

Kingston Unity's report to with profit policyholders for the year ended 31 December 2015.

The Society is required to produce a "Principles and Practices of Financial Management" (PPFM) document to describe the way in which we manage our with profit business. It is also required to provide a report to our with profit policyholders on how we have complied with the PPFM.

There were no changes to the Society's PPFM during 2015. A copy along with a customer friendly version can be obtained on request from our Head Office or alternatively by visiting our website www.kingstonunity.co.uk.

Compliance with the PPFM

The Society Board acts as a With Profits Committee to provide independent views on the exercise of discretion during the year and also has a With Profits Actuary to report to the Board regarding compliance with the PPFM during the year. A statement from the With Profit Actuary is included at the end of this report.

The Board utilises asset shares as the basis for trying to ensure fairness between different groups of policyholders. For sample regular and single premium policies asset shares are calculated using the hypothecated fund performance. This allows for the differing amount of guarantees on individual policies and assumes that the assets required to back guaranteed benefits are invested in fixed interest assets and the remaining asset share is invested in equities. We can advise that maturity values for the year are in line with the PPFM target range of between 70% and 130% of Asset share. We can confirm that with very few exceptions the projected returns are within the target range. In addition to maturity values, surrender values are in accordance with their target range between 85% and 115% of asset share.

The Board exercised its discretion in deciding upon bonus rates for the year and the rates declared met the requirements contained in the PPFM.

A smoothing account has been established and this forms part of the estate of the Society. The smoothing policy contained within the PPFM is being followed.

Investment Policy

The Society's Board via a delegated Investment Sub Committee is responsible for monitoring the strategy and performance of the Investment Manager. During 2015 the Investment portfolio was managed by Investec until April when the management was transferred to Vestra Wealth. The property portfolio is managed by Ryden. Holdings in the various asset classes have been within the Investment Matrix set by the Board and investment policy during the year was carried out in accordance with the PPFM.

Business Risks

The Society has five main outsourcing arrangements for Audit, Internal Audit, Actuarial, Investment Manager and Property Management. A review of these arrangements takes place under normal circumstances on a three year rolling programme, although this would not prevent action being taken to change earlier if it was considered necessary.

There is a business risk associated with the writing of new business and this is being controlled in line with the PPFM. The Board will continue to keep under review the expenses and charges associated with business written to ensure that they remain within the terms of the PPFM. The Actuary has confirmed that new business being written is in accordance with the PPFM.

Report of the With Profits Actuary to Policyholders of Kingston Unity Friendly Society

I have made a report to the Board in accordance with the requirements of the Supervision Manual of the FSA Handbook to inform them of my view of the way in which the Principles and Practices of Financial Management (PPFM) has been applied and how discretion has been exercised in respect of the with profit policyholders.

I am also required by the Supervision Manual to draft a report to with profit policyholders to accompany the firm's annual report required by COBS20.4.7R, stating whether, in my opinion, the discretion exercised by the firm in respect of the period covered by the report may be regarded as taking the interests of the firm's with profit policyholders into account in a reasonable and proportionate manner. In doing this, I must have regard to the rules and guidance laid down in COBS20.2 of the FSA Handbook.

I can confirm that, in my opinion, the Board has acted in a manner consistent with the PPFM in the year from 1st January 2015 to 31st December 2015.

I can confirm that, in my opinion, the Board has taken the interests of with profit policyholders into account in a reasonable and proportionate manner.

S. W. Dixon BA, FIFa, FSAS
With Profits Actuary for Kingston Unity Friendly Society