

# Family Assurance

Principles and Practices of Financial  
Management of the POIS Fund

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# 1 Introduction

- 1.1 The POIS Fund was originally part of POIS Assurance Limited. It contains **with-profits** and **non-profits** business. None of the **with-profits** business is unitised. On 2 April 2002, POIS Assurance Limited undertook a transfer of engagements to Family Assurance Friendly Society (“the Society”). The POIS Fund was closed to new business shortly after the transfer date and **ring-fenced** from the rest of the long term business of the Society.
- 1.2 Under the terms of the transfer of engagements, set out in the **instrument of transfer**, the Society made a capital injection of £2 million into the POIS Fund and the administration expenses that could be deducted from the POIS Fund became subject to an upper limit.
- 1.3 The Society is a **Friendly Society** and hence there are no shareholders interests in the POIS Fund.
- 1.4 The remaining sections of this report describe the principles and practices of financial management (“PPFM”) of the POIS Fund.
- 1.5 All **Moneybox** policies matured prior to 2008. As a consequence, there are no practices relating to **Moneybox** in this version of the PPFM.
- 1.6 Terms shown in bold in this report are defined in the Glossary in section 7.

# 2

## The amount payable under a with-profits policy in the POIS Fund

### Principles

- 2.1 The **instrument of transfer** states that the policy as regards bonus distributions shall be to try to ensure that no **orphan estate** shall accrue to the POIS Fund but that in the event that such **orphan estate** does accrue it shall be allocated to holders of policies transferred into the POIS Fund.
- 2.2 The above statement has been interpreted as giving rise to the following overriding principles in the financial management of the POIS Fund:
- Over the term of the existing policies all of the **surplus** in the POIS Fund should be shared out among the **with-profits** policies in the POIS Fund.
  - The bonus policy should aim to avoid holding back **surplus** in excess of that required to ensure the sound financial management of the POIS Fund.
- 2.3 It is also considered that the financial management of the POIS Fund is subject to the principle that the bonus policy should be fair and consistent and in particular should:
- Result in fair returns across different terms and policy types, recognising any specific statements or commitments made to policyholders in policy documents or other literature.
  - Be consistent from year to year, with any changes in bonus policy being introduced gradually.
- 2.4 Bonus is distributed by means of **reversionary bonus** and **terminal bonus**. The **payout** under a **with-profits** policy is determined by reference to the **guaranteed sum assured**, the attaching **reversionary bonus** and the **terminal bonus** applicable at the date of claim.
- 2.5 The principles set out in paragraphs 2.2 and 2.3 are to some extent in conflict with each other. The Society is prepared to allow the degree of approximation necessary, in the application of the methods described below, to achieve an acceptable balance between all of the principles. In particular, the need to ensure the sound financial management of the POIS Fund is paramount and may act as a constraint on **reversionary bonus** and **terminal bonus** in changing economic circumstances. It is not possible to quantify the significance of these approximations.

- 2.6 The **Society's actuaries** keep full documentation of the methods used and assumptions made to determine **reversionary bonus** and **terminal bonus** rates since the transfer of engagements in 2002. The historical assumptions underlying the specimen **asset share** calculations referred to below were documented and records are maintained by the **Society's actuaries**. The **Actuary** regularly reviews the methods and assumptions including the historical assumptions and parameters used. Any changes would be driven by the principles of fairness and consistency mentioned above. Material changes are reported to the **Committee of Management** and notified to the **Audit Committee**, which takes on the role of a **With-Profits Committee**.
- 2.7 The approach to **smoothing** the amount payable on **with-profits** policies follows from the principles in paragraphs 2.2 and 2.3, and from the methods used by the Society to guide its determination of the amount payable. The principle of distributing all **surplus** to existing policyholders implies that the impact of **smoothing** should be neutral in the long term but the principle of implementing changes gradually implies this will not necessarily be the case in the short term. There is no specific principle relating to the maximum short term **cost of smoothing** other than that implied by the principles of fairness and sound financial management. The approach to **smoothing** described above applies to all types of **with-profits** policy and to all types of claim.
- 2.8 The principle underlying the calculation of **surrender values** is that a reasonable balance should be achieved between the interests of policyholders exiting the fund and those remaining in it. The **surrender value** basis may be altered to reflect more than changes in market values provided any such change is in accordance with this principle.

### **Practices**

- 2.9 A **bonus reserve valuation** is undertaken each year with the aim of determining the rate of **reversionary bonus** that is capable of being maintained, given the returns likely to be obtained from the assets of the POIS Fund and assuming maintenance of the pattern of **reversionary bonus** established prior to the transfer of engagements in 2002. The pattern of **reversionary bonus** refers to the relative proportions of **reversionary bonus** paid to different classes of **with-profits** policies, not to the absolute level of **reversionary bonus**.

- 2.10 The pattern of **reversionary bonus** in the POIS Fund is long established and establishes the range of **with-profits** policies over which a single **reversionary bonus** rate is appropriate. The established pattern may be changed in the future, however, if it infringes the principle of fairness. Subject to this, the aim is to declare **reversionary bonus** at rates which are consistent with the established pattern and which achieve a balance between **reversionary bonus** and **terminal bonus** consistent with the principle of ensuring the sound financial management of the POIS Fund.
- 2.11 **Asset share** calculations are the main method used to guide **terminal bonus** rates and hence the appropriate **payout** on individual **with-profits** policies. Prior to the transfer of engagements in 2002, specimen **asset share** calculations were performed on a very small number of sample policies. Since transfer, the **asset share** calculations have been extended to cover all **with-profits** policies and the methodology changed to reflect the closure of the POIS Fund to new business. The methodology now used involves deriving sample policies to represent a group of policies but the number of sample policies used is much larger than before and is not expected to have any material impact on maturity payments compared with an **asset share** calculation of each individual policy. The historical assumptions underlying the specimen **asset share** calculations will continue to be used in the extended **asset share** calculations unless there is evidence to suggest this is inconsistent with the principle of fairness. This principle will also guide any future changes to the historical assumptions and parameters used in the **asset share** calculations.
- 2.12 The Society also carries out projections periodically to assess the likely trend of future **payouts** on **with-profits** policies under different economic scenarios.
- 2.13 The **asset share** calculations are regarded as serving as a guide to the fairness of the **terminal bonus** scale rather than as an absolute measure of any given policyholder's entitlement. This means that **payouts** can be below the amounts suggested by the **asset share** calculations. The aim is to set **terminal bonus** rates so that, whenever possible in the opinion of the **Committee of Management**, who in turn would seek the opinion of the **Actuary**, the **payouts** as a percentage of **asset share** are within the range of 85% to 115% of the **asset share**. The aim is to set **terminal bonus** rates that achieve a balance between the rates suggested by the **asset share** calculations and the then current **terminal bonus** rates, consistent with the principles set out in paragraphs 2.2 and 2.3. The projections referred to above are used to help achieve this aim.

- 2.14 The practices set out in paragraphs 2.15 to 2.26 apply to all **with-profits** policies except **New Century Savings Plan** policies that have exceeded their initial 10 year premium-paying term (“**NCSP post 10 year policies**”). The practices in respect of **NCSP post 10 year policies** are described in paragraphs 2.27 to 2.28.
- 2.15 With the exception of **NCSP post 10 year policies**, the current practice is not to increase **reversionary bonus** from its current level and to distribute the balance of any **surplus** emerging through **terminal bonus**.
- 2.16 The **bonus reserve valuation** is used to determine whether the current rate of **reversionary bonus** can be maintained. Current practice is to calculate the **surplus** on the **bonus reserve valuation** basis assuming continuation of the current **reversionary bonus** rate. Consideration would be given to reducing the **reversionary bonus** rate if the calculation indicated a marked deterioration compared with previous years in the **surplus** relative to the size of the POIS Fund. The POIS Fund is also required to maintain **surplus** on a **statutory valuation** basis that is at least as great as that part of the Society’s **required minimum solvency margin** that is attributable to the policies of the POIS Fund. Subject to the above, the weight given to recent economic experience would be determined by the view taken on the likelihood of any changes in experience being maintained in the future.
- 2.17 In determining whether the POIS Fund has any excess **surplus** account would be taken of the need to retain sufficient assets in the POIS Fund in order to comply with the principles set out in paragraph 2.3.
- 2.18 Current practice is to determine the investment return assumptions underlying the **bonus reserve valuation** from the risk adjusted yield on the fixed interest assets of the POIS Fund at the valuation date. The risk adjusted yield is based on the redemption yield on UK government bonds with comparable maturity dates, plus an adjustment, where appropriate, to allow for an increase in return to compensate for lower liquidity. The expense assumption is based on the current investment management fees and the maximum administration expenses that can be charged to the fund in accordance with the **instrument of transfer**. The mortality assumption is based on industry and actual (where credible) experience. Tax is allowed for by assuming the POIS Fund is taxed on a stand alone basis (this is the basis on which the actual tax charged to the POIS Fund is determined) and that rates of tax remain unchanged in the future subject to any announcements to the contrary from the Inland Revenue. Tax is separately applied to **tax exempt** and **taxable policies**. No allowance is made for the cost of any guarantees or for possible future profits from surrenders and **non-profits** business. The assets and liabilities in respect of **NCSP post 10 year policies** are also excluded from the calculation but apart from this the assumptions as determined above are assumed to apply equally across all **with-profits** policies.

- 2.19 The **asset share** calculations are used to determine the **terminal bonus** rates and hence the **payouts** on **with-profits** policies. Current practice is to determine the **asset share** of a policy by accumulating premiums less expenses, mortality charges and taxation using historical information and the historic rates of return, from the period prior to the transfer of engagements and rates of return based on the mix of assets backing with-profits business in the period since the transfer. Assumptions for the other parameters since the transfer of engagements are determined as described above for the **bonus reserve valuation**. **Asset share** calculations are performed at least annually using data as at 31 December. The methodology involves making some approximations with regard to the precise commencement and maturity dates of policies and of the returns in the period from 31 December to the maturity date. Calculations may be performed more frequently depending on the need to make changes to terminal bonus scales following unexpected economic conditions or other unexpected events.
- 2.20 The **asset shares** so derived are adjusted pro rata so that the aggregate **asset share** equals the net assets in the POIS Fund less the asset shares in respect of **NCSP post 10 year policies** and the **non-profits** liabilities. The adjustment is the mechanism used to allow for the distribution of the capital injection referred to in section 1, miscellaneous profits or losses, and, more generally, to satisfy the principles set out in paragraph 2.2.
- 2.21 **With-profits** policies were sold as combined **taxable policies** and **tax-exempt policies**. Prior to the transfer of engagements in 2002 no distinction was made between **tax-exempt** and **taxable** policies in setting bonus rates. This remains the practice.
- 2.22 The method of allocating **reversionary bonus** changed from a **simple bonus** basis to a **compound bonus** basis for most policies issued after April 1991 (for some types of policy, including juvenile policies, the change was not implemented until 1992). Prior to the transfer of engagements in 2002 the rate of **reversionary bonus** declared on **compound bonus** policies was lower than the rate on **simple bonus** policies. This remains the practice with the current differential being 0.25%.
- 2.23 The rate of **reversionary bonus** declared on policies with Life Assurance Premium Relief has historically been 0.25% lower than the rate declared on other policies. This also remains the current practice.
- 2.24 Apart from the practices detailed in paragraphs 2.21 to 2.23, the current practice is for the rate of **reversionary bonus** on all **with-profits** policies, except **NCSP post 10 year policies**, to be the same. Policies issued before 1934 have a prior claim on surplus up to a maximum additional **reversionary bonus** of 0.75%.

- 2.25 Current practice is for **terminal bonus** rates to vary by policy term but not by any other criteria and for the same terminal bonus scale to be used for all **with-profits** policies, with the exception of **Old-rate Juvenile policies** and **New Century Savings Plan** policies.
- 2.26 Current practice is that aggregate **payouts** should target 100% of **asset shares**, after the adjustment described in paragraph 2.20 although variations from this target due to **smoothing** of returns will be permitted provided it is consistent with the principles of fairness and consistency. There is no specific practice with regard to an overall limit on the cost of, or excess from, **smoothing** that the Society is prepared to tolerate, nor is there any specific practice with regard to applying limits to any changes in the level of **payouts** between one period and another. With the exception of **NCSP post 10 year policies** the same smoothing strategy is applied to all **with-profits** policies.
- 2.27 The **New Century Savings Plan** is an endowment policy maturing at age 70, with an option at the end of the 10 year premium-paying term to take a surrender value or to leave some or all of the benefits invested in the POIS Fund. If a **New Century Savings Plan** policy is surrendered at the 10 year point, then a **terminal bonus** is determined as described above. If part or all of a **New Century Savings Plan** policy remains invested in the POIS Fund then a **special bonus** is determined at the ten year point. The **special bonus** will equal the **terminal bonus** that would otherwise have been payable had the policy surrendered at the ten year point.
- 2.28 **NCSP post 10 year policies** will continue to be eligible to receive **reversionary bonus** and current practice is to declare a **reversionary bonus** on **NCSP post 10 year policies** at the same frequency as **reversionary bonus** on other policies but at a different rate. The rate of **reversionary bonus** on **NCSP post 10 year policies** is determined from the rate of return net of tax and expenses on the assets assumed to **match** the **guaranteed sum assured** and the attaching **reversionary bonus** (including the **special bonus**). Current practice is for no **terminal bonus** to be included in the **payouts** on **NCSP post 10 year policies**.
- 2.29 The methods, parameters, and key assumptions used to determine the amount payable to policyholders are documented in manual and computer files maintained by the **Society's actuaries**. Any changes to the current methods, parameters or assumptions would be subject to the agreement of the Society's **Actuary** and the approval of the **Committee of Management** and would be notified to the **Audit Committee**.
- 2.30 Current practice is to re-set **reversionary bonus** and **terminal bonus** rates once a year although for all products bonus rates would be re-set more frequently if adherence to current practice meant that changes in the business or economic environment would compromise any of the principles set out above. Given the investment strategy and other risks the fund is exposed to, as set out in sections 3 and 4, it is considered

unlikely that bonus rates will have to be re-set more frequently than annually. Other than as described above, there is no practice with regard to the maximum amount by which **reversionary bonus** and **terminal bonus** rates may alter.

- 2.31 **Reversionary bonus** and **terminal bonus** rates are re-set using the methods described above. Changes in the economic and business environment are managed through the **asset share** calculations, which allow for changes in the market value of the assets, and by reviewing the assumptions used in the **bonus reserve valuation**. The current practice is to set **interim reversionary bonuses** at the same rate as the last declared **reversionary bonus** rate.
- 2.32 All **surrender value** bases are formulaic. No market value reductions are applied to **surrender values** and **terminal bonus** is taken into account in the **surrender value** calculation as follows:
- The amount payable in respect of a **New Century Savings Plan** policy on surrender at the 10 year point is the **guaranteed sum assured** plus the attaching **reversionary bonus** plus the **terminal bonus**.
  - The amount payable in respect of an **NCSP post 10 year policy** on surrender is **guaranteed sum assured** plus the attaching **reversionary bonus** (including **special bonus**) No **terminal bonus** is payable.
  - For other policies, the **terminal bonus** payable on surrender is calculated using the same methodology as that for maturing policies but with the term of the policy being from the commencement date to the date of surrender. The resulting **terminal bonus** is then multiplied by the same factor as the **paid-up sum assured** and attaching **reversionary bonus** to give the total **surrender value**.
- 2.33 Current practice is to review the **surrender value** bases at least annually (by testing the surrender payments relative to **asset share** on a range of specimen **with-profits** policies) so that, whenever possible in the opinion of the **Committee of Management**, who in turn would seek the opinion of the **Actuary**, the **surrender values** as a percentage of **asset share** are within the range of 75% to 125% of the **asset share**, after the adjustment described in paragraph 2.20, and with the longer term aim that aggregate **surrender values** will target 100% of the **asset share** unless any deduction is necessary in the opinion of the **Committee of Management**, who in turn would seek the opinion of the **Actuary**, to protect the interests of the remaining **with-profits** policyholders.

# 3 Investment Strategy

## Principles

- 3.1 The investment strategy is driven by the following principles:
- The investment strategy should ensure that liquid assets are available to meet the liabilities as they fall due.
  - The investment strategy should be consistent with the sound financial management of the POIS Fund.
  - Exposure to investment risk should be consistent with the risk appetite of the POIS Fund.
  - Subject to the above principles, the investment strategy should be consistent with statements made to policyholders.
- 3.2 There are no assets outside of the POIS Fund which the Society relies on to maintain its investment strategy.
- 3.3 **Derivatives** or similar instruments may be used as part of the investment strategy, provided their use is consistent with the above principles.
- 3.4 The investment strategy applies across the whole of the POIS Fund and does not vary between different classes of policy or between different generations of policyholders.
- 3.5 Constraints on the exposure to any one **counterparty** including **derivative** exposures and exposure to **equity risk**, **credit risk** and **mismatching risk** is governed by an assessment of the risk appetite of the POIS Fund. The assessment is carried out by the **Actuary** and is subject to the approval of the **Committee of Management**.
- 3.6 Prior to the transfer of engagements in 2002 the POIS Fund made loans to policyholders (secured on the surrender value of their policy). This was a service to policyholders and the assets represented by these loans would not normally be traded. The out-turn from the loans will impact on the amounts payable under **with-profits** policies. Further loans of this type may be made from the POIS Fund.

## Practices

- 3.7 A formal investment review including an assessment of the risk appetite is currently carried out annually. The results are reported to the **Committee of Management**.
- 3.8 Due to the relatively modest level of **surplus** and the requirement to distribute it all to existing policyholders the risk appetite of the POIS Fund has been assessed as low. Current practice is for most of the investment risk in the POIS Fund to be taken in the form of **equity risk**, with a minimal exposure to **credit risk** and **mismatching risk**.

- 3.9 Specifically, current practice is to:
- Have a target equity exposure for the POIS Fund of 5% of the assets and a maximum exposure of 7.5% of the assets.
  - Restrict the maximum exposure to corporate bonds to 10% of the fixed interest assets with 70% of corporate bonds being at least S&P A rated or equivalent and all bonds being investment grade (i.e. at least S&P BBB rated or equivalent)
  - Aim to closely **match** the duration of the fixed interest stocks held with the guaranteed liabilities of the POIS Fund.
- 3.10 The target equity exposure is assessed by notionally allocating fixed interest assets to **non-profit** liabilities, guarantees underlying with-profits policies, reserves for future reversionary bonus and the **required minimum solvency margin**. Current liabilities and **NCSP post 10 year policies** are **matched** by deposits. The target is for approximately 50% of the remaining assets of the POIS fund to be backed by equity type assets. The mix of assets in the POIS fund, excluding those backing the **NCSP post 10 year policies**, is used to assess the investment return on the asset shares of **with-profits** policies. **Non-profit** liabilities, current liabilities and **NCSP post 10 year policy** liabilities currently represent a small proportion of the POIS Fund.
- 3.11 The loans described in paragraph 3.6 are approximately 2% of the assets of the POIS Fund. They are treated in the same manner as all other assets of the Fund with regard to the practices described in this report. Current practice is to stop the issue of new loans if the value of existing loans exceeds 3% of the assets of the POIS Fund.
- 3.12 Any proposal to invest in a new or novel investment instrument would require approval by the **Committee of Management**, who in turn would seek the opinion of the **Actuary** and notify the **Audit Committee**.

# 4

## Business Risk

### Principles

- 4.1 **With-profits** policies share in all of the profits or losses arising from the POIS Fund. In addition to investment returns, therefore, **with-profits** policyholders are exposed to all of the business risks associated with the POIS Fund, including any compensation costs associated with these risks. Since the POIS Fund is closed to new business and **ring-fenced**, the business risks are confined to those associated with maintaining the existing policies of the POIS Fund. Further, the expense risks are limited by virtue of the terms of the transfer of engagements set out in **instrument of transfer** referred to in section 1. The underlying principles with regard to business risk are:
- **With-profits** policyholders of the POIS Fund will not be exposed to business risks other than those associated with maintaining the policies in the POIS Fund.
  - The business risks the fund is exposed to include those specified in the **instrument of transfer**.
  - Any profits or losses arising from the business risks of the POIS Fund will be shared among **with-profits** policies within the POIS Fund in accordance with the principles set out in section 2.

### Practices

- 4.2 With the exception of risks associated with administration expenses, which are limited as described above, current practice is for **with-profits** policyholders to be fully exposed to the business risks of the POIS Fund and for any profit or loss arising from business risks to be reflected in **payouts** in accordance with the principles and practices set out in section 2.
- 4.3 By virtue of clause 3.1 of the **instrument of transfer** the extent to which the Society assumes the liabilities of the POIS Fund is limited to the extent to which they can be met from the POIS Fund. As a consequence, guaranteed benefits may be reduced should any losses, arising from business risks exceed the **surplus** in POIS Fund. The proportion of **non-profits** business is projected to remain small relative to the **with-profits** business and there are no specific practices with regard to limiting the future exposure of **with-profits** policies to business risks.
- 4.4 Should the number of policies in the POIS Fund fall below 1,000 (but not otherwise) the Society has the power to cease maintaining the business as a separate fund. At this point the intended practice would be to distribute any remaining **surplus** to the remaining **with-profits** policyholders by way of a one-off final bonus distribution with no further participation in profits.

# 5 Charges and Expenses

## Principles

- 5.1 The administration expenses the Society is entitled to deduct from the POIS Fund are set out in the **instrument of transfer** referred to in section 1. The overriding principle with regard to charges and expenses is that they will continue to be deducted in future in accordance with the **instrument of transfer**.
- 5.2 As a consequence of the above principle there should be no factors which would drive any change to the way in which expenses are charged to the POIS Fund.

## Practices

- 5.3 The amount deducted in respect of administration expenses is the upper limit specified in the **instrument of transfer**. The upper limit, as set out in the **instrument of transfer** is based on a fixed amount per in-force policy. The fixed amount is subject to increases in line with the national earnings index.
- 5.4 As a consequence of the above approach, the administration expenses charged to the fund may be greater than cost. Administration expenses, as defined in the **instrument of transfer**, exclude certain costs. In particular they do not include investment management fees. Current practice is to charge investment management fees at cost (including any taxes thereon), at the rate consistent with the investment management fees levied on the Society by its investment managers.
- 5.5 Other than as described above, there are no outsourced services which impact on the charges or expenses of the POIS Fund.
- 5.6 The current practice is to regard the **instrument of transfer** as applying without limit in time.

# 6 Management of the Inherited Estate

## Principles

- 6.1 The principles set out in section 2, in particular the principle that over the term of the existing policies, all of the **surplus** in the POIS Fund should be shared out among **with-profits** policyholders in the POIS Fund and the principle that bonus policy should aim to avoid holding back **surplus** establishes the principle that the POIS Fund should not contain an **inherited estate**.

## Practices

- 6.2 There are no practices regarding the implementation of the above principle other than those set out in previous sections of this report.

# 7 Glossary

<b>Actuary</b>	The appointed actuary or with-profits actuary as defined in the rules of the Financial Services Authority.
<b>Asset share</b>	In relation to a policy, the accumulated value of premiums paid less expenses, tax, and the cost of risk benefits, in accordance with the actual experience of the office.
<b>Audit Committee</b>	A sub committee of the <b>Committee of Management</b> .
<b>Bonus reserve valuation</b>	An actuarial valuation method that makes explicit allowance for future bonus and future expenses.
<b>Committee of Management</b>	The governing body of the Society.
<b>Cost of smoothing</b>	The extent to which the <b>payout</b> under a <b>with-profits</b> policy diverges from its <b>asset share</b> except where due to applicable guarantees.
<b>Compound bonus</b>	A rate of reversionary bonus is a compound bonus if it is applied to the guaranteed sum assured and the previously declared reversionary bonus.
<b>Counterparty</b>	An individual or company in which the Society has made investments or against which it has rights under a contract entered into by the Society.
<b>Credit risk</b>	The risk of loss arising from the failure of debtors of the Society to pay their debts when due.
<b>Derivative</b>	A contract for differences, a future or an option as defined in the rules of the Financial Services Authority.
<b>Equity risk</b>	The risk of loss arising from a fall in value of investments in ordinary shares.
<b>Friendly Society</b>	A Society incorporated under the Friendly Societies Act 1992.
<b>Guaranteed sum assured</b>	The amount specified under the policy as being payable on death or on survival to the end of the term of the policy.
<b>Inherited estate</b>	The excess of assets maintained within a <b>with-profits fund</b> over and above the amount required to meet liabilities (including liabilities which arise from the regulatory duty to treat customers fairly in setting discretionary benefits).
<b>Interim reversionary bonuses</b>	The bonus granted in respect of the period since the last declaration of reversionary bonus to the date of claim.

<b>Instrument of transfer</b>	The document setting out the terms of the transfer of engagement between the Society and POIS Assurance Limited.
<b>Juvenile policies</b>	Endowment assurance policies sold by POIS Assurance Limited where the life assured is a juvenile
<b>Match, Matched</b>	Fixed interest assets closely match specific liabilities if the <b>mismatching risk</b> is minimal.
<b>Mismatching risk</b>	The risk of loss arising from a movement in the value of fixed interest assets due to a change in redemption yields that is not covered by a corresponding change in the value of the liabilities.
<b>Moneybox</b>	A single premium endowment assurance contract sold by POIS Assurance Limited.
<b>NCSP post 10 year policies</b>	<b>New Century Saving Plan</b> policies which have completed their 10 year premium paying term but where at least part of the policy remains invested in the POIS Fund
<b>New Century Saving Plan</b>	A regular premium endowment assurance contract with premiums payable for a limited period, sold by POIS Assurance Limited.
<b>New-rate Juvenile policies</b>	<b>Juvenile policies</b> issued on the increased premium rates that came into force during early 1999.
<b>Non-profits</b>	A fund business or policy, depending on the context, which is not <b>with-profits</b> .
<b>Orphan estate</b>	Same meaning as <b>inherited estate</b> .
<b>Old-rate Juvenile policies</b>	<b>Juvenile policies</b> that are not <b>New-rate Juvenile policies</b> .
<b>Paid-up sum assured</b>	The reduced value of the guaranteed sum assured if premiums are stopped before the end of the policy term.
<b>Payout</b>	The amount paid on death or on survival to the end of the term of the policy.

<b>Required minimum solvency margin</b>	The minimum margin of solvency required by the rules of the Financial Services Authority, where the margin of solvency is the excess of the value of the Society's assets over the amount of its liabilities, that value and amount being determined in accordance with the rules of the Financial Services Authority.
<b>Reversionary bonus</b>	A method of distributing surplus. The bonus is normally declared each year but is not paid until a policy becomes a claim. Also referred to in product literature as annual bonus.
<b>Ring-fenced</b>	In relation to a fund, a separately identifiable fund where the amounts that can be debited from and credited to the fund are clearly defined.
<b>Simple bonus</b>	The declared rate of <b>reversionary bonus</b> is a simple bonus if it is only applied to the <b>guaranteed sum assured</b> .
<b>Smoothing</b>	The process whereby movements in <b>asset shares</b> are not fully reflected in <b>payouts</b> in order to reduce the volatility of <b>payouts</b> .
<b>Society's actuaries</b>	Watson Wyatt Limited.
<b>Special bonus</b>	A type of <b>reversionary bonus</b> . It is a method of distributing surplus for <b>New Century Savings Plan</b> policies. It is a one-off bonus declared at the end of the ten year premium paying period if the policy does not surrender at that point. It is not paid until a policy becomes a claim.
<b>Statutory liabilities</b>	The liabilities determined in accordance with the rules of the financial Services Authority.
<b>Statutory valuation</b>	A valuation carried out in accordance with the rules of the Financial Services Authority.
<b>Surplus</b>	In relation to a <b>ring-fenced</b> fund the excess of the value of the funds assets over the amount of its liabilities.
<b>Surrender value</b>	The cash payment made when the policyholder requests the contract of insurance to be cancelled.

<b>Taxable policy</b>	Not a tax-exempt policy.
<b>Tax-exempt policy</b>	A Friendly Society policy that satisfies certain conditions set out in legislation including conditions relating to amount and frequency of premiums and the amount of the sum assured.
<b>Terminal bonus</b>	A method of distributing <b>surplus</b> , whereby the bonus is only declared when a policy becomes a claim.
<b>With-Profits Committee</b>	A sub committee of a firms governing body with appropriate skills and experience to provide some independent judgement in the assessment of compliance with principles and practice of financial management and how any competing rights and interests of policyholders have been addressed.
<b>With-profits</b>	In relation to policy or business, a policy or group of policies falling within a class of long-term insurance business which is eligible to participate in any part of any established surplus.
<b>With-profits fund</b>	A fund containing <b>with-profits</b> business.