

## Summary of Changes to the Foresters Friendly Society Principles and Practices of Financial Management 2013

Page	Section	Original version	New Version
1	Title	January 2012	April 2013
1	Footer	Issue 9	Issue 10
5	Glossary	A- rated bonds Corporate bonds that are considered to be of high quality, offering above average security and marketability.	
5	Glossary		Actuarial Function Holder A Fellow of the Institute and Faculty of Actuaries appointed to advise the Society's management on the ability to meet liabilities to policyholders in respect of long-term insurance contracts as they fall due, and on the capital needed to support the business, including regulatory capital requirements.
5	Glossary	Audit and Risk Committee The audit and risk committee is a sub-committee of the Board with specific Terms of Reference and reporting procedures. Its primary function is to review and challenge the actions and judgements of the management in relation to the annual financial statements and risk management before submission to the Board.	Audit Committee The Audit Committee is a sub-committee of the Board with specific Terms of Reference and reporting procedures. Its primary function is to review and challenge the actions and judgements of the management in relation to the annual financial statements before submission to the Board.
5	Glossary		Financial Conduct Authority (FCA) The FCA is an independent body responsible for conduct regulation from 1st April 2013 (the FCA and PRA jointly replaced the FSA from this date).
5	Glossary	Financial Services Authority (FSA) The body established under the Financial Services and Markets Act 2000 to whom The Society reports in respect of the management and control of its affairs.	Financial Services Authority (FSA) The body established under the Financial Services and Markets Act 2000 to whom The Society reported in respect of the management and control of its affairs until 1 <sup>st</sup> April 2013.
6	Glossary		Prudential Regulation Authority (PRA) The PRA is a subsidiary of the Bank of England which carries out the regulation of financial firms, including banks, investment banks, building societies and insurance companies from 1 <sup>st</sup> April 2013.
6	Glossary	Audit and Risk Committee The audit and risk committee is a sub-committee of the Board with specific Terms of Reference and reporting procedures. Its primary function is to review and challenge the actions and judgements of the management in relation to the annual financial statements and risk management before submission to the Board.	Risk Committee The Risk Committee is a sub-committee of the Board with specific Terms of Reference and reporting procedures. Its primary function is to review and challenge the actions and judgements of the management in relation specifically to risk management before submission to the Board.

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6	Glossary		<p>Resilience capital requirement Is capital set aside to ensure that the Society can withstand a specific fall in asset values without breaching solvency rules.</p>
6	Glossary	<p>With Profits Committee The with-profits committee is a committee of the Board, including non-executive members of the Board and possibly some external members of the committee with appropriate skills and experience. The role of the with-profits committee is to exercise some independent judgment in assessing compliance with the Society's Principles and Practices of Financial Management and in addressing conflicting rights and interests of policyholders within a with profits fund.</p>	<p>With Profits Advisory Arrangement The role of the With Profits Advisory Arrangement (WPAA) is to provide independent judgement to the Board of the Society in assessing compliance with the Society's Principles and Practices of Financial Management and in addressing conflicting rights and interests of policyholders within a with profits fund. All members of the WPAA are Non-Executive Directors.</p>

## INTRODUCTION

**Page Section**

7 A2.2

**Original version**

The document has been written to meet the standards required by the Financial Services Authority according to the relevant rules and guidance as set out in their Conduct of Business Sourcebook.

**New Version**

The document was originally written to meet the standards required by the Financial Services Authority according to the relevant rules and guidance as set out in their Conduct of Business Sourcebook. These standards have been adopted by the new regulatory regime of the Financial Conduct Authority (FCA).

PRINCIPLES

Page	Section	Original version	New Version
11	B2.6	All policies written in the GBF are non-profit although some Group schemes may be eligible for profit share payments in the event of favourable experience.	All policies written in the GBF are non-profit although some Group business may be eligible for profit share payments in the event of favourable experience.
12	B2.8	The Board after taking advice from the With Profits Actuary and With Profits Committee reserves the right to merge the PEF into the OIF, or such other fund as it deems appropriate, when it deems it is appropriate to do so.	The Board after taking advice from the With Profits Actuary and With Profits Advisory Arrangement reserves the right to merge the PEF into the OIF, or such other fund as it deems appropriate, when it deems it is appropriate to do so.
13	B3.3	With-Profits Committee	With Profits Advisory Arrangement
15	B4.3,5.1	With-Profits Committee	With Profits Advisory Arrangement
16	B6.1	With-Profits Committee	With Profits Advisory Arrangement
16	B7.1	The broad spread applies both by asset class and individual holdings, within the concentration limits set by the Financial Services Authority.	The broad spread applies both by asset class and individual holdings, within the concentration limits set by the Financial Services Authority (and maintained by the new regulatory regime of the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) from 1st April 2013).
17	B7.3	The Society requires its investment managers to select new fixed interest investments which are rated A- or better by a recognised bond rating service.  Asset volatility is taken into account through the mechanism of the statutory resilience reserve.	The Society requires its investment managers to select new fixed interest investments which are of at least the minimum investment grade quality as rated by a recognised bond rating service.  The Society has some protection against the impact of asset volatility on its solvency position through the capital held to meet the resilience capital requirement.
17	B7.4,7.5	With-Profits Committee	With Profits Advisory Arrangement
20	B8.4	With-Profits Committee	With Profits Advisory Arrangement
21	B11	With-Profits Committee	With Profits Advisory Arrangement

PRACTICES OF FINANCIAL MANAGEMENT

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24	C4.5	With-Profits Committee	With Profits Advisory Arrangement
25	C4.7	The Society may decide to restrict the expenses ultimately included in the calculation of asset shares for OIF and PEF to an amount lower than would be otherwise be the case.	The Society may decide to restrict the expenses ultimately included in the calculation of asset shares to an amount lower than would be otherwise be the case.
25	C4.7	With-Profits Committee	With Profits Advisory Arrangement
26	C4.9.1, C4.9.2	This charge applies to those policies which provide guaranteed benefits on maturity. Currently the charge is set at a level of 2% of asset share. The level of this charge may vary from time to time depending upon the actual cost of guarantees.	This charge applies to those policies which provide guaranteed benefits on maturity. Currently the charge is set at a level of between 0% and 4% of asset share, depending on product type and policy commencement date. The size of these charges may vary from time to time depending upon the expected cost of guarantees and consistent with the fair treatment of policyholders.
27	C5.1.1	With-Profits Committee	With Profits Advisory Arrangement
28	C6.1.1	The amount of final bonus added to a policy is such as to increase the sum of the guaranteed sum assured in the policy plus accumulated annual bonuses to the desired total payout.	For most policies, the amount of final bonus added to a policy is such as to increase the sum of the guaranteed sum assured in the policy plus accumulated annual bonuses to the desired total payout.  The position is slightly different for regular premium whole of life policies with guaranteed death benefits but no maturity date. As the asset share for these policies will build up over time as premiums are paid in, we would naturally expect some members to die while their asset share is lower than their guaranteed benefit. Final bonus rates are therefore set so that the estimated future cost of providing the benefits payable on death is equal to the asset share for this group of plans.
29	C6.3,6.4	With-Profits Committee	With Profits Advisory Arrangement
30	C7.2.2	With-Profits Committee	With Profits Advisory Arrangement
31	C7.5	With-Profits Committee	With Profits Advisory Arrangement
31	C8.1	PEF asset class ranges Equities 0-10% Properties 10-40% Fixed Interest 20-50% Cash & Other 25-55%	PEF asset class ranges Equities 0-10% Properties 0-30% Fixed Interest 20-50% Cash & Other 10-55%
31	C8.1		The "Fixed Interest" category includes fixed interest and index-linked government bonds, as well as corporate bond holdings.

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32	C8.2	The Society has within its investment strategy a trigger point process which requires the automatic sale and/or repurchase of equity investments when certain market conditions are met.	The Society has within its investment strategy a process which requires the automatic sale and/or repurchase of equity investments when certain market conditions are met, in order to preserve capital values. The level of the FTSE All Share index is used to define a series of trigger points at which varying proportions of the equity holdings will be sold. Conversely, the repurchase of equity holdings would take place in a staggered process as and when the index rose back up to pre-determined purchase trigger points.
32	C8.5	With-Profits Committee	With Profits Advisory Arrangement
34	C9.3.1,10.2	With-Profits Committee	With Profits Advisory Arrangement
35	C11	With-Profits Committee	With Profits Advisory Arrangement

APPENDIX A Schedule of Business In Force

<b>Page</b>	<b>Section</b>	<b>Original version</b>	<b>New Version</b>
37	Tunstall	Non profit IB - policies becoming paid up with completion of payment of premiums due	Non profit IB - policies becoming paid up policies becoming paid up on cessation of premiums before the end of the payment term
37	Tunstall	Comments Tunstall Fund closed to new business on 9/4/2003 and transferred to Foresters on 31/12/2003.	Comments Tunstall Assurance Friendly Society closed to new business on 9/4/2003 and transferred to Foresters on 31/12/2003.
38	Leek		Business <b>With profits</b> IB assurances - range of traditional endowment and whole life assurances including quinquennial bonus policies OB assurances - range of traditional endowment and whole life assurances <b>Non profit</b> IB and OB policies becoming paid up on cessation of premiums before the end of the payment term
38	Leek		Comments Leek Assurance Collecting Society closed to new business in March 2005 and transferred to Foresters on 31/12/2005