Foresters Financial

Forester Life Limited and

Forester Holdings (Europe) Limited

Solvency and Financial Condition Report (‘SFCR’)

31 December 2023

Contents

EXECUTIVE SUMMARY

Introduction

This document sets out the solvency and financial condition of the Foresters Financial UK Group (the 'Group') as at 31 December 2023 and its sole insurance undertaking Forester Life Limited ('FLL' or the 'Company').

The Group is made up of Forester Holdings (Europe) Limited ('FHE') and its principal insurance subsidiary undertaking FLL. The group structure is shown in section A.1.2.

The Group has been granted approval by the Prudential Regulation Authority ('PRA') to produce a single Group Solvency and Financial Condition Report (SFCR) in accordance with the PRA Rulebook, SII Firms, Group Supervision – Group SFCR, Article 18.1 (2) This document therefore includes information at the level of the Group as well as its solo insurance undertaking.

Section A - Business and performance summary

Section A provides a summary of the business and performance of FLL as the Company is the principal operating subsidiary of the Group, generating 100% of the Group's revenue and expenses.

The Company's key financial performance indicators are summarised below:

	2023 £'m	2022 Restated £'m
Net fund flows	(230.7)	(65.4)
Assets under management	5,417.6	5,230.9
Fee income	65.4	65.1
Total comprehensive income	19.3	(0.9)

Net fund flows are made up of contributions and premiums less encashments and claims. They contribute directly to the growth or fall in assets under management, which in turn is the key driver of the Company's profitability. The net outflow is mainly driven by the maturing CTF business and the run off of our closed-book ring fenced funds

Assets under management as at 31 December 2023 were £5,418m, a 4% increase from the prior year. This was mainly driven by investment market gains on most asset classes in 2023 as equity markets rallied and bond yields fell in anticipation of interest rate cuts across major global economies.

Fee income is largely derived from management fees charged on assets under management. Fee Income of £65.4m (2022: £65.1m) remains consistent with the prior year based on a consistent average level of assets under management.

On 1 January 2023, the Group adopted the new accounting standard, IFRS 17: 'Insurance Contracts', with comparatives restated from 1 January 2022. Under IFRS 17 profits are recognised in line with delivery of insurance services, as opposed to IFRS 4 where profits are initially recognised on the sale of the insurance contract. While this changes the timing of recognition of profit, it does not change to total amount of profit recognised and therefore it does not alter the underlying economics of our business. In addition, Foresters insurance products in scope of IFRS 17 reflect a relatively small proportion of our business. Hence IFRS 17 does not impact the strategy or capital position of the business.

In addition, as a result of adopting IFRS 9: 'Financial Instruments' on 1 January 2023, unrealised gains or losses on certain investments, which were previously classified as other comprehensive income, will now be reclassified as at fair value through profit or loss ('FVTPL'). This has no impact at a Total Comprehensive Income level.

Total Comprehensive Income of £19.3m (2022: Loss £0.9m) has increased by £20.2m year on year driven primarily by the significant volatility of investment markets over the last two years. 2022 saw significant increases in bond yields which had resulted in significant unrealised losses within our fixed income portfolio. As bond yields eased in 2023 this resulted in the reversal of some of these losses as well as higher returns from holding assets. Global equity markets also performed more favourably during 2023 as compared to 2022 which has had a positive comparative impact on returns.

In 2023 there was no material impact from changes in the deficit on defined benefit pension schemes. Increases in interest rates in 2022 and the LDI crisis resulted in losses of £5.3m being recognised in 2022, with the impact of higher discount rates on scheme liabilities being more than offset by the decrease in the value of the assets of the scheme.

The outlook for 2024 remains uncertain, with global concerns including growing geopolitical turmoil, ongoing cybersecurity concerns and the rise of artificial intelligence. Despite the uncertainty there is room for cautious optimism. In the UK there is likely to be moderate growth and a slow-down in inflation, although rates will be higher than most of the past decade. Households are less pessimistic about their financial position than has been the case in recent years and the household debt to income ratio has fallen as incomes have risen. Real earnings are back in line with the pre-pandemic trend, and fewer people are saying that they find it hard to pay their bills, though energy prices and the higher levels of interest rates continue to cause concern. Thus, whilst we acknowledge the continued pressure on our customers' finances, the fundamentals of our business remain sound, our balance sheet is well capitalised and we see increased opportunities to meet customers' needs, delivered through Foresters uniquely positioned advisor model.

The Company has continued to invest in essential governance, IT and leadership capabilities, as well as long term strategic initiatives. This investment allows us to provide customers with greater choice in our investment products, a broader range of ways for customers to interact with the business and enable a greater proportion of transactions that can be completed online.

In 2023 FLL's underlying business held up well in terms of new business, fee income and well controlled expenses, this is particularly encouraging in the context of significant inflation, increased interest rates and the competition from interest bearing savings products.

See Section A for further details on business and performance.

Section B - System of governance summary

The Group has established a well-defined governance framework, system of control and committee structure.

The Board sets and monitors adherence to the risk strategy, risk appetite and risk framework. The Board has established a risk management model that separates the business's risk management responsibilities into three lines of defence.

The Group's Risk Management Framework is integrated with the Own Risk and Solvency Assessment ('ORSA').

See Section B for further details on the system of governance of the Group.

Section C - Risk profile summary

The governance and risk management systems are consistent for the Group and FLL; and there are no significant differences in their key risks. Risk identification is embedded in the risk framework and is part of the business planning process. The identified risks are quantified using the standard formula to calculate the Solvency Capital Requirement ('SCR'). This methodology is considered to be a reasonable proxy for the risks of the business and is designed to give 99.5% confidence that the group can meet its financial obligations over a one-year period.

The primary risk categories for the SCR calculation are:

- underwriting life insurance (including long-term health);
- market risk;

- default risk; and
- operational risk.

The principal risks to which the Group is exposed are:

- market risk – principally equity risk, and currency risk on overseas investment assets;
- persistency risk (part of underwriting risk); and
- expense risk (part of underwriting risk).

These three risk categories represent c.89% of the pre-diversified regulatory capital requirement. The Group accepts these risks from a strategic perspective as they are integral to the business model.

The Group's exposure to market risk and persistency risk is driven primarily by its savings and investments business. Although most of the market risk exposure is borne by the policyholders, the Group has an indirect exposure as the primary source of income is from annual management charges. Increased encashments, transfers out and lapses reduce the overall value of Group's book of business and therefore reduce income from annual management charges.

The Group's principal risks are expected to remain relatively stable over time although expense risk could increase if revenue growth is lower than planned.

See Section C for further details on the risk profile and Section E.2 for SCR results.

Section D - Valuation for solvency purposes summary

There have been no material changes in the valuation methodology of the Group's assets and liabilities during the year, however the methodology for risk margin has been updated to comply with The Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023.

Assets, technical provisions and other liabilities are valued in accordance with the PRA Rulebook, SII Firms, Valuation. The principle that underlines the Solvency II valuation methodology is "fair valuation", i.e., the amount for which assets could be exchanged and liabilities transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

As at 31 December 2023, the Group's excess of assets over liabilities was £349.5m (2022: £297.0m) on a Solvency II basis, £185.4m higher than its IFRS net assets. This is primarily due to differences in the valuation of technical provisions.

See Section D for further details on the valuation of assets and liabilities as well as valuation differences between IFRS and Solvency II.

Section E - Capital management summary

The objective of the Group's capital management framework is to maintain sufficient Own Funds to cover the SCR and Minimum Capital Requirement ('MCR') with an appropriate buffer. The Group carries out regular reviews of the Solvency Ratio as part of its Group risk monitoring and capital management system process.

As at 31 December 2023, the Group SCR coverage ratio was 219.1% (2022: 191.4%) and FLL solo SCR coverage ratio was 215.9% (2022: 189.1%).

The Group SCR, which is calculated using the Standard Formula, was £142.0m as at 31 December 2023 (2022: £134.1m) while for FLL it was £141.5m as at 31 December 2023 (2022: £133.7m)

The table below sets out the capital requirements over the reporting period allowing for the eligibility restrictions:

	FHE		FLL	
Solvency II capital position at 31 December	**2023 £'000**	**2022 £'000**	**2023 £'000**	**2022 £'000**
Eligible own funds	311,072	256,628	305,422	252,795
Solvency capital requirement	(141,976)	(134,077)	(141,495)	(133,706)
Surplus	169,096	122,551	163,927	119,089
Solvency ratio (%)	**219.1%**	**191.4%**	**215.9%**	**189.1%**

Section E of this report further describes the objectives, policies and procedures employed by the Group for managing its own funds and SCR.

Section F – Any other information

In line with PRA requirements, Sections D (Valuation for Solvency Purposes) and E (Capital Management) of this report have been audited.

A. BUSINESS AND PERFORMANCE

The 'Business and Performance' section sets out the Group's business structure, key operations and financial performance over the reporting period. Section A is unaudited.

A.1 Business

A.1.1 Company information

The Foresters Financial UK Group includes Forester Holdings (Europe) Limited ('FHE') and its subsidiaries.

FHE is the UK insurance holding company of the Group. It is a wholly owned subsidiary of The Independent Order of Foresters, a fraternal benefit society based in Ontario, Canada.

Forester Life Limited ('FLL') is the only solo insurance undertaking of the Group. FLL is a wholly owned subsidiary of FHE. It is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA.

Both FHE and FLL are incorporated in the United Kingdom and registered in England and Wales.

The Group's registered office address and contact details of its external auditors and supervisory authorities are shown below:

Registered Office:
Foresters House
2 Cromwell Avenue
Bromley
BR2 9BF
Tel: +44 (0) 20 8628 3400
Fax: +44 (0) 20 8628 3500
Website: www.foresters.com

External Auditor:
KPMG LLP
15 Canada Square
London
E14 5GL
Tel: +44 (0) 20 7311 1000
Fax: +44 (0) 20 7311 3311

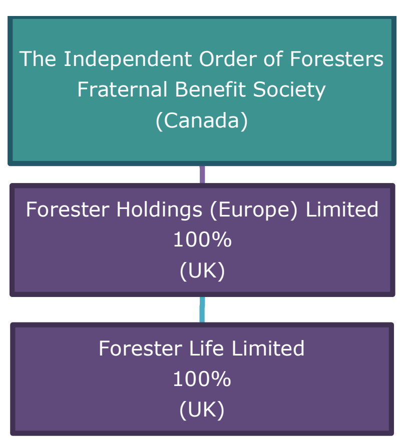
Supervisory Authority:
Prudential Regulation Authority (PRA)
20 Moorgate
London EC2R 6DA
Tel: +44 (0) 20 7601 4444

Supervisory Authority:
Financial Conduct Authority (FCA)
12 Endeavour Square
London E20 1JN
Tel: +44 (0) 20 7066 1000

A.1.2 Group structure

The ultimate parent undertaking of the international group is The Independent Order of Foresters ('IOF'), a fraternal benefit society with headquarters in Ontario, Canada.

The UK Group corporate structure including the overseas parent is shown below.



A.1.3 Material lines of business

The material Solvency II lines of business of the Group are as follows:

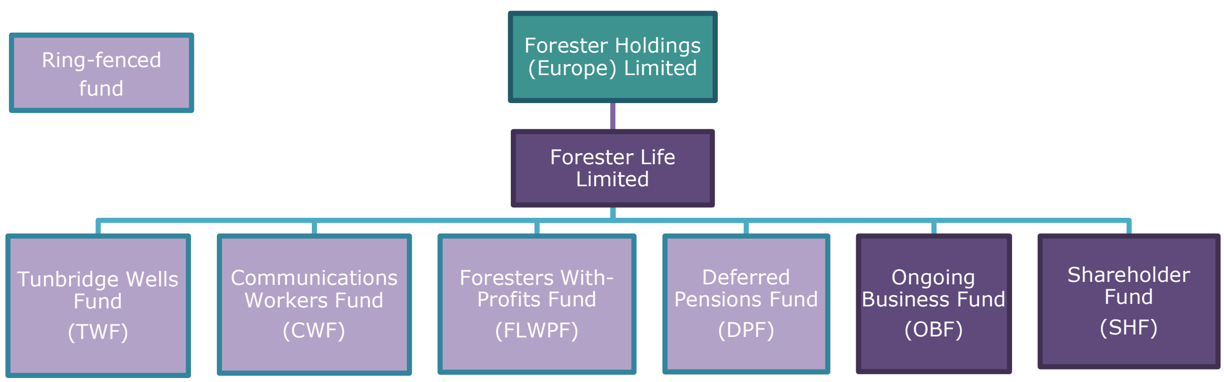
- Unit-linked investments
- With-profits funds
- Protection and Pension business

All of the Group's business is conducted in the UK.

A.1.4 Organisational structure

FHE has one actively trading wholly owned subsidiary, FLL.

FLL is the Group's principal operating subsidiary. The Company operates four closed ring-fenced funds ('RFFs') alongside the Ongoing Business Fund ('OBF') and Shareholder Fund ('SHF'). This is represented in the structure chart below:



Policyholders of the Ongoing Business Fund ('OBF') hold various investment and insurance-based products including unit-linked, traditional life and annuities. The largest proportion of the fund is in respect of the adult and children savings unit linked business, which consists of adult individual savings accounts ('ISAs'), junior individual savings accounts ('JISAs') and Child Trust Funds ('CTFs'). Other unit-linked business held in the fund includes pensions and taxable savings plans. Insurance based products include an open book of protection and a closed annuities book.

The Shareholders Fund ('SHF') consists of assets that the company can utilise for its day-to-day operations. The assets are largely held in corporate and government bonds. The fund's assets do not back any policyholder liabilities.

The 4 RFFs are:

- Tunbridge Wells Fund ('TWF'):
  The TWF was transferred to the Company in 2013 from Tunbridge Wells Equitable Friendly Society ('TWEFS') and is closed to new business. Existing policyholders hold various investment and insurance-based products, including pensions, annuities, traditional life, unit-linked and with-profits. An internal reinsurance arrange was put in place in October 2022 between the TWF and OBF funds, the arrangement covers the Unit-linked, pensions, annuities and traditional Life products.

- Communication Workers' Fund ('CWF')
  The CWF was transferred to the Company in 2011 from the Communication Workers Friendly Society ('CWFS') and is closed to new business. Existing policyholders hold various investment and insurance-based products, including with-profits. Existing policyholders are eligible for policyholder loans.

- Forester Life With-Profits Fund ('FLWPF')
  The FLWPF was originally operated by the UK branch of IOF providing protection and savings products. The business of the FLWPF was transferred to the Company in 1995. This fund is closed to new business, although premiums on in-force business continue to be paid into it. Existing policyholders are eligible for policyholder loans.

- Deferred Pensions Fund ('DPF')
  This business was originally part of OBF and was ring-fenced in 2016. It consists of pension products whereby contributions are invested on the policyholder's behalf by the Company. The policyholder's notional fund grows in line with a crediting rate declared by the Company and varied from time to time. On claim, a terminal bonus may be added to the policyholder's notional fund. The Company is entitled to 10% of the surplus in the fund and the terminal bonus rates allow for this. This fund is also closed to new business.

There are also two defined benefit pension schemes within the UK Group. Both are closed to new accrual. The schemes are: TWEFS Retirement Benefit Scheme covered in the FLL accounts and Forester Group Employee Pension Scheme covered in the FHE accounts. The key IFRS numbers at 31 December 2023 for each scheme are as follows:

- The TWEFS Retirement Benefit Scheme had assets of £22.2m and a deficit of £1.7m.
- The Forester Group Employee Pension Scheme had assets of £4.8m and a surplus of £0.7m.

Further details of each scheme, as well as the defined contribution plan, are contained in the pension notes in the Annual Report and Financial Statements for each company.

A.1.5 Significant business or other events that have occurred during the period

Child Trust Fund maturities

Key to the Company's long-term strategy is the retention of matured CTF customers. As the CTF customers turn 18 and become eligible to access their savings, the Company aims to support them through their maturity journey. The Foresters' online platform, MyPlans, provides full self-serve capabilities with straight through processing of full or partial encashments as well as the option to transfer funds into Adult ISAs. During 2023 we launched a Sustainable Future Fund and Islamic Global Fund in order to offer our customers a greater degree of investment choice.

A.1.6 Related party transactions

The Group had the following material related party transactions during the year:

- FHE incurs substantially all the operating costs for the FLL business and recharges the appropriate share to FLL for settlement in cash. During 2023, expenses recharged by FHE to other companies within the UK Group amounted to £46.3m (2022: £43.9m).
- FHE also incurs expenses relating to members benefit on behalf of the parent company IOF that are recharged via the UK branch of parent company. During 2023, expenses totalling £3.9m (2022: £4.1m) were recharged to the UK branch of IOF.
- FLL owns the building which is occupied by the UK Head Office and charges rent to FHE. During 2023, rent charged by FLL to FHE was £0.4m (2022: £0.4m).
- FLL employs all of the Field Force Financial Advisers whereas FHE employs all UK Head Office employees and acts as principal employer for the pension scheme in the UK ('FGEPS').

At 31 December 2023, the intercompany balance between FLL and FHE was £6.9m (2022: £4.6m).

All related party transactions have taken place at terms that would have applied in an arm's length transaction. The intercompany creditor balances are unsecured and settled on a regular basis.

A.1.7 Change in accounting policies and errors

During 2023 Foresters adopted IFRS 17 Insurance Contracts for the first time. This requires the comparative information within the financial statements to be restated. In addition in compiling the financial statements for 2023, an error of £7.0m was identified in relation to a historic understatement of investment contract liabilities. Comparatives within the financial statements have been corrected which has resulted in a reduction in comparative Total Comprehensive Income of £2.2m. Performance metrics and balance sheet items included within section A of this report have been restated in line with the financial statements. No changes have been made to Section D or Section E.

A.2 Underwriting performance

This section covers the underwriting performance of the Group's principal operating subsidiary, FLL. As FLL prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis.

The below table shows a reconciliation of the opening and closing insurance contract liabilities, including items reflected in the statement of total comprehensive income and cash flows arising in the year.

	2023 £'000	2022 £'000
Opening balance	**381,423**	**479,268**
Insurance revenue		
Contracts under the fair value transition approach	(9,973)	(414)
Other contracts	(212)	(398)
Total Insurance revenue	**(10,185)**	**(812)**
Insurance Service Expenses		
Incurred claims and other insurance service expenses	7,018	6,635
Amortisation of insurance acquisition cash flows	97	141
Losses and reversal of losses on onerous contracts	142	823
Total Insurance Service Expenses	**7,257**	**7,599**
Total Insurance Service result	**(2,928)**	**6,787**
Insurance Finance Income or Expense	30,064	(54,898)
Total Changes in the Statement of Comprehensive Income	**27,136**	**(48,111)**
Cash flows		
Premiums received	12,327	14,980
Claims and other insurance service expenses paid, including investment components	(56,770)	(69,023)
Insurance acquisition cash flows	(455)	(493)
Other movements	429	4,803
Total Cash flows and other movements	**(44,470)**	**(49,733)**
Net Closing balance	**364,090**	**381,423**

The primary driver of the increase in insurance liabilities in 2023 is the return on assets held within the ring fenced funds, net of tax, for which the return accrues to the policyholder. Total claims paid in the year relate primarily to the run off of these ring fenced funds and are consistent with the expected run-off profile.

The contractual service margin ("CSM") relates to the profit earned on insurance contracts in respect of services provided during the period. This remains consistent with the prior year.

A.3 Investment performance

This section covers the investment performance of the Group's principal operating subsidiary, FLL. As FLL prepares its financial statements in accordance with IFRS, the investment performance information given in this section is on an IFRS basis. The following tables show FLL's investment income by asset class:

FLL Net Investment Income at 31 December 2023	Bonds & other fixed terms securities £'000	Equities £'000	Derivatives £'000	Loans £'000	Investment property £'000	Other £'000	2023 Total £'000
Interest & dividends	7,640	-	-	327	-	1,349	9,316
Net realised gains/(losses)	11,493	166,608	20,581	-	-	-	198,682
Net unrealised gains/(losses)	14,689	246,954	10,689	-	(440)	-	271,892
Rental income	-	-	-	-	425	-	425
Investment income	**33,822**	**413,562**	**31,270**	**327**	**(15)**	**1,349**	**480,315**
Investment expenses							(6,575)
Net investment income after deduction of investment expenses							**473,740**

FLL Net Investment Income at 31 December 2022	Bonds & other fixed terms securities £'000	Equities £'000	Derivatives £'000	Loans £'000	Investment property £'000	Other £'000	2022 Total £'000
Interest & dividends	7,907	-	-	276	-	222	8405
Net realised gains/(losses)	(4,636)	116,432	(60,815)	-	-	-	50,981
Net unrealised gains/(losses)	(43,584)	(357,749)	(15,171)	-	-	-	(416,504)
Rental income	-	-	-	-	411	-	411
Investment income	**(40,313)**	**(241,317)**	**(75,986)**	**276**	**411**	**222**	**(356,703)**
Investment expenses							(6,810)
Net investment income after deduction of investment expenses							**(363,513)**

Net investment income was significantly higher in 2023 driven by the significant volatility of investment markets over the last two years. 2022 saw significant increases in bond yields which had resulted in significant unrealised losses within our fixed income portfolio. As bond yields eased in 2023 this resulted in the reversal of some of these losses as well as higher returns from holding assets. Global equity markets also performed more favourably during 2023 as compared to 2022.

A.4 Performance of other activities

A.4.1. Fee Income

Fee income of £65.4m (2022: £65.1m) relates to the annual management charges on FLL's investment business. The fee income is based on the value of assets under management ('AUM'). It remains consistent with the prior year based on a consistent average level of assets under management.

A.4.2. Operating Expenses

FHE incurs substantially all the operating expenses for the Group's operations and earns a margin on expenses recharged to its principal operating subsidiary, FLL. FLL's operating expenses in the year were £46.7m and increase from the prior year (2022: £44.2m), primarily driven by inflation and investment in operational capabilities.

A.5 Any other information

There is no other information to report.

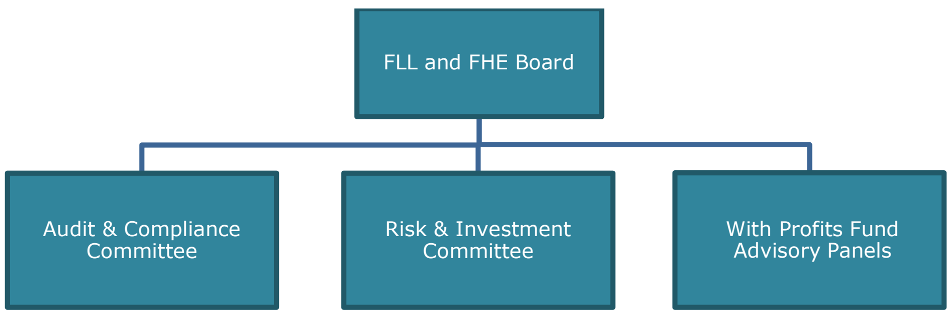
B. SYSTEM OF GOVERNANCE

This section of the report sets out information regarding the system of governance in place within the Group.

B.1 General information on the system of governance

The Group's organisational structure and relationship to its parent is clearly defined, with the roles of Chair of the Board and the Chief Executive Officer ('CEO') clearly differentiated and separate. The Chair is responsible for leading the Board while the CEO is responsible for implementing strategy and managing the Group through an executive team. There have been no material changes in the system of governance over the reporting period.

The structure of the Board and Board Committees of the active companies in the Group is set out below:



FLL and FHE Board

The Board of each company within the Group has the following general responsibilities:

- To develop and maintain the strategy of the Group and ultimately to be responsible for the management and oversight of the Group's business by reference to its agreed risk appetite.
- To ensure that the Group's business is conducted with integrity and in compliance with general statutory and regulatory provisions so as to protect the respective interests of policyholders, creditors and other stakeholders.
- To comply with the policies of ultimate parent company insofar as they apply to the Group.
- To comply, as appropriate, with the requirements of the primary regulators, being the PRA and the FCA and those of the ultimate parent's regulator where applicable.

The '3 Lines of Defence' model and roles and responsibilities of key functions

The Board delegates to the CEO and senior management primary ownership and responsibility for operating risk management and control. It is management's job to provide leadership and direction to the employees in respect of risk management, and to control the organisation's overall risk-taking activities in relation to the agreed level of risk appetite.

A 'Three Lines of Defence' model is used as a guide to how responsibilities are divided, as outlined below:

1st Line of Defence

Under the 1st line of defence, operational management has ownership, responsibility and accountability for assessing, controlling and mitigating risks. In particular the first line owns and manages its risks within the agreed risk appetite and in compliance with the risk policy framework.

2nd Line of Defence

The 2nd line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

3rd Line of Defence

This recognises that, aside from the reports received from the Risk Management and Compliance functions, the Board requires independent assurance that the control framework in place exercised through the 1st and 2nd lines of defence is operating in line with expectations and that therefore risk appetite limits are being observed. This assurance is gained through the Internal Audit function performing risk-based audits under the guidance of the Audit & Compliance Committee and providing an objective view of the effectiveness of risk management and controls.

Audit & Compliance Committee

The Audit & Compliance Committee acts as an advisory committee to the Boards of the active Group companies (these being FHE and FLL). The Audit & Compliance Committee has been delegated responsibility by the Board for ensuring the integrity of each company's:

- financial reporting, including any regulatory financial reports;
- compliance function;
- systems of internal control;
- internal audit function; and
- assessment of reports from the external auditors.

In doing so, it provides regular reports to the respective Boards on its activities together with accompanying recommendations for action as appropriate.

The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the Group's expense, and to require the provision of any information from any Director or employee of the Group. All employees are to cooperate as requested by the Committee.

The Committee is drawn from the Independent Non-Executive Directors that sit on the FLL Board of Directors and at least one member has recent and relevant financial experience. Other Board directors will typically be invited to be in attendance at the Committee meetings.

The Committee meets as and when it deems necessary, provided that it shall meet at least four times each year in order to provide input to the quarterly Group Board meetings.

Risk & Investment Committee

The Risk & Investment Committee is an advisory committee to the Boards of the active Group companies.

The Risk and Investment Committee, on behalf of the Board, is responsible for:

- investment strategies and performance monitoring;
- risk management practices; and
- capital management.

In doing so, it provides regular reports to the Board on its activities together with accompanying recommendations for action as appropriate.

The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the Group's expense, and to require the provision of any information from any Director or employee of the Group. All employees are required to cooperate as requested by the Committee.

The Committee is drawn from the Independent Non-Executive Directors that sit on the FLL Board of Directors. Other Board directors will typically be invited to be in attendance at the Committee meetings.

The Committee meets as and when it deems necessary, provided that it meets at least four times each year in order to provide input to quarterly Board meetings.

Investment Strategy

In carrying out its mandate for investment strategy, the Committee is responsible for formulating and recommending to the Board appropriate investment policies, strategies and procedures for the Group, including determining performance benchmarks, consistent with business plans and appetites for investment risk, having regard to liabilities, relevant regulatory requirements and the reasonable expectations of customers whilst taking account of the recommendations of the Actuarial Function Holder and the With-Profits Actuary as relevant.

Risk management

In carrying out its mandate for risk management, the Committee is responsible for:

- reviewing the Group's risk management framework, including its risk appetite, tolerances and policies by reference to current and relevant information and making such recommendations to the Board thereon as considered necessary;
- considering whether appropriate arrangements are in place to effectively manage and mitigate risks affecting the Group, including whether the risk management function has appropriate resources and authority to ensure compliance with Group policies and procedures;
- reviewing at least quarterly the risk exposures facing the Group as well as the actions being taken to manage and/or mitigate these risks;
- considering the completeness of the risk profile presented and evaluating potential emerging or new risk issues facing the Group; and
- considering whether risk exposures are being managed within approved risk appetite and tolerance levels and reviewing the adequacy of management actions and plans where levels of risk are in excess of tolerances.

Capital Management

In carrying out its mandate for capital management, the Committee is responsible for:

- overseeing the updating of the Group's Own Risk and Solvency Assessment ('ORSA') including the Forward-Looking Assessment of Own Risk ('FLAOR') in accordance with the Group's ORSA Policy;
- considering on an ongoing basis whether the Solvency II standard formula remains a proxy for the risk profile of the Group and to make recommendations to the Board of FHE as appropriate; and
- making recommendations to the Board regarding the Internal Capital Target for the Group.

With-Profits Fund Advisory Panels

As the Company manages closed with-profits funds, it has established With-Profits Advisory Panels. Each Panel acts in an advisory capacity to inform decision-making by the Board in relation to the management of that fund. Each Panel acts in accordance with its own terms of reference, regulations affecting the management of with-profits business and in particular the fund's Principles and Practices of Financial Management ('PPFM').

The responsibility of the Advisory Panels is to provide an independent view on the management and operations of the fund and adherence to the terms and conditions outlined in the Transfer Instrument where applicable. Specifically, its responsibilities include the need to assess report on and give advice (and, where relevant, recommendations) to the Board.

B.1.1 Remuneration policy

The Group's policy is to ensure that total remuneration of the executive directors is competitive with that of comparable organisations in the financial sector. As far as practicable the policy aims to provide a strong link between pay and performance without encouraging inappropriate risk taking.

The key objectives of the Group's remuneration policy are to consider the following principles in respect of the Group's remuneration arrangements to ensure that they:

- promote effective risk management;
- avoid encouraging risk taking that exceeds risk tolerance limits;
- align with business and management strategy;
- avoid conflict of interest; and
- allow for clear, transparent and effective governance.

In addition to the above principles which apply to all employees, certain additional requirements apply to employees who either effectively run the Group or whose activities have a material impact on the Group's risk profile.

The additional requirements are as follows:

- the balance between fixed and variable components is such that the fixed element represents a sufficiently high portion of the total remuneration;
- a substantial portion of variable remuneration requires a deferred component of a period not less than three years;
- performance-related variable remuneration is based on a combination of the performance of the individual, the business unit concerned and the overall result of the Group;
- consideration of performance is based on financial and non-financial criteria;
- a downwards adjustment for measurement of performance as a basis for variable remuneration for exposure to current and future risks;
- any termination payments to relate to performance over the whole period of activity and do not reward failure; and
- any variable remuneration of employees engaged in the control functions of risk, compliance, internal audit and actuarial is independent from operational units submitted to their control.

Non–executive directors of the Group received remuneration totalling £300k during the year (2022: £218.3k).

B.1.2 Key functions

The Senior Managers and Certification Regime ('SMCR') provides a regulatory framework for high standards of fitness and propriety, conduct and accountability to be applied to individuals in positions of responsibility. Senior Managers are deemed to have the greatest potential to cause harm or impact upon market integrity and require regulatory approval before they can start their role. Every Senior Manager has a Statement of Responsibilities ('SoR)', clearly setting out their role and what they are responsible for.

The ultimate decision-making body of a firm is its governing body, acting collectively, and individual accountability under SMCR does not cut across or undermine this.

The Certification Regime covers people whose jobs mean they can have a significant impact on customers, the firm or market integrity. These people do not require regulatory approval, but it is a requirement under FSMA that firms check and certify, at least annually, that they are suitable to do their job.

Various conduct rules/standards apply to almost all staff depending on their role. Conduct Rule breaches resulting in disciplinary action must be reported, with the timing and method varying depending on the severity of the breach and whether the individual is a Senior Manager or a Certified member of staff.

B.2 Fit and proper requirements

The Group operates a Fitness and Propriety policy. The key objectives of this policy are as follows:

- To provide a consistent framework and language for the assessment and maintenance of the fitness and propriety of the senior management of the Group;
- To establish minimum standards for fitness and propriety of the senior management of the Group and oversight of these standards to ensure their continued effectiveness; and
- To provide guidance to the circumstances when individuals would not be considered fit and proper.

The regular cycle of appraisals and performance reviews provides the baseline for the on-going assessment of fitness and propriety along with the various assessments required under SMCR including annual certification where applicable.

The assessment of Fitness and Propriety falls under three main headings:

Competency and Capability

Senior management are required to have the relevant skills, knowledge and expertise in order to effectively carry out their functions. Prior to commencing a senior management function, the Group must satisfy itself that it has verified the knowledge, competency and experience of the Senior Manager and they are relevant to the role. Senior managers are also expected to be competent in the following:

- Market Knowledge;
- Business Strategy and Models;
- Risk Management and Controls;
- Financial Analysis and Controls;
- Governance, Oversight and Controls, and
- Regulatory Framework and Requirements.

Honesty, Integrity and Reputation

Senior Managers are in positions of influence and authority and therefore need to act with honesty, integrity and be of sufficient repute as not to have an adverse impact on the firm. The key risks are the potential for financial crime, susceptibility to bribery and corruption and associated crimes such as money laundering. All Senior Managers are subject to Disclosure and Barring Service (previously Criminal Records Bureau) checks which provide details of any unspent and spent convictions and such information is compared with any disclosure from the Senior Manager.

Financial Soundness

An individual cannot act as a Senior Manager if they are an undischarged bankrupt or currently subject to an Individual Voluntary Arrangement (‘IVA’).

B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

An effective and embedded risk management framework is essential to maintaining sustainable, long-term business operations. The Group achieves this through a strong risk culture articulated by senior leaders and embodied by management at all levels through its governance structure and risk management processes.

Risk Governance

The Board has ultimate responsibility for the development and oversight of the risk management framework and for risk appetite which is an expression of the risk that the Group is willing to take. The Board delegates the oversight of risk management to the Risk & Investment Committee which will escalate matters of importance to the Board as required.

The Group's approach to risk-taking is quantified through its risk appetite statements so that the business can be managed in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value to its members.

The risk framework is underpinned by a set of risk policies and minimum standards which set out the risk appetite and minimum requirements for compliance and promote a consistent and rigorous approach to risk management across all business areas. These are regularly updated and approved by the Board.

The risk management framework outlines roles and responsibilities through a "Three Lines of Defence" model. This structure enables managers to have a clear understanding of their risk management responsibilities and assists in embedding an effective risk culture across the Group. It provides an oversight and decision-making framework within which material risks are identified, assessed, monitored and managed at both business area and company level.

The Risk Management function is an independent second line function. On a quarterly basis the Chief Risk and Compliance Officer ('CRCO') prepares and presents a risk report to the Risk & Investment Committee. The CRCO reports to the Chief Executive Officer and has unfettered access to the Board Chairman and the Chair of the Risk & Investment Committee. This gives the risk function sufficient stature and independence.

Risk processes

Risk processes are used to identify, assess, manage, monitor and report risks, including the use of the standard formula to calculate the SCR and stress and scenario testing.

Risk identification

The Executive Risk Register is maintained and updated by the CRCO after discussions with senior management, who have the most comprehensive view of the Group's risks and risk drivers. This register forms part of the Risk Report that is presented to the Risk & Investment Committee.

In addition, the risk department meets with risk owners to provide oversight and challenge of risks, which are recorded on business area risk registers. Each risk owner is responsible for the completeness and accuracy of the information contained within their risk register. Risk identification is validated through scenario analysis tailored to the Group's risk profile.

Risk assessment

Each risk identified is evaluated and given a score based on the likelihood of the risk materialising and the severity of the impact if it were to occur, based on the UK's risk assessment matrix. The Group uses key risk indicators (KRIs) to assess the most significant risks against risk appetite. KRIs provide information to management about whether a risk has crystallised or whether the risk profile is increasing, allowing management to take early mitigating actions.

Risk mitigation

The Group uses a range of risk management techniques to manage and mitigate risks, controlling risk exposures in line with risk limits Risk owners provide details of any mitigating factors or controls in place against each risk, and these are recorded on the relevant risk register. Residual scores are then applied to each risk, to show the score once controls/mitigation has been applied. If the risk is outside risk appetite an action plan is put in place, with progress against the plan reviewed regularly, or the risk is accepted and put onto the accepted risk register for regular review.

Risk events
The business units are responsible for reporting significant risk events and for ensuring that any necessary mitigating action is taken both in terms of the event itself and any control improvements that may be required. The Risk Management Function will record and track risk events engage with each business area to follow the completion of any required actions.

Risk monitoring and reporting

The CRCO provides an update on risk matters to the Executive Committee and the Risk & Investment Committee, which updates the Board. MI enables all significant risk positions to be monitored. Risk exposures including the solvency ratio are compared to the targets and limits established as part of the risk appetite framework

ORSA Process

The ORSA can be defined as the entirety of the processes and procedures employed to consider the risk and capital implications of key decisions, including strategy and business planning. This ensures that the short and long term risks that the business faces can be assessed on a current and forward-looking basis, and that the Group's solvency requirements are met at all times.

The Board and the Risk & Investment Committee play an integral role in the oversight of the ORSA at all levels. The results of the ORSA, together with the ongoing confirmation that the capital assessment continues to be conversant with the Group's risk profile and stated risk appetite levels, is integral to strategic decision making by executive management and the Board.

The ORSA process is outlined in the ORSA policy. The key aspects are outlined below:

- The ORSA report is produced and presented to the Board annually. However, an interim ORSA or an ORSA update, would be prepared if there was any change to the business or to the risk profile that could materially impact the solvency capital requirement over the remaining period of the plan and prior to the next full assessment being due.
- Risks are evaluated and compared to the Group's stated risk appetite. One of the Board's key determinants of risk appetite is by reference to the capital requirement generated by these risks from both a regulatory and an internal capital target perspective. The Board has concluded that the standard formula prescribed under the Solvency II legislation for calculating the Solvency Capital Requirement ('SCR') accords, in the main, with the risk profile of the Group in calculating its solvency needs at the required 1:200 year level.
- Risk and capital management is linked to strategy with a forward-looking evaluation of the capital required to support the business plan and an assessment of the risk profile over the period of the business plan,
- The robustness of the capital output from the standard formula and the ORSA / FLAOR is scrutinised utilising scenario testing. A wide range of plausible scenarios, parameterised at the 1 in 200 level are developed based on events, the features of which respond to the key risks to which the business is exposed.
- The output from the scenarios is compared with the ORSA capital and the Internal Capital Target ('ICT') to ensure that the Group can withstand the effect of the scenario occurring. In circumstances where it is found that the ICT tolerance levels would be breached if the scenario occurred the reasons are evaluated and recommendations for management actions made in line with the Recovery Plan.

B.4 Internal control system

The Board has oversight responsibility for the management of risk within the Group. As such the Board provides oversight to ensure that the identified risks to which the business is exposed are being managed to a level commensurate with its stated risk appetite. The Board gains assurance that these responsibilities are met through the internal control framework. The control framework, and the basis upon which it operates, is articulated in a range of policies and procedures.

The Internal Control Policy establishes the basis of the internal control framework and seeks to provide a framework to oversee that:

- identified risks are managed to a level commensurate with the Board's risk appetite;
- relevant laws and regulations are complied with;
- data and information made available internally or externally is accurate, timely, complete, reliable and consistent;
- FLL's assets and resources, including its people, systems and data / information (including data that is held on behalf of its members and customers) are adequately protected, including instances where functions are outsourced to third parties; and
- control processes have been established that call for management and employees to carry out their duties and responsibilities with integrity and in an efficient and effective manner.

Based on information provided by management and independently by the Risk, Compliance and Internal Audit functions, the Board is able to form a view whether the internal control framework remains appropriate and if not, the actions that need to be taken as a result.

Control environment

The Board and Senior Management lead by example in communicating the importance of internal control and expected standards of conduct. The Board is assisted in carrying out its duties by various Committees and senior management as set out above

Information and communication

Satisfactory communication of information is necessary for the Board, management and employees to carry out their internal control responsibilities effectively. The key principles relating to information and communication are that information must be relevant and of a quality to support effectively the development and maintenance of the internal control framework, and information must be communicated effectively and in a timely manner in order to ensure that all staff understand their duties and responsibilities (including instances where matters require escalation) in the context of internal controls and so that the internal control framework remains relevant to the Board's objectives and risk appetite.

Monitoring activities

This includes the process for evaluating adequacy of the internal control framework and reporting any findings or deficiencies. The key principles are that evaluations are carried out by control owners within business areas and oversight functions on an ongoing basis to ensure that the internal control framework is current, functioning as intended and remedial action is taken if considered necessary as soon as possible, and independent reviews of the internal control framework are undertaken by Internal Audit utilising a risk-based approach.

B.4.1 Compliance Function

The Compliance function seeks to assess and consider whether the Group adheres to all applicable legal and regulatory requirements and internal rules and policies governing its operations as applicable to conduct risk and FCA requirements.

The key responsibilities of the Compliance function are to:

- assess whether the compliance process is running effectively and to monitor that the statutory, regulatory and supervisory requirements are being met;
- monitor whether effective compliance controls and procedures are followed and whether corrective action is taken when compliance breaches are identified;
- identify, assess, advise on, monitor and report to the Board on compliance and conduct risks; provide compliance management education and tools to management and staff;
- monitor compliance with internal policies and standards; and
- promote an appropriate compliance culture.

B.5 Internal audit function

The Internal Audit function is provided by the IOF Internal Audit team. It is implemented through the process outlined below.

An audit plan aims to provide sufficient evidence to evaluate the effectiveness of the control environment across the Group. The audit plan considers those operations most affected by recent or expected changes, in processes or systems, including changes following acquisitions, restructures and new ventures. The plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions or major risk areas. Any proposed changes or update in the plan are reported to the Audit & Compliance Committee for their review and agreement before they are incorporated into ongoing work. The Audit & Compliance Committee review and approve the plan at least annually.

Based on the annual plan, internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations, and information systems. This includes:

- effectiveness of the controls over the operations;
- reliability of financial and management reporting;
- safeguarding of assets; and
- compliance with laws, regulations, and contracts.

The Board requires that the Chief Internal Auditor ('CIA') performs sufficient audit work and gathers other available information during the year so as to form a judgement regarding the adequacy and effectiveness of the control environment. The CIA communicates overall judgement regarding the Group's control environment to the Audit & Compliance Committee.

The internal audit function of Foresters is managed by the IOF CIA, who is an employee of the business, has no responsibility for any other function across the business, and reports administratively to and has free and unrestricted access to the President and Global and UK Chief Executive Officers, the Chair of the UK and Canadian Audit & Compliance Committees, and reports directly to the Audit & Compliance Committee. This reporting structure ensures independence of the internal audit function.

B.6 Actuarial function

The Group operates an Actuarial Function Policy which outlines the manner and principles under which the Actuarial Function Holder delivers his mandate with the Group.

B.6.1 Actuarial Function Responsibilities

The Actuarial Function Holder's broad responsibilities are ensuring the long-term financial stability of the Group and ensuring adequate customer protection through solvency.

The role of Actuarial Function Holder spans the first and second line of defence. It provides inputs for the day-to-day management and control of risks in the first line and oversees the business operations in the second line.

The Actuarial Function Holder manages the reinsurance arrangements and contributes to the underwriting policy in line with the risk appetite of the Group.

Calculation of technical provisions

The Actuarial Function Holder provides the calculation of the technical provisions, in accordance with the methodologies and regulations; and the validation of the technical provisions. The Actuarial Function Holder reports on the appropriateness of the methodologies relative to the Solvency II requirements; the appropriateness of the models for the purposes of calculation; the assumptions in the calculation of technical provisions; and the sufficiency and quality of data used.

Experience Analysis

The Actuarial Function Holder conducts an experience analysis for each of the risks which are material to each particular fund, an annual experience analysis at a detailed product level, for the purposes of setting assumptions; and a quarterly persistency analysis for key products, and to provide management information.

B.6.2 Actuarial Function Reporting

The Actuarial Function Holder provides an annual Actuarial Function Report following the completion of the year-end results. The report covers actuarial opinion on the calculation of the technical provisions, assumptions, data, risk and uncertainty associated with the technical provisions, business and risk environment.

B.7 Outsourcing

Where the Group entrusts a third party with undertaking business activities on its behalf, it retains responsibility for such activities. Any such arrangements are governed by the requirements of the Third Party Risk Management Policy ('TPRM').

The key objectives of the policy are:

- to establish clear oversight and management of all third-party relationships;
- to establish minimum and consistent standards for entering into, managing and exiting material third-party arrangements;
- to define and allocate responsibilities to ensure that these standards are upheld at all times; and
- to ensure that the risks associated with entering into such outsourcing arrangements are effectively managed both at inception and on an ongoing basis.

Entering into any new material outsourcing arrangements requires the consideration of a range of business, commercial and risk appetite criteria.

The Group assures itself of the expertise and experience of the outsourced service provider ('OSP'). There is an initial capability analysis of the proposed provider to ensure that they are capable, and have demonstrated that they can meet financial, regulatory and service obligations.

Monitoring and reporting against material outsourcing and third-party arrangements provide the Group's senior management with assurances that all current outsourcing arrangements remain within risk appetite, and that they are performing within expected tolerances. It is the responsibility of each outsourced service owning executive to ensure that:

- clear contact, reporting and escalation processes are in place to manage the day-to-day relationship within a 'business-as-usual' environment;
- material outsourced service providers are providing key performance data and breach reporting per their contractual obligations;
- material issues raised are reviewed by the relevant governance body;

- if specific governance arrangements are in place with the OSP, that a relevant FLL person(s) is/are engaged and can input to that process; and
- the outsourced service provider maintains its 'credit worthiness' and does not pose a material credit risk to the Group.

B.7.1 Material outsourced services

The material outsourcing relationships are as follows:

- Investment management – Schroders, Halifax, Abrdn, Scottish Widows
- Underwriting – Morgan Ash;
- Software providers – iPipeline and Salesforce.com

These outsourced service providers are all based in the UK.

B.8 Any other information

There is no other additional information to report.

C. RISK PROFILE

The 'Risk Profile' section provides information on the key risks that the Group is exposed to, as well as corresponding processes for monitoring the risk exposures and the techniques in place for mitigating these risks.

Overview of risk profile

Risk management is fundamental to achieving the Group's aim of generating returns for members. The Group has a risk appetite statement that defines the types of risk that the Group seeks, manages, accepts or avoids, which provides the basis for the approach to risk management including managing and mitigating the risks of failure to achieve business objectives and ensuring that the Group is well capitalised. This section outlines the Group's risk profile separately for each category of risk. The Group's risk profile is stable and does not change significantly from year to year.

The key risk drivers, based on the SCR are market risk, persistency risk and expense risk. The Group's main source of income is derived from annual management charges levied on policyholders for managing their funds. The Group is exposed to market risk as fees are charged on a percentage basis of assets under management and falling markets lead to reduced assets under management and therefore lower revenues. Increased encashments, transfers out and lapses also reduce the overall value of the Group's book of business and therefore reduce income from annual management charges. By the nature of the business model, the UK Group is exposed to expense risk from expense inflation and/or the inability to achieve revenue growth to support its expense base, coupled with external factors such as an increase in regulatory costs.

The Group's secondary risks are underwriting risks linked with traditional life and health products and the costs of providing guarantees within the with-profits funds.

The Group ensures that its assets in respect of non-unitised insurance business are invested in accordance with the Prudent Person Principle as set out in the Solvency II regulatory framework through the collective application of investment policy guidance. Whilst investment management has been outsourced, the Group retains oversight of the investment policies and gives guidance on the overall strategy and asset exposure limits.

Climate change financial risks have the focus of the Executive and the Board through the Risk & Investment Committee. The UK CRCO is responsible the identification, monitoring and management of climate-related risks and opportunities. These risks are managed through the existing risk management framework. A stress test was carried out in 2023 to consider the financial impacts of climate change on the open book of business and the results reported to the Risk & Investment Committee. Whilst the impacts are small currently, the Group recognises that climate change has the potential to have a more material impact on the business in future periods.

C.1 Underwriting risk – Life insurance (including health similar to life)

As the sole insurance undertaking of the Group, FLL's key underwriting risks are persistency risk and expense risk. It is exposed to variances in persistency (including mass lapse) and expense experience, relative to the expected experience on which pricing and reserving is based. It is also exposed to future systemic trends and volatility in underwriting risks, which are not allowed for in the pricing or reserving assumptions.

Lower persistency for investment products decreases the charges earned; higher persistency for with profits products increases the potential costs of options and guarantees for those biting. The Group accepts these risks. Persistency risk is actively monitored for any trends that would cause detriment to the capital position of the Group.

By the nature of the business model, the Group is exposed to expense risk from expense inflation and the inability to achieve revenue growth to support its expense base, coupled with external factors such as an increase in regulatory costs. As such, expense risk is accepted as a strategic risk. The general approach taken is to manage expense risk to an acceptable level, through a combination of sound corporate and risk governance and strong systems and controls.

The Group is exposed to variances in mortality, longevity and morbidity experience and future trends in its portfolio, though overall exposure is low. The morbidity risks arise in long-term health underwriting business in the CWF, TWF and OBF; the longevity arises in the annuity portfolios in the TWF and OBF and the two defined benefit pension schemes; and there is a small mortality risk across the majority of products. The Group monitors the experience of these products annually and manages the mortality, morbidity and longevity risks through robust underwriting processes.

There are no material concentrations of underwriting risks at the Group level or in the underlying sub-funds.

There have been no material changes over the reporting period in the underwriting risks to which the Group is exposed.

Section E.2 provides detail on the amount of risk capital held in respect to the Life Risks.

C.2 Market risk

The Group's key market risks are equity risk and currency risk, and its secondary risks are interest rate movements, credit spread-widening and property risk. Market risk is mainly derived through its investment products.

Falls in the investment portfolios reduce the charges earned, as these are linked to value of the portfolios. The Group is exposed to short term crashes and longer-term declines in the value of portfolios, along with uncertainty associated with market volatility.

As well as the potential reduction in charges earned from investment portfolios, the Group's principal operating subsidiary FLL has some direct exposure to market risk in the asset portfolios backing protection and annuity policies, surplus assets and the cost of options and guarantees. FLL also has a direct exposure to potential falls in the value of assets underlying the closed defined benefit section of the staff pension scheme. If losses reach a level at which the solvency of the ring-fenced funds is impaired, FLL would be required to inject capital to make good the position.

Currency risk arises from the fluctuation of non-Sterling asset values due to overseas currency movements. The Group mitigates this risk with currency hedges in the surplus assets.

The Group accepts the market risk associated with its investment products and manages these risks through compliance with investment policies and procedures, escalation of any breaches, regular governance meetings with investment managers and an annual review of investment strategies. It manages the market risk associated with assets backing protection and annuity portfolios by maintaining strong credit quality and duration matching.

Day to day fund management activities are outsourced, however the Group retains oversight of all investments.

The Group is exposed to changes in the yield curve, which impacts the present value of future charges, held as an asset on the balance sheet, and the value of the costs of options and guarantees in the with-profits funds. The Group accepts this risk, measures and monitors the exposure to interest rate risk on a quarterly basis, and more frequently as necessary.

The Group holds a diversified portfolio to minimise concentration risk and manages this through investment management agreements and quarterly monitoring.

There are no material concentrations of market risks at the Group level or in the underlying sub-funds.

Section E.2. provides detail on the amount of risk capital held in respect to the market risks discussed here.

C.3 Credit risk

The Group takes credit risk positions in its investment and insurance portfolios through its investments in government bonds and corporate debt. In the unit-linked business and the ring-fenced funds, credit risk is assumed by the customer. The Group has an indirect exposure through the potential loss of revenue derived from annual management charges on funds under management. There is a direct exposure to potential losses as a result of credit risk in the shareholder funds.

The Group manages its credit risk by investing in investment grade bonds only, with credit ratings of BBB- or higher. It monitors the external fund managers' portfolios for compliance monthly and reviews the investment strategy annually. The Child Trust Funds are primarily invested in equities with low exposure to fixed income and all pursue pre-defined investment strategies.

C.4 Liquidity risk

The Group has no appetite for liquidity risk. Consequently, it maintains sufficient controls in order to mitigate liquidity risk.

The Group manages this risk through monthly monitoring of short-term liquidity, analysis of lapse and claims variance, liability duration analysis and stress and scenario testing.

The Expected Profit included in Future Premium ('EPIFP') is the change in the Technical Provisions without a Risk Margin under the assumption that the expected future premiums are not received. The amount of EPIFP was £145.9m (2022: £134.8m).

A stressed liquidity metric is calculated based on Standard & Poor's liquidity model, which measures an insurer's liquidity under both immediate and ongoing stress scenarios, with a one-month timeframe for an immediate scenario and a one-year timeframe for an ongoing scenario. The tolerance is set at 180% which is the requirement for an A rating. The Group was well above tolerance levels on both measures throughout the year.

C.5 Operational risk

While doing business, the Group is exposed to operational risks and conduct risks. Operational risk events can result in disruption to systems and processes, financial losses, customer detriment and/or reputational damage.

The key operational risks are:

Cyber risk - the failure to protect networks, computers, programs and data from attack, damage or unauthorised access. This risk incorporates data privacy and information security risks. Cyber-attacks can impact finances both directly and through regulatory fines, cause disruption to business and productivity, result in a loss of customer confidence and have a negative reputational impact. Cyber risk is managed through strong IT and data protection controls and through regular communications to staff about the dangers of cyber-attacks. These controls are evaluated and monitored on an ongoing basis.

Regulatory Change risk - processes are in place to ensure that the Group remains compliant on an ongoing basis, through oversight, monitoring, escalation and reporting processes. Climate change and sustainability continue to be a focus of the legislative and regulatory agenda. These considerations have been incorporated into the existing risk management framework.

The risks of not complying with regulatory requirements are regulatory penalties ranging from fines to enforcement actions, as well as reputational damage. Regulatory change could impact Foresters business model if the modified basic advice model was modified or withdrawn.

Business disruption and damage to physical assets – these risks can arise from a variety of causes including failure of computer and/or telecommunication systems. Policies, standards and annual testing of disaster recovery plans mitigate these risks. There is an Operational Resilience programme which includes scenario testing against impact tolerances for important business services, identifying and remediating any gaps, and assessing the resilience of our third-party partners and suppliers.

Third party risk - FLL remains fully responsible for the oversight, management and performance of all third parties. However, there is a risk that FLL would not be able to meet customer obligations following the failure of, or a significant degradation in these services which could result in major disruption to operations. These risks are addressed through the Third-Party Risk Management process which ensures that the right people are involved in decision making and that there is legal oversight of contracts.

Key person dependencies - there will always be a certain level of key person risk in a company the size of Foresters. Individuals have been identified and knowledge sharing and documentation of processes are ongoing.

Artificial Intelligence risks - AI continues to evolve at a rapid pace and offers both opportunities as well as challenges. There are risks inherent in the AI technology including embedded bias, privacy concerns, outcome opaqueness, performance robustness, unique cyberthreats, and the potential for creating new sources and transmission channels of systemic risks. Investment in AI can offer firms significant competitive advantage and Foresters is exploring how best to utilize the potential opportunities.

The operational risk appetite framework outlines the level of operational risk exposures that the business is willing to tolerate, supported by operational risk metrics which are reported on an exception basis to the Risk & Investment Committee along with agreed management actions to bring them back within risk appetite. The approach taken to operational risk is to manage it to an acceptable level through a combination of sound corporate and risk governance, systems and controls. Where appropriate, insurance is in place to limit the financial impacts of operational risks. The impacts of extreme but plausible operational risk scenarios are quantified in the ORSA on both a current and a forward-looking basis. This is used to consider operational risk capital requirements and to inform operational risk management across relevant business units.

C.6 Conduct risk

The management of conduct risk focuses on the four key outcomes of the FCA Consumer Duty. Conduct risks are actively monitored with regular Consumer Duty MI produced for the Audit and Compliance Committee.

C.7 Other Material Risks

C.7.1 Strategic risk

These are the risks that arise from the Group's choice of strategy. This includes risks to its business plan which could prevent the firm from achieving the business objectives. This type of risk could directly impact the Group's future, its profitability and its solvency. Strategic risk is managed through a strategic plan with clearly defined number of goals, objectives, and programmes, the use of a strategic dashboard to monitor outcomes and flex the strategy if required.

C.7.2 Counterparty risk

There is the risk of counterparty default from policyholders, reinsurers, bond issuers and banks, including custodians.

FLL reinsures a small proportion of its health underwriting risks. While FLL is exposed to failure of reinsurers, the overall level of exposure is low. Reinsurance premiums and claims are monitored on a quarterly basis.

The Group utilises banking arrangements with banks with ratings, equal to or higher than P-1 (Moody's) or A-1 (S&P).

Derivatives are used in a number of FLL's funds, within Investment Policy guidelines based on the principles of risk reduction, efficient portfolio management, tactical asset allocation, obtaining or hedging market exposures and cash flow management. The Group does not hold derivatives for speculative purposes, and outright short selling is not allowed.

The Group is exposed to risk arising from the failure of derivative counterparties. Most transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) agreements. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure.

The Group has some exposure to default risk through secured loans to policyholders, collateralised against their plan value. The exposure is managed by reviewing the portfolio regularly.

C.8 Any other information

There is no other information to report.

D. VALUATION FOR SOLVENCY PURPOSES

The 'Valuation for Solvency Purposes' section provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class under Solvency II.

Assets and liabilities have been valued according to the requirements of the Solvency II PRA Rulebook and related guidance. The basis for the Solvency II valuation principle is the amount for which the assets or liabilities could be exchanged between knowledgeable willing parties in an arm's length transaction.

The tables below set out a summarised balance sheet as at 31 December 2023, comparing assets and liabilities as reported in the IFRS financial statements and the Solvency II balance sheet in respect of the FHE Group and FLL.

Table 1 – FHE Group – Balance Sheet – IFRS and Solvency II

FHE Group As at 31 December 2023	IFRS £'000	IFRS reclassified £'000	SII Valuation adjustment £'000	Solvency II £'000	SFCR Note
Deferred acquisition costs	18,187	-	(18,187)	-	D.1.1
Intangible assets	21,155	-	(21,155)	-	D.1.1
Deferred tax asset	4,478	(4.478)	-	-	D.1.2
Property, plant and equipment held for own use	7,401	-	-	7,401	D.1.3
Holdings in related undertakings, including participations	-	-	-	-	D.1.4
Reinsurance contract assets	3,245	-	(911)	2,334	D.2.6
Equities	4,828,125	(4,828,125)	-	-	D.1.5
Bonds	521,260	(296,650)	-	224,610	D.1.5
Collective Investment Undertakings	-	291,250	-	291,250	D.1.5
Derivatives	11,393	(11,393)	-		D.1.5
Assets held for index - linked and unit - linked business	-	4,905,707	-	4,905,707	D.1.5
Loans to policyholders	-	5,639	-	5,639	D.1.6
Cash & cash equivalent	50,712	(35,250)	-	15,462	D.1.4
Receivables	12,079	(3,164)	-	8,915	D.1.7
Total assets	**5,478,035**	**23,536**	**(40,253)**	**5,461,318**	
Technical provisions	5,276,993	(5,216)	(276,520)	4,995,257	D.2.1
Pension benefit obligations	3,299	-	-	3,299	D.3.1
Deferred tax liabilities	-	(4,477)	50,869	46,392	D.1.2
Intermediaries payable	22,226	14,915	-	37,141	D.3.2
Payables (trade, non-insurance)	11,396	18,315	-	29,711	D.3.2
Total liabilities	**5,313,914**	**23,537**	**(225,651)**	**5,111,800**	
Excess of assets over liabilities	**164,121**			**349,518**	

Table 2 – FLL – Balance Sheet – IFRS and Solvency II

FLL As at 31 December 2023	IFRS £'000	IFRS reclassified £'000	SII Valuation adjustment £'000	Solvency II £'000	SFCR Note
Deferred acquisition costs	18,187	-	(18,187)	-	D.1.1
Intangible assets	5,359	-	(5,359)	-	
Deferred tax asset	7,616	(7,616)	-	-	D.1.2
Property, plant and equipment held for own use	5,710	-	-	5,710	D.1.3
Holdings in related undertakings, including participations	-	-	-	-	
Reinsurance contract assets	3,245	-	(911)	2,334	D.2.6
Equities	4,828,125	(4,828,125)	-	-	D.1.4
Bonds	521,260	(296,650)	-	224,610	
Collective Investment Undertakings	-	291,250	-	291,250	
Derivatives	11,393	(11,393)	-		
Assets held for index - linked and unit - linked business	-	4,905,707		4,905,707	
Loans to policyholders	-	5,639	-	5,639	D.1.5
Cash & cash equivalent	51,122	(35,249)	-	15,873	D.1.4
Receivables	12,582	(2,441)	-	10,141	D.1.7
Total assets	**5,464,599**	**21,122**	**(24,457)**	**5,461,264**	
Technical provisions	5,276,993	(5,474)	(274,154)	4,997,365	D.2.1
Pension benefit obligations	1,719	-	-	1,719	D.3.1
Deferred tax liabilities	-	(7,616)	54,227	46,611	D.1.2
Intermediaries payable	22,226	13,784	-	36,010	D.3.2
Payables (trade, non-insurance)	15,262	20,428	-	35,689	D.3.2
Total liabilities	**5,316,200**	**2,122**	**(219,927)**	**5,117,394**	
Excess of assets over liabilities	**148,399**			**343,870**	

The Solvency II consolidated balance sheet for the Group has been prepared using default accounting consolidation-based method ('Method 1').

D.1 Assets

Assets have been valued according to the requirements of the Solvency II PRA Rulebook and related guidance. The basic principle of valuing assets under Solvency II is to determine the amount at which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

The general principles for measuring asset valuations under Solvency II are as follows:

- Wherever possible, the fair value of assets must be based on quoted prices in active markets or based on readily available prices in orderly transactions that are sourced independently.
- Where valuation based on quoted prices in active market is not possible, mark-to-model procedures should be used (mark-to-model is a pricing method for a specific investment position or portfolio based on internal assumptions or financial models). When using mark-to-model, undertakings will continue to maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

There have been no changes made to the asset recognition and valuation bases used or to estimations during the reporting period.

The description of valuation differences between IFRS and Solvency II balance sheet, by material asset class, is provided below:

D.1.1 Intangible assets and deferred acquisition costs

Under IFRS, the Group recognises intangible assets in respect of acquired management contracts.

Under IFRS, identifiable intangible assets which are recognised as part of business combination are initially valued at fair value and subsequently amortised over their economic useful lives.

Based on the Group's assessment, these intangible assets do not meet the Solvency II regulation criteria and therefore they are ascribed nil value on the Solvency II balance sheet.

The Group recognises deferred acquisition costs ('DAC') in respect of its investment business on IFRS balance sheet. These comprise of the incremental costs of obtaining a contract when these costs are expected to be recovered. The incremental costs for obtaining a contract are those costs that the Group would not have incurred if the contract had not been obtained.

Deferred acquisition costs are recognised at nil value under Solvency II.

D.1.2 Deferred tax asset/liabilities

The Group's IFRS deferred tax asset ('DTA') relates to carried forward losses. Based on current forecasts, there are sufficient future profits available to justify holding the DTA. The forecast future profits relating to the business of FLL are monitored regularly to ensure that we have sufficient future profits available to utilise the DTA and is therefore also recognised under Solvency II.

Deferred tax liabilities are accounted for using the liability method, whereby tax expected to be payable or recoverable is calculated on temporary differences arising between the carrying amounts of assets and liabilities under IFRS and the tax assets and liabilities calculated under the regulations of HMRC.

An additional deferred tax liability arises on the valuation differences between IFRS and Solvency II, recognising the temporary timing difference between the carrying value of Solvency II assets and liabilities and the tax regime under which the Group operates.

The components of the net deferred tax balance on the Solvency II balance are shown in the table below :

Net Deferred Tax adjustment at 31 December 2023	**FHE Group £'000**	**FLL £'000**
Net IFRS deferred Tax asset	4,478	7,616
Deferred tax on Solvency II (SII) adjustments:		
- Tax on SII valuation adjustments on ring fenced funds	(46)	546
- Tax on Present Value of Future Profit on unit-linked business net of risk margin	(59,096)	(59,096)
- Tax impact on removal of DAC	4,323	4,323
- Tax impact on removal of TW Intangible assets	3,949	-
Total deferred tax on SII adjustments	(50,870)	(54,227)
Net Deferred Tax on SII balance sheet	**(46,392)**	**(46,611)**

D.1.3 Property, plant and equipment held for own use

Property refers to the Foresters House building and the land on which it was built. As the property is held at fair value under IFRS, there is no difference in the valuation under Solvency II. An annual independent valuation is carried out to determine the fair value of the land and building.

For all other equipment, IFRS carrying values are assumed to approximate fair value.

D.1.4 Financial assets

Financial investments and cash are measured at fair value under both IFRS and Solvency II. The methods and assumptions used by the Group in estimating the fair value of financial assets are:

- Bonds: Fair values are generally based upon quoted market prices. Where market prices are not readily available, fair values are estimated using values obtained from quoted market prices of comparable securities or other inputs that are observable in active markets.
- Equities: Fair values are based upon quoted market prices. For Solvency II reporting the equity securities are re-classified into the various Solvency II balance sheet categories.
- Derivatives: Fair values are generally based upon quoted market prices.
- Cash: The carrying value of cash and cash equivalents approximates their fair value.

D.1.5 Loans on policies

Following adoption of IFRS 17, an accounting basis, policyholder's loans are shown within insurance contract liabilities cash flows on the IFRS balance sheet. Their value is a reasonable approximation of fair value.

D.1.6 Reinsurance recoverable

Please see Section D.2 'Technical Provisions' for the valuation of Reinsurance recoverable.

D.1.7 Receivables (trade, insurance, reinsurance and intermediaries)

Under Solvency II, the value of receivables is based on the discounted cash flows arising from the receivables, adjusted for the risk of default.

Receivables are carried at cost less any impairment. Given the short-term nature of these assets (due within one year), this is a reasonable approximation of fair value.

D.1.8 Significant Estimates

There are no significant assumptions and judgments applied when calculating the Solvency II valuation of assets other than the ones already described above.

D.2 Technical provisions

D.2.1 Technical provisions by material line of business

The Group values the technical provisions as the best estimate reserves plus a risk margin as set out in the Solvency II rules.

The following table sets out the FHE Group's and FLL's technical provisions split by Solvency II line of business.

The best estimate liabilities and the risk margin are provided separately except in the case where technical provisions have been calculated as a whole.

The methodology and assumptions used in the calculation of technical provisions are covered in section D.2.2.

FLL Line of business at 31 December 2023	Technical Provisions £'000	Best Estimate £'000	Risk Margin £'000
Health insurance	11,842	11,792	49
Insurance with profit participation	223,360	223,173	187
Index - linked and unit linked	4,671,543	4,646,035	25,508
Other life insurance	90,620	88,824	1,797
Total gross life insurance obligations	**4,997,365**	**4,969,823**	**27,541**
Consolidation adjustment	(2,108)	(2,241)	134
Total FHE Group life insurance obligations	**4,995,257**	**4,967,582**	**27,675**

The FHE Group technical provisions are lower than the FLL technical provisions, due to a consolidation adjustment applying an intercompany expense recharge from the best estimate cash flows.

D.2.2 Valuation Methodology

The best estimate liabilities ('BEL') are calculated by discounting future cash-flows on in-force business, using best estimate demographic assumptions and the prescribed risk-free interest rates for investment assumptions and discounting.

The cash-flows cover future premiums for in-force contracts within the contract boundary, associated guaranteed benefits, with-profits discretionary benefits, expenses for administration, commission, investment returns and tax (where policyholder tax applies). The contract boundary is defined as the point where there is no discernible benefit for additional premiums under the current contract.

The with-profits value of guaranteed benefits includes the sum assured and declared annual bonuses to date, and the value of future expenses. It excludes the value of future annual bonuses and final bonus. It is net of the value of future premiums.

Discretionary benefits apply only to with-profits business and are equal to total asset share, cost of guarantees, cost of smoothing and cost of financial options less the value of guaranteed benefits.

The best estimate liability is calculated gross of reinsurance, with the reinsurance valued as an asset.

The risk margin is the cost of holding the Solvency II capital requirement for non-hedgeable risks on in-force business in all future years. The cost of capital is 4% per annum with a risk tapering factor, which is set in line with the latest PRA risk margin reform.

The Group is not making use of the PRA Rulebook/SII Firms rules:

- the Matching adjustment, as described in the Technical Provisions section:7 – Calculation of the Matching Adjustment;
- the Volatility adjustment, as described in the Technical Provisions section:8 – Volatility Adjustment; and
- the Transitional Measures on Risk-free Rate, Equity and Technical Provisions, as described in the Transitional Measures section: 5 -Standard Formula: the Basic SCR with regard to equity risk, 10 – Risk Free Rate, 11 – Technical Provisions.

D.2.3 Assumptions

The key insurance assumptions are lapse and expense assumptions. Lapses are monitored quarterly, and the assumptions set annually using internal data, relevant to the particular product group. Administration expenses are reviewed monthly, and assumptions set annually based on the Group's budget and future trends in expenses. Investment expenses are reviewed monthly and set annually, which largely reflect contractually agreed expenses. Other insurance assumptions such as mortality or morbidity are reviewed annually, using internal and external data as appropriate.

The key investment assumptions are investment growth, the discount rate and inflation. Investment growth and the discount rate use the Solvency II risk-free rates, specified by the PRA and are updated quarterly. The Group does not use a volatility adjustment or a matching adjustment for the discount rate on any lines of business. Price inflation is set with reference to the long-term differential between nominal and real yields. Expense inflation is set at price inflation plus 1%.

D.2.4 Uncertainty of Cash-flows

The best estimate liability is defined as the probability-weighted average of the present value of future cash flows on a market consistent basis. The Group adopts a deterministic approach to value liabilities for most lines of business which does not involve options and guarantees. For the with-profits business with options and guarantees, a stochastic approach is used across a large range of risk neutral economic scenarios. Actuarial judgement is exercised in the assumptions setting and modelling processes.

D.2.5 Solvency II and IFRS valuation differences

The table below shows the IFRS and the Solvency II technical provisions of FLL valued as at 31 December 2023. The material differences between IFRS and Solvency II valuation of liabilities relate to the treatment of non-unit reserves for unit-linked investment products (including risk margin), the treatment of the surplus in the with-profits funds, and other IFRS17 Insurance Contract Liability components including Contractual Service Margin (CSM) and Liability for Incurred Claims (LIC). Best estimate insurance assumptions are aligned between IFRS and Solvency II. Liability discount rate of IFRS and Solvency II differ by the illiquidity premium.

FLL Line of business at 31 December 2023	**IFRS Technical Provisions £'000**	**SII Technical Provisions £'000**	**Difference in Technical Provisions £'000**
Health insurance	8,601	11,841	(3,240)
Insurance with profit participation	293,521	223,361	70,160
Index - linked and unit linked	4,912,903	4,671,543	241,360
Other life insurance	61,968	90,620	(28,652)
Total gross life insurance obligations	**5,276,993**	**4,997,365**	**279,628**

Insurance with profits participation - Under IFRS, the Unallocated Divisible Surplus (‘UDS’) represents the amount of assets held over realistic liabilities, effectively the Estate. With IFRS 17, the shareholders’ share of the estate is included in equity and policyholders’ share is in the reserves, whereas all of the estate is excluded from the Solvency II technical provisions, and treated as own funds, albeit restricted.

Index-linked and unit-linked - Under Solvency II the recognition of negative reserves is permitted. In comparison, under IFRS, the recognition of future profits on this line of business is prohibited. Hence the IFRS non-unit reserves are zero while under Solvency II the ‘best estimate’ of liabilities means that negative non-unit reserves are allowed, and reserves can be less than surrender amounts.

Under the new IFRS reporting standards IFRS17, insurance contract liabilities include Risk Adjustment, CSM and LIC. While the risk adjustment is largely comparable to the Solvency II risk margin, CSM and LIC may cause IFRS contract liabilities to be larger. This is offset by the introduction of illiquidity premium in the discount rate which is applied to the cashflows to calculate IFRS liabilities.

The movements for the Group are materially the same as for FLL as shown above.

D.2.6 Reinsurance Asset

The Group's insurance subsidiary FLL has two external reinsurance arrangements in place:

- Business in the OBF acquired in 2008; and
- Various treaties in the TWF (mainly sickness policies).

As discussed in section C, mortality and morbidity risks are not significant for the Group.

The value of the reinsurance asset is modelled as the best estimate of expected reinsurance recoveries less reinsurance premiums due. On the grounds of materiality, this is modelled for TWF only. Both the recoveries and premiums due should be adjusted for expected counterparty default. However, FLL assumes this to be constant over time and to equal zero because reinsurance arrangements have been placed only with large, multinational reinsurers with a good credit rating. The approach is deemed reasonable given the volume of business being reinsured.

FLL has also put in place an internal reinsurance arrangement in 2021, ceding TWF non-profit liabilities to OBF. At the FLL company level, this reinsurance arrangement had a broadly neutral impact on reinsurance assets. No counterparty default risk has been modelled on this arrangement.

The Group has no special purpose vehicles as defined in the PRA Rulebook/SII Firms/Insurance Special Purpose Vehicles.

D.2.7 Changes since previous reporting period

The Solvency II methodology and assumptions are reviewed annually and updated where necessary.

The methodology for risk margin has been updated to comply with The Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023, which came into effect from 31st December 2023.

D.3 Other liabilities

Liabilities have been valued according to the requirements of the Solvency II PRA Rules and related guidance. The basic principle of valuing other liabilities under Solvency II is to determine the amount at which a liability could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

There have been no changes made to the other liability recognition and valuation bases used or to estimations during the reporting period.

D.3.1 Pension benefit obligations

The Group has 2 defined benefit pension schemes – the Tunbridge Wells Equitable Friendly Society retirement benefit scheme ('TW pension scheme') and the FHE Group Employee Pension Scheme. Both schemes are closed to new members.

The TW pension scheme was acquired as part of the acquisition of Tunbridge Wells Equitable Friendly Society. Up to 1 October 2016, all expenses of the scheme were borne by the TW Fund. On 1 October 2016, management put in place a stop-loss arrangement whereby the TW Fund paid a reinsurance premium to the OBF and in return any expenses and costs in excess of the stop-loss trigger are borne by the OBF. The stop-loss trigger was reached in March 2020 and the OBF has taken over the funding of the pension scheme contribution and related expenses since then.

The Forester Group Employee Pension Scheme has 2 sections: the Staff Plan and the Fieldworkers Section. FHE is the principal employer for the Forester Group Employee Pension Scheme.

IFRS measurement principles for pension benefit obligations are consistent with Solvency II.

D.3.2 Payables

Payables are carried at cost. Given the short-term nature of these liabilities (due within one year), this is a reasonable approximation of fair value.

D.4 Alternative valuation methods

The majority of the Group's and the Company's assets are measured at fair value basis on quoted market information or observable active market data.

Although the Solvency II valuation hierarchy differs from IFRS, the methodology for valuing assets and liabilities measured at fair value remains unchanged. Property held for own use is valued using alternative valuation method. The property is valued annually by a qualified and independent third party based on the market value of similar properties. The value of the property as at 31 December 2023 was £5.7m.

D.5 Any other information

D.5.1 Group and subsidiary valuation differences

There are no material differences in the bases, methods and main assumptions used at the Group level for the valuation of assets and liabilities from those used by any of its subsidiaries.

D.5. 2 Operating and finance leases

The Group has operating lease obligations in respect of equipment and motor vehicles. It values its leases in accordance with IFRS 16, this is considered to materially reflect fair value and no valuation adjustments have been made for Solvency II.

E. CAPITAL MANAGEMENT

The 'Capital Management' section of the report describes the objectives, policies and procedures employed by the Group for managing its own funds. The section also covers information on structure and quality of own funds and calculation of Solvency Capital Requirements ('SCR').

E.1 Own Funds

E.1.1 Management of Own Funds

The objective of capital management is to maintain a consistently strong capital position in the context of overall risk appetite and an optimal capital structure.

The Group manages its own funds in conjunction with solvency capital requirements, and seeks to:

- satisfy the contractual entitlements of its policyholders and the requirements of its regulators;
- match the profile of its assets and liabilities closely, taking account of the risks inherent in the business;
- maintain financial strength sufficient to support new business growth in line with the Group's business plan;
- ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth; and
- manage exposure to changes in interest rates, inflation and exchange rates.

A Capital Management Policy sets out the approach to capital management within the Group, including allocation of responsibilities for the management of capital, capital monitoring, reporting, forecasting, planning and overall governance. The Group uses a 10-year time horizon for business planning.

Capital management for the Group is the responsibility of the Chief Actuarial Officer; the Risk & Investment Committee is responsible for the oversight.

There have been no material changes in the objectives, policies and processes employed for managing own funds over the reporting period.

E.1.2 Own Funds by tier

Own funds are divided into 3 'tiers' based on both 'permanence' and 'loss absorbency'. Tier 1 is the highest quality and Tier 3 the lowest. Tier 1 is further divided into 'restricted' and 'unrestricted'. The regulations impose limits on the amount of each tier that can be held to cover the SCR with the aim of ensuring that the items will be available to absorb any losses that might arise.

The following tables set out a summary of the Group's and the Company's own funds for year ending 31 December 2023 and 2022. All own funds are unrestricted Tier 1.

FHE Group	2023	Tier 1	2022	Tier 1
Own Funds – Tier 1 unrestricted at 31 December	**Total £'000**	**unrestricted £'000**	**Total £'000**	**unrestricted £'000**
Ordinary share capital	56,020	56,020	56,020	56,020
Surplus funds	34,949	34,949	32,432	32,432
Reconciliation reserve	220,103	220,103	168,176	168,176
Total basic own funds after deductions	311,072	311,072	256,628	256,628
Total eligible own funds to meet consolidated group SCR	311,072	311,072	256,628	256,628
Total eligible own funds to meet minimum consolidated group SCR	311,072	311,072	256,628	256,628

FLL Own Funds – Tier 1 unrestricted at 31 December 2023	Total £'000	Tier 1 unrestricted £'000	2022 Total £'000	2022 Tier 1 unrestricted £'000
Ordinary share capital	68,500	68,500	68,500	68,500
Surplus funds	34,949	34,949	32,432	32,432
Reconciliation reserve	201,973	201,973	151,863	151,863
Total basic own funds	305,422	305,422	252,795	252,795
Total eligible own funds to meet SCR	305,422	305,422	252,795	252,795
Total eligible own funds to meet MCR	305,422	305,422	252,795	252,795

Unrestricted Tier 1 capital of £311.1m (2022: £256.6m) which represents 100% of eligible own funds for the Group (2022: 100% Tier 1 unrestricted). FLL's eligible own funds were slightly lower at £305.4m (2022: £253.0m). This consists of ordinary share capital, surplus funds and reconciliation reserve (refer to Section E.1.3). Tier 1 unrestricted capital includes high quality instruments with features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances .

Further information on own funds by Tier is presented in QRT 23.01.22 (FHE Group) and QRT 23.01.01 (FLL solo) within Section F.

Group Eligible Own Funds to meet the SCR increased from £257m to £311m during the reporting period.

A reconciliation of Eligible Own Funds to meet the SCR between FLL and FHE Group for 2023 and 2022 is set out below:

FLL to FHE Own Funds reconciliation`	2023 £'000	2022 £'000
FLL Own Funds at end of year	**305,422**	**252,795**
Deferred Tax Assets	219	687
FHE Arm's length charge	2,108	1,404
Pension benefit obligations	(1,580)	(1,690)
Other FHE Assets	4,903	3,432
FHE Group Own Funds at end of year	**311,072**	**256,628**

FLL's own funds include a capital contribution of £24.2m. The capital contribution represents the surplus contained within the long-term business fund at the date of transfer of long-term business from the Independent Order of Foresters (30 September 1995), which is not attributable to with-profits business. It is not distributable; however, given that this amount relates entirely to FLL and FLL contributes almost 100% of the Group SCR, there is insignificant risk that this capital will need to be distributed to FHE. Therefore, there are no further restrictions for transferability / fungibility for this amount in Own Funds.

E.1.3 Details of Own Funds items

Ordinary share capital

This represents ordinary shares of £1 each. The ordinary shares carry full voting rights and qualify for dividends. There are no restrictions on the repayment of ordinary capital other than imposed by the Companies Act 2006. Any repayments of share capital would be subject to regulatory approval.

There have been no changes to share capital during the year.

Surplus funds

Surplus funds represent with–profit funds' accumulated profits that have not yet been made available for policyholders and beneficiaries. Any restrictions by virtue of them being with–profit funds are presented as an adjustment for restricted items in respect of ring-fenced funds.

Reconciliation reserve

The reconciliation reserves for FHE Group and FLL in 2023 and 2022 have been derived as follows:

FHE Group Reconciliation Reserve at 31 December	2023 £'000	2022 £'000
Solvency II excess of assets over liability	349,521	297,023
Other basic own funds items	(90,969)	(88,452)
Foreseeable dividends, distributions, and charges	(10,000)	(10,000)
Restricted own funds items in respect of ring-fenced funds	(28,449)	(30,394)
Reconciliation reserve	**220,103**	**168,177**

FLL Reconciliation Reserve at 31 December	2023 £'000	2022 £'000
Solvency II excess of assets over liability	343,870	293,189
Other basic own funds items	(103,448)	(100,932)
Foreseeable dividends, distributions, and charges	(10,000)	(10,000)
Restricted own funds items in respect of ring-fenced funds	(28,449)	(30,394)
Reconciliation reserve	**201,973**	**151,863**

The reconciliation reserve equals the total of excess assets over liabilities on the Solvency II balance sheet reduced by the following:

- Other basic own funds including ordinary share capital and surplus funds;
- Dividends are deducted from own funds as soon as they are 'foreseeable'. For final dividend, this is considered to be at the point at which the Board proposes the dividend; and

The surplus own funds over notional SCR held within ring fenced funds are restricted.

E.1.4 Differences between IFRS equity and excess of assets over liabilities as calculated for Solvency II

The following tables detail the key differences between IFRS and Solvency II Eligible Own Funds for 2023 and 2022:

FLL – Reconciliation from IFRS to Solvency II net assets	2023 £'000	2022 £'000
Total FLL (the Company) equity on IFRS basis	148,399	146,282
Elimination of DAC and intangible assets	(23,546)	(24,857)
Valuation difference on technical provisions	274,154	211,581
Net deferred tax	(54,227)	(39,813)
Other valuation differences	(911)	(4)
Solvency II net assets	**343,870**	**293,189**
Difference between IFRS and Solvency II net assets	(195,471)	(146,907)
Group deferred tax asset adjustment	219	687
Group other adjustments	5,432	3,147
FHE group Solvency II net assets	**349,521**	**297,023**

Deferred acquisition costs and Intangibles

This movement represents the elimination of DAC and intangible assets from the Solvency II balance sheet. Please see Section D.1 'Assets' for further detail.

Change in Technical Provisions

This movement represents the change in net technical provisions from an IFRS valuation to a Solvency II valuation. Please see Section D.2 'Technical Provisions' for further detail.

Deferred tax

This movement represents the change in the valuation of the deferred tax liability of FLL/FHE based upon the asset and liability valuation changes mentioned in this section of the report. Please see Section D.3 'Other Liabilities' for further detail.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Group and the Company both use the Standard Formula to calculate the capital requirements for the business, in accordance with Solvency II regulations. The Standard Formula has been assessed as suitable for the business. The SCR is the amount of Own Funds that the Group or the Company is required to hold under Solvency II regulations, such that the Group or Company can meet its obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability. The 'MCR' is the minimum level of security below which the amount of financial resources should not fall.

E.2.1 Solvency Capital Requirement

The total Group gross undiversified capital requirement at 31 December 2023 was £297.2m (2022: £300.3), and diversified was £142m (2022: £134.1m), with 18% (2022: 23%) diversification of risk across the portfolio.

This section contains a breakdown of the Group's and the Company's gross SCR by risk modules. The final amounts are still subject to supervisory assessment.

Gross SCR by Risk Module at 31 December 2023	**FHE Group Total £'000**	**FLL Total £'000**
Market risk	149,906	149,768
Counterparty default risk	6,520	6,520
Life underwriting risk	130,278	129,833
Health underwriting risk	4,503	4,504
Operational risk	5,966	5,966
Total undiversified SCR	**297,173**	**296,591**
Diversification	(54,314)	(54,212)
Loss - absorbing capacity of technical provisions	(58,607)	(58,608)
Loss - absorbing capacity of deferred taxes	(42,275)	(42,276)
Solvency capital requirements	**141,976**	**141,495**
Capital add - ons already set	-	-
SCR for non - insurance entities	-	-
Solvency capital requirement	**141,976**	**141,495**

The key valuation differences for the SCR between FHE Group and FLL are as follows:

Pension liability – The defined benefit section of the staff pension scheme (FGEPS - as described in section A.1.6) is held at the Group level and not reflected in the FLL Solo level. The pension scheme deficit for FGEPS is stressed with market stresses and included in the Group SCR.

FHE expense margin – The FLL Solo Entity capital requirements reflect an expense margin charged by FHE. This margin is removed in the calculation of the FHE SCR as it is an intra-group transaction.

There is no material difference between FLL's and FHE Group's risk profile.

The key risk modules for the Company are the Market and Life Underwriting Risk modules. The most significant exposures are Persistency Risk, Equity risk and Currency Risk, as set out in section C of this report.

FLL benefits primarily from the correlation between market and life risk modules.

FLL has one non-profit fund and four ring-fenced funds. Under Solvency II, ring-fenced funds and non-insurance entities do not diversify with the rest of the Group. This means that no diversification benefits arise between the funds.

The Group uses management actions within the ring-fenced funds to reduce the impact of stressed events and hence reduce the need to hold capital.

The following table presents the distribution of the undiversified net Group SCR by risk module:

Capital Requirement by risk module: Pre-Diversification

FHE Group Group SCR by risk module	
Market risk	50%
Counterparty default risk	2%
Life underwriting risk	44%
Health underwriting risk	2%
Operational risk	2%

Market risk and life underwriting risk capital requirements make up the majority of the total capital requirements. The distribution of the undiversified net Group SCR by key risks is as follows:

Capital Requirement by key risks: Pre-Diversification

FHE Group Group SCR by key risks	
Persistency Risk	39%
Equity Risk	26%
Expense Risk	9%
Currency Risk	6%
Credit Risk	4%
Mortality Risk	2%
Counterparty Default Risk	2%
Operational Risk	2%
Other	10%

The Group SCR is calculated using method 1 – Accounting Consolidation based method. This method considers the Group as a single entity.

E.2.2 Minimum consolidated Group SCR and Minimum Capital Requirement

The MCR is not defined at the Group level under Solvency II; instead, the Minimum Consolidated Group SCR (‘MCGS’) is to be used. The MCGS is calculated as the sum of MCRs for fully owned insurance undertakings and proportional share of MCRs for partially owned insurance undertakings within a Group.

FLL is fully owned and is the only insurance undertaking within the FHE Group.

The MCR for FLL is calculated using a linear formula that applies prescribed factors to technical provisions, written premiums, capital at risk, deferred tax and administrative expenses (all net of reinsurance), subject to a cap (45% of the solo SCR) and a floor (25% of the solo SCR).

The detailed information with regard to inputs used to calculate FLL’s MCR is presented in template S.28.01 in Section F.

The Minimum Consolidated Group MCR for the Group at year end 2023 is £37.7m (2022:36.1m), and own funds can cover this by 8.1 times. The SCR for the Group is £142.0m (2022: £134.1m) and own funds can cover this by 2.2 times.

The MCR for FLL at year end is 2023 £37.7m (2022: £36.1m), and own funds can cover this by 8.1 times. The SCR for FLL is £141.5m (2022: £133.7m) and own funds can cover this by 2.2 times.

E.2.3 Changes in SCR over the reporting period

The Group SCR increased from £134.1m to £142.0m during the reporting period.

Market risk SCR accounts for most of the increase in SCR. In addition to assets under management growth, the rise in the equity markets resulted in a smaller symmetric adjustment on the equity market stress.

The ring-fenced funds have continued to benefit from the Loss Absorbing Capacity of Technical Provisions (‘LACoTP’). For year-end 2023, the Future Discretionary Benefits (FDB) were insufficient to cover gross SCR for the TWF and CWF funds as such LACoTP was limited to the FDB. The excess of gross SCR over FDB flows on to the Group SCR but is offset by a corresponding increase to own funds such that it has a neutral impact on the solvency position.

The Loss Absorbing Capacity of Deferred Taxes (‘LACoDT’) increased over the year due to increase in SCR before LACoDT over the period and also partly due to the lower IFRS DTA for BLAGAB I-E items (because this is written off in the stressed balance sheet).

FLL allows for the diversification benefit between different risks which reduces the SCR according to Standard Formula.

E.3 Use of duration-based equity risk sub-module in the calculation of the SCR

Insurance firms that have particular types of retirement provision business managed on a ring-fenced basis, for which the SCR is calculated using the standard formula, are entitled to calculate the equity risk capital requirement using a specified duration-based approach. The Group does not use the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Non – compliance with the Minimum Consolidated Group SCR and the Group SCR

The Group complied with the Minimum Consolidated Group SCR and Group SCR at all times during 2023.

The Company, FLL complied with the Minimum Capital Requirement and Solvency Capital Requirement at all times during 2023.

E.5 Any other information

E.5.1 Standard Formula Simplifications

Where the SCR is calculated using the Standard Formula, the Solvency II regulations specify simplified calculations that may be used across all of the Standard Formula risk modules except operational risk. The Group has not used any of these simplified calculations to calculate the year-end 2023 SCR.

E.5.2 Standard Formula Undertaking Specific Parameters (USPs)

Where the SCR is calculated using the Standard Formula, Solvency II regulations specify certain USPs that may be used in place of the standard parameters, subject to regulatory approval. These are available for life and health revision risks and non-life (including some health) premium and reserve risks. The Group has not used any USPs to calculate the year-end 2023 SCR.

E.5.3 Transitional measures, disclosure of capital add-ons and USPs

Regulators have the power to impose capital add-ons to the SCR or to require the use of certain USPs in the standard formula where a firm's risk profile deviates significantly from the assumptions underlying the standard formula. The Group is not required to hold any capital add-ons or use any USPs.

F. ANY OTHER INFORMATION

The following Quantitative Reporting Templates ('QRTs') are required for the SFCR:

QRT reference	QRT name	Entity
S.02.01	Balance Sheet	Group and Company
S.05.01	Premiums, claims and expenses	Group and Company
S.05.02	Premiums, claims and expenses by country	Group and Company
S.12.01.02	Life and Health SLT Technical Provisions	Company
S.23.01.01/S.23.01.22	Own Funds	Group and Company
S.25.01.21/S.25.01.22	Solvency Capital Requirement – for undertakings on Standard Formula	Group and Company
S.28.01.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	Company
S.32.01.22	Undertakings in the scope of the group	Group

These templates are included at the end of this report.

G. DIRECTORS' CERTIFICATE

Forester Holdings (Europe) Limited ('FHE') and Forester Life Limited ('FLL')

Approval of the Solvency and Financial Condition Report

Financial period ended 31 December 2023

We certify that:

1. the Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2. we are satisfied that:

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

    (b) it is reasonable to believe that, at the data of the publication of the SFCR, the Group has continued to comply, and will continue comply in future.

For and on behalf of the Boards of Forester Holdings (Europe) Limited and Forster Life Limited:

Nici Audhlam-Gardiner
Director

5 April 2024

KPMG

Report of the external independent auditor to the Directors of Forester Holdings (Europe) Limited ('the Parent Company') and Forester Life Limited pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

REPORT ON THE AUDIT OF THE RELEVANT ELEMENTS OF THE SOLVENCY AND FINANCIAL CONDITION REPORT

Opinion

Except as stated below, we have audited the following documents prepared by Forester Holdings (Europe) Limited (**'the Parent Company'**) and Forester Life Limited (together **'the Entities'**) as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Entities as at 31 December 2023, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S02.01.02, S23.01.22, S25.01.22, S32.01.22 for the Group, and Company templates S02.01.02, S12.01.02, S23.01.01, S25.01.21, S28.01.01 for Forester Life Limited ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report'**.

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

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;

- Group templates S05.01.02, S05.02.01 for the Group;

- Company templates S05.01.02, S05.02.01 for Forester Life Limited

- the written acknowledgement by the Directors of the Entities of their responsibilities, including for the preparation of their relevant content of the Solvency and Financial Condition Report ('**the Responsibility Statement**')

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of the Entities as at *31 December 2023* is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations in effect as at the date of approval of the Solvency and Financial Condition Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of each of the Entities in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC 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.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and Capital Management sections of the Solvency and Financial Condition Report, which describe the basis of accounting of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report. The Solvency and Financial Condition Report is prepared in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Directors of the Parent Company have prepared the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report for the Group on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group and the Parent Company's financial positions mean that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Solvency and Financial Condition Report ("the going concern period"). The Directors of Forester Life Limited have prepared the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report for their respective entity on the going concern basis as they do not intend to liquidate their respective entity or to cease its operations, and as they have concluded that their respective entity's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the ability of their respective entity to continue as a going concern.

Our conclusions based on this work:

- we consider that the Directors' of the Entities use of the going concern basis of accounting in the preparation of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report for their respective entity and the Group is appropriate; and
- we have not identified, and concur with the Directors' of the Entities assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Entities' or the Group's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Entities or the Group will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Reading Board and Audit and Compliance Committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Enquiring of directors, the audit and compliance committee, internal audit and inspection of policy documentation as to The Entities' high-level policies and procedures to prevent and detect fraud, including the internal audit function, and The Entity's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements, such as the valuation of technical provisions.

In addition, we identified a fraud risk related to the valuation of technical provisions in response to the required significant judgement over uncertain future outcomes. We performed the following procedure to specifically respond to this fraud risk:

- Assessing that judgements made in making accounting estimates are indicative of a potential bias

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included, but were not limited to, journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedures.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of The Entities' regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Entities are regulated, our assessment of risks involved gaining an understanding of the control environment including the entities' procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential impact of these laws and regulations on the Solvency and Financial Condition Report varies considerably. Firstly, the Entities are subject to laws and regulations that directly affect the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, including financial reporting legislation related to PRA Rules and Solvency II regulations, distributable profits legislation, taxation legislation, and pension legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report.

Secondly, the Entities are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, for instance through the imposition of fines or litigation or the loss of the Entities' licenses to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, anti-bribery, employment law, health and safety, and certain aspects of company legislation recognising the financial and regulated nature of the Entities' activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Relevant Elements of the Solvency and Financial Condition Report, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Relevant Elements of the Solvency and Financial Condition Report, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance with all laws and regulations.

Other Information

The Directors of the Entities are responsible for their relevant content of the Other Information.

Our opinion on the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in 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 there is a material misstatement in the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors of the Entities for the Solvency and Financial Condition Report

The Directors of the Entities are responsible for the preparation of their relevant content of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors of the Entities are also responsible for such internal control as they determine is necessary to enable the preparation of their relevant content of the Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error. The Directors of Forester Life Limited are responsible for assessing their respective entity's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate their respective entity or to cease operations, or have no realistic alternative but to do so.

The Directors of the Parent Company are responsible for assessing the Group's and Parent Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease their operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which it is based[, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider, where applicable, whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Entities' statutory financial statements for the year ended 31 December 2023 ('the 2023 Statutory Audits). 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. As at the date of signing this audit report we have not yet finalised 2023 Statutory Audits. Based on the status of the 2023 Statutory Audits as at the date of this audit report, we have nothing to report in this respect.

This engagement is separate from the audit of the annual financial statements of the Entities and the report here relates only to the matters specified and does not extend to the Entities' annual financial statements taken as a whole.

An audit report on an Entities' statutory financial are made solely to the members of the respective Entities, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work is undertaken so that the auditor might state to the members of the respective Entities those matters that the auditor is required to state to the members of the respective Entities in an auditor's report and for no other purpose. To the fullest extent permitted by law, an auditor does not accept or assume responsibility to anyone other than the Entities and the members as a body for that audit work, for the audit report, or for the opinions the auditor forms in respect of that audit.

The purpose of our audit work and to whom we owe our responsibilities

This report of the external auditor is made solely to the Directors of the Entities, as their governing bodies, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the Directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the Entities' Directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the Entities, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Entities through their governing bodies, for our audit, for this report, or for the opinions we have formed.

McFarlane

Garin McFarlane (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

5 April 2024

Appendix to Report of the external independent auditor to the Directors of Forester Holdings (Europe) Limited ('the Parent Company') and Forester Life Limited pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms – Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit

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

Group

- The following elements of Group template S.23.01.22:
    - Rows R0410 to R0440 – Own funds of other financial sectors
- The following elements of Group template S.25.01.22:
    - Rows R0500 to R0530 – Capital requirement for other financial sectors (Non-insurance capital requirements)
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Solo

The Relevant Elements of Forester Life Limited's Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of elements of template S.12.01.02:
    - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Forester Holdings (Europe) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	Forester Holdings (Europe) Limited
Group identification code	213800AMTA655R8UKE64
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

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

S.05.02.01 - Premiums, claims and expenses by country

S.23.01.22 - Own Funds

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	7,401
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	515,860
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	224,610
R0140	*Government Bonds*	86,438
R0150	*Corporate Bonds*	138,172
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	291,250
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	4,905,707
R0230	Loans and mortgages	5,639
R0240	*Loans on policies*	5,639
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	2,334
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	2,334
R0320	*Health similar to life*	2,334
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	2,065
R0370	Reinsurance receivables	58
R0380	Receivables (trade, not insurance)	6,792
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	15,462
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	5,461,319

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	325,709
R0610	*Technical provisions - health (similar to life)*	11,833
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	11,785
R0640	*Risk margin*	48
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	313,876
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	311,882
R0680	*Risk margin*	1,994
R0690	Technical provisions - index-linked and unit-linked	4,669,547
R0700	*TP calculated as a whole*	4,905,563
R0710	*Best Estimate*	-261,648
R0720	*Risk margin*	25,632
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	3,299
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	46,392
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	37,115
R0830	Reinsurance payables	26
R0840	Payables (trade, not insurance)	29,711
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	5,111,799
R1000	**Excess of assets over liabilities**	349,521

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	2,843	8,853	525,728	106					537,529
R1420	Reinsurers' share	0	263	0	16					279
R1500	Net	2,843	8,590	525,728	89					537,250
	Premiums earned									
R1510	Gross	2,843	8,853	525,728	106					537,529
R1520	Reinsurers' share	0	263	0	16					279
R1600	Net	2,843	8,590	525,728	89					537,250
	Claims incurred									
R1610	Gross	1,743	42,023	716,204	2,848					762,818
R1620	Reinsurers' share	0	0	0	0					0
R1700	Net	1,743	42,023	716,204	2,848					762,818
	Changes in other technical provisions									
R1710	Gross	22	520	-342,196	35					-341,620
R1720	Reinsurers' share	0	0	0	0					0
R1800	Net	22	520	-342,196	35					-341,620
R1900	**Expenses incurred**	98	1,550	36,825	10,910					49,382
R2500	**Other expenses**									6,957
R2600	**Total expenses**									56,339

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	537,529						537,529
R1420	Reinsurers' share	279						279
R1500	Net	537,250						537,250
	Premiums earned							
R1510	Gross	537,529						537,529
R1520	Reinsurers' share	279						279
R1600	Net	537,250						537,250
	Claims incurred							
R1610	Gross	762,818						762,818
R1620	Reinsurers' share	0						0
R1700	Net	762,818						762,818
	Changes in other technical provisions							
R1710	Gross	-341,620						-341,620
R1720	Reinsurers' share	0						0
R1800	Net	-341,620						-341,620
R1900	**Expenses incurred**	49,382						49,382
R2500	**Other expenses**							6,957
R2600	**Total expenses**							56,339

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	56,020	56,020		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	34,949	34,949			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	220,103	220,103			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0	0	0	0	
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0	0	0	0	
R0250	Deductions for participations where there is non-availability of information (Article 229)	0	0	0	0	
R0260	Deduction for participations included by using D&A when a combination of methods is used	0	0	0	0	
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	311,072	311,072	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0380	Non available ancillary own funds at group level	0			0	
R0390	Other ancillary own funds	0			0	
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0	0	0	0	
R0420	Institutions for occupational retirement provision	0	0	0	0	
R0430	Non regulated entities carrying out financial activities	0	0	0	0	
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0	0	0	0	0
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0	0	0	0	0
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	311,072	311,072	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	311,072	311,072	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	311,072	311,072	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	311,072	311,072	0	0	
R0610	**Minimum consolidated Group SCR**	37,725				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	824.58%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	311,072	311,072	0	0	0
R0680	**Group SCR**	141,976				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	219.10%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	349,521
R0710	Own shares (held directly and indirectly)	0
R0720	Forseeable dividends, distributions and charges	10,000
R0730	Other basic own fund items	90,969
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	28,449
R0750	Other non available own funds	0
R0760	**Reconciliation reserve**	220,103
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	141,728
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	4,159
R0790	**Total Expected profits included in future premiums (EPIFP)**	145,886

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	149,906		
R0020	Counterparty default risk	6,520		
R0030	Life underwriting risk	130,278	0	
R0040	Health underwriting risk	4,503	0	
R0050	Non-life underwriting risk	0	0	
R0060	Diversification	-54,314		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	236,893		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	5,966
R0140	Loss-absorbing capacity of technical provisions	-58,608
R0150	Loss-absorbing capacity of deferred taxes	-42,276
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	141,976
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	141,976
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	135,714
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	6,261
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	37,725
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	141,976

USP Key

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

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

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800AMTA655R8UKE64	LEI	FORESTER HOLDINGS (EUROPE) LIMITED	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)
2	GB	549300X68R3WVQGCJN80	LEI	FORESTER LIFE LIMITED	Life insurance undertaking	PRIVATE LIMITED COMPANY	Non-mutual	The Prudential Regulation Authority (PRA)

S.32.01.22

Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800AMTA655R8UKE64	LEI	FORESTER HOLDINGS (EUROPE) LIMITED	100.00%	100.00%	100.00%		Dominant	0.00%	Included in the scope		Method 1: Full consolidation
2	GB	549300X68R3WVQGCJN80	LEI	FORESTER LIFE LIMITED	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

Forester Life Limited

Solvency and Financial Condition Report

Disclosures

31 December

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	Forester Life Limited
Undertaking identification code	549300X68R3WVQGCJN80
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	5,710
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	515,860
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	
R0130	*Bonds*	224,610
R0140	*Government Bonds*	86,438
R0150	*Corporate Bonds*	138,172
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	291,250
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	4,905,707
R0230	Loans and mortgages	5,639
R0240	*Loans on policies*	5,639
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	2,334
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	2,334
R0320	*Health similar to life*	2,334
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	718
R0370	Reinsurance receivables	10
R0380	Receivables (trade, not insurance)	9,412
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	15,873
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	5,461,264

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	325,822
R0610	*Technical provisions - health (similar to life)*	11,841
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	11,792
R0640	*Risk margin*	48
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	313,981
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	311,996
R0680	*Risk margin*	1,985
R0690	Technical provisions - index-linked and unit-linked	4,671,543
R0700	*TP calculated as a whole*	4,905,563
R0710	*Best Estimate*	-259,528
R0720	*Risk margin*	25,508
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	1,719
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	46,611
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	35,974
R0830	Reinsurance payables	36
R0840	Payables (trade, not insurance)	35,689
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	5,117,394
R1000	**Excess of assets over liabilities**	343,870

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	2,843	8,853	525,728	106					537,529
R1420	Reinsurers' share	0	263	0	16					279
R1500	Net	2,843	8,590	525,728	89					537,250
	Premiums earned									
R1510	Gross	2,843	8,853	525,728	106					537,529
R1520	Reinsurers' share	0	263	0	16					279
R1600	Net	2,843	8,590	525,728	89					537,250
	Claims incurred									
R1610	Gross	1,743	42,023	716,204	2,848					762,818
R1620	Reinsurers' share	0	0	0	0					0
R1700	Net	1,743	42,023	716,204	2,848					762,818
	Changes in other technical provisions									
R1710	Gross	22	520	-342,196	35					-341,620
R1720	Reinsurers' share	0	0	0	0					0
R1800	Net	22	520	-342,196	35					-341,620
R1900	**Expenses incurred**	98	1,550	36,825	10,910					49,382
R2500	**Other expenses**									6,957
R2600	**Total expenses**									56,339

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	537,529						537,529
R1420	Reinsurers' share	279						279
R1500	Net	537,250						537,250
	Premiums earned							
R1510	Gross	537,529						537,529
R1520	Reinsurers' share	279						279
R1600	Net	537,250						537,250
	Claims incurred							
R1610	Gross	762,818						762,818
R1620	Reinsurers' share	0						0
R1700	Net	762,818						762,818
	Changes in other technical provisions							
R1710	Gross	-341,620						-341,620
R1720	Reinsurers' share	0						0
R1800	Net	-341,620						-341,620
R1900	**Expenses incurred**	49,382						49,382
R2500	**Other expenses**							6,957
R2600	**Total expenses**							56,339

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	0	4,905,563			0					4,905,563	0					0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0			0					0	0					0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	223,173		-259,528	0		81,389	7,434			52,468		11,792	0			11,792
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0		0	0		0	0			0		2,334	0			2,334
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	223,173		-259,528	0		81,389	7,434			52,468		9,459	0			9,459
R0100	**Risk margin**	187	25,711			1,797					27,696	48					48
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	0	0			0					0	0					0
R0120	Best estimate	0		0	0		0	0			0		0	0			0
R0130	Risk margin	0	0			0					0	0					0
R0200	**Technical provisions - total**	223,360	4,671,746			90,620					4,985,726	11,841					11,841

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	68,500	68,500		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	34,949	34,949			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	201,973	201,973			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	305,422	305,422	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	305,422	305,422	0	0	0
R0510	Total available own funds to meet the MCR	305,422	305,422	0	0	
R0540	Total eligible own funds to meet the SCR	305,422	305,422	0	0	0
R0550	Total eligible own funds to meet the MCR	305,422	305,422	0	0	

R0580	**SCR**	141,495
R0600	**MCR**	37,748
R0620	**Ratio of Eligible own funds to SCR**	215.85%
R0640	**Ratio of Eligible own funds to MCR**	809.11%

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	343,870
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	10,000
R0730	Other basic own fund items	103,449
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	28,449
R0760	**Reconciliation reserve**	201,973
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	141,728
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	4,159
R0790	**Total Expected profits included in future premiums (EPIFP)**	145,886

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	149,768		
R0020	Counterparty default risk	6,520		
R0030	Life underwriting risk	129,833		
R0040	Health underwriting risk	4,504		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-54,212		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	236,413		

USP Key

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

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

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

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	5,966
R0140	Loss-absorbing capacity of technical provisions	-58,608
R0150	Loss-absorbing capacity of deferred taxes	-42,276
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	141,495
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	141,495
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	135,234
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	6,261
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

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

	Calculation of loss absorbing capacity of deferred taxes	LAC DT
		C0130
R0640	LAC DT	-42,276
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	0
R0670	LAC DT justified by carry back, current year	-42,276
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	0

S.28.01.01

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

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

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	37,748

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	152,568	
R0220	Obligations with profit participation - future discretionary benefits	70,605	
R0230	Index-linked and unit-linked insurance obligations	4,646,035	
R0240	Other life (re)insurance and health (re)insurance obligations	98,282	
R0250	Total capital at risk for all life (re)insurance obligations		1,697,197

	Overall MCR calculation	C0070
R0300	Linear MCR	37,748
R0310	SCR	141,495
R0320	MCR cap	63,673
R0330	MCR floor	35,374
R0340	Combined MCR	37,748
R0350	Absolute floor of the MCR	3,495
R0400	**Minimum Capital Requirement**	37,748