

Kingston Unity Report to With Profits Policyholders for year ended 31 December 2016

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 Profits policyholders on how we have complied with the PPFM.

The Society updated the PPFM during 2016. A copy along 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’s With Profits Committee provide independent views on the exercise of discretion during the year. The Society 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 cover guaranteed benefits are invested in fixed interest assets. 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. In addition to maturity values, a majority of 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 Market Value Reduction (MVR) of 2% was applied to withdrawals between 3rd September 2015 and 21st March 2016 on ISAs’ opened before July 2014 and Child Trust Funds (non-stakeholder version.)

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.

The Society’s Board via a delegated Investment Sub Committee is responsible for monitoring the strategy and performance of the Investment Managers. The Investment portfolio was managed by LGT Vestra and the property portfolio is managed by Ryden. Holdings in the various asset classes have been within the Investment Matrix set by the Board except the holdings in international equities have been above the target range. Otherwise the investment policy during the year was carried out in accordance with the PPFM.

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 FCA 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 FCA Handbook 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 FCA 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 2016 to 31st December 2016.

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.

L. D. Staker, FIA
With Profits Actuary for Kingston Unity Friendly Society Limited