



THE ORIGINAL HOLLOWAY FRIENDLY SOCIETY LIMITED

# Annual Report 2021

for the year ended 31 December 2021

Keeping life colourful

# Welcome from the Chair

Dear Members,

Welcome to the 2021 Annual Report and Accounts for the Original Holloway Friendly Society, which includes our Strategic Report and Financial Statements. There are six parts to this report.

First, an Overview from me, as your Society's Chair.

Second, there is the Strategic Report from Stuart Tragheim, our Chief Executive. Stuart begins with his Overview followed by a Business Review and finally a description of the Risks to the Strategy and how we approach Risk Management.

Third, the Bonus Report, which shows how we are able to share the value emerging with Members.

Fourth, is the Report of the Board of Management. This covers the activities of the Board and its Committees, including the Corporate Governance Report, followed by the Directors' Remuneration Report.

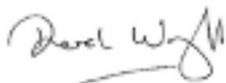
The fifth item is the report of the Independent Auditor.

The final item is the Financial Statements, including notes to explain their presentation.

The Society applied, in full, the Corporate Governance Code developed by the Association of Financial Mutuals for firms like ours.

I hope you find the content interesting and informative. We are always pleased to hear from you and we welcome any feedback or suggestions on our report, the progress of your Society or your experiences dealing with us. All Directors make a point of being available to talk to Members at the Annual General Meeting ('AGM') and this is an excellent way for you to raise any matter with us. Other ways you can contact us are listed on the back cover of this report.

Yours sincerely,



**Derek Wright**  
Chair  
08 April 2022

# Contents



# Officers, Professional Advisers and Registered Office

## The Board of Management ('Board')

Chair and Non-Executive Director	Derek Wright
Senior Independent Non-Executive Director	John Holland
Independent Non-Executive Directors	Dave Cheeseman Anna East Lynzi Harrison <sup>1</sup> Andrew Horsley <sup>1</sup> Adrian Humphreys Graham Newitt <sup>2</sup>
Chief Executive and Executive Director	Stuart Tragheim
Chief Financial Officer and Executive Director	Paul Harwood
Chief Actuary	Emma Moon <sup>3</sup> Alison Carr <sup>4</sup>
With Profits Actuary	Sally Butters
Company Secretary	Alison Poyner

1. from 15 February 2022

2. until 16 Dec 2021

3. until 31 May 2021

4. designate from 1 June 2021, regulatory approval received on 18 Nov 2021

# Officers, Professional Advisers and Registered Office

## Professional Advisers at 31 December 2021

### Chief Actuary

Alison Carr, BSc, FIA  
Steve Dixon Associates llp  
Oaks House  
16-22 West Street  
Epsom, Surrey  
KT18 7RG

### With Profits Actuary

Sally Butters, BSc, FIA  
OAC plc  
141-142 Fenchurch Street  
London  
EC3M 6BL

### Internal Auditor

Ernst and Young LLP  
The Paragon, Counterslip  
Bristol  
BS1 6BX

### Independent Auditor

BDO LLP  
55 Baker St  
Marylebone, London  
W1U 7EU

### Fund Managers

LGT Wealth Management UK LLP  
14 Cornhill  
London  
EC3V 3NR

### Bankers

Lloyds Bank  
19 Eastgate Street  
Gloucester  
GL1 1NU

## Registered Office

### The Original Holloway Friendly Society Limited

Holloway House,  
71 Eastgate Street  
Gloucester  
GL1 1PW

The Original Holloway Friendly Society Limited is a friendly society registered and incorporated under the Friendly Societies Act 1992. The Board is the Committee of Management defined in the Act. 'Board', 'Board of Management' and 'Directors' are used interchangeably in this report.

The Society is governed by its Memorandum and Rules (the 'Rules'), which are available on its website, or free on request.

The Society uses the trading style 'Holloway Friendly' and is referred to throughout this report as 'the Society'.

The Society has one subsidiary, HF Life Limited, which does not currently trade, and has no liabilities and no significant assets.

**email:** [hello@holloway.co.uk](mailto:hello@holloway.co.uk)  
**web:** [holloway.co.uk](http://holloway.co.uk)  
**telephone:** 01452 526 238

The Society is registered in the UK under number 145F.

The Society is authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Its Firm Reference Number, needed for regulatory enquiries, is FRN 109986.

The Society is a member of the Association of Financial Mutuals ('AFM'). It follows the Corporate Governance Code ('the Code') developed by the AFM for mutual firms. The Society is a member of the Association of British Insurers ('ABI').

Annual Report 2021

# Chair's Overview

# Chair's Overview

This time last year, we were in the middle of lockdown with tentative hopes of a vaccine to allow us to get back to normal. Thankfully as I write this year, we are close to normality. I am delighted to report that my confidence in the Society's ability and willingness to adapt to meet the needs of you, our Members, was justified.

While we continue to be cautious, we recognise that some things have changed, possibly forever. Our purpose at the Society, to be there when you need us most, remains intact. How we achieve that purpose changes as we face new challenges, be they related to the pandemic or to other changes such as how employment works.

## Delivering Benefits to Members

This is my second report to you, our Members, as Chair of the Society. As Stuart discusses later, our sales were not as high as we had hoped, yet Membership numbers have remained steady. In practical terms, we have paid out more in benefits to our Members than ever before, replacing the incomes of those who cannot work through illness and injury. Part of our purpose is to help our Members back to work. We have continued to do that as well as promoting other ways in which we can support our Members.

We never forget that the Society exists to serve you, our Members, especially in your time of greatest need. We have striven throughout 2021 to ensure that we continue to pay valid claims and pay them promptly.

This commitment to serving Members is at the heart of our attractiveness in the market. Advisers can be confident in recommending us because we treat potential and existing Members as we would like to be treated ourselves.

## Bonus

The rates of new regular and final bonuses for all Members with eligible plans were increased in the year to reflect underlying performance. Full details are in the report on **pages 22-23**.

## Regulation and Corporate Governance

We have continued to respond to the requirements of our two regulators, the Prudential Regulation Authority and the Financial Conduct Authority. While we are smaller than many financial services providers, we are proud to respond fully to changes in regulation, believing that adopting regulation in the right spirit is absolutely what our Members expect.

Each year the Board reviews its succession plan and is satisfied that it remains appropriate. Towards the end of the year, Graham Newitt

stepped down from the Board after 3½ years of excellent service. On behalf of the Board, thank you to Graham for all of his helpful insights over that time.

With the planned retirement at this year's AGM of John Holland, we have recently recruited two new Non-Executive Directors, Lynzi Harrison and Andrew Horsley. Their biographies are on **page 34** and, as is customary, they are offering themselves for election at this year's AGM. If supported by the Membership, I am sure that they will be very effective members of the Board over the coming years. It is satisfying too that programmes are in place to ensure effective executive succession.

The Society continues to support the work of the James Hopkins Trust, a local children's hospice. It has matched the amounts raised internally, leading to a donation of £1,000.

# Chair's Overview

## Our Strategy

Our strategy is to grow by offering quality products to more people. Central to this strategy was the implementation of a new administration system, PRISM. I reported that PRISM began its launch last year and I am delighted to note that it is now fully operational. I look forward to seeing its benefits accrue over time. We have already launched our brand new product range, My Sick Pay, on PRISM.

## Looking Ahead

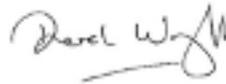
These last two years have been extremely difficult ones for us all. I am proud of the way that everyone in the Society adapted to the challenges brought about by coronavirus and the consistent focus on serving Members throughout. During 2022 we will see the benefits of PRISM in enabling us to launch new products and to provide more options for current and future Members.

## Thanks

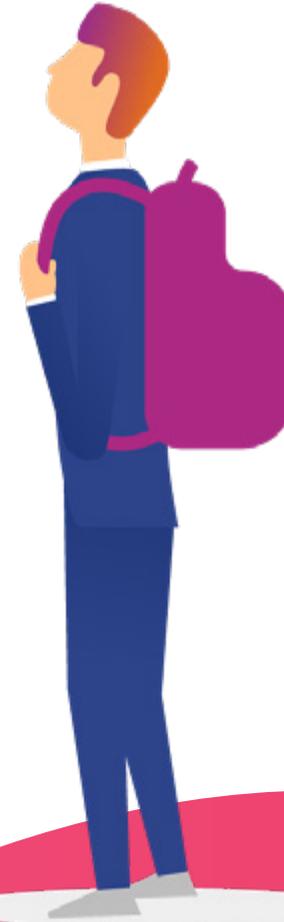
All of this is only achieved through the hard work and dedication of the Society's people. On behalf of our Members and my fellow Directors, a big thank you to everyone at the Society for their part in ensuring our success and building the foundations for the Society's future.

I hope to see many of you at the AGM whether it be held in-person or, more likely, online. In the meantime, please keep yourselves and your families safe.

With best wishes,



**Derek Wright**  
Chair  
08 April 2022



Annual Report 2021

# Strategic Report

# Strategic Report

## Chief Executive's Overview

I would like to begin by extending my sympathies to all our Members and those we work with whose loved ones have been affected by Coronavirus or who have been affected themselves. The Society exists to support working people in times of difficulty and the pandemic has tested all of us. The way forward seems brighter, as we all learn to live with the virus.

As in 2020, 2021 was dominated by the pandemic, which continues to affect all of our lives to differing degrees. In this, my sixth report, I will describe how the Society has responded and how our strategy and its implementation have been impacted.

Our strategy is to grow the Society's Membership by offering more products to more people, with value at their core. The safe and steady delivery of PRISM, our new administration platform, allows us to realise this strategy by developing our product range, improving our operational efficiency and using enhanced capabilities to communicate better with the existing Membership.

The pandemic has halted short-term growth. We are confident that as the recovery continues, we will be well positioned to resume steady growth as markets return to something more normal.

I am pleased that we have paid out more in benefits to Members than ever before. Helping our Members is the reason for our existence.

Our recent sales have been moderate, reflecting the impact of the pandemic, the state of the industry and competitor activity. At the forefront of our thinking has been the need to preserve Member value, evidence by the growing Fund for Future Appropriations, and to manage the Society in a balanced way. We are keen to see the economy settle into a more normal pattern before we decide how to target our marketing.

In this light, we are delighted that Member numbers overall are broadly equivalent to those at the end of 2020. We have continued to support Members when they need us most. Premium income is higher, reflecting the receipt of a full year's premium from plans sold in 2020.

In last year's report, I talked about our re-assessment of future claims outgo. This assessment was made in very different circumstances than today's. The UK was firmly locked down and vaccines were in the late development stage. We continued throughout 2021 to review our claims experience. With the benefit of hindsight, our assessment last year looks overly pessimistic. The success of the vaccines and their rollout, the degree of government support and the

continuing improving outlook mean that we are much more optimistic about our long-term best estimate outlook for claims. As a result, we have been able to record a positive contribution to the Fund for Future Appropriations, more than reversing last year's drawdown.

2021 was particularly challenging for all at the Society. The combination of home working, implementing a new administration system and ambitious development plans take their toll. This notwithstanding, my Colleagues have responded with typical good humour and professionalism. There is a strong sense of pride in the Society from those who work for you, our Members. These characteristics help to make work, while difficult at times, a pleasure overall. I would like to offer my heartfelt thanks to everyone who has contributed during 2021.

We will, in 2022 and beyond, continue to strive to provide quality service and support for existing Members, while offering attractive products to potential new Members. Please stay safe.



**Stuart Tragheim**  
Chief Executive  
08 April 2022

# Strategic Report

## Key Performance Indicators for 2021

The important indicators of the Society's success as it pursues its strategy have been agreed with the Board as follows:

### **Total Membership**

the reason for our existence

### **New Sales**

the lead indicator of our ability to attract new Members

### **Embedded Value**

the long-term financial value of the Society to Members

### **Solvency Ratio**

the financial strength to manage risks that materialise

### **Lapses**

retention of Members is central to the Society's success

### **Engagement**

a strong Society emerges from dedicated people



# Strategic Report

## 2021 Business Review

### Purpose

Our high-level purpose is to be there when you, our Members, need us most. In practical terms, this means protecting your income when you can't work because of sickness or accident. This is why we exist. Regularly reminding ourselves of our purpose helps ensure that all of us who work at the Society do so in the best interests of our Members and the wider public.

### Strategy and Business Model, Key Performance Indicators

#### Strategy

Our strategy is to grow by offering useful and affordable products. New Members are introduced by Financial Advisers, who recommend us to their clients. We have to be good at what we do to justify the Advisers' recommendations. In short, the Society grows because we look after our Members and Advisers are confident about recommending us.

Our strategy and business model (see below) describe how we generate long-term sustainable value. The Board is responsible for ensuring that the strategy is clear and is implemented effectively. It ensures that the strategy and our values support good behaviours and practices, properly balance short- and long-term results and discourage poor or unethical behaviour.

The Board manages any conflicts of interest that might affect the strategy or business model and balances short-term targets and long-term aspirations.

#### Business Model

A business model describes how a business creates value over time. Our business model is to grow by providing products which are valuable and useful, are priced attractively and are presented to Advisers effectively. We build the products ourselves and administer them from start to finish. We provide excellent service to Members and Advisers. Some professional functions are outsourced because they can be provided more efficiently this way.

Most of our systems development is now done in house. We outsource some non-PRISM systems work. We plan to keep improving and developing our product range. We aim to improve our professionalism continually, to meet modern customer and regulatory expectations. We may use reinsurance in the future if it makes financial sense. All outsourced functions are subject to a robust oversight process to ensure that they meet appropriate standards and regulations.

### Important Trading Results

Earned Premiums net of reinsurance increased over the year to £10.692m (2020: £10.367m).

Sickness Claims paid, net of reinsurance, are broadly unchanged at £3.481m (2020: £3.419m).

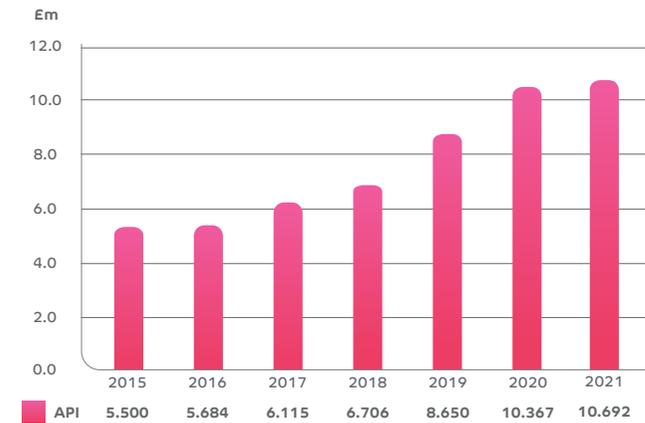
Net Operating Expenses were slightly lower at £9.135m (2020: £9.259m).

The Fund for Future Appropriations, which is the friendly society term for net Member assets, has increased in the year to £82.114m, from £64.161m. The change is driven by a reassessment of future claims and by changes in the economic environment.

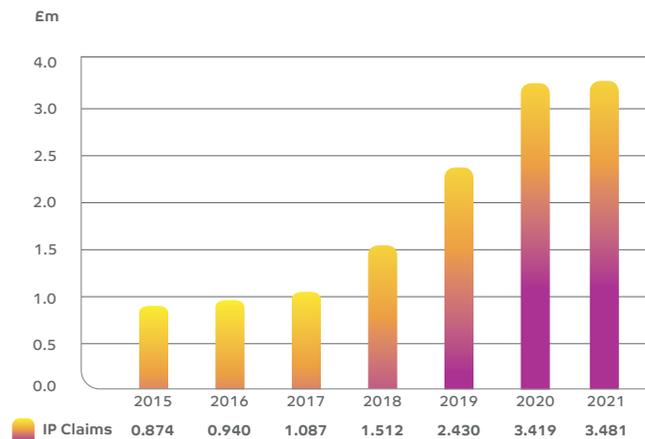
The value of the Society's investments fell to £22.902m from £27.360m. The change primarily reflects a drawdown of investments to meet the capital investment needs of the Society.

# Strategic Report

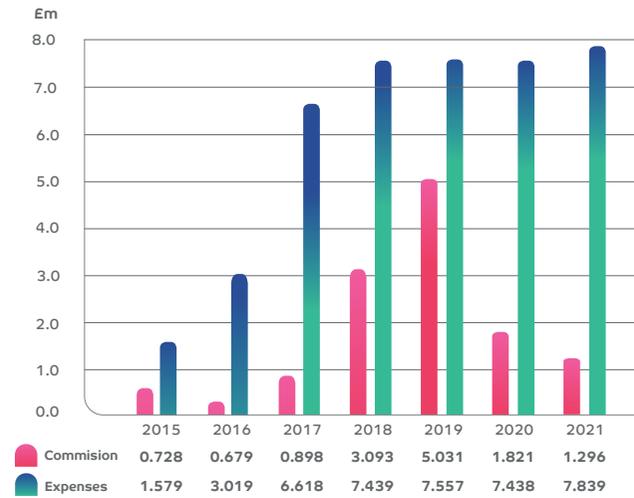
## Net Earned Premium Income



## Net IP Claims



## Operating Expenses



## Value-Tracking Principal Performance Indicators

Value added in 2021 has been significantly affected by the pandemic and a re-assessment of future claims cost.

**Total Membership** is a simple measure of success. Over the year, the number of Members has remained static at around 26,000.

**New Sales** are measured by their annualised premium at the point of sale. We call this measure the Annual Premium Income or API. 2021 sales were lower than in 2020, at £0.984m API (2020: £1.535m).

**Embedded Value** is an economic measure of the Society's long-term value to Members. It is calculated by projecting forward the Society's business allowing for a number of assumptions about lapses, sickness claims, expenses etc. and discounting the future surpluses or deficits, then adding the assets, to give the Embedded Value of the Society. The Embedded Value depends in part on future plans, especially those relating to new products and new sales.

The Embedded Value measure allows the Board to assess the longer-term impact of what management does and helps avoid short-term thinking. Embedded Value has increased this year, primarily reflecting the change in assessment of future claims costs.

## Risk-Tracking Principal Performance Indicators

**Solvency Ratio** is a measure of the risks undertaken and the resources available to meet these risks. A high number is good because it means there are surplus resources to meet any risks that materialise. The number can be too high, suggesting that assets are not being used effectively. The Solvency Ratio has risen over the year for a number of reasons, including the re-assessment of future claims costs. The Board will continue to monitor the Solvency Ratio and take steps to ensure that risks accepted can be managed properly. The Solvency Ratio remains significantly ahead of regulatory requirements.

# Strategic Report

## Member- and Stakeholder-Tracking Principal Performance Indicators

Lapses continue to be monitored. Low lapses are good for the Society and the implementation of its strategy. Lapses in 2021 were broadly in line with assumptions.

**Engagement** covers how committed our Colleagues are to the Society and its goals. We work hard to ensure that everyone working at the Society knows what is going on and how their contribution makes a difference to the service we provide. Our work in this area includes several different forms of regular communication. It is two-way, including surveys and less structured ways in which Colleagues can raise questions or discuss issues of concern. Keeping in touch has been particularly important while Colleagues have been working from home.



## Operating Practices as reflected in Performance from a Business Perspective

Our business performance in 2021 can be considered from three viewpoints: reacting to the pandemic, continuing to serve Members and building the future.

### Reacting to the Pandemic

Our performance, financial and operational, was dominated by our reaction to the pandemic. In 2020, we withdrew some products from sale as a result of the pandemic. We returned some, but not all, of these products to the market in 2021 and repriced to reflect the emerging risk profile of new business. In the wake of widespread vaccination, we removed our coronavirus exclusion for most products. We think that these actions are sensible now that we have a better understanding of the pandemic's effect.

We continually updated our underwriting approaches to reflect developing insights into coronavirus, while keeping current with reference to other conditions.

Having had all Colleagues working from home until June 2021, we began a phased return to the office, while trialling agile working. As with many businesses, it is far from clear whether full-time office working is necessary or desirable. We continue to consider different ways of working, with the safety of Colleagues as the primary consideration.

As in 2020, we decided that short- and long-term employee bonus plans would be inappropriate for 2021. A modest short-term bonus plan has been in place and no long-term plan was introduced. We continue to reflect on the need for these plans for 2022.

The Society again chose not to use any of the government furlough schemes, preferring instead to reduce discretionary spending and redeploy people to support Members or progress the strategy.

# Strategic Report

## Service to Members

This is vital for Members and the Society's growth. Overall, we have maintained our service standards throughout 2021.

Given the economic uncertainty, the Society decided to reduce bonus rates in 2020. I am delighted to announce that, as economic conditions have stabilised, bonus rates have been restored to their 2019 levels. It is important to be aware that bonuses are set based on the Society's performance and prospects and so may fall as well as rise.

## Building the Future

PRISM is in and working. We have already developed our first new product on PRISM, My Sick Pay, and launched it early in 2022. We will continue to explore opportunities for additional propositions that meet our objectives and risk appetite.

## Year End Position, Trends and Factors

Our job is to replace the incomes, in part, of Members who cannot work through sickness or accident. In 2021, we paid out £3.481m in income protection claims (2020: £3.419m).

We received fewer coronavirus-related claims than we expected. Generally, new coronavirus claims are treated as business-as-usual. It is too early to assess the possible impact of long covid.

## Year-end Position

A high-level summary of our position at the end of 2021 is as follows:

- the strategy and business model are appropriate
- PRISM has been implemented
- a new product suite, My Sick Pay, was launched in early 2022
- overall, the resourcing is right across the Society
- solvency is being actively managed
- pricing is sound
- sickness must be continually monitored
- the Sales team is effective in challenging times
- the investment policy is fit for purpose
- bonuses have been increased
- controls are in place, working and improving
- the risk management system is effective
- governance is sound and the Board is effective

- management is strong and able, and
- there is an appropriate focus on Colleague learning and development.

Sales were lower than expected. There are robust plans for sales in 2022 which depend on the progress of the pandemic and the market reaction to our new products.

We have the right level of Executive and senior management in place for the strategy at the current time.

The payment of bonuses from the 2017-2019 Long-Term Incentive Plan had been deferred at the request of the participants until the impact of the pandemic was clearer. In 2021, the Remuneration Committee and Board considered the bonus pool generated by this Plan and by the 2018-2020 Long-Term Incentive Plan. They determined that appropriate bonuses should be paid from each Plan. Details of the amounts are included on **page 46**.

The Remuneration Committee and Board considered the bonus pool generated from the 2017-2019 Long-Term Incentive Plan. This consideration was deferred, at my request, until the trading position stabilised.

# Strategic Report

## Trends and Factors likely to affect future development, performance or position of the business

### Trends

The effect of the pandemic on sales of protection products is unclear. Advisers do appear to be finding ways to secure business.

The pandemic has introduced a discontinuity in previous trend lines. We do not know how quickly it will be before business returns to previous norms.

### Factors

Now that PRISM has been launched, we are developing new products for sale. We have already launched My Sick Pay. Its success is a factor in our future performance.

As with any new system, there may be teething problems that impede some activities. We are well resourced to fix these issues quickly.

We expect to refine our operating processes further over 2022 primarily driven by PRISM.

We are reviewing how Colleagues might work at home once all pandemic restrictions have been lifted. The home working experience may allow us to improve service and capacity in ways that previously had not been considered.

The pandemic may yet affect the Society's performance.

As expected, Brexit does not appear to have had a major impact on the Society's operations.

The UK economy is facing increased inflation, higher interest rates, higher energy prices, and higher costs of living, all of which could dampen consumer spending. This could mean that fewer people wish to buy our products in future.

At the time of writing, war is being waged in Ukraine. The war is having economic effects including on inflation. It may be that unemployment rises or people can no longer afford our products. These effects might lead to higher lapses or a smaller market. The situation may drive higher interest rates and volatile stock markets, which might affect investment returns.

## Responsibility to the Community

In 2021, we continued our support for the James Hopkins Trust, a local children's charity providing support for severely disabled under 5s and their families. While our support was limited by pandemic restrictions, we were nevertheless able to arrange some fund raising.

Following established practice, the Society was pleased to match and top up the amount raised in 2021, with the result that £1,000 in total was donated during the year.

We are delighted to contribute to this very worthwhile local charity.

## Responsibility to the Environment

We carried out an audit of the Society's environmental impact and have taken steps to ensure that the Society was carbon neutral in 2021. We intend to maintain this position, while we seek other opportunities to ensure appropriate environmental stewardship.



# Strategic Report

## Risks to the Strategy and Risk Management

We face a number of risks, some of which are common to all insurers and some of which are specific to us. We consider the risks materialising as follows:

**Strategic risks** some recovery from the recent economic slowdown was seen in 2021. We hope that this progress continues in 2022. We continually review our plans in the light of experience and new information so that we can ensure that the Society remains financially healthy in the future. We expect the availability of our newly launched product, My Sick Pay, to help with 2022 sales.

**Market risks** we have a limited exposure to equities. As a result, changes in stock market levels have not had much effect on our balance sheet. Most of our assets are invested in cash, cash funds, high-quality government and corporate bonds, which have substantially maintained their value as interest rates have fallen. We will review, but have no plans to change, our investment approach in 2022.

**Operational risks** are being managed. We consider people, process, system and environmental risks and seek to ensure that we have effective controls in place.

**Claims Profile** despite the pandemic, we did not experience the increase in claims expected following our end-2020 assessment. We reviewed our assessment of future claims and have reduced

the expected claims outgo. We continue to focus on our claims handling processes to ensure that we pay valid claims quickly and that we play our part in helping our Members back to work.

**Solvency risks** have arisen because of the economic and social reaction to the pandemic. We cannot, for example, control interest rates. We continue to monitor these risks and take action where justifiable and appropriate.

**Risk modelling** will continue to be used to assess the impact on the Society of different pandemic scenarios and we will use this information to support our decision making. We are more confident about the long-term sickness assumptions following our experience in 2021 and improvements in our modelling. We will continue to develop our model.

### Risk Management in 2021

In 2021, the Directors carried out a robust assessment of all the risks facing the Society, including those which threaten its business model, future performance, solvency and liquidity. The principal risks are described below:

**Membership Numbers** every year, a number of plans reach their maturity date. We also expect a proportion of the Membership to surrender their plans. This might happen for understandable reasons (for example, the plan may no longer be

needed). Loss of any Member tends to weaken the Society, because their contribution to the Society's value is lost. If more Members than expected take this step, we may be financially weaker than expected. We monitor Member numbers continually.

2021 has been unusual because sales have been lower than expected. Despite this, our Member numbers are broadly unchanged.

**Claims Profile:** we expect to meet a number of claims each year. Every claim has a cost, which we meet because that is the reason for our existence. If more Members than expected are unable to work and hence claim, or if claims last for longer, we pay out more than expected.

We monitor the number of claims and their cause continually. We continue to apply high standards in processing the claims that we receive. Good claims management is at the heart of the Society's financial soundness. We use this information to set premium rates and to adjust underwriting and claim procedures. We regularly review claims in payment to assess what extra can be done to help a Member return to work.

# Strategic Report

**Product risks** As we develop new products, we will become exposed to new and different product risks, which will be closely managed. We have recently reviewed our assessment of sickness risk and are satisfied that the revised approach is a better representation of the impact of future sickness on the Society.

**Strategy Execution** Our strategy involves a significant amount of change. Of course, events do not always happen as planned, and this is a risk that is constantly managed.

PRISM's implementation is a major step forward in the execution of strategy. Our challenge now will be to add new products and benefit from the productivity improvements that PRISM provides.

**Sales growth** consumes capital in the short term. It is important that our products are appropriately priced, and that any new risks being accepted are well understood.

**Recurring expenses** may be too high. The Society has to balance the level of new sales with its recurring expenses. If recurring expenses are too high, profitability falls. If we spend too little, there is a danger we don't provide services to Members of the right quality. This risk is managed by careful budgeting and financial control, and monitoring service provision.

**Underwriting changes** are a risk. We have made changes based on research and expert opinion. If the actual outcome of the changes is very different to that expected, the costs to the Society of claims may be much higher than expected. This risk is managed through careful attention to emerging claims and being prepared to make further changes in future.

**Solvency risks** all of these risks may affect the Society's future solvency. Our current assessment is that solvency will remain in excess of the regulatory requirements. We will continue to assess the solvency position and take appropriate action to ensure regulatory compliance.

**Governance risks** as the Society operates in a heavily regulated environment, high standards are expected from those charged with overseeing and running insurers.

We seek to meet regulatory requirements in spirit and letter. Given the volume of regulation and its complexity, this requires considerable resource and focus. A breach of regulation may lead to censure from the regulators.

This risk is managed by developing our governance functions, working with appropriate external professional advisers and through continual review of work, together with appropriate liaison with

regulators. We are active members of a number of industry bodies and trade associations. Our participation allows us sometimes to influence, and otherwise helps us improve our understanding of emerging market and regulatory issues.

## Broader Matters Considered by Directors in Performing their Duties

Directors are generally obliged to consider a range of matters in discharging their duties. This Annual Report describes a number of specific matters. Directors are also expected to report on how they have considered broader matters. Specifically:

### Likely consequences of any decision in the long term

The Directors always consider the long-term impact of the decisions that they discuss. Generally, the long-term impact means that strategy has to be considered, while short-term decisions are tactical. The Directors always consider whether tactical decisions might affect strategy, including possible unexpected consequences.

### The interests of our Colleagues

Caring for those who work for the Society is central to our decision making. As a knowledge business, the Directors recognise that continuing high levels of service and developing the strategy require engaged, committed, well-trained and motivated Colleagues.

# Strategic Report

## **The need to foster the Society's business relationships with suppliers, Members and others**

The Directors intend the Society to be a good corporate citizen. Treating Members well is central to our mission and strategy, and is required by regulation, so is considered as part of all decisions. The Directors expect the Society to work properly and reasonably with Advisers, ensuring that regulations, especially regarding conduct, are followed in spirit and in deed. Decisions regarding sales are taken with particular focus on the short and the longer term and the expected outcomes for Members. The Directors expect the Society to work closely with its suppliers to ensure that there is a long-term, viable, mutually supportive relationship with all stakeholders and consider this in decisions that are made. More details are provided in the 'Operating Practices' section earlier.

## **The impact of the Society's operations on the community and the environment**

The Directors seek to ensure that the Society is a responsible employer and supports its local community. It is active in supporting a local charity (see 'Responsibility to the Community' section earlier). The Directors always consider the community and environmental impact of decisions.

## **The desirability of the Society to maintain a reputation for high standards of business conduct**

The Directors expect the highest standard of business conduct from all those working for the Society, congruent with regulatory obligations. Every decision is considered from this perspective by the Directors. More details are provided throughout this report.

## **The need to act fairly between stakeholders**

The Directors expect that all stakeholders are treated fairly and appropriately and expect to see that an appropriate balance has been struck between stakeholders for all decisions.

## **Coronavirus and Broader Matters**

In responding to the coronavirus pandemic, we have had to make a number of decisions to ensure that our Colleagues are safe, that we continue to provide good service to Members, that terms for new business are appropriate and that valid claims are paid. We have regard to how our actions will be judged in future by our business partners and how our decisions will affect the Society's future.

Throughout the pandemic, we have maintained regular communications with business partners, including Advisers. We seek to strike a balance between growing the Society and ensuring that Members understand how our products can be used if someone cannot work due to a coronavirus-related condition.

By behaving in this way, we think we will best serve our community and current and future Members. We are treating everyone fairly and maintaining our integrity in the market.

## **The Environment, Climate Change & Sustainability**

The Society has significantly enhanced its activities regarding climate change in particular and sustainability in general.

We took steps in 2021 to address the Society's carbon footprint. We measured our emissions from our gas, electricity and other consumables, and offset them via high quality projects accredited by The Gold Standard Foundation. In 2022 we will start to measure our indirect emissions from activities such as business travel.

We recognise that offsetting our emissions is a temporary solution. We want to reduce our emissions to zero, and are investigating ways to achieve this.

Our sustainability focus is less well developed, but is vibrant nevertheless. Our Colleagues have suggested a number of different sustainability-related projects and we are in the early stages of implementing a small number of them. These projects will bear fruit over time, and we expect to add new projects as existing ones are completed.

# Strategic Report

In this way, sustainability will become increasingly embedded in the way that the Society works.

We intend to comply, in time, with the disclosures suggested by the Task Force on Climate-related Financial Disclosures. This is the recognised standard worldwide for assessing environment impact. These disclosures are voluntary for a firm of our size, but we feel it is important to demonstrate our willingness to embrace this important topic.

We continue to consider our activities under four pillars of sustainability. Specifically:

**People** We have introduced a wellness forum for all Colleagues together with access to trained support for mental health and anxiety issues. We extend the same services to all Members, especially those who are claiming.

**Prosperity** is at the heart of the products we offer. Our products ensure that those who are too ill or injured to work still receive an income. Alongside, we have dedicated funds available to help our Members recover faster or to make life while unable to work that little bit easier. We design our products and services with Members' needs first, including simplifying our claims process and innovations such as removing automated medical limits so we can focus on people, not measurements.

**Planet** As described earlier, we have made tremendous strides in addressing the environmental impact of our day-to-day work and we have a continuing programme to extend and embed this thinking.

**Governance** is often the dull part of making the sorts of changes we are fostering. It is important that our purpose reflects our responsibility to the environment and that this purpose flows out and is shared by our partners. So, for example, our investment manager, LGT Vestra LLP, has stated in writing how it chooses which firms to invest in, and directly prohibits investments in thermal coal, nuclear weapons etc. Full details of this code are available on [www.holloway.co.uk/shareholder-rights-directive-policy](http://www.holloway.co.uk/shareholder-rights-directive-policy).

We plan to extend our sustainability activities in 2022 to include liaison with other Association of Financial Mutual firms and local groups in Gloucester.

In summary, we have pressed ahead with activities to respect and respond to our environment and to embrace sustainability activity. We feel we have made a strong start to this work, and look forward to reporting further success in the future.

## Directors' Assessment

Having examined the prospects for the Society and the risks that it faces, the Directors have assessed the Society's prospects over the five-year period from 31 December 2021. This assessment was driven by an analysis of how the business might perform in a number of different circumstances, with proper allowance for the possible impacts of coronavirus. The resulting outcomes were discussed and helped to shape the development of the business plan.

As a result of these assessments, the Directors have a reasonable expectation that the Society can continue to progress over this time horizon, meeting all of its liabilities as they fall due, allowing for the impact of the coronavirus pandemic.

The Board has considered the effectiveness of the internal control and risk management systems. Both of these systems have continued to be monitored during 2021 and risk and control effectiveness information has been provided, in the context of the Society's business plan.

The Board has received independent assurance over the effectiveness of its internal control environment. Having considered the material available to it, the Board is satisfied that the internal control and risk management systems are effective.

# Strategic Report

## Conclusion

The foundations of the Society's strategy are its strong service culture. The new products that PRISM allows us to offer are built on this service culture and mean that the Society is attractive to new Members and to Advisers everywhere.

While coronavirus has set back our plans, the Society is positioned well to capitalise on new opportunities as they emerge.

The Executive, senior management and all of our Colleagues remain enthusiastic about the Society's mission and are committed to taking the necessary steps to achieve it for the wider Membership. I look forward to the opportunity to continue this work into 2022 and beyond.



**On behalf of the Board of Management**  
**Stuart Tragheim, Chief Executive**  
08 April 2022



Annual Report 2021

# Bonus Report

# Bonus Report

## Apportionment of surplus, compound and final bonus

Traditional Holloway plans were designed to build up a capital sum to be provided at the maturity of the plan. The capital sum grows by the application of bonuses, which reflect a share in the Society's profits.

### Apportionment of surplus

This is calculated as an annual amount per unit held which is added to the capital account of the Member. Based on the advice of our With Profits Actuary, the Board has declared a higher bonus rate for 2021, as follows:

Bonus Declarations		
Apportionment of Surplus	2021	2020
Holloway Old Tables	£1.30	£1.10
Holloway New Tables and Classic	£1.50	£1.25
Holloway New Classic Plan	£1.25	£1.05
Holloway Premier Plan	£0.20	£0.15
Holloway Classic Plus	£0.90	£0.75
Holloway Classic Plus – Guaranteed	£0.75	£0.60
Holloway Classic Plus – New Table	£0.30	£0.25
Provident Standard, Provident D13 and D26	£1.30	£1.10
Provident Commuted	£2.40	£2.40
Holloway Commuted	£1.86	£1.55

### Compound bonus

Based on the advice of our With Profits Actuary, the Board has retained compound bonuses at their 2020 levels. The amounts to be credited to Members' Accounts for 2021, are as follows:

Credit to Members' Accounts	2021	2020
Compound Bonus	1.5%	1.5%



### Final bonus

Final bonus is added to the capital sum immediately prior to the maturity of the plan, or in other specific circumstances.

The levels of current final bonus are available on request.

Final bonuses are kept under continual review and are declared by the Board based on the advice of our With Profits Actuary. If the value of the Society's surplus or investments changes suddenly or the numbers of Members claiming increases beyond expected levels, the final bonus may be changed before the next scheduled review.

On behalf of the Board of Management  
Stuart Tragheim, Chief Executive  
08 April 2022

Annual Report 2021

# Report of the Board of Management

# Report of the Board of Management

## Introduction

The Board has pleasure in presenting the Annual Report of the Original Holloway Friendly Society Limited to its Membership for the year ended 31 December 2021.

## Principal Activities and Objectives

Our principal activity is the provision of income protection insurance, including insurance based on Holloway principles, to people based in the UK and Isle of Man. The Society has a very small number of Members who live outside these areas. No activities have been carried out which are outside the Society's powers.

Our business is to sell protection products through Advisers to people who need the support that the Society's products provide.

## Outcomes for Members

### Bonuses to Members

The bonuses payable to Holloway plan Members are set out in the Bonus Report on **pages 23**.

### Service to our Membership, Feedback and Complaints

We continue to make every effort to provide a first-class service. We welcome feedback from Members and Advisers and act on the responses received.

From time to time, complaints are received. We have established systems to ensure that complaints are handled with care and sensitivity. All complaints are thoroughly and impartially investigated. Members always have the right to raise their complaint with the Financial Ombudsman Service, which we encourage if Members remain dissatisfied.

### Financial Position

The Society has maintained levels of solvency above its Solvency Capital Requirement (the regulatory requirement). Throughout this year, the Board has developed its understanding of the impact on solvency of a range of different outcomes. The Board receives monthly solvency estimates, supported by periodic valuations. As a result, the Board understands the risks of different possible business plans and can provide effective challenge.

### PRISM Development

A Board sub-committee was established to oversee PRISM's development. As PRISM has been delivered, this sub-committee was disbanded.

## Corporate Governance

The Corporate Governance Report provides information about the Board, including details of the Directors, the Board's responsibilities and activities and the operation of its permanent Committees, including attendance by Committee members.

## Opportunity and Risk

The Board has considered and assessed how the Society can best create and preserve value over the long term. In doing this, the Board considered tangible and intangible sources of value and the roles of stakeholders, together with processes for identifying innovation and entrepreneurship. The opportunities considered depend on the Board's attitude to risk and the Society's long-term strategy and prospects.

The Board is responsible for the Society's overall approach to strategic decision making and risk management. It has oversight of the risks faced by the Society and the plans for their management, including who is accountable to stakeholders for each risk. Most of this work is delegated to the Audit and Risk Committee, the Chief Risk Officer and the risk function, with appropriate reporting to the Board.

The Board has established its approach to managing the risks posed by conflicts of interest. Most of this work is delegated to the Nomination Committee, which reports on it to the Board.

# Report of the Board of Management

The Board has established an internal control framework with clearly defined roles and responsibilities. Most of this work is delegated to the Audit and Risk Committee, which reports on it to the Board.

## Remuneration

The Board has established a Remuneration Policy which recognises that appropriate and fair levels of reward are necessary to enable the Society to secure and retain high-quality people, be they Executives, senior managers, members of the sales team, operations or support and governance teams. In particular, the Board is satisfied that there is a strong alignment between the remuneration of Executives and the Society's performance, and that this alignment demonstrates shared purpose and common objectives. The alignment follows throughout the Society, based on the nature and seniority of each role.

The Remuneration Policy has been developed around principles which align with the Society's culture, values and long-term success, and include consideration of matters such as gender pay gap reporting.

The Remuneration Policy is transparent, as disclosed in this report. As a result, the Society is accountable to Members over remuneration matters. In determining the Policy, the Board

has considered the Society's broader operating context including the pay and conditions of the wider workforce as well as the pay and benefits of Directors and senior management.

Most of this work is delegated to the Remuneration Committee, which reports on it to the Board.

## Board's Responsibilities

The Board has a duty to report to Members on the Society's performance and its financial position. It is responsible for preparing the financial statements on **pages 56-72**.

The Society's Rules and UK law require the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Society and of its results for that period. In preparing those financial statements, and in carrying out the business of the Society, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, disclosing and explaining any material departures, and

- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Society and to ensure that the accounts comply with the Friendly Societies Act 1992 and are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and FRS 103 'Insurance Contracts', and applicable law).

# Report of the Board of Management

As at the date of this report, each Director confirms that, so far as each individual is aware:

- there is no information relevant to the audit of the Society's financial statements for the year ending 31 December 2021 of which the auditor is unaware, and
- all steps have been taken that an individual ought to have taken to: discharge the duty of a Director; to become aware of any relevant audit information, and to establish that the Society's auditor is aware of that information.

The Board is responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Culture and Values

The Board is responsible for the Society's culture. The Society's values were developed by a group of Colleagues in 2016. The Board has agreed that the values are appropriate.

The purpose and the values together inform the expected behaviours of all those who work for the Society. The values are integrated into the Society's different functions and operations, including internal audit, compliance and risk management functions.

The Directors recognise that a healthy corporate culture is critical to the Society's competitive advantage and is vital to the creation and protection of long-term value.

Activities to ensure that the agreed culture and values are embedded throughout the Society are largely delegated to the Chief Executive, who shares the work with his Executive and senior management.

Culture and values are not easy to manage or direct. Our approach is that by doing things right, the right culture should emerge. The Chief Executive leads by example, stressing the need for high quality Member service, mutual support, fairness, teamwork, honesty, wholeheartedness, innovation and continual improvement. These values and associated behaviours, consistently identified, used as the underpin for action, and implemented, should drive the right culture.

The policies and practices guiding behaviour and treatment at the Society are aligned with our purpose and values. They include clear procedures

for raising concerns, such as via several possible whistleblowing routes, which are reviewed regularly.

The Society measures culture primarily via a six-monthly survey. Results are shared with the Board.

## Responsibility for the financial impact of climate change

The Directors take responsibility for assessing and managing the Society's interaction with its environment and the consequences for climate change seriously. They have regard for regulatory advice and guidance, but more importantly, are keen to treat the environment with respect.

## Regulatory Guidance on Climate Change

The Society's assets are exposed to the market risks arising from climate change. They are primarily invested in a diversified portfolio of UK bonds of fairly short duration. Stress tests are performed every year to ensure that the Society can continue to meet its obligations in unfavourable markets. We will continue to monitor and assess the appropriateness of our assets.

The Society is exposed to the physical risks of climate change. Sickness is the Society's most material risk and some studies have demonstrated a connection between increased temperature and increased sickness. The Society reviews its sickness assumptions every year and performs stress tests to ensure that it could meet its obligations if sickness was worse than assumed.

# Report of the Board of Management

## Environmental Impact

As a relatively small firm providing a product (insurance) that is virtual rather than physical, the Society's direct impact on the environment is minimal. This notwithstanding, we are mindful of our responsibility to protect and tend to our environment. As a Society, we want to play our part in sustaining a healthy planet for all to enjoy. We do not invest in thermal coal because of its high carbon emissions. We will continue to work with our investment managers to develop our investment strategy in line with these goals.

This year, the Society undertook an environmental audit and, based on the results, took steps to offset its carbon contribution. As a result, the Society was carbon neutral in 2021. We intend to maintain this position in the future.

## Uncertainty involved in Estimates

Part of the Society's strategy is to extend its product range into new markets. Sales of any new product start low and build over time. We track the sickness and recovery of our Members to ensure that we have set our premium rates at the correct level. In doing this analysis, it is very difficult to distinguish between the underlying sickness level represented

by the claims we receive and natural fluctuations that can distort the numbers. These natural fluctuations tend to dominate when there are only a few plans and even fewer claims.

Currently, we do not have enough claims to rely solely on the mathematics in deciding on our best estimate of future claims and recoveries. Instead, we rely on the judgement of our actuaries and the challenge of our Board. This judgement is particularly important with rapid growth of a small business and when considering the small number of very long claims. The Board considers the advice of the Chief Actuary and challenges the assumptions that are proposed, including how they have been derived.

Having robustly considered the position, the Board is satisfied that its technical provisions are an appropriate long-term best estimate, with due allowance for current understanding of the impact of the pandemic. Last year, we noted that this assessment might change as our understanding of the pandemic's implications changed. This is exactly what has happened. The pandemic effect on Members is much lower than previously forecast. We have continued to develop our sickness forecasting. Overall, we are content that the assessment is the right one.

That said, we recognise that the situation is volatile.

## Directors' Conclusions

The Directors are satisfied that it is appropriate to adopt a going concern basis of accounting in preparing the financial statements. They have concluded that there is no material uncertainty that would impair the Society's ability to present its accounts on this basis for the twelve months following the signing of the accounts.

After due consideration, the Directors have concluded that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Members to assess the Society's performance, business model and strategy.

## Appointment of Independent Auditor

A resolution to reappoint BDO LLP as the Society's Independent Auditor will be proposed at the forthcoming AGM.

# Report of the Board of Management

## Character of the Board

### Diversity

The Board strongly believes that diversity of thought, attitude and background throughout the Society is a driver of business success. Diversity brings a broader, more rounded perspective to decision making and risk management, making the Board and senior management more effective. The Board believes that diversity includes, but is not limited to, criteria such as gender, social and ethnic backgrounds, cognitive and personal strengths, and experience of different businesses. It strives, in its recruitment, to continually improve its diversity.

Appointments to the Board demonstrate efforts to establish an appropriate balance of expertise, diversity and objectivity. Appointments to the Board and succession planning take into account the Board's diversity policy.

In early 2022, two new Non-Executive Directors were appointed to the Board. Both will offer themselves for election at the forthcoming AGM and their biographies are included later on **page 34**.

### Board Effectiveness

The Board is responsible for assessing its own performance and effectiveness. From time to time, it commissions external parties to assess its effectiveness and to support its development. In

2021, an external review was undertaken of the Board's character and the quality of the materials provided for Board and Committee meetings.

The external assessment of Board character was useful in identifying methods to ensure better cohesion and understanding across the Board and identifying possible blind spots. The external assessment of materials suggested that they were routinely of a high standard. In both assessments, suggestions for further development and improvement were made.

In 2021, the Chair held formal evaluation meetings with each Director.

Overall, the Board demonstrates a high level of competence relevant to the Society's business needs and stakeholders. In particular, the Board is satisfied that it is of the size and is appropriately structured to meet the Society's strategic needs and challenges, and to enable effective decision making.

### Board Disclosures

The Society maintained indemnity insurance against Directors' and Officers' Liability.

The Society made no political donations during the financial year.

### Serving the Membership

The Board is committed to serving its Members, who are the Society's owner and customer. Communication with Members is encouraged via letters, email, the website, telephone, survey responses and an invitation to the AGM.

Members are encouraged to use their vote. The Society continues to offer different ways of casting votes to make it easier including allowing Members to cast their vote electronically or complete and return the proxy voting form.

At the AGM, the Chief Executive presents the previous year's performance and describes our future plans. All Board Members expect to be available to answer Members' questions. The 2021 AGM was held by video conference due to coronavirus restrictions and it is likely that the 2022 AGM will similarly allow online participation.

### Stakeholder Relationships and Engagement

Mutual organisations create a social, economic and environmental impact, but they do not operate in a vacuum and they are not immune to changes in their markets or in the wider world. Sustainable business benefits the wider community. The Society has a responsibility to create and sustain long-term value for a variety of stakeholders including its impact on the environment.

# Report of the Board of Management

The Society has identified the stakeholder relationships that are integral to its ability to generate and preserve value, including with Members and with those who work for the Society.

The Society has a comprehensive programme of engagement with stakeholders, primarily consisting of regular face-to-face meetings, but including more informal opportunities for a meaningful dialogue. We maintain regular dialogue with important suppliers and Advisers. We demonstrate how we value these relationships by paying our bills promptly, working in a professional and productive manner and monitoring how contracts are fulfilled.

We value our local community as a material stakeholder, as evidenced in our selection of the James Hopkins Trust, a local children's hospice, as our supported charity.

## Reporting to Members

This Annual Report is the primary way in which we seek to present to Members a fair, balanced and understandable assessment of the Society's position and prospects on an annual basis.

## Applying the AFM Corporate Governance Code: Purpose and Leadership

The Directors recognise the need for them to act with integrity and to lead by example, particularly in the behaviours of the Executive Directors, which are more visible to all at the Society on a day-to-day basis.

The Directors recognise the need to build positive relationships with all stakeholders (regulators, Advisers, investment managers, consultancy firms, all those working for the Society, and Members). This year, Directors have been responsible for building relationships with each category of stakeholder. The Board ensures that the Society operates with a clear sense of purpose and a collective vision. Activities that promote the sense of purpose and the vision for all are largely delegated to the Chief Executive, who shares the work with his Executive and senior managers.

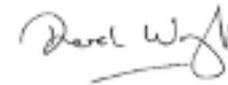
With this in mind, the Chief Executive meets monthly with all at the Society to discuss progress within the context of our purpose and vision. He meets separately with the Executive and senior management to discuss higher level and strategic objectives, again in the context of the Society's purpose and vision. This has been especially important and valued this year, as home working was the norm and business pressures mounted.

The purpose and vision are discussed with all stakeholders as appropriate.

As a result, the purpose and vision set the context for the decision-making process to achieve long-term sustainable success.

## Thanks and appreciation

The Directors add their thanks to those of the Chair and Chief Executive, and formally note their appreciation of all those at the Society who continue to demonstrate dedication and hard work on behalf of Members and Advisers.



**On behalf of the Board of Management  
Derek Wright, Chair  
08 April 2022**

# Report of the Board of Management

## Corporate Governance Report

### Accountability

The Board has established and maintained corporate governance practices that provide clear lines of accountability and responsibility to support effective decision making. These practices include an effective Committee structure, scheduled meetings, schedules for Board and Committee business, high-quality papers and input where appropriate from the risk management function. Business for the Board and its Committees includes consideration of the performance of business functions, led by the accountable Executive.

The Society's Rules, read in conjunction with the Friendly Societies Act 1992, the FCA Handbook and PRA Rulebook, set out the authority, accountability, role and conduct of Directors and the principal rights and responsibilities of Members.

### About the Board, Its Role and Character and Organisation

#### Role and Responsibilities

The Board is collectively responsible for the long-term success of the Society. Its role is to provide entrepreneurial leadership of the Society within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board sets the Society's strategic aims, ensures that the necessary financial and human resources

are in place for the Society to meet its objectives, and reviews management performance. It agrees the Society's values and standards and ensures that its obligations to Members, including reporting to Members on the Board's stewardship, and others are understood and met.

In meeting its responsibilities, the Board is expected to ensure good corporate governance. In short, this means that the Board has to ensure that the Society is well run. The process of ensuring good governance starts at the top, hence there is a focus on the governance of the Board and its Committees. It is these matters that are addressed in this report.

The Society produces an annual Solvency and Financial Condition Report which provides more details about the Board's assessment of the Society's financial strength and its governance. This report is available on our website [www.holloway.co.uk](http://www.holloway.co.uk).

#### Ensuring High Standards of Corporate Governance

In assessing the quality of corporate governance, the Board draws upon the views of Directors, emerging industry and wider corporate concerns and expectations, and published materials on corporate governance.

The Society complies in full of the AFM Corporate Governance Code.

#### The Value of Independent Challenge

The Society values the independence of thought and challenge that independent Non-Executive Directors can deliver in the context of overall Board composition and organisational structure. The Board continually seeks opportunities to promote independent thought in its decision-making processes. More than half of its Directors are considered to be independent. At the end of 2021, the Board comprised two Executive Directors and five Non-Executive Directors. Subsequently, two new Non-Executive Directors have joined the Board.

Independent challenge in Board and Committee decision making mitigates the risk of individuals having unfettered powers. Independent challenge allows for broader industry experience to be taken into account and improves the objectivity of decision making. It encourages constructive problem solving and tends to benefit firms in the long term.

# Report of the Board of Management

## Board Mechanics

The Board expects to meet formally at least five times every year together with one or two strategy and development days. Additional meetings, seminars and workshops are held as required to support the formulation of strategy, to address any emerging issues and for training or professional development purposes.

The letters of appointment for Non-Executive Directors are available to Members on request. The Company Secretary is the secretary to the Board and is responsible for advising the Board on all governance matters and for helping ensure that the Board acts in an orderly and effective fashion.

The Board as a whole considers the appointment and removal of the Company Secretary.

## Integrity of Information

The Board has confidence in the quality and integrity of the information used for decision making and reporting within the Society. There are formal and robust internal processes to ensure that systems and controls are operating effectively. Information sources used and shared are broad as well as deep.

Board papers are expected to be of high quality and to generate appropriate discussion and challenge leading ultimately, where necessary, to well-documented and effective decision making.

From time to time, the Board Chair, the Chairs of the Committees and the Company Secretary meet to review the governance processes and to confirm that they remain fit for purpose. They consider initiatives which could strengthen the Society's governance and more detailed matters such as the quality of Board papers and the structure of meetings.

## The Chair, Chief Executive and Senior Independent Director

There are role profiles for the Chair, Derek Wright, the Chief Executive, Stuart Tragheim, and the Senior Independent Director, John Holland, which describe the duties of each role.

The Chair's priority is leadership of the Board and ensuring its effectiveness. He ensures that all Directors have appropriate information and he facilitates constructive discussion. The Chair was considered independent on appointment.

The Chief Executive's priorities are the formulation of strategy, its execution and the management of the Society overall.

The Board has delegated authority for the operational management of the business to the Chief Executive, who makes decisions on matters that are necessary for the effective day-to-day running and management of the business within

certain limits. Above these limits, matters must be escalated to the Board for consideration and approval.

The Senior Independent Director's priority is to act as an alternative person to whom stakeholders can raise concerns, to serve as an intermediary for the other Directors or Members and, with other Directors, to evaluate the Chair's performance. He holds annual meetings with the Board, the Chair being absent, to discuss the Chair's performance. He then meets privately with the Chair to discuss the findings. The current Senior Independent Director is stepping down from the Board at the next AGM. Subject to the formalities, it is expected that this role will be taken up by Anna East.

# Report of the Board of Management

## Non-Executive Directors, Executive Directors, Independence and the Balance of the Board

The Non-Executive Directors are independent of management, bringing effective and constructive challenge to the deliberations of the Board and helping to develop proposals on strategy. The Executive Team is led by the Chief Executive and prepares and presents business to be conducted by the Board and its Committees. The majority of the Directors on the Board are Non-Executive.

Using commonly applied tests, the Society's Non-Executive Directors are deemed independent except that they, along with the Executive Directors, have plans with the Society, making payments on an arms-length basis. The Board, having considered the matter, considers that all of its Non-Executive Directors are independent in character and judgement.

All Directors are subject to regular re-election.

The Board is comprised of an appropriate balance of diverse and complementary skills necessary to competently oversee an insurer. Its collective experience and skills cover the areas of strategy, management, sales, distribution and marketing, execution, accounting, actuarial and audit matters, information technology, investment management, risk management, prudential regulatory and

conduct oversight, and the appropriate and effective operation of a board.

As a result, the Board is well placed to meet the requirements of its immediate stakeholders (Members, current and future, our colleagues, regulators and Advisers) and the wider industry. The combination of skills, backgrounds, experience and knowledge of the Board members promotes accountability and incorporates objective thought, which in turn provides constructive challenge to achieve effective decision making. The Board is appropriately balanced, and by being so, promotes effective decision making and supports the delivery of the Society's strategy.

Conflicts of interest can arise and could compromise decision making. The Board has agreed that any relationship or circumstance that is likely to affect, or could appear to affect, a Director's judgement should be disclosed and recorded in the register of conflicts of interests. Directors are obliged to inform the Society of any new conflicts that arise. The register is updated at every meeting or earlier on request.



# Report of the Board of Management

## Profile of Directors

The following Directors are expected to be serving on the Board after the AGM in 2022. We have shown the details of those that are offering themselves for election at the 2022 AGM first, followed by all other Directors.

### Offering themselves for election at the 2022 AGM:

#### **Anna East, Independent Non-Executive Director.**

Anna joined the Board in November 2015. Anna is a solicitor having practiced at Eversheds and a financial services plc. Anna was the chair of the Dudley Building Society and Vice Chair at Midland Heart Housing Association as well as chair of its audit committee. She is a non-executive director at Entrust which is a national regulator. Anna has held a number of NHS Board roles and is a governor of King Edwards School in Edgbaston, Birmingham.

Anna chairs the Society's Nomination and Remuneration Committees and is a member of the Society's Audit and Risk Committee.

Anna is retiring by rotation and is offering herself for re-election for a one-year term. Anna's contribution is important to the Society's long-term success because she brings a legal perspective and experience in conduct and risk management, as well as broad insurance management experience, to the Board and its Committees.

#### **Lynzi Harrison, Independent Non-Executive Director.**

Lynzi joined the Board in February 2022. Lynzi is a qualified management accountant and has recently started her role as COO of Novia having previously held senior roles at LV=, Quilter plc and its predecessor firms, Old Mutual Wealth and Skandia. She brings a wealth of experience including risk, governance, finance and change all acquired in the financial services industry.

Lynzi is a member of the Audit & Risk Committee and IT sub-committee.

Having been appointed to the Board earlier in 2022, Lynzi is offering herself for election for a three-year term at the first AGM following her appointment.

#### **Andrew Horsley, Independent Non-Executive Director.**

Andrew joined the Board in February 2022. Andrew is a Fellow of the Chartered Governance Institute with over 30 years' experience in the financial services sector. Andrew recently retired from Cirencester Friendly where he was Company Secretary and Head of Compliance, having previously held senior roles at Engage Mutual. Andrew was previously a Non-Executive Director at The Chorley & District Building Society where he had been Vice-Chair of the Society and Chair of the Nomination & Remuneration Committee.

Andrew is a member of the Nomination and Remuneration Committees.

Having been appointed to the Board earlier in 2022, Andrew is offering himself for election for a three-year term at the first AGM following his appointment.

#### **Adrian Humphreys, Independent Non-Executive Director.**

Adrian joined the Board in November 2015. His previous roles include chair of the protection business within JLT Benefits Consulting practice. He is a specialist in corporate healthcare and risk provision. Adrian is an independent non-executive director of Benenden Healthcare. Adrian previously spent 15 years of his career working for Western Provident Association ('WPA'), a not-for-profit health insurer. For 10 years, he was the Managing Director of WPA's Corporate Division. Prior to this he worked for the management consultant Arthur D. Little Inc.

Adrian has an MBA from Cranfield and a PhD in the field of Physics and Mathematics.

Adrian chairs the Society's Investment Committee. Towards the end of the year, he joined the Audit & Risk Committee. He is a member of the IT sub-committee.

# Report of the Board of Management

Adrian is retiring by rotation and is offering himself for re-election for a one-year term. Adrian's contribution is important to the Society's long-term success because he brings commercial experience and investment-focused challenge to Board and Committee discussions.

**Derek Wright, Chair of the Board, Independent Non-Executive Director.** Derek joined the Board in February 2017. Derek is an actuary and has worked in the life insurance industry as a practitioner and as a consultant. Derek was the chief actuary of Laurentian Life in Gloucester until its sale in 1995, after which he joined Deloitte LLP where he set up its UK actuarial practice. He was appointed a partner of Deloitte in 1999. From 2011, until his retirement in 2015, Derek led the Canadian actuarial practice of Deloitte. Much of Derek's time at Deloitte was spent on audit and risk consulting activities to the insurance industry.

Derek is a non-executive director and chair of the audit committee of AVIVA International Insurance and a non-executive director of Schroders Pension Management Ltd. He chairs the Insurance Accounting Committee of the International Actuarial Association.

Derek is the Chair of the Board of Management. He is a member of the Nomination and Remuneration Committees. He is a member of the IT sub-committee and a Director of HF Life Limited.

Derek's contribution is important to the Society's long-term success because of the broad knowledge and experience in technical and commercial insurance matters, and the financial and actuarial expertise, that he brings to Board and Committee discussions.

## Directors serving within their elected term

**Dave Cheeseman, Independent Non-Executive Director.** Dave joined the Board in February 2020. Dave has over 30 years' experience in the life insurance industry. He brings a strong mix of financial, actuarial and operational skills to the Board. During the last 12 years he has been a board member of a number of different life companies. From 2010 to 2016 he served as chief finance officer of AXA UK Life and between 2017 and 2020 he performed the same role for Phoenix Life.

Dave is an actuary with a degree in Mathematics from Nottingham University.

He is the Chair of the Audit and Risk Committee and a member of the Investment Committee.

Dave's contribution is important to the Society's long-term success because of the financial expertise he brings to the Society, including detailed knowledge of the regulatory framework.

**Paul Harwood, Chief Financial Officer and Chief Risk Officer, Executive Director.** Paul joined the Board in November 2017, having joined the Society in April 2017. Paul has worked in the international financial services sector for over 20 years in a variety of roles, including as chief actuary for an LSE-listed international financial services group and as a risk management specialist for the Irish Insurance Regulator following Solvency II's implementation.

Paul is an actuary. He is a governor of King William's College based on the Isle of Man.

He is a member of the IT sub-committee.

Paul's contribution is important to the Society's long-term success because, as Chief Financial Officer and Chief Risk Officer, his technical knowledge of finance, actuarial and risk matters and his broader insurance management and executive experience is important in developing the Society's detailed plan, budgets, pricing and forecasting, as well as presenting results to the Board and its Committees and stimulating appropriate discussion and challenge.

# Report of the Board of Management

## **Stuart Tragheim, Chief Executive**

**and Executive Director.** Stuart joined the Society in June 2016 as Chief Executive Designate and became Chief Executive in October 2016, at which point he joined the Board. Stuart has worked in the financial services market for over 35 years in a range of strategy, leadership and business development roles including with various market leading firms such as Lloyds Banking Group, Equiniti and LV=. He has run his own consultancy business providing strategic and business development advice and support to financial services businesses (insurers, reinsurers, banks, building societies, distributors, charities and retailers) focused mainly on strategy development and implementation.

Stuart has considerable board, executive and industry experience and contributes regularly to industry-wide developments. He sits on the Board of the AFM and is a member of ABI's Protection and Health Board. Formerly, Stuart was a member of the PRA Practitioner Panel Insurance sub-committee and the Board of the Investment and Life Assurance Group.

Stuart is a Member of the Society's Nomination Committee. He is a Director of HF Life Limited and serves as Chair of that company. He is a member of the IT sub-committee.

His contribution is important to the Society's long-term success because, as Chief Executive, he is the architect of the current strategy and the Executive most accountable for its successful implementation. These roles stem from his knowledge and experience of the mutual sector and the insurance industry gained in a number of roles in executive, general, distribution and marketing management.



# Report of the Board of Management

## Attendance

The table below shows the attendance of the Directors at Board and Committee meetings.

Board and Committee Meetings 2021									
Name	Board		Audit and Risk Committee		Nomination and Remuneration Committees		Investment Committee		
	Attended	Out of	Attended	Out of	Attended	Out of	Attended	Out of	
Dave Cheeseman	10	10	6	6			2	2	
Anna East	10	10	6	6	6	6			
Paul Harwood	10	10							
John Holland	10	10			6	6	2	2	
Adrian Humphreys	8	10					2	2	
Graham Newitt <sup>1</sup>	9	9	6	6			2	2	
Stuart Tragheim <sup>2</sup>	10	10			4	4			
Derek Wright	10	10			6	6			

<sup>1</sup> A Director or Committee member for part of 2021.

<sup>2</sup> Nomination Committee only

# Report of the Board of Management

## Matters Considered by the Board and its Committees

The Board has a number of important responsibilities that it discharges throughout the year. These responsibilities include making decisions in the following areas:

- developing and agreeing the strategy for the Society
- approving the annual business plan and budget
- overseeing operations
- assessing Executive performance, and
- considering new ventures and reviewing existing operations.

Major matters addressed by the Board during 2021 have been described in the Strategic Report. In particular in 2021, the Board considered the tactical and strategic responses to the development of the pandemic, including ensuring that the controls were being maintained throughout in the home working environment, overseeing how services were being maintained and confirming that vulnerable customers were not exposed to harm.

The Board is helped in its work by a number of Committees. These Committees typically consider matters on behalf of the Board and conclude their discussions with recommendations for the Board. They may provide assurance to the Board on matters within their remit.

Broadly, decisions needed to achieve the agreed plan, strategy, conduct, culture and risk management are delegated to the Chief Executive, while decisions to set the plan, strategy, required conduct, culture and risk management are made by the Board.

A schedule of the Matters Reserved for the Board is available on request.

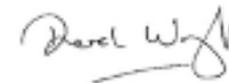
### Board Committees

The Board has established four Committees to assist it in discharging its responsibilities. They cover Audit and Risk, Nomination, Remuneration and Investment matters. These Committees are important constituents of the Society's governance arrangements. A temporary sub-committee, the IT sub-committee, considering system development matters was established during the year to replace the PRISM sub-committee, which was wound up in the year.

Each Committee has written terms of reference, which are available on the Society's website under the Governance section or can be mailed on request. These documents include the role and responsibilities of each Committee. They are regularly reviewed to ensure that each Committee is effective, meets appropriate best practice and is positioned to deliver effective assurance to the Board without unnecessary duplication. The Chair of each Committee reports to the Board on matters of significance at each of its scheduled meetings.

The Board retains ultimate responsibility for all decisions made.

The Company Secretary or her delegates serve as the secretary to each Committee. Each Committee may seek external professional advice at the Society's expense. The effectiveness of each Committee is considered as part of the annual Board performance review.



**On behalf of the Board of Management  
Derek Wright, Chair  
08 April 2022**

# Report of the Board of Management

## Report from the Audit and Risk Committee

### Membership

At the end of 2021, the Committee comprised three independent Non-Executive Directors.

### Matters Considered by the Committee

#### Independent Audit

BDO LLP served as Independent Auditor throughout the year and was judged to be effective.

#### Significant Issues in relation to Financial Statements

The Committee considers all risks that affect the business. Where the risks can be modelled, they are included in the assessment of the future financial position. The Committee considers carefully the assumptions used to project these risks. Judgement is important in these assessments, particularly for insurance risks, such as sickness (both inception and duration), and lapse rates.

Throughout 2021, the Committee considered the changing impact of the pandemic and its effects on the Society's financial condition. In particular, it oversaw the review of sickness assumptions in the light of these changing circumstances alongside oversight of modelling improvements.

#### Independent Auditor Performance and Independence

The Committee assessed the performance, independence and objectivity of BDO LLP and the effectiveness of the audit process leading up to the issue of financial statements in 2021. A key component of this assessment was consideration that the Independent Auditor is sufficiently robust in its challenge. The Committee reviewed the Independent Audit strategy and received reports from the Independent Auditor on its policies and procedures regarding independence and quality control, including an annual confirmation of its independence in line with industry standards.

Every year, the Committee considers whether its auditor is independent and objective, in line with industry standards. The Committee was satisfied that BDO LLP was independent and objective on appointment and will review this assessment during 2022.

#### Re-appointment of the Independent Auditor

The Committee proposes that BDO LLP be re-appointed at the next AGM.

#### Oversight of Fees payable to the Independent Auditor

The fees, exclusive of VAT, payable to BDO LLP for the year ended 31 December 2021 amounted to £105,000 (2020: £100,250) for the statutory

audit. No non-audit services were carried out by BDO LLP for the Society during 2021 (2020: Enil).

#### Oversight of the Actuarial Function

The Committee considered the valuation methodology and assumptions as proposed by the actuarial function and, after discussion, recommended them to the Board. It considered the proposals for interim and final bonus from the With Profits Actuary and recommended them to the Board.

It assessed the performance of the Actuarial Function and the Chief Actuary during the year and was satisfied.

During the year, following the resignation of the incumbent, the Committee oversaw the appointment of Alison Carr of Steve Dixon Associates llp as Chief Actuary.

There is a direct reporting line from the Chief Actuary to the Committee Chair.

# Report of the Board of Management

## Oversight of the Compliance Function

The Committee considered the proposed compliance plan and, after discussion, recommended it to the Board. The Committee oversaw compliance activity, including changes to the plan in the light of changes in resource.

There is a direct reporting line from the Compliance Officer to the Committee Chair.

## Oversight of the Risk Function

The Committee oversaw the continuing evolution of the Risk Management System and the Internal Control System.

There is a direct reporting line from the Chief Risk Officer to the Committee Chair.

## Oversight of Anti-Money-Laundering Reporting Officer's Activity

The Committee received the annual Money Laundering Reporting Officer's report and the up-to-date risk assessment.

There is a direct reporting line from the Money Laundering Reporting Officer to the Committee Chair.

## Oversight of Internal Audit

The Internal Audit function has been provided by EY LLP since 1 January 2018. A competitive tender was due in 2021. After due discussion, it was agreed to extend EY's contract for a further year and to schedule the re-tender for 2022.

The Committee considered the suggested internal audit universe proposed, received the reports from the Internal Auditor and monitored the progress of agreed management actions.

There is a direct reporting line from the Internal Auditor to the Committee Chair.

**Dave Cheeseman**  
**Chair of the Audit and Risk Committee**  
**08 April 2022**



# Report of the Board of Management

## Report from the Nomination and Remuneration Committees

### Membership

At the end of 2021, the Remuneration Committee comprises two independent Non-Executive Directors and the Chair, while the Nomination Committee comprises two independent Non-Executive Directors, the Chair and the Chief Executive.

### Matters Considered by the Committees

#### Remuneration Committee

The Committee considered the remuneration of the Society as a whole in general, and specifically the remuneration of the Chief Executive and Chief Financial Officer and other senior personnel.

The Committee considered the awards to be made under the modest bonus plan introduced in 2020 as a result of the pandemic. It considered a similar bonus plan for introduction in 2021.

The Committee considered the awards to be made under the 2017-2019 and 2018-2020 Long Term Incentive Plans. These plans considered performance in 2020 or earlier. The Committee determined appropriate bonus payments to be made under these plans.

The Directors' Remuneration Report on **pages 43-46** has more details about the Society's remuneration arrangements.

### Diversity and Skills

The Society seeks to attract and retain individuals who contribute through their diversity of thought, attitude and background. This approach is applied throughout the Society. It is particularly important at Board and senior management level. The primary concern is always the skills brought by new recruits and how these skills complement those of others, at Board or other level.

### Nomination Committee

#### Board Performance Evaluation

The Committee supported the Chair in the performance evaluations of the Board and its Committees. It commissioned the external Board appraisal work conducted in 2021. Alongside this work, the Board and its Committees perform a self-evaluation each year, the results of which were considered by the Committee.

#### Succession Planning and New Director Appointments

The Board is actively engaged in succession planning for both Executive and Non-Executive roles to ensure that the Board can retain its effectiveness in future. Succession plans extend to cover the loss of members of senior management.

The Committee began the process of recruiting two new Non-Executive Directors.

### Director and Executive Director Evaluation, Development and New Director Induction

The Chair led individual evaluations with all Directors. These evaluations include a review of objectives and of development needs and a confirmation that each Director has sufficient time to devote to the affairs of the Society. They demonstrate whether each Director continues to contribute effectively and whether she or he has access to adequate support.

Separately, the Senior Independent Director led the Directors in an evaluation of the performance of the Chair.

The Society is committed to the ongoing professional development of the Board. There is a policy on the continuing professional development of all Directors and a range of development opportunities are provided or supported. During the year, Directors attended a number of development events, mostly run online. As a result, Non-Executive Directors have sufficient current and relevant knowledge and experience to understand the main activities and risks in the Society's business model.

**Anna East**  
**Chair of the Nomination and Remuneration Committee**  
**08 April 2022**

# Report of the Board of Management

## Report from the Investment Committee

### Membership

At the end of 2021, the Committee comprises three independent Non-Executive Directors.

### Matters Considered by the Committee

#### Investment Policy

The Committee considered the investment policy and determined that it remained appropriate. It reviewed the LGT Vestra stewardship code and was satisfied that this was appropriate. Overall, the Committee was satisfied with the approach taken to environment, social and governance matters.

#### Investment Performance

The Committee continued to consider reporting from the asset managers concerning investment performance for its asset portfolio and unit-linked portfolio.

#### Climate Change

The Committee reviewed the Society's responses to the continuing regulatory statements on the financial effects of climate change and confirmed that the Society's approach was now embedded.

### Investment Risk

The Committee considered regulatory statements on the Prudent Person Principle and liquidity management and took steps to ensure that the requirements were met.

**Adrian Humphreys**  
Chair of the Investment Committee  
08 April 2022



# Report of the Board of Management

## Directors' Remuneration Report

### Remuneration Policy

The Society's strategy describes how long-term success and value will be created for Members. Its values describe the behaviours and culture expected to flourish in parallel. The Executive Directors, led by the Chief Executive, are responsible for developing and implementing the strategy, including leading the Society's management team.

A number of factors contribute to the Society's successful future growth. Proper reward is one of them. The Remuneration Policy describes how the Board encourages success, teamwork, value generation for Members and implementation of its strategy in a collegiate, measured and effective way. It is designed to encourage behaviour in line with the Society's values and risk appetite, and to ensure conduct that is appropriate for a modern financial services organisation.

### Principles of the Remuneration Policy

The Society's Remuneration Policy is built on the following principles:

- to enhance Member benefits and interests
- to attract and retain people with the skills and experience for their jobs

- to compete effectively for talent given the employment market
- to support the development of individuals, in line with the Society's ambitions
- to provide rewards that reflect individual performance as well as overall results, including the demonstration of the Society's values
- to avoid rewarding executive, management or individual failure
- to provide termination arrangements that are fair to all
- to meet all relevant regulatory requirements regarding remuneration
- to be consistent with the Society's policies and practices on gender, equality and diversity
- to develop remuneration that is simple to explain, understand and calculate
- to be consistent with the Society's risk appetite, and
- to avoid conflicts between individual interests and those of the Society's Members.

The Remuneration Policy is applied consistently to all employees. It enables all to enjoy broadly similar benefits and performance incentives at a level of participation that reflects individual roles and responsibilities. It is designed to ensure that Member interests and the future viability of the Society are aligned primarily with the interests of those who contribute to the Society's success.

To achieve this, a competitive salary and benefit package is balanced with appropriate performance-related bonuses. The relative size of the bonus depends on the size of an individual's responsibilities. For example, for Executive Directors, remuneration is designed so that the performance-related components are a significant proportion of the total potential.

### Executive Director remuneration

The Society wants to attract and retain Executive Directors with the vision, passion and drive necessary to achieve its strategy for the long-term benefit of its Members. While attitude is the most important characteristic in all of its recruitment, the Society recognises that industry and sector knowledge and experience is important, as is the willingness to act in line with its values. The Society recognises that it is part of the financial services industry and the mutual movement, and that its remuneration must be considered in this light.

# Report of the Board of Management

The Society balances what it can offer prospective Executive Directors on appointment with plans that reward success. It balances payment now with payment later, bearing in mind that the impact of achievements may not be fully realised for some time. Part of this balance is ensuring that failure is not rewarded.

Key features of the remuneration of Executive Directors include:

- **basic pay:** the level of basic pay takes account of individual skills and experience, pay across the Society and published information from comparable firms in the financial services sector
- **pension:** up to 10% of basic pay
- **other insurances:** health, dental and life insurances
- **Short Term Incentive Plan:** or **annual bonus plan:** up to 50% of basic salary (60% CEO) depending on performance against a number of measures and targets, adjusted for individual performance as decided by the Remuneration Committee, and
- **Long Term Incentive Plan:** this plan pays a bonus depending on performance against

target over three years as measured by Embedded Value, subject to satisfactory solvency. Embedded Value is a measure of the value locked into the Society by the plans it has sold. Solvency refers to the capital that the Society has available to ensure the reliable payment of Member benefits. This bonus scheme is therefore designed to encourage the growth of the business while maintaining the security of Member benefits. Payments are staged: 50% payable following the end of the third year, 25% one year later and 25% one further year later. Subject to agreement, a new three-year plan begins each year.

The effectiveness of all Executive bonus plans is continually reviewed. All Executive bonus schemes, including the rules, awards and payments, are at the discretion of the Remuneration Committee and are subject to clawback if performance is later found to have been misstated, if misconduct or significant management failure is discovered, or for any other reason that leads to damage to the Society's reputation.

## **Non Executive Director remuneration**

Non-Executive Directors are paid an annual fee depending on their role. Fees are reviewed every three years. They are set with reference to similar organisations in the same sector. No other benefits are provided.

The review of fees for Non-Executive Directors (other than the Chair) is delegated to the Executive Directors, who may take advice from external remuneration consultants if deemed appropriate. The proposals are presented to the Remuneration Committee.

The Remuneration Committee Chair proposes the fees for the Chair, which are considered by the Remuneration Committee with the Board Chair standing down when this item is discussed.

## **Other employees**

All other employees are entitled to the pension, health, dental and life insurance benefits mentioned above and also participate in the Annual Bonus Scheme or a Sales Incentive Scheme depending on their role.

## **Governance of the Remuneration Policy**

This Policy is agreed and administered by the Remuneration Committee. A copy of the policy can be obtained from the Company Secretary.

# Report of the Board of Management

## Application of this Policy in 2021

As in 2020, a modest bonus scheme replaced the Short-Term Incentive Plan and no new Long-Term Incentive Plans were introduced in 2021. Payments were made in respect of the 2017-2019 and 2018-2020 Long Term Incentive Plans. Payment from the 2017-2019 Plan had been deferred from 2020, and therefore the amounts paid in 2021 appear unusually high.

The Remuneration Policy is unchanged from 2020. As remuneration was lower than allowed for by the policy, the Board has some scope to enhance current remuneration packages. This facility was not used in 2021.

## Consultation with Members

The Society is committed to open dialogue with its Members on its Remuneration Policy.

## Recruitment of Executive Directors and Service Contracts

Once an Executive Director has been appointed, she or he must stand for election at the next AGM.

Executive Director service contracts include the principle that individuals must mitigate their own damages in the event of the early termination of a service agreement. Notice periods are twelve months for the Chief Executive and six or fewer months for other Executives.

## Recruitment of Non Executive Directors

Non-Executive Directors are appointed following a rigorous recruitment and selection process.

Having been appointed by the Board, each Director must stand for election at the subsequent AGM. The initial term of office is three years from the first AGM. There is a proposal at the forthcoming AGM to change the second term to three years (currently two), then three (currently four) successive one-year terms.

Non-Executive Directors may not normally serve more than nine years. Re-election after six years is permitted subject to rigorous review and an assessment of the need for refreshing of the Board.

The Non-Executive Director letter of appointment sets out the time commitment expected of each Non-Executive Director in the performance of their duties. The notice period for Non-Executive Directors is one month and there is no provision for loss-of-office or exit payments.



# Report of the Board of Management

## Directors' Emoluments

The table below sets out the emoluments to all Directors during 2021.

Directors' Emoluments, £						
Director	Salary or Fees	Bonuses	Benefits	Pension	Total 2021	Total 2020
Dave Cheeseman	26,000	-	-	-	26,000	20,064
Martin Day <sup>1</sup>	-	-	-	-	-	17,156
Anna East	24,000	-	-	-	24,000	24,000
Paul Harwood	137,625	63,126	9,585	22,893	233,229	167,141
John Holland	24,000	-	-	-	24,000	24,000
Adrian Humphreys	24,000	-	-	-	24,000	24,000
Graham Newitt <sup>2</sup>	19,000	-	-	-	19,000	19,000
Stuart Tragheim <sup>3</sup>	195,817	113,554	9,284	-	318,655	210,421
Derek Wright	32,500	-	-	-	32,500	29,250
<b>Total</b>	<b>482,942</b>	<b>176,680</b>	<b>18,869</b>	<b>22,893</b>	<b>701,384</b>	<b>535,032</b>

<sup>1</sup> to 23 June 2020

<sup>2</sup> to 16 Dec 2021

<sup>3</sup> receives an enhancement of 8.8% of salary in lieu of pension contributions

The bonus payments to Executive Directors include bonuses from the 2017-2019 Long Term Incentive Plan, which were deferred from 2020, as well as bonuses from the 2018-2020 Plan.

## On behalf of the Board of Management

Anna East

Chair of the Nomination and Remuneration Committee

6 April 2021



Annual Report 2021

# Independent auditors' report to the Members of The Original Holloway Friendly Society Limited

# Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as of 31 December 2021 and of the Society's surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Friendly Societies Act 1992.

We have audited the financial statements of Original Holloway Friendly Society Limited (the "Society") for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

Following the recommendation of the audit committee and the board, we were appointed by the Society on 12 August 2020 to audit the financial statements for the year ended ending 31 December 2020 and subsequent periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 31 December 2020 to 31 December 2021.

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Society.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- review and challenge of the Society's current plans and budgets, challenging growth assertions and checking that movements were in line with justifiable assumptions and

movements. The Society's business plan was also obtained and inspected for threats to the going concern (such as the impact of mass lapse events caused by inflation). In addition we performed consistency checks between the information provided and our knowledge of the entity as a whole ensuring that the budget movements were consistent with overall returns generated based around previous experience; and

- reviewing the basis of solvency projections for the next 12 months and ensuring that an appropriate mechanism for calculating solvency had been applied. In doing so we have reviewed the Solvency and Financial Condition Report produced by the Society and in conjunction with our actuarial experts checked that all inputs reconcile with the underlying annual report and the base Solvency Capital Requirement was produced using an appropriate model as mandated by EIOPA.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# Opinion on the financial statements

## Overview

Coverage	Key audit matters		Materiality
The society is audited by the engagement team and no entities other entities are within the scope.	<p style="text-align: center;"><b>2021</b></p> <p><b>Valuation of technical provisions</b></p> <p style="text-align: center;">✓</p>	<p style="text-align: center;"><b>2020</b></p> <p style="text-align: center;">✓</p>	<p>Society's financial statements as a whole</p> <p>£640,000 (2020: £605,000) based on 1% (2020: 1.5%) of the fund for future appropriations excluding member bonus balances.</p>

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

### Key audit matters

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

# Opinion on the financial statements

## Description of Key Audit Matter

### Valuation of technical provision

The Society's financial statements include a net technical provision asset of £55,757,276 million (2020: £34,079,433 million), which represents the estimated costs of settling benefits and claims associated with income protection products, measured on a Solvency II basis. This is set out in further detail in note 7 and notes 2, 3 and 4 provide details of the basis used and the inherent estimation uncertainty.

We have assessed this area as being of significant risk and a key audit matter due to the significance of these amounts in deriving the Society's results and because of the high level of assumptions and estimation underpinning the calculation, which can be highly subjective.

## Procedures performed to address this risk

### In assessing the valuation of the long term business provisions, we performed the following procedures:

- We have utilised an independent external actuary to report to us on the reasonableness of the methodology and assumptions that underpin the calculation of the provision and the accuracy of the calculation itself
- We have obtained and reviewed the actuarial reports prepared by the Society's actuary and our independent external actuary and in conjunction with our independent external actuary checked that all relevant judgements and estimates have been considered in forming managements projections. Our independent external actuaries have reviewed the several factors influencing technical provisions and checked these are either appropriately calculated or in line with industry practice.
- We have reviewed and assessed changes to the assumptions used in the technical provisions to ensure these are reasonable and in line with acceptable parameters
- We have reviewed and reconciled the data used by the Society's actuary in their projections to that audited by us and extracted from the underlying member systems, to ensure completeness and accuracy of the data.
- We have challenged the conclusions arrived at by our independent actuary and ensured that processes are in accordance with both Technical Actuarial Standards (TAS) and industry practices.

### Key observations:

- Based on the work done we consider the assumptions and estimates made in the valuation of the technical provision to be reasonable.

# Opinion on the financial statements

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Society financial statements		
	2021 £ 000's	2020 £000's
<b>Materiality</b>	640	605
<b>Basis for determining materiality</b>	1% of fund for future appropriations excluding member bonus accounts.  We have revised the basis of materiality to 1% during the current year due to the significant movement in the technical provisions and corresponding increase to Fund for Future Appropriation.	1.5% of fund for future appropriations excluding member bonus accounts
<b>Rationale for the benchmark applied</b>	Members of the Society are predominantly concerned with the Solvency of the society and its ability to meet their claim payments. We consider that the measure stated above reflects this.	Members of the Society are predominantly concerned with the Solvency of the society and its ability to meet their claim payments. We consider that the measure stated above reflects this.
<b>Performance materiality</b>	416	365
	65% of Materiality	60% of Materiality
<b>Basis for determining performance materiality</b>	65% was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement we consider this level appropriate.	60% was reflective of our perceived risk of the financial statements containing misstatements, after considering the inherent risk of the engagement and the market they operate within and performing our reviews of the predecessor audit file.

# Opinion on the financial statements

## Reporting threshold

We agreed with the Audit Committee that we would report to them any misstatements in excess of £12,800 (2020: £12,000) that we identified through the course of our audit, together with any qualitative matters that warrant reporting.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other Friendly Societies Act 1992 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Friendly Societies Act 1992 and ISAs (UK) to report on certain opinions and matters as described below.

# Opinion on the financial statements

Strategic report and Directors' report	Matters on which we are required to report by exception
<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"><li>the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and</li><li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li></ul> <p>In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>	<p>We have nothing to report in respect of the following matters in relation to which the Friendlies Societies Act 1992 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"><li>adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us,</li><li>the financial statements are not in agreement with the accounting records and returns,</li><li>certain disclosures of Directors' remuneration specified by law are not made, or</li><li>we have not received all the information and explanations we require for our audit.</li></ul>

# Opinion on the financial statements

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on **pages 26 and 27** the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these financial statements.

## Extent to which the audit was capable of detecting irregularities, including fraud

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatements due to fraud, 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:

- enquiring of Directors and management as to whether they have knowledge of any actual, suspected or alleged fraud
- inspecting Board and Audit Committee minutes
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks to the audit team and remained alert to any indications of fraud throughout the audit. These were valuation of technical provisions and management override of controls.

Our work in respect of valuation of technical provisions is set out in the KAM section of this report.

We also responded to the risk of management override of controls by identifying any unusual journal entries based on characteristics of journal posting date and description and testing these by reviewing the supporting documents.

# Opinion on the financial statements

## 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, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Legal and regulatory frameworks determined most significant are:

- Friendly Societies Act 1992
- Friendly Societies (Accounts and Related Provisions) Regulations 1994
- Financial Reporting Standards 102 and 103 applicable in the UK and Republic of Ireland
- The General Data Protection Regulations (GDPR)
- AFM Corporate Governance Code, and
- Laws and regulations relating to health and safety, employee matters, bribery and corruption practices.

Non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We performed procedures including:

- obtaining an understanding of the legal and regulatory framework applicable to the Society's operations
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- inspecting correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), and
- enquiring of the Directors and other management of instances of non-compliance.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

## Use of our report

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

**Thomas Reed**, Senior Statutory Auditor  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with the registered number OC305127)

Annual Report 2021

# Financial Statements

# Financial Statements

Statement of Comprehensive Income for the year ended 31 December 2021	Note	2021	2020
		£	£
<b>TECHNICAL ACCOUNT: LONG-TERM BUSINESS</b>			
Gross premium written		10,746,661	10,426,965
Outward reinsurance premiums		(54,728)	(60,302)
Net earned premium income		10,691,933	10,366,663
Investment Income and realised gain	5	496,664	250,935
Unrealised (loss)/gain on investments		(378,273)	284,144
<b>Total technical income</b>		<b>10,810,324</b>	<b>10,901,742</b>
Gross claims incurred		5,357,173	5,220,396
Reinsurance recoveries		(7,723)	(6,439)
Claims incurred net of reinsurance	6	5,349,450	5,213,957
Change in technical provisions	7	(21,706,425)	8,198,189
Net operating expenses	8	9,135,028	9,258,975
Investment expenses and charges		79,304	87,909
Tax attributable to long-term business	9	-	-
		(7,142,643)	22,759,030
<b>Net surplus/(deficit) for the year</b>		<b>17,952,967</b>	<b>(11,857,288)</b>
Transfer (to)/from the fund for future appropriations	10	(17,952,967)	11,857,288
<b>Balance on Technical Account: Long-Term Business</b>		<b>-</b>	<b>-</b>

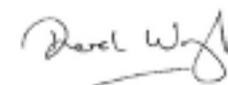
The above results relate wholly to continuing activities. The Society had no other comprehensive income or expenditure and has elected not to prepare separate analysis using a non-technical account.

The Society has not presented a Statement of Changes in Equity. There are no equity holders in the Society, which is a mutual organisation.

# Financial Statements

Statement of Financial Position for the year ended 31 December 2021		Note	2021	2020
			£	£
<b>ASSETS</b>				
Intangible assets	11	4,514,322	4,249,389	
Investments				
Land and buildings	12	775,000	775,000	
Other financial investments	13	22,127,465	26,585,280	
		<u>22,902,465</u>	<u>27,360,280</u>	
Assets held to cover linked liabilities	14	717,760	746,342	
Debtors				
Other debtors		166,707	90,278	
Other Assets				
Tangible assets	15	86,985	119,888	
Stock		4,913	10,689	
Cash at bank and in hand		331,352	629,064	
		<u>423,250</u>	<u>759,641</u>	
Prepayments and accrued income				
Accrued interest and rent		146,196	166,182	
Other prepayments and accrued income		123,469	104,658	
		<u>269,665</u>	<u>270,840</u>	
Technical provisions	7	55,757,276	34,079,433	
		<u>84,751,445</u>	<u>67,556,203</u>	
<b>LIABILITIES</b>				
Fund for future appropriations	10	82,113,801	64,160,834	
Technical provision for linked liabilities	7	717,760	746,342	
Creditors				
Arising out of reinsurance operations		6,839	6,965	
Claims outstanding		217,357	293,833	
Other creditors (inc tax and social security)	16	1,695,688	2,348,229	
		<u>1,919,884</u>	<u>2,649,027</u>	
		<u>84,751,445</u>	<u>67,556,203</u>	

The financial statements on **pages 57-72** were approved by the Board of Management on 08 April 2022 and were signed on its behalf by:



**Derek Wright**  
Chairman and Director



**Stuart Tragheim**  
Chief Executive and Director



**Alison Poyner**  
Company Secretary

# Notes to the Financial Statements

## Note 1. Significant accounting policies

The principal accounting policies applied in preparing these financial statements are set out below. They have been applied consistently to all the information presented, unless otherwise stated.

### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards ('FRS') 102 and 103 as issued by the Financial Reporting Council and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (the 'Regulations').

FRS 102 requires the use of certain critical accounting estimates. It requires management to exercise judgement in applying the chosen accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in Note 2. Forming estimates inherently requires the use of available information and application of judgement. Actual outcomes could differ from estimates.

In accordance with FRS 103 on Insurance Contracts, the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

The financial statements have been prepared on a historic cost basis, except for the revaluation of certain properties and financial instruments.

The Society operates, and prepares these statements, using Great British Pounds (£).

### Going concern

The Society meets its day-to-day working capital requirements through its own resources.

The Society's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

### Accounting for property

Land and buildings are included at open market value, as determined every three years by an independent surveyor. The valuation was last undertaken in November 2020. No depreciation has been applied during the year.

### Accounting for net earned premiums

Premiums are accounted for when due for payment. Premiums for new business are accounted for when the insurance contract liability is set up and the premium is due for payment. Reinsurance premiums are accounted for when due for payment.

All premiums are UK based, there is no exposure to overseas premiums.

### Accounting for investment income

Investment income is accounted for at fair value and includes dividends and interest from investments. Dividend income is accounted for when received. Other investment income is included on an accruals basis.

### Accounting for net gains or losses on investments

Realised gains or losses on investments are accounted for as the difference between net proceeds and their original purchase price. Where the investment was purchased in the previous accounting period, any unrealised gains or losses brought forward are reversed.

Unrealised gains or losses on investments are accounted for as the difference between a fair value at 31 December 2021 and a similar valuation as at 31 December 2020 or, where purchased during 2021, the purchase price.

### Accounting for operating expenses

Operating expenses, charged in the long-term business technical account, comprising acquisition and administrative expenses, are charged when incurred.

# Notes to the Financial Statements

## Accounting for pension

Contributions to the Society's defined contribution pension schemes are charged to the net operating expenses in the period in which the liability is accrued.

## Accounting for the tax attributable to long-term business

The Society is only liable to taxation on part of its life and endowment assurance fund. Taxation is provided for on an accruals basis, provision being made for the current year's liability.

## Accounting for investments

### Assets held to cover linked liabilities

The linked liabilities match the corresponding assets and are valued on a basis consistent with them.

### Other financial investments

These investments are included at market value, with changes in value during the year being accounted for in the long-term business technical account.

In compliance with FRS102, the Society discloses in [Note 13](#), for each class of financial asset held at fair value in the statement of financial position, an analysis of the level in the fair value hierarchy into which the measurements are categorised.

Valuation methodology	Level
Using active quoted prices	1
Using other observable inputs	2
Using other valuation techniques	3

## Intangible assets

These assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using a straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Amortisation		
Computer software	25% on a straight-line basis	Useful life 4 years
Administration System	10% on a straight-line basis	Useful life 10 years

The administration system was put into use during the year and has been amortised since the launch date. The system has a finite life, however internal developers are improving the system and adding to the software.

## Tangible assets

These assets are accounted for at their purchase cost plus any incidental costs of acquisition. Depreciation is calculated to write off the cost of tangible assets over their estimated useful lives, at the following rates:

Asset Depreciation	
Office equipment	10 - 25% on a straight-line basis
Computer equipment	25% on a straight-line basis
Property improvements	10% on a straight-line basis

## Accounting for claims and benefits

Maturity claims are accounted for when due for payment.

Surrenders are accounted for on the earlier of the date payment is made or when the insurance contract ceases to be included within the long-term insurance contract liability.

Death and sickness claims are accounted for when the Society is notified of the claim. The value of claims on participating plans includes bonuses paid or payable. Reinsurance recoveries are accounted for in the same period as the related claim.

Where claims costs are estimated, the estimate includes reinsurance recoveries. The actual claim cost is likely to be different from the estimate.

Unit-linked benefits are accounted for when realised. They are equal to the assets held to meet them.

# Notes to the Financial Statements

## Accounting for the fund for future appropriations

The fund for future appropriations represents the excess of assets over and above the long-term value of insurance contracts and other liabilities. It represents the amounts that have yet to be declared as bonuses for participating insurance contracts and the Society's free assets. Any profit or loss reported on the Statement of Comprehensive Income is transferred to or from this fund.

## Accounting for plan allocations and bonuses

The long-term business technical account assumes that all bonuses are maintained at current rates.

## Accounting for technical provisions

The long-term business provision is determined by the Board on the advice of the Chief Actuary, as part of the annual actuarial valuation of the Society's long-term business, as permitted by FRS 103. The provision is determined in accordance with Solvency II rules as required in the UK by the PRA.

## Accounting for reinsurance

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The reinsurers' share of claims incurred in the Statement of Comprehensive Income reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are accounted for in the

Statement of Comprehensive Income as 'Outward reinsurance premiums' when due.

## Accounting for financial assets

Financial assets, other than investments and derivatives, including other debtors, are initially measured at transaction price including transaction costs and subsequently held at amortised cost less any impairment.

## Accounting for financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations rather than its legal form. They are initially measured at transaction price after deducting transaction costs and subsequently held at amortised cost.



# Notes to the Financial Statements

## Note 2. Critical accounting judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from estimates. The more critical areas where accounting estimates and judgements are made are set out below.

### Fair value of buildings

The valuation of the property is subjective and is subject to a degree of uncertainty. The valuation is based on assumptions which may not prove to be accurate.

### Long-term business provision

A Best Estimate of Liabilities is determined on best estimate assumptions together with a Risk Margin which reflects the costs that a third party would require to administer the Society's liabilities. Both Best Estimate of Liabilities and the Risk Margin are calculated in line with Solvency II requirements as implemented by the PRA in the UK at the valuation date. Due to the long-term nature of the Society's liabilities, these estimates are subject to significant uncertainty.

The assumptions used for mortality and sickness are based on standard industry tables adjusted where appropriate to reflect the Society's experience. The assumptions used for expenses and lapse rates are based on Society plans and experience. The main assumption underlying these techniques is that past claims development experience compared with a standard table provides a reliable basis for projecting future claims experience. For a fast-growing firm, there is more uncertainty around variability of future, relative to past, experience.

The assumptions used are described in [Note 4](#).

# Notes to the Financial Statements

## Note 3. Capital management

The Society maintains an appropriate level of capital to ensure the payment of existing Member benefits in accordance with the Solvency II Solvency Capital Requirements.

The capital management objectives are:

- to ensure that the strategy can be implemented and sustained
- to maintain the financial strength at an appropriate level for the risks of the business
- to give confidence to Members and other stakeholders, and
- to comply with the capital requirements of the regulator.

Details of the Society's objectives and its strategy to achieve them are provided in the Chief Executive's Statement on **pages 10-11**.

The strategy was set for a five-year period beginning 1 January 2017 to 31 December 2021. The work to achieve the strategy is typically described in annual plans which take into account the immediate needs of the Society. The plans and the strategy are continually reviewed and challenged by the Board.

At least annually, the Board directs an exercise to assess the risks in the business and the impact on solvency if one or more of these risks were to materialise. The assessment depends on various actuarial and other assumptions about potential change in market prices, future operating experience and the actions management would take in the event of particular risks materialising.

With the results of the assessment in mind, the Board considers the Society's capital requirements and directs management accordingly. Capital management is an important consideration in Board decision making.

The Solvency Capital Requirement is calculated in accordance with the Solvency II standard formula. The Society complied with the prudential requirements regarding capital and technical provisions throughout 2021. It is not, and has not been in 2021, subject to any externally imposed capital requirements.

### Capital statement

The following summarises the capital resources and requirements of the Society as determined for UK regulatory purposes. The Society does not write With Profits business at the scale required to necessitate a realistic balance sheet. So, the capital statement covers all of the Society's life insurance business. There are no specific constraints on the capital of the Society. As the Society has no

shareholders, all of its capital belongs to its Members.

Life business UK non-participating	2021 £000s	2020 £000s
Total capital resources before deductions*	82,114	64,161
Adjustments to assets**	(4,514)	(4,249)
<b>Total available capital resources</b>	<b>77,600</b>	<b>59,912</b>

\* the Fund for Future Appropriations

\*\* includes intangible assets

Drivers of the change are described under Analysis of Change in [Note 4](#).

# Notes to the Financial Statements

## Note 4. Risk management

As the Society's capital belongs to its Members, the Society is able to amend the level of profit allocation and bonuses payable to them, should this be necessary to maintain solvency.

The Board has set target capital levels and, should solvency levels fall, has trigger levels which would require management actions to address the position.

### Long-term insurance liability valuation assumptions

A gross premium valuation is used to calculate the liabilities. The assumptions used in the valuation of the long-term insurance liabilities are set out below. Due to the long-term nature of the Society's liabilities, the assumptions, and hence the valuation results which are based on them, are subject to significant uncertainty.

### Discount rate of interest

Assumptions are set having regard to risk-free rates of return, without volatility or matching adjustment, as specified by the Prudential Regulatory Authority as at 31 December 2021. Selected rates are shown in the next table and the full set are on the Bank of England website.

Selected Discount Rates, %, as dictated by the Prudential Regulatory Authority	
Duration (year)	31 Dec 2021
1	0.758
2	1.006
3	1.084
4	1.079
5	1.050
10	0.948
15	0.913
20	0.879
25	0.850
30	0.823
50	0.648

### Expenses

Maintenance expenses are set allowing for new business in accordance with the Society's business plans for the period 2022-2026. Thereafter, expenses are assumed to increase in line with an expense inflation assumption and with reference to the planned growth in the business. The expense inflation and RPI (used to inflate benefits) assumptions are shown in the table below.

Inflation Rate Assumption, % pa, 31 December 2021	
Expense inflation	3.4%
RPI Inflation	3.8%

### Sickness

For income protection products, a sickness inception and recovery approach is used, based on a multiple of the industry standard CMIR12 rates table. Inception assumptions vary by product and are set considering recent experience. Allowance is made within the calculation of the liabilities to account for plans with different deferred periods. The recovery rates vary by claim duration and are set based on recent experience. Other aggregate adjustments are made so that projected claims more closely match claims paid in practice. The assumptions are reviewed annually to allow for emerging experience.

### Lapses

The lapse assumptions are set based on recent experience adjusted for any trends that are observed. The assumptions vary by product and by how long plans have been in-force. For some products, and some durations, experience is very sparse or does not exist. In these cases, assumptions from alternative products or pricing assumptions are used. The assumptions are reviewed annually to allow for emerging experience. In line with Solvency II regulations, all unit-linked contracts are assumed to lapse at the valuation date as they have passed their maturity date.

### Mortality

Assumptions are set by reference to standard actuarial tables: for healthy lives, 50% of AMCO0 and for sick lives 100% of CMIR12.

# Notes to the Financial Statements

## Options and guarantees

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

## Analysis of change

The table below presents the movement in the Society's available capital over 2021.

Analysis of Change, 2021, £000		
2021	Capital	Change
<b>Available capital at start of year</b>	<b>59,807</b>	
In-force business movements	59,217	-590
New business	59,375	+158
Risk-free yields	57,909	-1,466
Equity, corporate bond and other market movements	59,774	+1,864
Assumption, bonus and management action changes	79,080	+19,307
Other	77,600	-1,481
<b>Available capital at end of year</b>	<b>77,600</b>	

Available capital has increased following changes to the calculation approach (principally how future claims are allowed for).

## Underlying approach to risk management

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

- the Board has responsibility for ensuring that there are effective risk management and internal control systems
- primary oversight of these systems is delegated to the Audit and Risk Committee by the Board
- the Risk Management System ensures that risks that might move outcomes well outside those envisaged by the business plan are identified, measured, monitored, managed and reported appropriately
- the Internal Controls System ensures that controls are effective. This includes understanding the nature of the controls, monitoring their effectiveness, allowing them to evolve and developing a culture of openness and continual challenge. Root cause analysis and consideration of near misses are important components of the approach
- the Risk and Controls Committee (a management committee) receives reports on risks from throughout the Society. It reviews the reports and commissions further investigation as necessary, and
- managers are accountable for the internal control environment in their areas.

## Sensitivity of the results to changes in principal risks

The following describes the sensitivity of the Society's results to changes in principal risks, as measured by changes in assumptions. The changes used reflect reasonably possible ranges:

Sensitivity of Results to Assumption Changes, £000s		
Available capital at 31 Dec 2021		77,600
Principal Risk	Change	Impact
More people fall sick	+10%	-3,806
People don't recover as quickly	-5%	-2,621
Fewer people die	-10%	-214
More people lapse	+10%	-6,542
Fewer people lapse	-10%	+7,394
Plans cost more to administer	+10%	-2,188
Risk-free yields rise	+100bps	-9,467
Risk-free yields fall	-100bps	+11,910
Corporate bond asset values fall	-10%	-1,209
Inflation falls	-50bps	-2,270

The principal risks are described in more detail on the next page.

# Notes to the Financial Statements

## Insurance health risks

The Society is exposed to a range of insurance risks through its insurance plan liabilities. Principally, these are sickness, lapse and expense risks. In all three cases, if the risk materialises, profitability will be reduced. These risks are inherently part of the Society's business.

The Society regularly reviews its sickness experience to ensure that any changes required can be fed into pricing and underwriting. Its underwriting and claims-handling processes are monitored to ensure they remain effective.

Lapse risk is difficult to manage. The Society has enhanced its service by implementing a programme to support Members who are considering lapsing their plans, ensuring that the full range of options is communicated and supporting whatever choice the Member makes.

Expense risk is closely monitored.

## New business risks

Lower-than-expected new business is a risk. The Society needs a healthy and increasing stream of quality new business to achieve its strategy.

Higher-than-expected new business also involves risk. It is important that there are sufficient people to handle increased volume and that underwriting standards are maintained. It is important that there is sufficient regulatory capital to allow the business to be written. Like most businesses, existing personnel can be temporarily moved to support a sudden increase in new business, but this is not a permanent solution. It carries the risk that important strategic work cannot then progress.

The Society is actively and continually managing these risks.

## Financial (market, credit and liquidity) risks

The Society is exposed to a range of financial risks.

### Market risk

Market risk is the risk of changes in the value of investments, including from interest rates and inflation. The Society has a small exposure to equity price risk and currency risk. Appropriate sensitivities are shown on **page 65**.

### Interest rate risk

Interest rate risk arises from the value of the Society's insurance liabilities and in the fair value of risk-free asset values. A flat 100 basis point increase in risk-free yields would reduce capital

by £9.5m. A 100 basis point decrease in risk-free yields would increase capital by £11.9m.

### Inflation risk

Inflation risk arises from the inflation of expenses including claims, offset by inflating premiums and benefit levels on index-linked plans.

### Equity price risk

The Society is exposed to equity price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. The Society has an investment policy which sets limits on its exposure to equities in aggregate terms and by currency and counterparty. All assets held in equities are GBP-denominated, higher quality equities.

### Managing market risk

The Society has an Investment Committee which oversees market risk. The Committee recommends the investment policy to the Board, receives reporting, oversees investment activity and ensures that the agreed policy is followed.

The Society manages its assets for the benefit of its Members. The asset allocation policy, counterparty limits and other controls balance the risks against the rewards.

# Notes to the Financial Statements

## Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Society is exposed to credit risk are:

- amounts due from corporate bond issuers,
- amounts due from Advisers
- amounts due from Members, and
- reinsurers' share of insurance and investment contract liabilities.

The Society has very little credit risk. Its counterparties are selected to be of high credit worthiness.

The Society manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. Such risks are subject to regular review.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

Investment grade assets are those with S&P ratings of BBB- or higher.

	Market Value £000	
	2021	2020
Investment grade	18,812	23,508
Non-investment grade	-	323
Non-rated	-	-
	<b>18,812</b>	<b>23,831</b>

The assets reported above exclude assets backing unit-linked insurance contracts. The holders of these contracts bear the credit risk arising from them.

The assets reported above include those held in the With Profits funds where the Society is able to transfer part of the credit risk arising from them to holders of With Profits investment and insurance contracts to the extent that the future level of discretionary bonuses can be reduced to absorb any associated credit losses, as well as losses arising from most other financial risks.

## Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unknown levels of demand.

Amounts under unit-linked insurance plans are generally repayable on demand and the Society is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable unit-linked liabilities to be met as they fall due.

With Profits insurance plans can be surrendered before maturity for a cash surrender value. Liquidity risk can be managed by the Society exercising its discretion to adjust the level of bonus payable on early surrender.

## Operational risks

Operational risks cover the impact of failed, missing or inadequate processes, people or infrastructure, and include the impact of failures of strategy and a damaged reputation. For a business that is changing so quickly, the Society is vulnerable to operational risks of many different types. Loss of data and cyber-threats are common concerns for financial services organisations.

The Society takes operational risk seriously. Its risk officer works with managers and supervisors across the business to minimise the incidence and impact of operational risk, to analyse actual and near-miss incidents and to ensure that any errors that arise are properly dealt with. The management of operational risk is connected to the management of conduct risk and culture.

# Notes to the Financial Statements

## Note 5. Investment income and realised gain/(loss)

Investment income and realised gain/(loss)	2021 £	2020 £
Income from Investments:		
Interest income (cash deposits)	2,687	13,293
Interest income (UK government securities)	126,791	143,843
Interest income (other fixed interest securities)	299,156	347,908
Dividend income	96,571	93,950
	<u>525,205</u>	<u>598,994</u>
(Loss) on realisation of investments	(28,541)	(348,059)
<b>Investment income and realised gain</b>	<b>496,664</b>	<b>250,935</b>

## Note 6. Claims incurred net of reinsurance

Claims incurred net of reinsurance	2021 £	2020 £
Sickness benefit	3,488,925	3,425,613
Reinsurers' share	(7,723)	(6,439)
	<u>3,481,202</u>	<u>3,419,174</u>
Unit-linked encashments	42,160	50,105
Withdrawals and maturities	1,826,088	1,744,678
	<u>1,868,248</u>	<u>1,794,783</u>
<b>Claims incurred net of reinsurance</b>	<b>5,349,450</b>	<b>5,213,957</b>

## Note 7. Technical provisions

Technical provisions	Unit Linked Liabilities £	Other Liabilities £	Total 2021 £	Total 2020 £
Balance at 1 January	746,342	(34,079,433)	(33,333,091)	(41,531,280)
Movement	(28,582)	(21,677,843)	(21,706,425)	8,198,189
<b>Balance at 31 December</b>	<b>717,760</b>	<b>(55,757,276)</b>	<b>(55,039,516)</b>	<b>(33,333,091)</b>

Note 3. on Capital management and Note 4. on Risk management and control provide information about the valuation assumptions and risk approach associated with the technical provisions. The change in technical provisions over the period is part of the analysis of change in available capital set out in Note 4. The technical provisions increased following changes to the calculation approach (principally how future claims costs are allowed for) and capital consumption from writing new business, partly offset by a change to the future management action plan.

# Notes to the Financial Statements

## Note 8. Net operating expenses

Net operating expenses	2021 £	2020 £
Acquisition expenses	6,059,290	6,641,103
Administrative expenses	3,075,738	2,617,872
<b>Net operating expenses</b>	<b>9,135,028</b>	<b>9,258,975</b>
Net operating expenses include the following:		
Fees* payable to the Society's auditor:		
Audit 2019 (PWC LLP)		23,512
Audit 2020 (BDO LLP)		100,250
Audit 2021 (BDO LLP)	105,000	
Other charges:		
Depreciation on tangible fixed assets	54,080	51,918
Amortisation on intangible assets	493,763	-
Operating lease rental charges	167	283
* All fees are exclusive of VAT.		
Employee benefits expense:		
Salaries and wages	4,438,523	4,019,885
Social security costs	456,499	426,597
Pension costs	533,764	450,446
	<b>5,428,786</b>	<b>4,896,928</b>
Number of employees:		
Board and senior management	10	10
Acquisition and Member contact	32	36
Administration	54	48
	<b>96</b>	<b>94</b>

Numbers include Executive Directors and are a monthly average.

## Note 9. Taxation

No tax is due in 2021 or 2020.

## Note 10. Fund for future appropriations

Fund for future appropriations	General Reserve £	Life and Endowment £	Total 2021 £	Total 2020 £
Balance at 1 January	63,874,514	286,320	64,160,834	76,018,122
Transfer to/(from)	17,952,967	-	17,952,967	(11,857,288)
<b>Balance at 31 December</b>	<b>81,827,481</b>	<b>286,320</b>	<b>82,113,801</b>	<b>64,160,834</b>

Member balances	2021 £	2020 £
Balance as at 1 January	17,455,174	18,078,241
Apportionment of surplus	805,193	713,337
Compound bonus	242,572	253,240
Final bonus	140,551	139,120
Balance plus bonuses	<b>18,643,490</b>	<b>19,183,938</b>
Withdrawals	1,823,755	1,705,218
Forfeitures and lapses	-	23,546
Total withdrawals	<b>1,823,755</b>	<b>1,728,764</b>
<b>Balance as at 31 December</b>	<b>16,819,735</b>	<b>17,455,174</b>

# Notes to the Financial Statements

## Note 11. Intangible assets

Intangible assets	Administration System £	Computer Software £	Total 2021 £	Total 2020 £
<b>Cost</b>				
At 1 January	4,151,578	170,280	4,321,858	2,918,305
Additions	757,592	1,104	758,696	1,403,553
Disposals	-	-	-	-
<b>At 31 December</b>	<b>4,909,170</b>	<b>171,384</b>	<b>5,080,554</b>	<b>4,321,858</b>
<b>Amortisation</b>				
At 1 January	-	72,469	72,469	43,467
Charge for year	429,048	64,715	493,763	29,002
Eliminated on disposals	-	-	-	-
<b>At 31 December</b>	<b>429,048</b>	<b>137,184</b>	<b>566,232</b>	<b>72,469</b>
<b>Net Book Value at 31 December</b>	<b>4,480,122</b>	<b>34,200</b>	<b>4,514,322</b>	<b>4,249,389</b>

## Note 12. Land and buildings

Land and buildings	2021 £	2020 £
<b>Cost/Valuation</b>		
At 1 January	775,000	800,000
(Decrease) in valuation	-	(25,000)
Disposals	-	-
<b>At 31 December</b>	<b>775,000</b>	<b>775,000</b>

The 'Land and buildings' item refers to the Society's Head Office property, which is freehold and is included at market value as at 31 Dec 2020. A valuation was carried out by Richard Clark MRICS, Dip Law, FNARA of Alder King property consultants in November 2020. The Head Office is fully occupied by the Society and was valued on an existing-use basis. Valuations are carried out every three years. The Directors consider this valuation to remain appropriate.

## Note 13. Financial assets

Financial assets – fair value through income	Market Value 2021 £	Cost 2021 £	Market Value 2020 £	Cost 2020 £
<b>Shares, other variable yield securities and unit trusts</b>				
UK Listed	2,468,984	2,224,660	2,679,935	2,859,933
<b>Debt securities and other fixed income securities:</b>				
GBP denominated	17,461,719	18,084,315	21,530,934	21,067,931
	<b>19,930,703</b>	<b>20,308,975</b>	<b>24,210,869</b>	<b>23,927,864</b>
<b>Deposits with credit institutions, including cash funds:</b>				
GBP denominated	2,196,762	2,196,762	2,374,411	2,374,410
	<b>22,127,465</b>	<b>22,505,737</b>	<b>26,585,280</b>	<b>26,302,274</b>

All financial assets are level 1. Level 1 assets are those which are reported at a quoted price in an active market, where price, without adjustment, has been used to measure fair value. No level 2 or 3 assets were held.

# Notes to the Financial Statements

## Note 14. Assets to cover linked liabilities

Assets to cover linked liabilities	Market Value 2021 £	Cost 2021 £	Market Value 2020 £	Cost 2020 £
<b>Financial assets – fair value through income:</b>				
Shares, other variable yield securities and unit trusts				
UK Listed	425,855	419,366	437,527	396,028
Debt and fixed income securities	261,911	272,817	274,831	262,230
	<b>687,766</b>	<b>692,183</b>	<b>712,358</b>	<b>658,258</b>
<b>Financial assets – at amortised cost:</b>				
	29,994	29,994	33,984	33,984
Deposits with credit institutions	<b>717,760</b>	<b>722,177</b>	<b>746,342</b>	<b>692,242</b>

## Note 15. Tangible assets

Tangible assets	Office Equipment £	Computer Equipment £	Property Improvements £	Total 2021 £	Total 2020 £
<b>Cost</b>					
At 1 January	137,131	151,132	-	288,263	259,778
Additions	-	7,533	14,358	21,891	28,485
Disposals	-	(2,584)	-	(2,584)	-
At 31 December	137,131	156,081	14,358	307,570	288,263
<b>Depreciation</b>					
At 1 January	78,710	89,665	-	168,375	116,457
Charge for year	21,865	31,976	239	54,080	51,918
Eliminated on disposals	-	(1,870)	-	(1,870)	-
At 31 December	100,575	119,771	239	220,585	168,375
<b>Net Book Value as at 31 December</b>	<b>36,556</b>	<b>36,310</b>	<b>14,119</b>	<b>86,985</b>	<b>119,888</b>

## Note 16. Other creditors

Other creditors	2021 £	2020 £
Other creditors including taxation and social security:		
Taxation and social security	58,088	221,992
Amounts due to retired Members	873,269	780,113
Amounts due to extra contributions	85,547	92,033
Other creditors	678,784	1,254,091
	<b>1,695,688</b>	<b>2,348,229</b>

# Notes to the Financial Statements

## Note 17. Capital commitments

At 31 December 2021, the Society had no capital commitments (2020: nil)

## Note 18. Financial commitments

Financial commitments	2021			2020		
	<1 year £	2 - 5 years £	> 5 years £	<1 year £	2 - 5 years £	> 5 years £
Operating lease commitments	254	0	0	1,461	254	0

## Note 19. Particulars of business

All the Society's business relates to direct insurance business, being income protection, specialist critical illness and friendly society ten-year plans, written for residents of the UK or the Isle of Man.

## Note 20. Related parties

All Board members, some members of senior management, and some family members have plans with the Society and pay premiums on an arm's length basis. The total face value of these plans does not exceed £5,200. There are no other related party transactions.

## Note 21. With Profits Actuary

The With Profits Actuary was Sally Butters, FIA, of OAC plc. The Society requested her to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mrs Butters confirmed that neither her nor her family were Members of the Society, nor have they any financial or pecuniary interests in the Society with the exception of fees paid to OAC plc for professional services, which amounted to £151,171 in 2021 (2020: £253,463). The majority of the fees paid to OAC plc were for the provision of With Profit Actuary services, pricing and other actuarial services.

## Note 22. Actuarial valuation

In accordance with the Prudential Regulation Authority Handbook (Supervision 4.3.13 R) the Society is obliged to have an actuarial valuation of its long-term business. The valuation report has been prepared by Alison Carr of Steve Dixon Associates llp in accordance with the relevant Technical Actuarial Standards published by the Financial Reporting Council.



We welcome and invite feedback from you, our Members and owners. You can contact us in a number of different ways, as follows:

**In person**, by attending the Annual General Meeting. Invitations are usually issued three to four weeks beforehand.

**By email**, using [hello@holloway.co.uk](mailto:hello@holloway.co.uk)

**By telephone**, on 0800 0931 535

**By letter**, by writing to Holloway Friendly, Holloway House, 71 Eastgate Street, Gloucester, Gloucestershire, GL1 1PW

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