

THE ODDFELLOWS

FURTHER INFORMATION REGARDING THE CLOSURE OF THE IDEAL SUB-FUND

Detailed below are some questions and answers which you may find useful in relation to the closure of the Ideal Sub-Fund and your policy.

Q1) What is the Ideal Sub-Fund?

The Ideal Benefit Society was transferred to The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited (“the Society”) on 31 July 2007 via a legal process under an Instrument of Transfer and overseen by the UK financial services regulator. This Instrument of Transfer established the Ideal Sub-Fund and the clauses and provisions for the Society to manage the Ideal business.

Q2) Why is the Ideal Sub-Fund being closed?

The Ideal Benefit Society was transferred to the Society on 31 July 2007 under an Instrument of Transfer. This established the Ideal Sub-Fund and the clauses and provisions for the Society to manage the Ideal business. Within the Instrument of Transfer, a clause was incorporated to allow for the cessation of the Ideal Sub-Fund. This clause, 20.2 states:

“At any time after the elapse of one year from the date of the cessation of the separate Ideal Insurance Company Sub-Fund (but not before), the Oddfellows Board, acting on the advice of the Oddfellows’ Actuary, may determine a basis for the cessation of the Ideal Sub-Fund as a separate fund within the Long Term Fund which is fair to all affected policyholders whereupon the other provisions of this Instrument shall cease to apply.”

The Ideal Insurance Company Sub-Fund, which held business from an earlier transfer into the Ideal Benefit Society, was closed by the Society on 31 October 2013, meaning that under clause 20.2 the Society was able to close the Ideal Sub-Fund from November 2014.

In order to close the Ideal Sub-Fund the Society, in conjunction with the Society’s Chief Actuary and With-Profits Actuary, has considered a number of options for the treatment of the Ideal Sub-Fund policies and, in particular, the with-profits business. It has been decided by the Society that an appropriate method of closing the Ideal Sub-Fund would be to distribute the surplus in the fund to with-profits policyholders via a one-off enhancement to the benefits of the with-profits policies, and to convert the with-profits policies to non-profit policies such that no bonuses will be payable in the future.

After the closure of the Ideal Fund all Ideal policies will be managed and administered within the Society’s wider pool of insurance business and will be governed appropriately, and in a similar manner to other policies within the Society, such as following appropriate practices and procedures.

Q3) Why are you changing the original Instrument of Transfer?

The original Instrument of Transfer (dated July 2007) did not specify how the Ideal Sub-Fund surplus should be applied on the closure of the fund, and did not contain explicit provisions for the Society to distribute surplus and convert with-profits policies to non-profit policies.

Therefore, the Society has applied to its financial services regulators, the Prudential Regulatory Authority and Financial Conduct Authority to make changes to the Instrument of

Transfer. This process requires a certificate from the Society's With-Profits Actuary and Chief Actuary to support the change.

Q4) What is the Actuaries Certificate for?

The Instrument of Transfer contains a clause that allows for the Society to make an application to its regulator to alter the instrument. In this circumstance, the application must be supported by a certificate from the Society's Actuaries that support the amendment.

Q5) What does the closure of the Ideal Sub-Fund mean for my policy?

You should have received an individual letter from the Society detailing what this means for your particular policy. Under the Instrument of Transfer only the with-profits policies in the Ideal Sub-Fund can participate in the distribution of any surplus.

If you have a non-profit policy there will be no change. The security of your benefits remains supported by the Society.

If you have a with-profits policy you will receive an uplift in your benefits in lieu of any entitlement to future bonuses. As such your policy will become a non-profit policy.

Q6) How much surplus is being distributed on the closure of the Ideal Sub-Fund?

The Summary Report shows that out of £4m surplus (at 31 December 2016), £3.4m of surplus is being distributed to with-profits policies. The remaining £0.6m is being retained to cover regulatory capital requirements.

Q7) Why isn't all of the surplus in the fund being distributed?

Under the Society's prudential regime it must hold regulatory capital to provide financial security for the policies it administers. After the closure of the Ideal Sub-Fund this capital will be provided by the Society's other funds of which the surplus then forms part.

Q8) What is the role of the With-Profits Actuary and Chief Actuary?

Under the UK financial services regulatory regime, an insurer writing life insurance business, such as the Society, must appoint a Chief Actuary and for its with-profits business, a With-Profits Actuary. The roles of the actuaries are defined in the regulations.

For the purposes of the exercise of the closure of the Ideal Sub-Fund both the Chief Actuary and With-Profits Actuary are required to consider the terms being applied, the impact on the Society's financial position, the impact on the Ideal Sub-Fund policyholders, and the impact on the Society's other policyholders.

In particular, the With-Profits Actuary needs to consider the application of discretion that the Society has in relation to with-profits business, the Society's Principles and Practices of Financial Management (available on our website), and whether the approach taken to close the fund is reasonable for the Ideal Sub-Fund with-profits policies, and the Society's with-profits policies within other funds.

As part of the process the With-Profits Actuary and Chief Actuary have provided opinions on the terms of the closure of the Ideal Sub-Fund and the distribution of surplus. This is shown in the Summary Report. In addition, both Actuaries are supportive of the change to the Instrument of Transfer, as shown in the Actuaries Certificate.

Q9) How does this change the risks my policy is exposed to?

If you have a non-profit policy there is no change. The security of your benefits remains supported by the Society.

If you have a with-profits policy, the one-off distribution of surplus applied to your policy is to reflect the fact that you will no longer receive bonuses. Whilst with-profits policies currently have the opportunity to benefit from favourable experience, there are risks associated with this. These risks include those related to the investment market, such as equity (shares), interest rates, credit, and currency. In addition, there are other risks relating to the experience of the policies within the fund, such as expenses of administration, mortality and longevity, and policies lapsing or surrendering. The Society must hold capital against these risks.

By converting policies from with-profits to non-profit the Society is crystallising an amount of surplus to distribute now and, therefore, removing potential uncertainty regarding the future. It is also acting to restrict the risks that the converted policies will be exposed to. After the conversion, the benefits payable on maturity or death will be guaranteed, and will include the one-off surplus distribution.

Q10) What are my revised benefits?

If you have a non-profit policy there is no change to your benefits.

If your policy is with-profits please refer to your individual letter which details the change in your benefits. At maturity or in the event of a death claim, assuming all premiums due have been paid, the amount payable will be the “**Total guaranteed benefits**” shown in the column highlighted in **Green** (and shown as item **2** in the letter).

If, however, you choose to surrender your policy earlier, you will receive less than these revised benefits, as the revised benefits have been set assuming all premiums due will be paid and the policy will be held until maturity or on death.

Q11) Does the closure affect my sickness policy?

If you have a policy that has a feature for you to claim sickness benefits these sickness benefits are unaffected by the terms of the closure of the fund.

If your policy is with-profits, then the maturity and death benefits under your sickness policy will be enhanced.

Q12) What if my policy is due to mature?

We will issue a cheque automatically around the maturity date.

Q13) Do I need to do anything?

You do not need to take any action.

If you are a with-profits policyholder we will automatically increase your benefits as from 15 December 2017. Your policy will then become non-profit from that date. There are no other changes to your policy terms and conditions.

If you are a non-profit policyholder there is no change to your policy.

Q14) What can I do if I wish to object to the closure of the Ideal Sub-Fund?

If you wish to object to the terms we ask you to first contact the Society's Insurance Department as indicated in Q17.

Q15) What can I do if I wish to complain?

If you wish to make a complaint then you should contact the Society's Insurance Department as indicated in Q17.

Q16) What can I do if I have a query about the terms or my policy?

If you have a query then please contact the Society's Insurance Department as indicated in Q17.

Q17) How do I contact the Insurance Department?

You can contact the Insurance Department by

- **Phone** 0161 832 9361 (9am to 5pm Monday to Thursday and 9am to 4pm Friday)
- **Fax** 0161 832 3750
- **Post** The Insurance Department, The Oddfellows, Oddfellows House, 184-186 Deansgate, Manchester, M3 3WB.
- **Email** insurance.enquiries@oddfellows.co.uk
- **Internet** www.oddfellows.co.uk

Q18) Where else can I find out further information?

The Oddfellows Money web page <https://www.oddfellows.co.uk/money/> provides further information relating to the closure of the Ideal Sub-Fund such as:

- The Ideal Sub-Fund Instrument of Transfer (July 2007)
- The changes to the Instrument of Transfer
- The Actuaries Certificate supporting the change to the Instrument of Transfer
- A summary of the terms of the closure of the Ideal Sub-Fund, including a summary of the opinion of the With-Profit Actuary and the Chief Actuary

In addition, the web pages contain information relating to:

- The Insurance Department, Surrenders and Maturities, Bereavement, Complaints, Identity Theft.
- The **'Money Advice Service'** – Has been set up by the government and is a free and independent service and is there to help everyone manage their money better by giving clear, unbiased money advice to help people make informed choices.
- Advice and information is available online, over the phone and face to face:
www.moneyadvice.org.uk
- The Money Advice Service Telephone number is **0300 500 5000 – Monday to Friday – 8am to 8pm (excluding bank holidays)**. Calls should cost no more than 01 or 02 UK-wide calls, and are included in inclusive mobile or landline minutes. To help maintain and improve their service calls may be recorded or monitored.

Glossary of Terms

Term	Meaning
Actuaries Certificate	For the purposes of amending the Ideal Sub-Fund Instrument of Transfer the certificate required from the Society's Actuaries indicating their support for the amendments.
Asset share	This is the 'fair share' of the fund attributable to an individual policy. It is calculated by accumulating premiums paid at the rates of return earned on the assets assumed to be backing the policy, after allowing for deductions for benefits and charges such as expenses, mortality and tax.
Chief Actuary	Under the PRA regulatory regime the Society must appoint a Chief Actuary to carry out the role of its Actuarial Function. The Chief Actuary's role includes advising on the determination of the Society's liabilities in respect of its life insurance business, and the management of its risks.
FCA	The Financial Conduct Authority, the regulatory body with responsibility for firms' conduct; its primary statutory responsibility is to promote confidence in financial services and markets.
Guaranteed benefits	The level of benefit applying when you took out your policy, plus if your policy is with-profits, any bonuses that have been declared to-date.
Ideal Sub-Fund	The Fund which contains the assets and liabilities of the Ideal Benefit Society policies which transferred to the Oddfellows in 2007.
Ideal Company Sub-Fund	A Fund which held business from an earlier transfer into the Ideal Benefit Society, and which transferred to the Society as part of the Ideal Benefit Society transfer in 2007. It was closed by the Society on 31 October 2013.
Instrument of Transfer	A legal process overseen by the UK financial services regulator by which the Ideal Benefit Society transferred to The Oddfellows. This Instrument of Transfer established the Ideal Sub-Fund and the clauses and provisions for the Society to manage the Ideal business.
Non-Profit policy	A non-profit policy is an insurance contract that does not participate in the profits of a life fund.
PRA	The Prudential Regulation Authority (PRA) is responsible for the prudential regulation and supervision of around 1,500 banks, building societies, credit unions, insurers and major investment firms.
Solvency II	A European Directive covering regulations relating to Insurance Business. This regulation specifies the approach that the Society must take in determining its solvency position, including the value of liabilities.
Surplus	In the context of the Ideal Sub-Fund the difference between the assets of the fund and its liabilities.
The Society	The Independent Order of Oddfellows Manchester Unity Friendly Society Limited.
With-Profits Actuary	The function of with-profits actuary described in the Supervision Manual of the Financial Conduct Authority Handbook.
With-Profits policy	A with-profits policy is an insurance contract that participates in the profits of a life fund.