount and does not belong to the Age at Entry members, retaining the Society's right to reduce it or change the methodology if circumstances dictate. However, we ensure that any such changes are fully justified and are not made arbitrarily. The AEMA provides a more stable and predictable means of managing the Age at Entry business in run-off. There is no material impact on our members, because the intention that premiums do not increase with age and only with claims inflation remains unchanged.

1.3 Principal accounting policies

i Basis of consolidation

The Group financial statements consolidate the results of the Society and its subsidiary companies. The notes and disclosures within these financial statements apply to the Group and Society unless otherwise stated.

ii Contract classification

All policies issued are insurance contracts under FRS 103. Holloway policies have an investment component, although in comparison to the insurance element this is de minimis. As such these policies are considered insurance contracts.

iii Premiums

a General Insurance Contracts

Written premiums are accounted for in the period in which contracts are entered into. Premiums are recognised as earned over the period of the policy, with premiums applicable to periods after the year end date being carried forward to the following year.

b Long Term Insurance Contracts

Premiums are accounted for when due for payment. New business premiums are recognised when the policy liability is set up and the premium is due for payment.

Holloway income protection	Holloway Income Protection products are all reviewable annually.
Life products	Managed Life premiums are guaranteed, but may vary by pre-determined amounts if the policy holder meets certain pre-agreed conditions. Real Life premiums are guaranteed for the life of the contract.
Other income protection	Pure Protection and Bills & Things products are reviewable after the initial 3 years. The Professional Income Protection and Income One products have guaranteed premiums. Pure Protection Plus, Income one Plus, and Income First contracts include both guaranteed and reviewable premium policies with reviewable contracts reviewable after the initial 3 years.

iv Reinsurance

a General Insurance Contracts

The general business fund is not reinsured.

b Long Term Insurance Contracts

Most of the long-term Income Protection contracts are ceded to reinsurers under contracts to transfer 50% - 85% of the insurance risk. Managed and Impaired Life products are ceded to a reinsurer under contract to transfer 90% of the insurance risk. These contracts are accounted for as insurance contracts. The reinsurer's share of gross written premiums in the statement of income and expenditure account reflects the amounts payable to reinsurers in respect of those premiums reinsured during the period.

Commissions due from the reinsurer are recognised in the period in which the policy commences.

The reinsurer's share of gross benefits and claims incurred in the statement of income and expenditure account reflects the amounts receivable from reinsurers in respect of those claims incurred during the period.

Any balance due from the reinsurers in respect of commission and claims is disclosed within Debtors arising out of direct reinsurance operations in the Balance Sheet. Any balance due to the reinsurer in respect of premiums is disclosed within Creditors arising out of direct insurance and reinsurance operations in the Balance Sheet.

The impact of reinsurance on the long-term insurance reserve is calculated to reflect all future premium payments to the reinsurers and subsequent claims receipts. In many cases for existing business written prior to November 2016 this results in negative reinsurance reserves. Please refer to Note 1.2 for more information about negative reinsurance reserves. Insurance contracts written from November 2016 are reinsured on a separate treaty which is likely to result in fewer negative reinsurance reserves on these policies.

The Society holds a Lapse Reinsurance treaty which is designed to protect the Society against losses resulting from large lapse events. The events covered are:

- a mass lapse of at least 30% of policies, up to 40% of policies over a one year period; and
- a gradual increase in lapse experience where lapses experience is between 35% and 50% higher than our best estimate assumption, over a 5 year period.

Reinsuring these events reduces the regulatory capital required to be held for such events.

v Claims

a General Business Fund

Claims are approved benefit claims and related claims handling expenses incurred in the year, together with changes in the provision for outstanding claims at the year end. Within the Society Claims incurred but not settled (IBNS) and in Exeter Cash Plan claims incurred but not reported (IBNR) are projected using a triangulation method together with estimated loss ratios. The date at which a claim is deemed to be incurred is the date at which the claim is assessed for payment in the claims administration system. The IBNR and IBNS provision is then calculated as the ultimate projected cost of claims less cumulative claims incurred already reported. Provision is also made for claims notified but not settled and are estimated on an individual case by case basis.

Claims costs include a reallocation of administration expenses calculated based on a percentage of claims incurred. For the year to 31 December 2022 this was 9.62% (2021: 9.3%) which includes the claims handling fee charged by AXA PPP Healthcare Limited for their services and internal costs.

b Long Term Business Fund

Sickness and Life claims are accounted for on acceptance of the claims notification, and claims payable on maturity, death and surrender are recognised when the payment becomes due. Gross benefits and claims relate to pay-outs in 2022. Any other changes are accounted for in the Gross change in contract liabilities in the statement of income and expenditure account.

vi. Acquisition costs

a General Business Fund

Acquisition costs represent commission payable and other related expenses of acquiring insurance policies written during the financial year. Acquisition costs which relate to a subsequent period are deferred and charged to the accounting periods in which the related premiums are earned.

b Long Term Business Fund

Acquisition costs represent commission payable (net of reinsurance commission receivable) and other related expenses of acquiring insurance policies written during the financial year. The Solvency II valuation methodology used for the Long Term Business Fund allows for expected future cash flows, offset by an allowance for a Risk Margin. If we introduced Deferred Acquisition Costs onto the Long Term Business Fund balance sheet we would risk double-counting as the balance sheet would contain both the Deferred Acquisition Cost and the future cash flows that are required to recover acquisition costs. Accordingly, the directors believe that all acquisition costs incurred in the Long Term Business Fund should be expensed immediately.

vii. Investment income

Dividends on equity investments are included in the long term technical account and general business non technical account when dividend is declared. Other investment income is recognised on an accruals basis using the effective interest rate method.

Realised and unrealised gains and losses on investments are taken to the long term technical account, and the general business non technical account. Unrealised gains and losses on investments represent the difference between the valuation of investments at the year end date and their original cost, or if they have been previously re-valued, at that valuation. The movement in unrealised gains and losses recognised in the period includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. Realised gains and losses on investments are calculated as the difference between the net sale proceeds and original cost.

FRS 103 permits, but does not require, the financial statements to present results based on the longer term rate of investment return. This investment return may be recorded within the general business and long term business technical accounts. If this option is chosen, FRS 103 requires this approach to be pursued consistently for both the general and long-term funds. Alternatively, FRS 103 permits recognition of the investment return on investments backing the general insurance and long-term technical provisions on an actual basis. This option is regarded as a more simplified approach when compared to recognising the investment return basis on the longer term rate. Given that the Society has in place two ring fenced funds (one for General Business and the other for Long-Term Business) backing each of the general and long-term technical provisions, there is no need to allocate investment return from the long-term business technical account to the non-technical account as the investments backing each of the general and long-term insurance liabilities are segregated in ring fenced funds. Consequently, recognising the investment return on an actual basis will not require use of the investment return allocation lines in the prescribed Technical and non-technical account formats (i.e., ‘Allocated investment return allocated to the non-technical account’ or the ‘Allocated investment return transferred from the long-term business technical account’).

viii. Foreign currencies

Foreign currency transactions have been converted into sterling, the Society’s reporting currency, at average rates of exchange. Monetary assets and liabilities in foreign currencies have been translated at the rates of exchange ruling at the year end. Exchange differences are taken to the statement of income and expenditure account.

ix. Income Tax

The Society’s Private Medical Insurance and Income Protection products are exempt from Corporation tax. The Exeter Cash Plan products are subject to tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax repayable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. A deferred tax asset has not been recognised due to the uncertainty of future taxable profits arising.

Premiums where applicable are recorded net of insurance premium taxes.

x. Property and equipment

All property is occupied by the Society at the balance sheet date. Land and buildings are formally re-valued annually and included in the accounts at valuation with any surplus or deficit being reflected through a revaluation reserve. All other Property Plant and Equipment is measured under the cost model with depreciation being charged on a straight line basis over the useful life of the asset.

Building fit-out costs	3 - 10 years
Equipment, fixtures and fittings	3 - 10 years
Computer equipment	2 - 5 years

The Society's policy is to revisit the estimated useful economic lives and estimated residual values at the end of each financial year.

xi. Assets held under leases and lease liabilities

A lease is classed as being an operating or a financing lease, and the classification is based on whether the lease transfers substantially all the risks and rewards of ownership.

Payments made in respect of operating leases are charged to the statement income and expenditure on a straight line basis over the life of the lease, even if the payments are not made on this basis.

Lease incentives received and receivable in relation to an operating lease are accounted for on a straight-line basis over the term of the lease.

xii. Intangible assets

Intangible assets are detailed in note 15.

Software costs are capitalised if it is probable that the asset created will generate future economic value. The expenditure must result in the useful life of the asset being substantially increased beyond the original assessment.

Software costs, including software licences, are recognised as intangible assets and amortised using the straight line method over their useful lives (three to ten years). Useful lives are determined by considering factors such as the term of the agreement, and the normal life of related assets, and will be in the range of 3 to 10 years. The amortisation begins when the asset is available for use, and the periods used are reviewed annually.

Intangible assets are reviewed for impairment annually as at the balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on value in use calculations. Impairment losses are recognised in the statement of income and expenditure account.

xiii. Investments in group undertakings

Subsidiaries are held in the Society's Balance sheet at cost less any provision for impairment where appropriate. Investments in subsidiary undertakings are assessed for impairment when there are indicators of impairment. These indicators include when the net assets of the subsidiary undertaking fall below the carrying amount of the investment in group undertaking.

xiv. Financial assets

The Society classifies its financial assets as financial assets at Fair value through profit or loss or at amortised cost, and has chosen to apply the recognition and measurement provisions of IAS 39 and the disclosure requirement of FRS 102.

Financial assets at fair value through profit or loss

The Society classifies all of its investments upon initial recognition as financial assets at fair value through profit or loss and subsequent valuation movements are recognised in the statement of income and expenditure account.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership. Financial assets at Fair value through profit or loss include listed and unlisted investments, and units in collective investment vehicles. Fair value is based on the bid value at the balance sheet date.

Financial assets at amortised cost

The Society measures Term Deposits initially at fair value and then at amortised cost.

Financial asset - financing

A financial asset is recognised in respect of amounts receivable from the reinsurer which is included within 'Other financial investments - financial reinsurance' and is measured at fair value through profit or loss.

xv. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with a maturity of less than 3 months.

xvi. Insurance contract liabilities

The methodology for calculating long term insurance contract liabilities is based on Solvency II principles. These are set out in Note 1.2.

xvii. Financial Liability - Financing

On 22 October 2022, the Society entered into a contract which has the legal form of a (re)insurance contract but does not meet the definition of an insurance contract under FRS 103.

The arrangement had an effective date of July 2022 and covers new business sales of the Real Life product for a period of three and a half years from July 2022 to December 2025. The reinsurer will pay a proportion of the initial commission on covered policies in exchange for a proportion of cashflows arising from those policies, until the borrowing plus interest is repaid, with a maximum repayment term of 12 years (until expiry on 31 December 2034). Interest is applied using 3-month compound SONIA plus a fixed spread. Since the contract does not transfer significant insurance risk, it is accounted for as a financial liability under 'xvii. Financial Liability - Financing' and is recorded at fair value through profit or loss.

The fair value of the liability is the reserve held for future repayments. This reserve is calculated on a basis consistent with Solvency II and represents the present value of future expected cash outflows to service the debt. Fair value movements, including accrued interest, are recognised within the 'Value adjustment on financial liability financing' in the Technical Account - Long term business.

A financial asset is recognised in respect of amounts receivable from the reinsurer which is included within 'Other financial investments'. This is also measured at fair value through profit or loss.

The impact of this arrangement on the Groups financial statements are disclosed in note 24.

xviii. Employee benefits

The Society operates three pension schemes – two defined benefit schemes and one defined contribution scheme. Contributions to the defined contribution scheme are charged to the statement of income and expenditure account as incurred.

a Defined benefit pension costs - General Business Fund

The assets of the defined benefit scheme are measured at fair value. The scheme's liabilities are measured on an actuarial basis using the projected unit method and are discounted to reflect the time value of money and the characteristics of the liabilities. The resulting surplus or deficit in the defined benefit scheme is recognised as an asset or liability respectively. If the fair value of the defined benefit scheme is a surplus, the resultant asset is limited to the asset ceiling defined as present value of economic benefits available in the form of future refunds from the plan or reductions in contributions to the plan. Current service charges are recognised in the statement of income and expenditure. Interest to the net benefit liability (asset) is charged on the statement of income and expenditure account. Actuarial gains and losses are disclosed in statement of income and expenditure. This fund is closed to new members and closed to future accrual.

b Defined benefit pension costs - Long Term Business Fund

The defined benefit scheme is an unfunded scheme for one former employee/spouse. This scheme is closed to existing employees of the Group. The total cost of the pensions payable each year is charged to the provision, to which is credited appropriate interest earned and transfers from or to retained reserves sufficient to meet the expected liability, as recalculated on an annual basis.

xix. Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. A provision is made for onerous contracts in which the unavoidable costs of meeting the present legal or constructive obligation exceed the expected future economic benefits.

xx Insurance receivables and payables

Insurance receivables and payables are recognised when due and include amounts due to and from agents, brokers and insurance contract holders. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the statement of income and expenditure either as an operating expense, or in the case of receivables, premium income.

xxi. Unexpired risks

A provision is made for unexpired risks in respect of certain private medical insurance products to the extent that the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums for those products, after taking account of future investment income on the unearned premium provision.

The provision for unexpired risks is detailed in note 21.9.

A liability adequacy test is performed on insurance liabilities to ensure that the carrying amount of liabilities (less related intangible assets) is sufficient to cover current estimates of future cash flows. When performing the liability adequacy test, all contractual cash flows are discounted and compared against the carrying value of the liability. This test is performed separately for the General Business Fund and the Long Term Business Fund. Any shortfall is charged immediately to the Statement of Comprehensive Income.

xxii. Fund for future appropriations and Reserves

Under FRS 102, the Group designates reserves between those classified as liabilities (i.e. the fund for future appropriations) and those which are akin to equity.' The general business fund surplus is designated as general reserves within Reserves and all surplus and deficits of the Group and Society that do not relate to the long term business fund are classified within Reserves in the Balance Sheet.

The fund for future appropriations represents the excess of assets over and above the insurance contract liabilities and other liabilities for long term business that have not been attributed to policy holders as at the balance sheet date. Transfers between the long term technical account and the fund for future appropriations represent the change in these unallocated amounts between balance sheet date.

The General business fund reserves represent the excess of assets over and above the insurance contract liabilities and other liabilities for general business that have not been attributed to policy holders as at the balance sheet date.

xxiii. Holloway policies – the members dividend account

Our Holloway policies are Income Protection plans which are designed to provide the member with a source of income if they are unable to work as a result of an accident, illness or injury. There is also an investment element to Holloway policies which provides an annual bonus to our members as well as an annual interest payment based on the member's bonus pot.

Holloway members will receive an annual bonus depending on the level of income protection benefit they have. This is determined by the number of 'units' (also known as shares) the member has and each unit is worth a certain 'dividend' (an amount). The bonus amount is calculated as of 31 December each year and this is announced by letter to the member the following spring.

Holloway members also receive an annual interest payment added to the bonus, which is based on their bonus pot as of 31 December. If the member cancels the policy before 31 December of the previous year, then the amount of interest will be calculated on a pro-rata basis.

If a Holloway policy is terminated because death, maturity or cancellation, a terminal bonus is added to the policy's bonus amount. If the policy is cancelled before the maturity age, then the member will lose their last 2 years' dividend bonus.

The Members Dividend Account is the total of the bonus pots across all Holloway members.

2 Capital management

2.1 Capital management

Capital resources result from accumulated mutual capital with no capital tiers or capital instruments in issue; subordinated or unsubordinated. Therefore, all surplus capital is available to support the business. The Society owns shares within the subsidiary company which are fully paid up.

Solvency II is the UK-wide regime for calculating and disclosing solvency and is the regime by which the Board runs the capital resources of the business. It assesses capital on a number of bases:

Minimum Capital Requirement ("MCR") which is the level calculated by prescribed standard formulae below which a company must not fall to be compliant.

Solvency Capital Requirement ("SCR") which is a requirement (also calculated by prescribed standard formulae) which creates a threshold for Regulatory intervention if is breached. Companies are also required to assess their own capital requirement based on a forward looking assessment of future capital requirements know as an Own Risk and Solvency Assessment ("ORSA"). The ORSA may introduce even higher capital requirements if the Board believe it is necessary to do so.

The Society and its subsidiaries closely monitor the available capital resources compared to the levels of capital required under relevant regulators or, if higher, the Board's assessment of the appropriate levels of capital to be held as identified in the ORSA.

Whilst the ORSA is prepared on a Group basis the review assesses each element of the business separately as the Society manages its capital requirements within two separate ring fenced funds for life and general business together with a stand-alone 100% subsidiary of the General Fund which operates the Cash Plan business. Any intra-group or intra-fund transactions take place at market value with any resultant balances being settled regularly where necessary.

The Society has entered into a financial reinsurance agreement see note 24. This generates both an asset and a liability on our balance sheet and does not materially change our available solvency capital

The Society sets its risk appetite based on the results of its assessment of risk. As the long term, general and cash plan funds are separate with no immediate ability for cross-subsidy then the appetite will apply separately for each fund. This risk appetite is expressed as a percentage of capital resources over and above the capital requirements with maximum and minimum levels set and pre-determined points for review and corrective action. As a minimum the Board would always aim to have available capital equal to at least 130% of capital resources requirements.

The unaudited Solvency II position for The Exeter is managed separately for the long term and general business funds and the results can be summarised as follows:

The General Fund (unaudited)

	General Business Fund	
	2022	**2021**
	£000	**£000**
Available capital	**87,780**	**109,009**
Capital requirements:		
MCR	5,307	6,082
SCR	21,229	24,328
Available capital as a % of MCR	1654%	1792%
Available capital as a % of SCR	414%	448%

Long Term Fund (unaudited)

	Long term Business Fund	
	2022	**2021**
	£000	**£000**
Available capital	**80,988**	**95,233**
Capital requirements:		
MCR	13,797	16,300
SCR	55,188	65,200
Available capital as a % of MCR	587%	584%

The Exeter Cash Plan (unaudited)

	Exeter Cash Plan	
	2022	2021
	£000	£000
Available capital	**3,323**	3,652
Capital requirements:		
MCR	2,325	2,112
SCR	661	687
Available capital as a % of MCR	143%	173%

Set out below are the details of how the available capital resources have been calculated for each fund, the restrictions in place over the available capital resources, the basis of calculating the regulatory capital requirements and an explanation of the change in available capital. The available capital has been determined in accordance with the Prudential Regulation Authority's (PRA) regulations and includes the fund for future appropriation and general reserves. The fund for future appropriations and general reserves represent surplus funds of the Society which have not been allocated to members and is available to meet regulatory and solvency requirements of the Society. Adjustments have been made to restate the assets and liabilities in line with PRA regulations.

2.2 Capital management - Long term insurance business

		Group		Society	
	Note	**2022**	2021	**2022**	2021
Statutory fund for future appropriations		**£000**	£000	**£000**	£000
Opening fund for future appropriations	19	**97,601**	95,430	**97,601**	95,430
Transfer from / (to) to the fund for future appropriations		**(13,529)**	2,171	**(13,529)**	2,171
Actuarial gain		**21**	1	**21**	1
Closing fund for future appropriations	**19**	**84,093**	97,601	**84,093**	97,601
Reconciliation to Solvency II own funds (unaudited)					
Closing fund for future appropriations		**84,093**	97,601	**84,093**	97,601
Adjustments required for Solvency II:		**(3,105)**	(2,368)	**(3,105)**	(2,368)
Own funds under Solvency II		**80,988**	95,233	**80,988**	95,233

The capital statement above has been prepared on an aggregate basis, for the total Long Term Insurance Fund based on current accounting principles. Total available capital resources of the Society's long term insurance business amounted to £84.1 million (2021 on a comparative basis: £97.6 million).

2.3 Capital management - General insurance business

		Group		Society	
	Note	**2022**	2021	**2022**	2021
Statutory reserves		**£000**	£000	**£000**	£000
Opening Reserves	**19**	**109,219**	105,590	**108,974**	105,300
(Excess of expenditure over income) / income over expenditure		**(18,248)**	2,030	**(18,116)**	2,075
Actuarial (loss) / gain on pension scheme		**(1,297)**	1,161	**(1,297)**	1,161
Unrealised gain on property revaluation	19	**44**	438	**44**	438
Closing Reserves		**89,718**	109,219	**89,605**	108,974
Reconciliation to Solvency II own funds (unaudited)					
Closing reserves		**89,718**	109,219	**89,605**	108,974
Adjustments required for Solvency II:		1,386	(201)	(1,825)	36
Own funds under Solvency II		**91,104**	109,019	**87,780**	109,009

The capital statement above has been prepared on an aggregate basis, for the total General Insurance Fund based on current accounting principles.

In addition to regulatory requirements the Society makes capital adjustments within its ORSA for certain Private Medical Insurance products sold by the Society which include an age-at-entry policy whereby the Society calculates the policyholder's premium by reference to the age of the policyholder on joining the Society rather than their age at each annual policy renewal, provided that their cover remains unchanged. The age-at-entry policies are annual, general insurance contracts and under the policy terms both the policyholder and the Society have the right not to renew the policy after the end of the 12 month term. Furthermore, management has discretion to alter premium rates and the level of cover under age-at-entry plans, subject to compliance with the overall age-at-entry principle. No specific accounting provision in relation to potential future losses on contracts not yet entered into has been made in these financial statements but it is relevant for the management of capital.

It is management's current intention to uphold the age-at-entry policy, acknowledging that this may result in future underwriting losses. For internal management purposes £29.3 million (2021: £39.2 million) of the General Reserve has been allocated to cover future underwriting losses arising from these age-at-entry polices. The Society does not guarantee this level of capital allocation and will be guided by the need to ensure its continued financial well-being and to meet statutory levels of solvency.

Under Solvency II regulations total available capital resources of the Society's general business after adjustments for age at entry policies amounted to £58.1 million (2021 on a comparative basis: £70.9 million).

2.4 Capital management - Cash plan business

The cash plan operation is a 100% owned subsidiary which has its own regulatory registration and capital resources requirement. On the basis of Solvency II regulations which result in total available capital resources of the subsidiary amounted to £3.3 million (2021 on a comparative basis: £3.7 million).

3 Risk management

This section alongside the Risk Mangement Report on page 13 summarises the principal risks that the Society is exposed to and the way the Society manages them.

3.1 Risks Customers transfer to us (Insurance risks)

Insurance risks arise from the inherent uncertainties as to the occurrence, amount, and timing of insurance claims. Long term insurance risk arises from mortality, morbidity, persistency, and expenses variances. General insurance risk arises from risks in general insurance contracts which lead to significant claims in terms of quantity or value. Systems are in place to measure, monitor and control exposure to all these risks across our general insurance and long term insurance contracts. These are documented in policies for underwriting, pricing, claims and reinsurance. Additionally, to mitigate risk in the long term business fund the Society places reinsurance.

The four main risks that customers transfer to us and the associated sub risks are as follows:

Mortality Critical Illness Risk	• Mortality & Critical Illness Pricing & Product Development Risk • Mortality & Critical Illness Other Actuarial Risk
Health Risk (PMI & CP Medical Provider Costs)	• Health Pricing & Product Development Risk
Morbidity Risk	• Morbidity Pricing & Product Development Risk • Morbidity Other Actuarial Risk
Persistency Risk	• Persistency Actuarial risk

One must be cautious of a Risk of loss as a result of inaccurate/excessive reserving, mismatching assets & liabilities, which could lead to incorrect information being supplied to the PRA, Board, Auditors and Members. Ultimately leading to regulatory fines for misleading information.

There is a Risk of loss because of mispricing or sub-optimal product design for Managed Life, Real Life, Impaired Life, CI, IP & PMI.

Mispriced policies resulting in lack of sales or unsustainable volume of sales could lead to members being disadvantaged; thus, receiving member/broker complaints. In addition, if there are a lack of sales when terms are uncompetitive or unsustainable volume of sales if terms are overly generous; this could have a hit to profitability if under-priced. As a result this could lead to a risk of higher than anticipated lapse rates.

Concentration Risk

Concentration risk is allowed for in the Solvency II calculations using the Standard Formula. The market risk SCR incorporates the risk of any concentration of assets and the catastrophe risk SCR incorporates a concentration of insurance risks. The Society has historically written a diverse mix of business protecting a diverse group of people and has no material concentrations of risk by product type. However, as the Society has written substantially all of its business in the UK, results are sensitive to demographic and economic changes arising in the UK.

The Governance & Risk Committee considers concentrations of insurance risk to ensure that the concentration is within the Society's overall risk appetite. The Society seeks to mitigate the risk of excess concentrations of risk through the use of reinsurance, portfolio analysis and risk limits. The key risks to the Society's life insurance business are market risks, insurance risks and expense risks, particularly the inflation of expenses. The investment performance, expenses and other risks to the life insurance business are monitored regularly by the Governance & Risk Committee. In the event of an adverse situation arising, the Society takes action to reduce the impact. These actions may include reducing the rates of terminal bonus and/or reversionary bonuses or reducing overheads.

Sensitivity Analysis

The impact on policy reserves of sensitivities to key valuation assumptions are detailed on page 119.

i. Long term insurance

On life and income protection business, the Society uses underwriting procedures, backed up with medical screening if appropriate. Reinsurance is in place to limit the quantum of risk retained on most policies incepted since November 2006.

Note 21 sets out the long-term insurance contract liabilities and details the impact of movements during 2022. The table below sets them out by type of contract.

		2022			2021	
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Group (note 21.3)	**£000**	**£000**	**£000**	£000	£000	£000
Holloway income protection	**4,585**	**0**	**4,585**	4,035	0	4,035
Other income protection	**(96,718)**	**21,994**	**(74,724)**	(102,655)	20,132	(82,523)
Term assurance	**(10,704)**	**(5,347)**	**(16,051)**	(3,848)	(5,350)	(9,198)
Total	**(102,837)**	**16,647**	**(86,190)**	(102,468)	14,782	(87,686)
Society (note 21.3)	**£000**	**£000**	**£000**	£000	£000	£000
Holloway income protection	**4,585**	**0**	**4,585**	4,035	0	4,035
Other income protection	**(96,718)**	**21,994**	**(74,725)**	(102,655)	20,132	(82,523)
Term assurance	**(10,704)**	**(5,347)**	**(16,051)**	(3,848)	(5,350)	(9,198)
Total	**(102,837)**	**16,647**	**(86,190)**	(102,468)	14,782	(87,686)

The valuation assumptions have been recommended by the Chief Actuary and approved by the Board. See Note 23 for details of assumptions used in the calculation of the long-term business reserve.

ii. General insurance

The table below sets out the location of general insurance claims liabilities by type of contract:

	Group		**Society**	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
UK	**4,021**	3,358	**3,835**	3,150
International	**157**	347	**157**	347
Total	**4,178**	3,704	**3,992**	3,496

The development of insurance liabilities provides a measure of the Society's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Society's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Balance Sheet. An accident year-basis is considered to be most appropriate for the business written by the Society.

Reporting year	2020	2021	2022	Total
Estimate of ulitmate claims costs				
At end of reporting year	21,860	28,797	27,326	77,983
One year later	22,898	29,854		-
Two years later	22,898			-
Current estimate of cumulative claims incurred	22,898	29,854	27,326	80,078
Cumulative payments to date	(22,898)	(29,854)	(23,334)	(76,086)
Liability recognised in the balance sheet			3,992	3,992
Reserve in respect of prior years				0
Total reserve included in the balance sheet	0	0	3,992	3,992

3.2 Financial Risks that we incur

The Society is exposed to a range of financial risks through its financial assets, financial liabilities, insurance contract liabilities or assets and associated reinsurance balances. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk. However, the Society also faces financial risks in respect of property valuations, concentration of investments and counter-party exposures.

The Financial Risks that we incur are further analysed in the Risk Management Report on page 13.

Market Risk

Market Risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims costs are related to interest rates, liabilities to members are exposed to interest rate risk. Some insurance contracts have benefit payments that are fixed and guaranteed at the inception of the contract. The Society's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

An 1% increase in interest rates would result in a 3% fall in available funds (assets less liabilities in the ORSA) at the end of 2022. A 1% decrease in interest rates would result in a 3% increase in available funds.

Borrowings issued at variable rates expose the Society to cash flow interest rate risk. The financial reinsurance contract is linked to SONIA and therefore the interest on borrowing will vary with interest rates. A 1% increase in interest rates would increase the projected discounted cash flows by 0.3%. A 1% fall in interest rates would decrease the projected discounted cash flows by 0.2%

Equity price risk

The Society is exposed to equity price risk as a result of its holdings in Royal London equity tracker funds.

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes to market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

A 40% fall in equity prices would result in a 6% decrease in available funds (assets less liabilities in the ORSA).

Currency risk

The Society is exposed to currency risk in respect of liabilities under a small number of insurance policies denominated in euro. The Society seeks to mitigate the risk by holding a bank account in euro. The currency risk is not material and therefore a sensitivity analysis is not provided.

Credit Risk

Credit risk relates to counterparties to the Society failing to meet their financial obligations. The Society takes on investment credit risk when it is considered beneficial to do so in support of the Society's strategic objectives and in matching Policyholder liabilities. The Society seeks to minimise other forms of credit risk, in particular those related to deposit takers and bond issuers.

The Group's maximum exposure to credit risk is detailed below and discussed on page 14. In addition, the Group and Society is exposed to credit risk from policyholders through the sale of insurance policies and intermediaries through the cancellation of policies. An analysis of past due items can be found in note 18.

On-boarding procedures assess the creditworthiness of new intermediaries, and distribution quality management tools are used to manage any potential concentration risks. The risk of non-payment by policy holders is mitigated by policy lapse rules. No further provision is required over and above the normal provision for doubtful debts.

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Debt securities - UK securities (notes 17.2 and 17.3)	**70,412**	98,797	**68,640**	96,825
Financial Liability - Financing	**528**	0	**528**	0
Insurance Receivables (notes 18.1 and 18.2)	**18,162**	15,008	**17,349**	14,210
Cash and cash equivalents	**8,748**	16,252	**6,931**	14,032
Total assets bearing credit risk	**97,850**	130,056	**93,448**	125,066

The Long Term fund invests its assets in the Royal London Investment Grade Short Dated Credit Fund and the Royal London Short Duration Credit Fund. The GBF invests its assets in the Royal London Corporate Bond Fund, the Royal London Investment Grade Short Dated Credit Fund and the Royal London Short Duration Credit Fund.

Royal London Investment Grade Short Dated Credit Fund

The Fund's investment objective is to achieve a total return over the medium term (3–5 years) by investing at least 80% in investment-grade bonds. Of these, at least 70% will be short-dated (bonds that will reach maturity within five years).

Royal London Short Duration Credit Fund

The Fund's investment objective is to achieve a total return (combination of capital growth and income) over the medium term (3-5 years) by investing at least 80% in sterling-denominated bonds, of which at least 70% will be short duration (5 years or less).

Royal London Corporate Bond Fund

The Fund's investment objective is to achieve a total return (combination of capital growth and income) over the medium term (3-5 years), by investing at least 80% in sterling-denominated corporate bonds.

At 31 December 2022, the credit quality of the Fund was split as follows:

Group							
	AAA	**AA**	**A**	**BBB**	**B**	**Unrated**	**Total**
Government securities	0	30,188	0	0	0	0	30,188
Corporate Bonds	1,246	2,641	7,834	21,561	4,161	2,781	40,224
Bank deposits	0	0	0	0	0	0	0
Cash and cash equivalents	0	410	8,331	6	0	0	8,747
Total assets	1,246	33,240	16,164	21,567	4,161	2,781	79,158

Society							
	AAA	**AA**	**A**	**BBB**	**B**	**Unrated**	**Total**
Government securities	0	30,188	0	0	0	0	30,188
Corporate Bonds	1,200	2,455	7,407	20,449	4,161	2,781	38,452
Bank deposits	0	0	0	0	0	0	0
Cash and cash equivalents	0	410	6,515	6	0	0	6,931
Total assets	1,200	33,053	13,922	20,454	4,161	2,781	75,571

Liquidity Risk

Liquidity risk is the risk that the Society, although solvent, is unable to meet its obligations as they fall due. The Society's objective on liquidity risk management is to ensure that sufficient funds are available over the short and medium term to meet the needs of the Society. This includes new business costs, planned strategic activities, member withdrawals, claims payments and day to day cash flow requirements.

The tables below summarise the maturity profile of the financial liabilities and obligations of the Group and Society based on the term to maturity and the underlying policies or benefits. the Group's approach to Liquidity risk management is referred to on page 16.

Group

Maturity profile of financial liabilities and obligations 2022	2022 - Group				
	Within 1 year	1-5 years	Over 5 years	No term	Total
	£000	£000	£000	£000	£000
Insurance contract liabilities (note 21)					
- Insurance contract liabilities	23,363	0	0	0	**23,363**
- Reinsurers share of insurance contract assets (long term business fund)	3,277	10,342	25,520	(22,493)[1]	**16,647**
Financial Liability - financing					
- Financial Liability financing (note 24)	368	782	128	0	**1,278**
Post-employment benefits obligations (note 20)					
- Pension benefit obligation (long term business fund)	0	0	90	0	**90**
Trade and other payables					
- Insurance payables (note 21)	3,728	0	0	0	**3,728**
- Other creditors including tax and social security (note 27)	4,115	0	0	0	**4,115**
- Accruals and deferred income	5,284	0	0	0	**5,284**
Total financial liabilities	**40,136**	**11,124**	**25,738**	**(22,493)**	**54,506**

Maturity profile of financial liabilities and obligations 2021	2021 - Group				
	Within 1 year	1-5 years	Over 5 years	No term	Total
	£000	£000	£000	£000	£000
Insurance contract liabilities					
- Insurance contract liabilities	19,938	0	0	0	**19,938**
- Reinsurers share of insurance contract assets (long term business fund)	3,647	11,699	31,156	(31,720)	**14,783**
Post-employment benefits obligations					
- Pension benefit obligation (long term business fund)	0	0	120	0	**120**
Provisions					
- Provisions	5,323	0	0	0	**5,323**
Trade and other payables					
- Insurance payables	3,447	0	0	0	**3,447**
- Other payables including tax and social security	3,418	0	0	0	**3,418**
- Lease liability	85	35	0	0	**120**
- Accruals and deferred income	4,562	0	0	0	**4,562**
Total financial liabilities	**40,419**	**11,735**	**31,276**	**(31,720)**	**51,710**

[1] This represents the reinsurers share of the risk margin and therefore has no duration.

Society

Maturity profile of financial liabilities and obligations 2022	2022 - Society Within 1 year	1-5 years	Over 5 years	No term	Total
	£000	£000	£000	£000	£000
Insurance contract liabilities (note 21)					
- Insurance contract liabilities	22,578	0	0	0	**22,578**
- Reinsurers share of insurance contract assets (long term business fund)	3,277	10,342	25,520	(22,493)	**16,647**
Financial Liability - financing					
- Financial Liability financing (note 24)	368	782	128	0	**1,278**
Post-employment benefits obligations (note 20)					
- Pension benefit obligation (long term business fund)	0	0	90	0	**90**
Trade and other payables					
- Insurance payables (note 21)	3,663	0	0	0	**3,663**
- Amounts due to subsidiary undertaking	28	0	0	0	**28**
- Other payables including tax and social security (note 27)	3,997	0	0	0	**3,997**
- Accruals and deferred income	5,154	0	0	0	**5,154**
Total financial liabilities	**39,065**	**11,124**	**25,738**	**(22,493)**	**53,434**

Maturity profile of financial liabilities and obligations 2021	2021 - Society Within 1 year	1-5 years	Over 5 years	No term	Total
	£000	£000	£000	£000	£000
Insurance contract liabilities					
- Insurance contract liabilities	19,169	0	0	0	**19,169**
- Reinsurers share of insurance contract assets (long term business fund)	3,647	11,699	31,156	(31,720)	**14,783**
Post-employment benefits obligations					
- Pension benefit obligation (long term business fund)	0	0	120	0	**120**
Provisions					
- Provisions	5,323	0	0	0	**5,323**
Trade and other payables					
- Insurance payables	3,329	0	0	0	**3,329**
- Amounts due to subsidiary undertaking	28	0	0	0	**28**
- Other payables including tax and social security	3,211	0	0	0	**3,211**
- Lease liability	85	35	0	0	**120**
- Accruals and deferred income	4,487	0	0	0	**4,487**
Total financial liabilities	**39,279**	**11,735**	**31,276**	**(31,720)**	**50,570**

Fair value estimate - Group

The principal financial assets held as at the reporting date for the Group, analysed by their fair value hierarchies were:

	Group			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through income:[1]				
- Equity securities (note 17.2)	26,653	0	0	**26,653**
- Debt securities (note 17.2)	0	70,412	0	**70,412**
- Financial asset financing (note 24)	0	0	528	**528**
Total assets at fair value	**26,653**	**70,412**	**528**	**97,593**
Liabilities:				
Financial liabilities - financing at fair value through income				
- Financial liability financing (note 24)	0	0	1,278	**1,278**
Total liabilities at fair value	**0**	**0**	**1,278**	**1,278**

	Group			
2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through income:				
- Equity securities	25,129	0	0	**25,129**
- Debt securities	0	98,797	0	**98,797**
Total assets at fair value	**25,129**	**98,797**	**0**	**123,926**

[1] Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Level 3 Closed-ended funds that cannot be redeemed by the reporting entity at all until maturity

Fair value estimate - Society

The principal financial assets held as at the reporting date for the Society, analysed by their fair value hierarchies were:

	Society			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through income:				
- Equity securities (note 17.2)	26,653	0	0	**26,653**
- Debt securities (note 17.2)	0	68,640	0	**68,640**
- Financial asset financing (note 24)	0	0	528	**528**
Total assets at fair value	**26,653**	**68,640**	**528**	**95,821**
Liabilities:				
Financial liabilities - financing at fair value through income				
- Financial liability financing (note 24)	0	0	1,278	**1,278**
Total liabilities at fair value	**0**	**0**	**1,278**	**1,278**

	Society			
2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through income:[1]				
- Equity securities	25,129	0	0	**25,129**
- Debt securities	0	96,825	0	**96,825**
Total assets at fair value	**25,129**	**96,825**	**0**	**121,954**

[1] This table incorporates a change in presentation from the 2021 Financial Statements where all assets were classed as Level 1, they have been reclassified as Level 2 for 2021.

3.3 Risks that we incur in the course of normal business

All the risks within this category are variants of Operational Risk, which in turn is the risk of loss resulting from insufficient, inadequate, or ineffective people, processes and/or systems. These risks are addressed in the Risk Management Report on page 13.

3.4 Strategic & External Risks

The Strategic and External Risks faced by The Exeter are covered in the Risk Management Report on page 13.

Cyber security is regarded as one of The Exeter's top priorities. There are several measures in place to detect and prevent threats to our systems. The risks and preventative measures are covered in the Risk Management Report which starts on page 13.

Also captured within this category are horizon and emerging risks, these being potential risks that may or may not materialise, e.g. a nationalised Income Protection scheme (a “horizon” risk) and those that we can see approaching but for which there is insufficient detail or data to be able to formulate a meaningful risk value or probability e.g. financial impact of climate change (an “emerging” risk).

4 Strategic divisions

The Group has two strategic divisions, the General Business Fund and the Long Term Business Fund.

The principal activity of the General Business Fund is to underwrite general insurance business through both direct and broker distribution channels. The primary sources of premium income are from the sale of Private Medical Insurance and Cash Plans. The principal activities of the General Business Fund are in the United Kingdom, although there is a small proportion of business which is written in the United Kingdom but for which the location of risk is outside of the United Kingdom. The geographical segmentation is disclosed in note 5 to the accounts.

The principal activity of the Long Term Business Fund is to provide Income Protection and Life products through broker distribution channels. All activities of the Long Term Business Fund are based in the United Kingdom.

5 Net earned premium

		Group		Society	
		2022	2021	**2022**	2021
		£000	£000	**£000**	£000
Long Term Business - Gross Premiums Written					
	Holloway income protection	**2,538**	2,650	**2,538**	2,650
	Life products	**10,254**	7,904	**10,254**	7,904
	Other income protection	**28,987**	25,782	**28,987**	25,782
Gross premiums written		**41,779**	36,336	**41,779**	36,336
Outward reinsurance premiums		**(13,577)**	(11,749)	**(13,577)**	(11,749)
Earned premiums net of reinsurance		**28,202**	24,587	**28,202**	24,587
General Business - Gross Premiums Written					
	UK	**37,318**	34,141	**34,826**	31,478
	International	**1,310**	1,750	**1,310**	1,750
Gross premiums written		**38,628**	35,891	**36,136**	33,228
Change in gross provision for unearned premiums		**(2,508)**	1,381	**(2,469)**	1,266
Total earned premiums		**36,120**	37,272	**33,667**	34,494

All long term insurance contracts are based in the United Kingdom and have regular premiums which are recognised as income when due for payment.

6 Investment return

	Group				Society			
	General Fund		Long Term Fund		General Fund		Long Term Fund	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Income from investments at fair value:								
Interest income	**1,268**	1,189	**326**	662	**1,219**	1,145	**326**	662
Dividend income	**411**	555	**0**	0	**411**	555	**0**	0
Net gains on realisation of investments - debt securities	**2,471**	0	**0**	0	**2,471**	0	**0**	0
Total investment income	**4,150**	1,744	**326**	662	**4,101**	1,700	**326**	662
Investment expenses and charges								
Total unrealised (losses)/gains								
Losses on realisation of investments - debt securities	**0**	0	**(218)**	(35)	**0**	0	**(218)**	(35)
Value adjustment on financial liability - financing	**0**	0	**(103)**	0	**0**	0	**(103)**	0
Investment Management expenses	**(269)**	(297)	**(17)**	(11)	**(269)**	(297)	**(17)**	(11)
Total investment expenses	**(269)**	(297)	**(338)**	(46)	**(269)**	(297)	**(338)**	(46)
Unrealised gain / (loss) on investments - debt securities	**(17,361)**	937	**(826)**	**(539)**	**(17,161)**	989	**(826)**	(539)
Unrealised gain / (loss) on investments - equities	**0**	3,472	**0**	**0**	**0**	3,472	**0**	0
Total investment return	**(17,361)**	4,409	**(826)**	(539)	**(17,161)**	4,461	**(826)**	(539)

Allocation of Investment Return between the Technical and non technical acount is detailed in the accounting policy see note 1.3

7 Net benefits and claims

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Long term fund:				
Claims paid during the year	**13,926**	13,578	**13,926**	13,578
Payment of Terminal Bonuses	**686**	720	**686**	720
Change in the members' dividend account excluding interest & dividend credited	**685**	1,350	**685**	1,350
Long term insurance contracts benefits and claims payable	**15,298**	15,648	**15,298**	15,648
General fund:				
Gross Claims	**29,663**	31,952	**27,888**	30,030
General insurance contracts benefits and claims payable	**29,663**	31,952	**27,888**	30,030
Total gross benefits and claims	**44,961**	47,600	**43,186**	45,678
Reinsurers' share of gross benefits and claims	**(8,554)**	(8,312)	**(8,554)**	(8,312)
Net benefits and claims	**36,406**	39,288	**34,632**	37,366

8 Net change in insurance contract liabilities

General Fund

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Decrease in Gross insurance contract liabilities	**2,742**	(431)	**2,725**	(299)
Change in provison for unearned premium	**(2,508)**	1,381	**(2,469)**	1,265
Net change in insurance contract liabilities	**234**	950	**256**	966

Long Term Fund

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Decrease in Gross insurance contract liabilities	**(350)**	(18,739)	**(350)**	(18,739)
Provision for bonuses and rebates	**(808)**	(2,875)	**(808)**	(2,875)
Gross change in insurance contract liabilities	**(1,158)**	(21,614)	**(1,158)**	(21,614)
Reinsurers' share of gross change in insurance contract liabilities				
Change in long term insurance contract liabilities	**1,864**	2,610	**1,864**	**2,610**
Net change in insurance contract liabilities	**706**	(19,004)	**706**	(19,004)

Further analysis regarding the movement in insurance contract liabilities can be found in Note 21.

9 Net operating expenses

General Fund

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Acquisition costs (excluding commissions)	**3,118**	4,264	**2,839**	3,979
Increase / (decrease) in deferred acquisition costs (excluding commissions)	**(110)**	139	**(105)**	121
Administrative expenses	**5,263**	1,884	**4,765**	1,448
Net operating expenses (excluding commission to brokers)	**8,271**	6,287	**7,499**	5,547
Commission and introductory fees	**4,094**	1,644	**3,932**	1,483
Increase / (decrease) in deferred acquisition costs (commission)	**(1,374)**	265	**(1,364)**	257
Commission to brokers	**2,720**	1,909	**2,568**	1,740
Net operating expenses (including commission to brokers)	**10,991**	8,195	**10,067**	7,288

Long Term Fund

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Acquisition costs (excluding commissions)	**11,425**	9,521	**11,425**	9,521
Administrative expenses	**8,722**	8,772	**8,722**	8,772
Net operating expenses (excluding commission to brokers)	**20,147**	18,293[1]	**20,147**	18,293
Commission and introductory fees	**12,489**	12,993	**12,489**	12,993
Increase in deferred acquisition costs (commission)	**0**	0	**0**	0
Commission to brokers	**12,489**	12,993	**12,489**	12,993
Net operating expenses (including commission to brokers)	**32,636**	31,286	**32,636**	31,286

[1] Figures for 2021 have been adjusted due to a change in presentaion of reinsurance commission

Net operating expenses include:				
Auditors' remuneration:				
Fees payable to the Society's auditors for the audit of current year financial statements	**247**	218	**242**	215
Fees payable to the Subsidiaries' auditors for the audit of current year financial statements	**43**	43	**0**	0
Total auditors' remuneration	**290**	261	**242**	215
Operating lease rentals	**78**	77	**78**	77
Depreciation of tangible assets (note 16)	**492**	400	**492**	400
Disposal of tangible assets (note 16)	**12**	58	**12**	58
Amortisation of intangible assets (note 15)	**674**	1,009	**674**	1,009
Intangible asset write-off (note 15)	**42**	1,857	**42**	1,857
Intangible asset - change in UEL	**0**	5	**0**	5
Aggregate amount of Directors' Emoluments	**2,524**	2,635	**2,524**	2,635

10 Employee information

	Group		Society	
	2022	2021	**2022**	2021
	Number	Number	**Number**	Number
The average number of persons (full-time equivalents) including Executive Directors employed by the Society and subsidiary in the year was:				
Administration	**154**	141	**154**	141
Business development	**21**	22	**21**	22
Average full-time equivalents in the year	**175**	163	**175**	163
The closing full-time equivalent at 31 December was:	**181**	166	**181**	166
Staff costs for the above persons were:	**£000**	£000	**£000**	£000
Wages and salaries	**13,254**	11,551	**12,949**	11,366
Social security costs	**1,121**	869	**1,097**	848
Other pension costs	**802**	756	**788**	741
Total staff costs	**15,177**	13,176	**14,834**	12,955

The Exeter Cash Plan does not directly employ any staff, however any direct costs associated with administrative activties are recharged from the Society.

11 Directors’ emoluments

Directors’ emoluments, including pension contributions and compensation for loss of office, fell within the following ranges:

	Group		Society	
	2022 Number	2021 Number	**2022 Number**	2021 Number
Executive				
£0 - £99,999	**1**	1	**1**	1
£200,000 - £299,999	**1**	0	**1**	0
£300,000 - £399,999	**0**	0	**0**	0
£400,000 - £499,999	**2**	3	**2**	3
£500,000 - £599,999	**1**	0	**1**	0
£600,000 - £699,999	**0**	1	**0**	1
£700,000 - £799,999	**1**	1	**1**	1
Total	**6**	6	**6**	6
Non-executive				
£10,000 - £49,999	**1**	1	**1**	1
£50,000 - £59,999	**2**	2	**2**	2
£60,000 - £69,999	**2**	1	**2**	1
£70,000 - £79,999	**0**	0	**0**	0
£80,000 - £89,999	**0**	1	**0**	1
Total	**5**	5	**5**	5

Defined Contribution Pension benefits were accruing to three Executive Directors as at 31 December 2022 (2021: three). The aggregate amount of pension contributions made by the Society to the Executive Directors was £138,653 (2021: £154,708). Pension contributions in respect of the highest paid Director for the year amounted to £49,763 (2021: £44,095). The 2021 prior year figures have been corrected, as a result of a prior period error.

Disclosures which are required to be audited as part of the financial statements which include (where applicable):

- The aggregate amount of remuneration (including salary, fees, bonuses and benefits in kind);
- Long-term incentive schemes;
- Pension schemes;
- Compensation for loss of office; and
- Sums paid to or receivable by third parties for making directors' services.

are included in the remuneration report on page 54.

12 Income Tax

Tax activities relate to the activities of Exeter Cash Plan Holdings Limited, and The Exeter Cash Plan.

All of the Society's income and gains are exempt from UK Corporation Tax, giving a nil tax charge.

12.1 Amounts recognised in profit or loss

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Current Tax expense:				
Tax expense	**0**	0	**0**	0
Adjustment for prior years	**0**	0	**0**	0
	0	0	**0**	0
Deferred tax	**0**	0	**0**	0
Total income tax expense	**0**	0	**0**	0

The current rate of Corporation Tax in the UK is 19% (2021: 19%). This will increase to 25% from 1 April 2023.

12.2 Reconciliation of current tax expense

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Surplus / (Deficit) before tax from continuing operations	**(18,248)**	2,030	**(18,116)**	2,075
Tax at standard corporation tax rate	**(3,467)**	386	**(3,442)**	394
Effects of:				
Effect of the Society's business being tax exempt	**3,373**	(394)	**3,442**	(394)
Movement in deferred tax not recognised in Exeter Cash Plan	**94**	8	**0**	0
Tax on income for the year	**0**	0	**0**	0

Total accumulated tax losses as at the reporting date is £12,829,000 (2021: £12,584,000). These losses may be utilised against future trading profits of The Exeter Cash Plan and have no expiry date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. A deferred tax asset has not been recognised because it is not probable that the unrelieved tax losses will be recovered.

13 Deferred acquisition costs - General business fund

		Total Group £000	Total Society £000
Cost:			
At 1 January 2022		**1,376**	**1,277**
Total acquisition costs deferred			
	Commission and introductory fees	2,363	2,285
	Other Acquisition costs	498	461
Total acquisition costs amortised			
	Commission and introductory fees	(988)	(921)
	Other Acquisition costs	(388)	(356)
At 31 December 2022		**2,861**	**2,746**
Cost:			
At 1 January 2021		1,779	1,655
Total acquisition costs deferred			
	Commission and introductory fees	988	921
	Other Acquisition costs	388	356
Total acquisition costs amortised			
	Commission and introductory fees	(1,253)	(1,178)
	Other Acquisition costs	(526)	(477)
At 31 December 2021		1,376	1,277

All deferred acquisition costs are included within the General Business Fund.

14 Investments in group undertakings

The Society investment in subsidiaries can be analysed as follows:

	2022	2021
	General Business Fund	General Business Fund
	£000	£000
Cost at 1 January	**5,852**	5,852
Additions	**0**	0
Disposals	**0**	0
Cost at 31 December	**5,852**	5,852
Provision at 1 January	**(2,325)**	(2,325)
Provided in the year	**(243)**	0
Released in the year	**0**	0
Provision at 31 December	**(2,568)**	(2,325)
Carrying value at 31 December	**3,284**	3,528

All investments in subsidiaries are held within the General Business Fund. All balances eliminate on consolidation.

The subsidiary undertakings shown below are wholly owned, incorporated in England and Wales the ultimate parent of the subsidiaries is the Society.

Name of Subsidiary Undertaking	**Nature of Business**
Go Private Limited	Medical and insurance services intermediary – ceased trading with effect from 21 September 2007. Exempt from audit under S477 (2) and S476 of the Companies Act 2006.
Exeter Friendly Members Club Limited	General insurance intermediary – ceased trading with effect from 31 December 2001; dormant with effect from 31 December 2002. Exempt from audit under S477 (2) and S476 of the Companies Act 2006.
Pioneer Advantage Limited	Dormant since incorporation. Exempt from audit under S477 (2) and S476 of the Companies Act 2006.
Exeter Cash Plan Holdings Limited	Holding company for The Exeter Cash Plan
The Exeter Cash Plan	Provider of health insurance - acquired 30 October 2015

The registered address of all of the above subsidiaries is Lakeside House, Emperor Way, Exeter, EX1 3FD.

15 Intangible assets

All Intangible assets are owned by the Society. As such no intangible assets are owned directly by any of the Group's subsidiaries.

Reconciliation of carrying amount

	2022		2021	
	Software and Licenses	**Total**	Software and Licenses	Total
Cost:	**£000**	**£000**	£000	£000
Cost at 1 January	13,511	13,511	15,800	15,800
Additions	99	99	400	400
Disposals and Write-offs	(71)	(71)	(2,689)	(2,689)
Cost at 31 December	**13,539**	**13,539**	13,511	13,511
Accumulated Amortisation:				
Provision at 1 January	10,748	10,748	10,572	10,572
Amortisation	674	674	1,004	1,004
Impairment loss	0	0	5	5
Disposals and Write-offs	(29)	(29)	(832)	(832)
Provision at 31 December	**11,393**	**11,393**	10,748	10,748
Carrying value at 31 December	**2,146**	**2,146**	2,763	2,763

Software costs, including software licences, are recognised as intangible assets and amortised using the straight line method over their useful lives (three to ten years). The amortisation periods used are reviewed annually.

Software values are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At the Balance Sheet date a review is carried out of all assets looking for indicators of impairment. Both internal and external factors are considered, and the management team use their judgement and apply prudence when completing impairment reviews. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on value in use calculations.

Any amortisation or impairment charges are recognised in the General and Long term fund Technical Accounts within Net Operating Expenses.

16 Property and equipment

All Property and equipment are owned by the Society. As such no fixed assets are owned directly by any of the Group's subsidiaries.

All assets are held at cost except Buildings which are held at valuation and not cost.

	Buildings	Building fit-out costs	Equipment, fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
At 1 January 2022	2,500	1,567	1,504	864	6,435
Additions	0	69	61	26	156
Disposals	0	(6)	(21)	(184)	(211)
At 31 December 2022	**2,500**	**1,630**	**1,544**	**706**	**6,380**
Accumulated Depreciation:					
At 1 January 2022	0	1,041	860	627	2,528
Provision for the year	44	286	49	113	492
Revaluation adjustment	(44)	0	0	0	(44)
Disposals	0	(6)	(19)	(175)	(200)
At 31 December 2022	**0**	**1,321**	**890**	**565**	**2,776**
Net book value at 31 December 2022	**2,500**	**309**	**654**	**141**	**3,604**

	Buildings	Building fit-out costs	Equipment, fixtures and fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2021	2,100	1,180	1,422	859	5,560
Additions	0	388	143	24	555
Disposals	0	0	(61)	(19)	(80)
Revaluation	400	0	0	0	400
At 31 December 2021	**2,500**	**1,567**	**1,504**	**864**	**6,435**
Accumulated Depreciation:					
At 1 January 2021	0	937	784	496	2,217
Provision for the year	38	104	108	151	400
Revaluation adjustment	(38)	0	0	0	(38)
Disposals	0	0	(32)	(19)	(51)
At 31 December 2021	**0**	**1,041**	**860**	**628**	**2,528**

At the Balance Sheet date a review is carried out of all assets looking for indicators of impairment. Both internal and external factors are conisdered, and the managment team use their judgement and apply prudence when completing impairment reviews.

The Society's premises at Emperor Way were valued as at 31 December 2022 by Stratton Creber, Chartered Surveyors, External Valuers, on the basis of open market vacant possession value in accordance with the Practice Statement in the Royal Institute of Chartered Surveyors' Appraisal and Valuation manual. If land and buildings had been recognised under the cost model, it would be disclosed under a value of £1,333,500.

17 Financial assets

In accordance with UK GAAP recognition and measurement principles, all the Society's debt and equity investments are classified as investments designated at fair value through income and are described in these financial statements as investments held at fair value. All investments except the Index Linked Gilts in the General Fund are designated as held at fair value upon initial recognition and are measured at subsequent reporting dates at fair value, which is the bid price of the exchange on which the investment is quoted. Index Linked assets within the General Fund are valued at the mid price multiplied by an index factor that takes into account inflation.

The composition and nature of the assets held are set out below.

17.1 Reconciliation of movements per classification in the year

Assets held at fair value through income

	Group		Society	
	2022	2021	**2022**	2021
Securities:	**£000**	£000	**£000**	£000
At 1 January	**123,926**	133,016	**121,954**	130,992
Additions	**18,251**	4,097	**18,251**	2,075
Disposals at fair value	**(29,177)**	(17,022)	**(29,177)**	(15,000)
Changes in Market value	**(15,935)**	3,834	**(15,735)**	3,886
At 31 December	**97,065**	123,926	**95,293**	121,954
Financial asset - financing:				
At 1 January	**0**	0	**0**	0
Additions	**528**	0	**528**	0
At 31 December	**528**	0	**528**	0
Total	**97,593**	123,926	**95,821**	121,954

17.2 Fair value through income - Group

	2022					
	General Business Fund		Long Term Business Fund		Total	
	£000	£000	£000	£000	£000	£000
	Market value	Cost	Market value	Cost	Market value	Cost
Equity securities:						
UK collectives	26,653	19,933	0	0	26,653	19,933
	26,653	**19,933**	**0**	**0**	**26,653**	**19,933**
Debt securities:						
UK	62,343	65,372	8,069	9,057	70,412	74,429
	62,343	**65,372**	**8,069**	**9,057**	**70,412**	**74,429**
Total securities	**88,996**	**85,306**	**8,069**	**9,057**	**97,065**	**94,363**
Financial Reinsurance	**0**	**0**	**528**	**528**	**528**	**528**
Total	**88,996**	**85,305**	**8,597**	**9,585**	**97,593**	**94,891**

	2021					
	General Business Fund		Long Term Business Fund		Total	
	£000	£000	£000	£000	£000	£000
	Market value	Cost	Market value	Cost	Market value	Cost
Equity securities:						
UK collectives	25,129	17,278	0	0	25,129	17,278
	25,129	**17,278**	**0**	**0**	**25,129**	**17,278**
Debt securities:						
UK	83,006	69,804	15,791	15,954	98,797	85,758
	83,006	**69,804**	**15,791**	**15,954**	**98,797**	**85,758**
Total	**108,135**	**87,083**	**15,791**	**15,954**	**123,926**	**103,036**

17.3 Fair value through income – Society

	2022					
	General Business Fund		Long Term Business Fund		Total	
	£000	£000	£000	£000	£000	£000
	Market value	Cost	Market value	Cost	Market value	Cost
Equity securities:						
UK collectives	26,653	19,933	0	0	26,653	19,933
	26,653	**19,933**	**0**	**0**	**26,653**	**19,933**
Debt securities:						
UK listed	60,571	63,350	8,069	9,057	68,640	72,407
	60,571	**63,350**	**8,069**	**9,057**	**68,640**	**72,407**
Total securities	**87,225**	**83,284**	**8,069**	**9,057**	**95,293**	**92,341**
Financing Reinsurance	**0**	**0**	**528**	**528**	**528**	**528**
Total	**87,225**	**83,284**	**8,597**	**9,585**	**95,821**	**92,869**

	2021					
	General Business Fund		Long Term Business Fund		Total	
	£000	£000	£000	£000	£000	£000
	Market value	Cost	Market value	Cost	Market value	Cost
Equity securities:						
UK collectives	25,129	17,278	0	0	25,129	17,278
	25,129	**17,278**	**0**	**0**	**25,129**	**17,278**
Debt securities:						
UK listed	81,034	67,782	15,791	15,954	96,825	83,736
	81,034	**67,782**	**15,791**	**15,954**	**96,825**	**83,736**
Total	**106,163**	**85,061**	**15,791**	**15,954**	**121,954**	**101,015**

18 Debtors arising out of direct insurance and reinsurance operations

18.1 Group

2022	Contract Holders	Agents / Brokers / Intermediaries	Reinsurers	Total
	£000	£000	£000	£000
Due as at 31 December 2022 - Less than 30 days in arrears	16,331	329	771	17,431
Due as at 31 December 2022 - 30 days or more in arrears	151	1,354	685	2,190
Provision for impairment as at 31 December 2022	(101)	(1,358)	0	(1,459)
Total debtors arising out of direct insurance and reinsurance operations receivables	**16,381**	**325**	**1,456**	**18,162**

2021	Contract Holders	Agents / Brokers / Intermediaries	Reinsurers	Total
	£000	£000	£000	£000
Due as at 31 December 2021 - Less than 30 days in arrears	13,331	333	700	14,364
Due as at 31 December 2021 - 30 days or more in arrears	146	1,208	682	2,036
Provision for impairment as at 31 December 2021	(187)	(1,205)	0	(1,392)
Total debtors arising out of direct insurance and reinsurance operations receivables	**13,290**	**336**	**1,382**	**15,008**

Debtors greater than 30 days are considered to be impaired. Provision is made on impaired debt to the extent to which recovery is expected based on experience of similar debtors. Provisions relating to Contract Holders premium due amounts are recognised as an adjustment to premium income in the General and Long Term Technical accounts.

18.2 Society

2022	Contract Holders	Agents / Brokers / Intermediaries	Reinsurers	Total
	£000	£000	£000	£000
Due as at 31 December 2022 - Less than 30 days in arrears	15,742	105	771	16,618
Due as at 31 December 2022 - 30 days or more in arrears	150	1,354	685	2,189
Provision for impairment as at 31 December 2022	(100)	(1,358)	0	(1,458)
Total debtors arising out of direct insurance and reinsurance operations receivables	**15,792**	**101**	**1,456**	**17,349**

2021	Contract Holders	Agents / Brokers / Intermediaries	Reinsurers	Total
	£000	£000	£000	£000
Due as at 31 December 2021 - Less than 30 days in arrears	12,783	84	700	13,567
Due as at 31 December 2021 - 30 days or more in arrears	142	1,208	682	2,032
Provision for impairment as at 31 December 2021	(185)	(1,205)	0	(1,390)
Total debtors arising out of direct insurance and reinsurance operations receivables	**12,740**	**87**	**1,382**	**14,210**

Debtors greater than 30 days are considered to be impaired. Provision is made on impaired debt to the extent to which recovery is expected based on experience of similar debtors. Provisions relating to Contract Holders premium due amounts are recognised as an adjustment to premium income in the General and Long Term technical accounts.

19 Reserves and Fund for future appropriations

The fund for future appropriations and reserves represents amounts which have yet to be allocated to members. Any surplus or deficit arising during the year on the Long Term Business Fund is transferred to or from the Long Term Business Fund at each year end. Any surplus or deficit arising during the year on the General Business Fund is transferred to or from the General Business Fund at each year end.

The Transfer of Engagements dated 31 March 2008 states that each of the Long Term Business Fund and the General Business Fund shall be responsible for maintaining its own Capital Resource Requirement.

19.1 General business reserve

The general business reserve for the Group can be analysed as follows:

2022	Group			
	General Reserve	Revaluation Reserve	Pension Reserve	Total
	£000	£000	£000	£000
Balance as at 1 January 2022	106,590	614	2,017	109,219
Transfer to statement of other comprehensive income	(18,248)	44	(1,297)	(19,501)
Balance as at 31 December 2022	**88,341**	**658**	**720**	**89,718**

	Society			
	General Reserve	Revaluation Reserve	Pension Reserve	Total
	£000	£000	£000	£000
Balance as at 1 January 2022	106,344	614	2,017	108,974
Impairment in Subsidiary	(244)	0	0	(244)
Transfer to statement of other comprehensive income	(17,874)	44	(1,297)	(19,127)
Balance as at 31 December 2022	**88,226**	**658**	**720**	**89,603**

2021	Group			
	General Reserve	Revaluation Reserve	Pension Reserve	Total
	£000	£000	£000	£000
Balance as at 1 January 2021	104,559	176	855	105,590
Revaluation adjustment	(38)	38	0	0
Transfer from statement of other comprehensive income	2,068	400	1,161	3,629
Balance as at 31 December 2021	**106,590**	**614**	**2,017**	**109,219**

	Society			
	General Reserve	Revaluation Reserve	Pension Reserve	Total
	£000	£000	£000	£000
Balance as at 1 January 2021	104,269	176	855	105,300
Revaluation adjustment	(38)	38	0	0
Transfer from / (to) statement of other comprehensive income	2,113	400	1,161	3,674
Balance as at 31 December 2021	**106,344**	**614**	**2,017**	**108,974**

19.2 Fund for future appropriations

The fund for future appropriations can be analysed as follows:

2022	Group	Society
	£000	£000
Balance as at 1 January 2022	97,601	97,601
Transfer to technical account long term business	(13,529)	(13,529)
Transfer from statement of other comprehensive income	21	21
Balance as at 31 December 2022	**84,093**	**84,093**

2021	Group	Society
	£000	£000
Balance as at 1 January 2021	95,430	95,430
Transfer from technical account long term business	2,171	2,171
Balance as at 31 December 2021	**97,601**	**97,601**

20 Post-employment benefits

All staff are employed and remunerated by Exeter Friendly Society Limited. As such no staff are employed directly by any of the Group's subsidiaries.

The Society operates three separate arrangements to provide benefits to employees in retirement, as described below.

20.1 Defined benefit scheme – General Business Fund

For some employees, the Society operates a funded pension scheme, the Exeter Friendly Society Limited Retirement Benefits Scheme, which provided benefits for its employees based on a final pensionable pay until 30 June 2009 when the scheme closed to future benefit accrual.

The weighted average duration of the expected benefit payments from the scheme is around 20 years. The defined benefit scheme is operated from a trust, which has assets which are held separately from the Society, and by trustees who ensure the scheme's rules are strictly followed.

The funding target is for the scheme to hold assets equal in value to the accrued benefits allowing for future pension revaluation and future pension increases. If there is a shortfall against this target, then the Society and trustees will agree on the deficit contributions to meet this deficit over a period. There is a risk to the Society that adverse experience in factors such as investment returns and mortality could lead to a requirement for the Society to make additional contributions to recover any deficit that arises.

Contributions are set based upon funding valuations carried out every three years. The valuation performed by an independent qualified actuary as at 1 January 2021 showed a funding surplus of £343k.

The amount of total employer contributions paid to the scheme during 2022 is £165,600 including administrative expenses and PPF levies (2021: £165,600).

A proportion of the pensions in payment have been secured through the purchase of annuity policies with an insurance company. In line with previous years, these have been included in the figures as a matching asset and liability. Based on the actuarial assumptions it is estimated that the asset and matching liability is approximately £365,000 at the year-end.

Actuarial gains and losses are recognised immediately through the statement of other comprehensive income.

All pension payments are paid directly through the scheme administrator Broadstone.

i. The plan assets and defined benefit obligations are as follows

	2022	2021
	£000	£000
Present value of defined benefit obligation	(6,186)	(9,141)
Fair value of plan assets	7,217	11,341
Surplus	1,031	2,200
Net asset in balance sheet	**1,031**	2,200

As defined under Section 28 "Employee Benefits" in FRS 102, the Society believes that it has an unconditional right to a refund of surplus and thus the gross pension surplus can be recognised where applicable.

ii. Expense recognised in income and expenditure

	2022	2021
	£000	£000
Employers part of current service cost	0	0
Administrative Expenses	(82)	(102)
Interest income	44	14
Total expense inlcuded in income and expenditure	**(38)**	(88)

iii. Amounts recognised outside income and expenditure

	2022	2021
	£000	£000
Actuarial (loss) / gain	(1,297)	1,161
Amount recognised outside income and expenditure	**(1,297)**	1,161

iv. Plan assets

	2022		2021		2020	
	Allocation	£000	Allocation	£000	Allocation	£000
Multi-asset fund	63%	4,548	71%	8,057	65%	7,103
LDI Funds	31%	2,235	25%	2,800	28%	3,055
Other	6%	434	4%	484	7%	731
Total	100%	7,217	100%	11,341	100%	10,889

The scheme does not invest directly in property occupied by the Society or in financial securities issued by the Society.

The investment strategy is set by the Trustees of the scheme. The strategy is to invest in a range of collective investment schemes consistent with the funding objectives, giving the scheme diversified exposure to a variety of investment markets and potential for growth while also offering protection against interest rate and inflation risk. The collectives in which the scheme currently invests are managed by Legal and General Investment Management.

v. Movement in the net defined benefit asset

	2022	2021
	£000	£000
Opening net asset	2,200	961
Expense charged to income and expenditure	(38)	(88)
(Loss) / Gain recognised outside income and expenditure	(1,297)	1,161
Employer contributions	166	166
Closing net asset	**1,031**	2,200

vi. The movement in the net defined benefit asset during 2022 is as follows:

The movement in the net defined benefit asset during 2022 is as follows:

	Present value of obligation	Fair value of plan assets	Total	Movement in the asset limit	Total
	£000	£000	£000	£000	£000
At 1 January 2022	(9,141)	11,341	2,200	0	**2,200**
Employer's part of current service cost	0	0	0	0	**0**
Interest expense	(171)	215	44	0	**44**
Actual return on plan assets	0	(4,138)	(4,138)	0	**(4,138)**
Actuarial losses - experience on benefit obligation	(1,031)	0	(1,031)	0	**(1,031)**
Actuarial gains - changes in financial assumptions	3,875	0	3,875	0	**3,875**
Actuarial gains - changes in demographic assumptions	(3)	0	(3)	0	**(3)**
Administrative expenses	0	(82)	(82)	0	**(82)**
Employer contributions	0	166	166	0	**166**
Benefit payments	285	(285)	0	0	**0**
As at 31 December 2022	**(6,186)**	**7,217**	**1,031**	**0**	**1,031**

vii. The significant actuarial assumptions were as follows:

Assumptions	2022	2021	2020
Price inflation (RPI)	3.1% pa	3.3% pa	2.9% pa
Discount rate	4.70%	1.90%	1.30%
Pension increases (in deferment and in payment)	3.10%	3.30%	2.90%
Life expectancy of male aged 65 at balance sheet date	21.9 years	21.9 years	21.9 years
Life expectancy of female aged 65 at balance sheet date	24.3 years	24.3 years	24.2 years
Life expectancy of male aged 65 in 20 years from balance sheet date	23.2 years	23.2 years	23.2 years
Life expectancy of female aged 65 in 20 years from balance sheet date	25.7 years	25.7 years	25.6 years

viii. Sensitivity to changes in the weighted principal assumptions

These sensitivity figures have been calculated to show the movement in the Defined Benefit Obligation in isolation, assuming no other changes in market conditions at the accounting date.

	Change in assumption	Change to fair value of assets	Change to defined benefit obligation
Discount rate	1% pa	(22) / +24	(783) / + 982
RPI Inflation	0.50%	+12 / (12)	+533 / (479)
Mortality	20%	41	390

The above sensitivities consider the changes in isolation to each assumption. If multiple changes are made to assumptions, this may lead to a slightly different change to the value of the assets or liabilities.

20.2 Defined benefit scheme – Long Term Business Fund

Following the merger with Pioneer Friendly Society, the Society has taken over the operation of the unfunded defined benefit pension scheme for one (2021: one) former employee. This scheme is closed to existing employees of the Society. The total cost of the pensions payable each year is charged to the provision, to which is credited appropriate interest earned and transfers from or to retained reserves sufficient to meet the expected liability, as recalculated on an annual basis.

Superannuation Reserve Fund	**2022**	2021
	£000	£000
Balance as at 1 January	**(120)**	(130)
Interest on scheme liabilities	**(1)**	0
Actuarial gain for the period recognised in the Statement of Comprehensive Income	**21**	0
	(100)	(130)
Benefit Paid	**10**	10
Balance as at 31 December 2022	**(90)**	(120)

The Society's Chief Actuary has determined the amount of the provision required as at 31 December 2022 to meet the expected future liabilities; mortality is unchanged and a discount rate of 1.0% (2020: 0.5%) and pension increases of 3.0% (2020: 3.0%) have been applied.

20.3 Defined contribution scheme

The Society also operates one (2021: one) defined contribution pension scheme, which is open to all eligible employees. The cost of Society contributions for the year ended 31 December 2022 was £809,848 (2021: £707,435) and there were no outstanding contributions (2021: Nil) at the year end date.

21 Insurance contract assets / liabilities

21.1 Analysis of insurance contract assets / liabilities and reinsurance liabilities – Group

	2022			2021		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£000	**£000**	**£000**	£000	£000	£000
Long term insurance business Solvency II technical provision (BEL)	**(159,552)**	**39,520**	**(120,032)**	(185,638)	48,485	(137,153)
Long term insurance business Solvency II technical provision (Other)	**5**	**0**	**5**	5	0	5
Long term insurance business Solvency II risk margin	**56,710**	**(22,873)**	**33,837**	83,165	(33,702)	49,462
Total long term insurance contract asset	**(102,837)**	**16,647**	**(86,190)**	(102,468)	14,783	(87,685)
Long term insurance business members dividend account	**9,267**	**0**	**9,267**	9,143	0	9,143
Long term insurance business claims liabilities	**683**	**0**	**683**	789	0	789
Long term insurance business provision for bonuses and rebates	**0**	**0**	**0**	0	0	0
Total long term insurance liabilities / (assets)	**(92,887)**	**16,647**	**(76,240)**	(92,536)	14,783	(77,754)
General insurance unearned premiums	**17,580**	**0**	**17,580**	15,072	0	15,072
General insurance claims incurred but not settled / reported	**3,465**	**0**	**3,465**	2,966	0	2,966
General insurance other claims liabilities	**713**	**0**	**713**	739	0	739
General insurance unexpired risk provision	**922**	**0**	**922**	1,161	0	1,161
Total general insurance liabilities	**22,680**	**0**	**22,680**	19,938	0	19,938
Total	**(70,207)**	**16,647**	**(53,560)**	**(72,599)**	14,783	(57,816)

21.2 Analysis of insurance contract assets / liabilities and reinsurance liabilities - Society

	2022			2021		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£000	**£000**	**£000**	£000	£000	£000
Long term insurance business Solvency II technical provision (BEL)	**(159,552)**	**39,520**	**(120,032)**	(185,638)	48,485	(137,153)
Long term insurance business Solvency II technical provision (Other)	**5**	**0**	**5**	5	0	5
Long term insurance business Solvency II risk margin	**56,710**	**(22,873)**	**33,837**	83,165	(33,702)	49,462
Total long term insurance contract asset	**(102,837)**	**16,647**	**(86,190)**	(102,468)	14,783	(87,685)
Long term insurance business members dividend account	**9,267**	**0**	**9,267**	9,143	0	9,143
Long term insurance business claims liabilities	**683**	**0**	**683**	789	0	789
Long term insurance business provision for bonuses and rebates	**0**	**0**	**0**	0	0	0
Long term insurance business provision for closure reserve	**0**	**0**	**0**	0	0	0
Total long term insurance liabilities / (assets)	**(92,887)**	**16,647**	**(76,240)**	(92,536)	14,783	(77,754)
General insurance unearned premiums	**16,981**	**0**	**16,981**	14,511	0	14,511
General insurance claims incurred but not settled / reported	**3,284**	**0**	**3,284**	2,786	0	2,786
General insurance other claims liabilities	**707**	**0**	**707**	711	0	711
General insurance unexpired risk provision	**922**	**0**	**922**	1,161	0	1,161
Total general insurance liabilities	**21,894**	**0**	**21,894**	19,169	0	19,169
Total	**(70,992)**	**16,647**	**(54,346)**	(73,368)	14,783	(58,585)

21.3 Movement in long term insurance Solvency II technical provision – Group and Society

	2022			2021		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£000	**£000**	**£000**	£000	£000	£000
Balance at 1 January	**(102,468)**	**14,783**	**(87,685)**	(81,731)	12,172	(69,558)
Model Changes	**(2,790)**	**786**	**(2,004)**	(769)	387	(382)
Net change of in-force business	**(26,341)**	**4,785**	**(21,556)**	(19,414)	262	(19,152)
Impact of change in assumptions	**28,762**	**(3,707)**	**25,055**	(555)	1,962	1,406
Balance at 31 December	**(102,837)**	**16,647**	**(86,190)**	(102,468)	14,783	(87,685)
Impact of change in assumptions is made up of:						
Changes in morbidity (other)	**(1,528)**	**1,473**	**(56)**	(5,056)	3,174	(1,882)
Changes in lapse rates	**659**	**(162)**	**497**	(93)	(85)	(178)
Revised expenses assumptions	**589**	**38**	**626**	(565)	(59)	(624)
Change in inflation	**303**	**231**	**534**			
Changes in discount rates	**27,563**	**(5,286)**	**22,277**	5,605	(1,068)	4,538
Change in bonus rates	**1,177**	**0**	**1,177**	(447)	0	(447)
Balance at 31 December	**28,762**	**(3,707)**	**25,055**	(556)	1,962	1,406
Balance at 31 December is made up of:						
Holloway income protection	**4,585**	**0**	**4,585**	4,035	0	4,035
Other income protection	**(96,718)**	**21,994**	**(74,724)**	(102,655)	20,132	(82,523)
Term assurance	**(10,704)**	**(5,347)**	**(16,051)**	(3,848)	(5,350)	(9,198)
Balance at 31 December	**(102,837)**	**16,647**	**(86,190)**	(102,468)	14,783	(87,685)

Without reinsurance the long term business provision would reduce by £16.6 million to £(102.8) million (2021: £(102.5) million).

21.4 Movement in long term insurance members' dividend account – Group and Society

	2022	2021
	£000	£000
Balance at 1 January	9,143	7,617
Bonus credited during the period	304	152
Dividend credited during the period	625	2,762
Forfeiture and lapses during the period	(120)	(38)
Death, retirements and surrenders during the period	(685)	(1,350)
Balance at 31 December	**9,267**	**9,143**

21.5 Movement in long term insurance business claims liabilities – Group and Society

	2022			2021		
	Gross	**Reinsuranc e**	**Net**	Gross	Reinsurance	Net
	£000	**£000**	**£000**	£000	£000	£000
Balance at 1 January	**789**	**0**	**789**	316	0	316
Claims arising	**13,820**	**(8,554)**	**5,266**	14,051	(8,312)	5,739
Claims paid during the year	**(13,926)**	**8,554**	**(5,372)**	(13,578)	8,312	(5,266)
Balance at 31 December	**683**	**0**	**683**	789	0	789

Disclosures 21.6 to 21.9 relate to the general insurance business which is not reinsured.

21.6 Movement in general insurance unearned premiums

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Balance at 1 January	**15,072**	16,453	**14,511**	15,777
Premiums written in the year	**38,628**	35,891	**36,137**	33,228
Premiums earned during the year	**(36,120)**	(37,272)	**(33,667)**	(34,494)
Balance at 31 December	**17,580**	15,072	**16,981**	14,511

21.7 Movement in general insurance claims incurred but not reported / settled (IBNR / IBNS)

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Balance at 1 January	**2,966**	2,250	**2,786**	2,058
Movement in claims incurred in prior year	**1,061**	1,045	**1,056**	1,057
Movement in claims IBNR / IBNS in current year	**(562)**	(330)	**(558)**	(330)
Balance at 31 December	**3,465**	2,966	**3,284**	2,786

21.8 Movement in general insurance other claims liabilities

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Balance at 1 January	**739**	1,666	**711**	1,633
Movement in claims received but not yet paid	**(26)**	(927)	**(4)**	(922)
Balance at 31 December	**713**	739	**707**	711

21.9 Movement in unexpired risk reserve

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Balance at 1 January	**1,161**	0	**1,161**	0
Movement in unexpired risk reserve	**(239)**	1,161	**(239)**	1,161
Balance at 31 December	**922**	1,161	**922**	1,161

A liability adequacy test is performed on insurance liabilities to ensure that the carrying amount of liabilities (less related intangible assets) is sufficient to cover current estimates of future cash flows. When performing the liability adequacy test, all contractual cash flows are discounted and compared against the carrying value of the liability. Any shortfall is charged immediately to the Statement of Comprehensive Income.

22 Reinsurers' share of insurance contract assets

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Balance at 1 January	**14,783**	12,172	**14,783**	12,172
Movement in reinsurers share of contract asset	**1,864**	2,611	**1,864**	2,611
Balance at 31 December	**16,647**	14,783	**16,647**	14,783

23 Insurance contract valuation assumptions

Long Term insurance contract asset valuation assumptions

The following table summarises the main elements of the method and basis used when calculating the Long Term Business Provision. These are the same as used to calculate the technical provisions in the ORSA. The method and basis are prepared by the Chief Actuary and are approved by the Board.

Summary of Valuation Basis	
Income Protection Provision	
Method	Gross Premium
Interest Rate	The PRA risk-free curve (with no volatility adjustment) for the UK
Allowance for Expenses	5% (2021: 4.5%) of future claims and £60.25 (2021: £60.25), inflating at 7% in 2023, 5% in 2024, 2% in 2025 and 3% thereafter (2021: 3% throughout). Based on projected expenses for 2022 and budgeted accounts for 2023 - 2025 and using actuarial judgement.
Allowance for Future Bonus	Based on the maximum sustainable dividend and terminal bonus rates.
Mortality	40% (2021: 40%) of TM92(ult)/TF92(ult) for Professional Income Protection, Income One and Locum Income Protection contracts 50% (2021: 50%) of TM92(ult)/TF92(ult) for other Income Protection contracts
Morbidity	Best estimate based on Society's experience over the last seven years (longer for products that have smaller volumes). The Society uses prevalance rates for the first six months and inception/ termination rates thereafter. The Society sets its own rates for prevalance and inceptions and a multiple of CMIR12-T for terminations depending on the product and the duration of claims in line with experience.
Persistency and Lapses	Holloway, Pure Protection and Pure Protection Plus: Best estimate based on the Society's experience over the last three years for these products. Bills & Things: Experience has been analysed separately for Northern Ireland (NI) and the rest of the UK: a) NI: Best estimate based on the last three years of experience for durations of one to five years; 200% of the rest of the UK for durations or six years and longer. b) Rest of the UK: Best estimate based on experience for the durations of one to eight years, and 100% of Holloway and Pure Protection for subsequent durations. Professional Income Protection, Income One and Income One Plus (aged costed): Best estimate based on the Society's experiences over the last three years for these products for durations up to nine years, and 100% of Holloway and Pure Protection expected lapses beyond nine years duration. Income One and Income One Plus (level premium): Best estimate based on experience from the last three years for the first five years duration; 100% of age-costed lapse rates for durations of six years and longer. Income First: Best estimate of each occupational class based on experience from Pure Protection Plus and Income One Plus products. Locum: 100% of Holloway and Pure Protection expected lapses. Actuarial judgement is applied where the last three years experience do not represent the best estimate of the future.

Summary of Valuation Basis	
Life Provision	
Method	Gross Premium
Interest Rate	The PRA risk-free curve (with no volatility adjustment) for the UK
Allowance for Expenses	£30 (2021: £30) per policy, inflating at 7% per annum in 2023, 5% pa in 2024, 2% pa in 2025 and 3% thereafter (2021: 3% throughout)
Mortality	95% of the reinsurer's rates
Persistency and Lapses	Best estimate assumptions derived from the latest lapse experience investigation and using actuarial judgement. Lapse rates are differentiated between Smokers and Non-smokers and by Benefit type, i.e. Decreasing and level. The Lapse rates vary by duration in force.

These assumptions have been approved by the Chief Actuary and signed off by the Board.

The impact on policy reserves of sensitivities to key valuation assumptions are as follows:

Income Protection

Assumption:	**Increase to best estimate liability**
Morbidity: an instantaneous permanent increase in inceptions by 35% for 12 months followed by a 25% increase thereafter and a 20% decrease in recoveries. These are reduced by 50% for reviewable annual premium contracts. It is also assumed that future Holloway bonuses can be reduced.	£48.8 million (2021: £63.8 million)
Mortality: An instantaneous permanent increase in mortality rates of 15%	£0.3 million (2021: £0.5 million)
An increase in renewal and claims expenses by 10% and an increase in expense inflation rate by 1% pa	£6.5 million (2021: £8.1 million)
Increase in lapses by 50%	£61.9 million (2021:£85.4 million)
An increase in interest rates by 1% pa	£15.8 million (2021: £16.7 million)

A Holloway Income Protection Policy is designed to meet the demands and needs of a person who wishes to ensure that their income is protected up until an agreed age, as a result of illness or accidental injury. It is also intended to provide a tax-free lump sum payable at the policyholder's selected retirement age by participating in surpluses, which are dependent upon experience.

The long term business provision allows for future bonuses. Total allowance within the long term business provision is £13.5 million. (2021: £15.0 million).

Holloway Income Protection products are all reviewable. Pure Protection and Bills & Things products are reviewable after initial 3 years. The Locum product is reviewable after initial 5 years. The Professional Income Protection and Income One products have guaranteed premiums. Pure Protection Plus and Income One Plus contracts include both guaranteed and reviewable premium policies.

Life policies

Assumption:	**Increase to best estimate liability**
An instantaneous permanent increase in mortality rates of 15%	£7.9 million (2021: £8.0 million)
An increase in renewal and claims expenses by 10% and an increase in expense inflation rate by 1% pa	£0.9 million (2021: £1.0 million)
Increase in lapses by 50%	£0.6 million (2021: £(0.3) million)
An increase in interest rates by 1% pa	£0.6 million (2021: (£0.6) million)

24 Financial Liability - Financing

	Group	Society	Group	Society
	2022		2021	
	£000	£000	£000	£000
Opening balance as at 1 January	0	0	0	0
Funds received in the year	648	648	0	0
Value adjustment on financial liability[1]	103	103	0	0
Funds receivable[2]	528	528	0	0
Total closing balance as at 31 December	1,279	1,279	0	0

[1] Value adjustments on Financial Liability - Financing recognised in Investment expenses and charges in the Long Term Technical account

[2] Funds receivable are recognised in the Balance Sheet as 'Other financial investments' and were received post year-end

The Financial Liability – Financing covers new business sales of the Real Life product for a period of three and a half years.

The provider of the Financing will pay a proportion of the initial commission on covered policies in exchange for proportion of cashflows arising from those policies, until the borrowing plus interest is repaid, with a maximum repayment term of 12 years.

Maturity analysis for amounts due is as follows:

	2022	2021
	£000	£000
Value of repayments which fall due:		
- within one year	**368**	0
- between one and five years	**782**	0
- in more than five years	**128**	0
	1,278	0

The following table demonstrates the sensitivty of future cash flows

Sensitivity	**Impact to discounted future repayments £000**
Interest Rate Up 1%	3.4
Interest Rate Down 1%	(3.0)
Mortality +15%	1.5
Longevity -20%	(1.9)
Expenses +10% +1% Exp Infl	1.7
Lapses +50%	(1.9)
Lapses -50%	2.9
ML Cat Risk	2.4

25 Creditors arising out of direct insurance and reinsurance operations

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Due to contract holders	**254**	364	**254**	363
Due to agents/brokers/intermediaries	**2,311**	2,072	**2,246**	1,955
Due to reinsurers	**1,163**	1,011	**1,163**	1,011
Total creditors arising out of direct insurance and reinsurance operations	**3,728**	3,447	**3,663**	3,329

26 Provisions for other risks and charges and contingent liabilities

The Group will recognise a provision if there is a present obligation that has arisen because of a past event, that payment is probable, and that the amount can be reliably estimated.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but payment is not probable or the amount cannot be reasonably estimated.

In the course of conducting business the Group receives complaints which in some instances can result in legal action. Management are confident that adequate provisions have been established where appropriate and no material loss will arise in this respect.

In 2021 the Group had one provision which related to the PMI rebate of surplus profits arising from COVID-19. This was fully settled within the 2022 financial year.

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Balance as at 1 January 2022	**5,323**	6,958	**5,323**	6,958
Movement during the year	**0**	(1,635)	**0**	(1,635)
Utilised during the year	**(5,323)**	0	**(5,323)**	0
Balance as at 31 December 2022	**0**	5,323	**0**	5,323

27 Other creditors including tax and social security

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade payables	**562**	417	**520**	297
Tax and social security	**1,646**	1,550	**1,574**	1,466
Other payables	**1,907**	1,451	**1,903**	1,448
Total other creditors including tax and social security	**4,115**	3,418	**3,997**	3,211

28 Commitments under operating leases

The total lease payments recognised as an expense in the year were £78k (2021: £77k).

The Group and Society have one lease at the end of the financial year. Notice has been provided on the intent to terminate the lease at the first break clause. A payment for dilapidation costs has been made and is recognised in the net operating expenses for the year.

The Group and Society have the following minimum lease payments under operating leases.

	2022	2021
	£000	£000
Operating leases which expire:		
- within one year	**85**	85
- between one and five years	**0**	35
- in more than five years	**0**	0

29 Cash used in operating activities

	Group		**Society**	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Surplus / (deficit) for the year before transfer to reserves and fund for future appropriations	**(31,775)**	4,201	**(31,644)**	4,245
- Interest received	**(1,594)**	(1,851)	**(1,546)**	(1,806)
- Dividends received	**(411)**	(555)	**(411)**	(555)
- Net realised and unrealised losses on investments	**15,935**	(3,834)	**15,735**	(3,886)
- Purchase of investments at fair value through income	**(18,251)**	(4,097)	**(18,251)**	(2,075)
- Sales of investments at fair value through income	**29,177**	17,022	**29,177**	15,000
- Foreign Exchange Differences	**(33)**	71	**(33)**	71
Total	**(6,952)**	10,957	**(6,973)**	10,994
Non-cash items				
- Expenses deferred during the year	**(1,485)**	404	**(1,469)**	378
- Depreciation	**492**	400	**492**	400
- Amortisation & impairment loss	**674**	1,009	**674**	1,009
- Impairment in Subsidiary	**0**	0	**243**	0
- Loss on disposal of Property, Equipment and Intangibles	**54**	1,886	**54**	1,886
- Value adjustment on financial liability financing	**103**	0	**103**	0
Total	**(162)**	3,699	**97**	3,673
Changes in working capital				
Net increase in insurance receivables	**(3,155)**	(353)	**(3,140)**	(469)
Net increase in prepayments and accrued income	**(159)**	39	**(154)**	45
Net increase in insurance liabilities and associated reinsurance balances	**4,255**	(16,560)	**4,239**	(16,428)
Net decrease in pension obligations	**(136)**	(87)	**(136)**	(87)
Net increase in insurance payables	**281**	405	**334**	370
Net decrease in amounts due from subsidiary undertakings	**0**	0	**121**	(2,149)
Net decrease in provisions	**(5,323)**	(1,635)	**(5,323)**	(1,635)
Net increase in trade and other payables	**697**	50	**786**	63
Net increase in accruals and deferred income	**721**	1,045	**669**	1,010
Total	**(2,819)**	(17,095)	**(2,604)**	(19,280)
Cash used in operations	**(9,933)**	(2,440)	**(9,480)**	(4,613)

The Society classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows as the purchases are funded from cash flows associated with the origination of insurance, net of cash flows for payments of insurance benefits and claims and investment contract benefits.

30 Related party transactions

30.1 Transactions in the year

The Society is exempt from disclosing related party transactions with other companies that are wholly owned within the Group (FRS 102.33.1A) .

30.2 Key management compensation

Key management personnel of the Society include all Directors, Executive and Non-Executive, and senior management.

	Group		Society	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Salaries and other short-term employee benefits	**5,330**	4,914	**5,330**	4,914
Post-employment benefits	**391**	344	**391**	344
Total key management compensation	**5,720**	5,258	**5,720**	5,258

30.3 Other related parties

During their term of office in 2022, the Chief Executive and three (2021: three) other executive members of the Board of Directors received free Private Medical Insurance, total claims made under these policies was £21,751 (2021: £2,646). At the year end there were no claims outstanding. The Chief Executive and two other Directors receive free cover for their spouse on these policies.

One Director receives free cover for an immediate family member.

One Non Executive Director has a PMI policy with the Society, which is priced at standard terms. The Medical Director has a policy for himself and his spouse which is priced free of charge.

31 Developments in financial reporting

The Group is monitoring the proposals from the Financial Reporting Council in FRED 82.

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