

THE ORIGINAL HOLLOWAY FRIENDLY SOCIETY LIMITED

# Annual Report 2024

for the year ended 31 December 2024

Keeping life colourful

# Welcome from the Chair

Dear Members,

Welcome to the 2024 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, there is an Overview from me, as your Society's Chair.

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

Third is the Bonus Report, which shows how we calculate and share the bonus value with our 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.

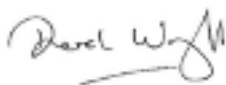
The fifth item is the report of the Independent Auditor.

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 served as Executive Chair for the Society, during the year, while a new CEO was being recruited.

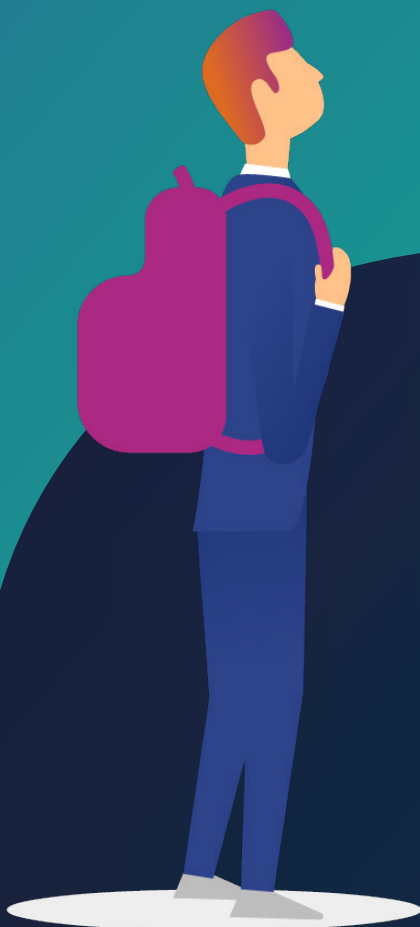
I hope you find the content interesting and informative. We are always pleased to hear from you and we welcome any feedback or suggestions on our report, the progress of your Society or your experiences dealing with us. All Directors make a point of being available to talk to Members at the Annual General 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  
01 April 2025

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# Officers, Professional Advisers and Registered Office

## The Board of Management ('Board')

Chair and Non-Executive Director	Derek Wright <sup>3</sup>
Senior Independent Non-Executive Director	Anna East
Independent Non-Executive Directors	Dave Cheeseman Anna East Lynzi Harrison Andrew Horsley Adrian Humphreys
Chief Executive and Executive Director	Stuart Tragheim <sup>2</sup> Ben Pears <sup>4</sup>
Chief Financial Officer and Executive Director	Mark Allen <sup>1</sup>
Chief Operating Officer and Executive Director	Suzy Esson <sup>5</sup>
Chief & With Profits Actuary	Alison Carr
Company Secretary	Alison Poyner

<sup>1</sup>until 29 March 2024.

<sup>2</sup> until 29 February 2024.

<sup>3</sup> Executive Chair from 1 March 2024 until 8 September 2024.

<sup>4</sup> designate from 24 June 2024, regulatory approval received on 09 September 2024

<sup>5</sup> appointed 20 May 2024, regulatory approval received on 22 November 2024 and resigned on 21 January 2025

# Officers, Professional Advisers and Registered Office

## Professional Advisers as at 31 December 2024

### Chief Actuary and With Profits Actuary

Alison Carr, BSc, FIA  
Steve Dixon Associates LLP  
Global House  
Ashley Avenue  
Epsom, Surrey  
KT18 5AD

### Internal Auditor

RSM UK Risk Assurance Services LLP  
10th Floor, 103 Colmore Row, Birmingham  
B3 3AG

### 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

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

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.

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.

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. Colleagues of the Society are a member of the Investment and Life Assurance Group ("ILAG").

Annual Report 2024

# Chair's Overview

# Chair's Overview

This past year has been another one of uncertainty for many both in the UK and overseas with elections having been held in many democratic countries and the consequent changes that those elections brought about. Whilst inflation did finally fall to the long-term norm, bringing with it more stability, the increases in employer National Insurance rates have led to concerns within the financial services market, especially for small Friendly Societies such as ourselves. I am pleased to report that the Society's ability and willingness to adapt, for example through agile working, has meant that we have been able to continue to meet the needs of you, our Members with a very high standard of service which was recognised through our achieving the 3 star status in the FT Adviser Service Awards.

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.

## Delivering Benefits to Members

As discussed in the Strategic Report, our sales were significantly higher than in recent years, and our Membership numbers have increased. 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 2024 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 bonuses for all Members with eligible plans were maintained reflecting underlying performance. Full details are in the report on pages 20-21.

## 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 what our Members expect. The main focus over 2024 was the implementation of the regulator's Consumer Duty requirements. We welcome the principles of this initiative, but it is important that the regulators adopt appropriate proportionality in monitoring firms' adherence to this Duty.

Each year the Board reviews its succession plan and is satisfied that it remains appropriate.

After 7½ years as Chief Executive, Stuart Tragheim stood down at the end of February 2024 to pursue a portfolio career. During his time with the Society, Stuart led a transformation in the Society's fortunes introducing a new brand, leading a complex IT transformation programme, overseeing the development of new products and re-focussing the Society on providing a first-class service to Advisers and Members. After a robust interview process, we are very pleased to have appointed Ben Pears as Chief Executive Officer who brings with him valuable expertise and experience including the last 7 years in the mutual and friendly society sector.

In March 2024 Mark Allen stood down as the Chief Financial Officer and Chief Risk Officer. We were pleased to appoint Sandy Richards as Chief Risk Officer who joined us in May and to promote Jo Attwood to the role of Head of Finance and Control.

The Society continues to support the fantastic work of the James Hopkins Trust, a children's charity based in Gloucestershire. We matched the amounts raised by colleagues, leading to a donation of just over £20,000.

# 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, which is now fully operational. Towards the end of the year, we reviewed the strategy agreed at the end of 2023 and concluded that it remained appropriate. We noted the need to keep expenses under a tight rein whilst continuing to grow our levels of new business and maintain an acceptable level of solvency.

## Looking Ahead

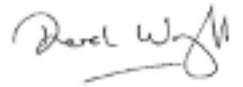
These last few years have been extremely difficult ones for us all. I am proud of the consistent focus on serving Members throughout. During 2024 we continued to see the benefits of PRISM in enabling us to provide more options for current and future Members.

## Thanks

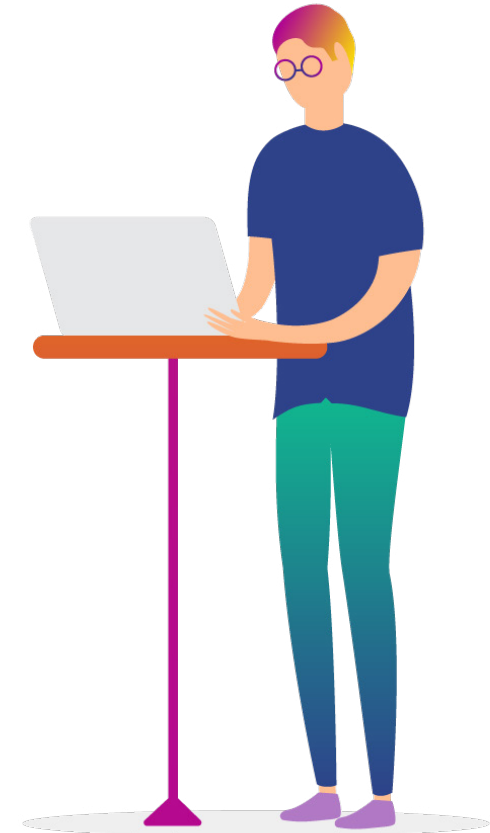
All of this is only achieved through the hard work and dedication of the Society's people. On behalf of my fellow Directors, a big thank you to everyone at the Society for their part in ensuring our success and building the foundations for the Society's future.

I hope to see many of you at the AGM.

With best wishes,



Derek Wright  
Chair  
01 April 2025





Annual Report 2024

# Strategic Report

# Strategic Report

## Chief Executive's Overview

I was honoured to be appointed as the Society's Chief Executive during 2024 and can report that the Society has made good progress towards its strategic objectives during the year.

Overall, expenditure was controlled in line with our strategy and a high level of service was maintained to our members. We met all our regulatory objectives and new business sales were very pleasing, surpassing our annual target, leading to a net growth in the Society's overall membership.

The highlights of the year were as follows:

- Net membership increased to 29,617 (2023: 26,952),
- Gross premium income (before reinsurance) increased to £13.2m (2023: £11.9m)
- Operational expenses were well managed in light of rising inflation at £7.05m (2023: £6.9m)
- Liquid assets decreased to £15.6m (2023: £19.8m) due to the cost of writing new business and withdrawals from our Holloway schemes.

### Member Support

As an organisation owned by our customers ("Members"), the Society's focus is always on helping our Members through our products, services

and support. In this respect I am delighted to confirm that during the course of the year, we:

- Helped 409 members return to work following a period of sickness,
- Paid over £5m in claims to members unable to work,
- Maintained a high claims ratio, paying out on 96.6% of claims, and
- Raised over £20,000 for the James Hopkins Trust, our chosen charity.

We also provided our Members with additional support such as second opinion GP services and access to online GP consultations available 24 hours, 7 days a week.

### Economic Review

Despite the continued conflicts in Ukraine and Middle East, 2024 was a positive year for global markets and the UK, with the UK Consumer Confidence Index increasing over the course of the year to 99.36 in December 2024, from 98.43 in December 2023. This increase in confidence helped the UK economy in the first half of the year and had a positive impact to the life insurance sector, which was a welcome boost following several years of slower growth since the pandemic. The Society benefitted from this uplift,

and our competitive, flexible and service focused approach saw us outperform a number of other peers and we ended the year with the highest level of new business sales since 2019.

It was reported that NHS patient waiting times reached an all-time high in 2024, which directly impacts the Society as it delays those needing treatment, getting back to work. This situation contributed to a higher-than-expected length of time to help get our Members in claim, back to work, and as a result the amount we paid in claims during the year was higher than expected. This is something that the Society will keep a continued watch on, and we have taken the action to strengthen our reserves as a result, ensuring that our future business projections include more prudence to allow for this trend.

### Financial Security

The Society was founded in 1875, the longevity of which is a testament to our resilience, and despite the continued economic uncertainty, the Society remains financially secure.

Towards the end of the year we transitioned to our new actuarial platform, providing us with a chance to review our data, experience and assumptions in more detail than normal. This review led to increasing our future liability assumptions further, aligning our projections with the latest and revised

# Strategic Report

experience, which in turn has lowered our solvency position in comparison to the previous year.

Despite this being a material increase in future expected liabilities, the Society is still well capitalised with a solvency ratio of 141% at year end, and it allows the Board to accurately understand our position and to review our strategy accordingly.

## The Future

The Society needs to continue to grow and evolve to deliver on its strategy to create long term member value. The Board is cautiously optimistic that we will be able to meet the challenges facing the Society and that we are positioned well to be able to compete in the modern marketplace. As a business we will continue to use our Members' money wisely to invest into technology and efficiencies to help us reach scale, whilst controlling our operational costs. However, these developments are always done with our Members in mind, focusing on developments that improve their experience with the Society.

During 2025 we will look to review our strategy to ensure that we are maximising the opportunity to create member value.

## And Finally...

I would like to express my thanks to my colleagues for their commitment and dedication over the last year, the continued support from our business partners, that can see how focused we are on giving a great customer experience, and the Society's Board for their support and guidance during the year.

May I close by wishing all our Members, colleagues and supporters a prosperous 2025.



**Ben Pears,**  
**Chief Executive**  
**01 April 2025**



# Strategic Report

## Key Performance Indicators for 2024

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

### Financial

Earned premiums

premiums paid by Members for their plans

Sickness claims paid

payments made to Members during their time of need

Expenses

costs to run the business

### Member Value

Total Membership

the reason for our existence

New Sales

the lead indicator of our ability to attract new Members

### Risk

Solvency Ratio

the financial strength to manage risks that materialise

### Stakeholder Operations

Lapses

retention of Members is central to the Society's success

Engagement

a strong Society emerges from dedicated people

Community

to support our local community

Environment

to mitigate the Society's environmental impact



# Strategic Report

## 2024 Business Review

### Purpose

Our purpose remains to be “here when you need us”. 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, Performance of Key Performance Indicators

#### Strategy

In September 2023, we reviewed our strategy and concluded that we will pursue our “managed growth plus” strategy. This is best characterised as

- Aiming to grow our business over the 5-year period (2024-2029), in line with our available capital
- Managing headcount and financial resources carefully
- Remaining as an Income Protection specialist and developing a small number of new products over time to enable us to diversify our portfolio
- Retaining focus on the intermediary market for our core protection products
- Investing modestly to further improve our service to Members and Advisers and to drive further operational efficiencies

### Business Model

Our business model is designed to balance providing innovation and service to our Members with operating as cost-effectively as possible. We build the products ourselves and administer them from start to finish. We seek to provide excellent service to Members and Advisers as a core part of our value proposition. We consider outsourcing where we think we can benefit either from access to expert resources that we could not afford due to our size, or because the activity is not a core process and the performance of which we do not regard as a service differentiator for the Society. During 2024 the Society outsourced its HR function; we are now working with WeDoHR to provide expertise and guidance where necessary.

We have continued along the journey of modernising our systems estate and removing dependency on some legacy outsource relationships. Our product range is modern and is consistent with the aims and objectives of the Financial Conduct Authority’s Consumer Duty objectives. We continue to invest in people through professional training and studies and have seen pleasing results across the year.

### Key Performance Indicators – Financial

Earned Premiums gross of reinsurance increased over the year to £13.242 (2023: £11.887).

Sickness Claims paid, net of sickness reinsurance recoveries, increased to £5.052m (2023: £4.261m).

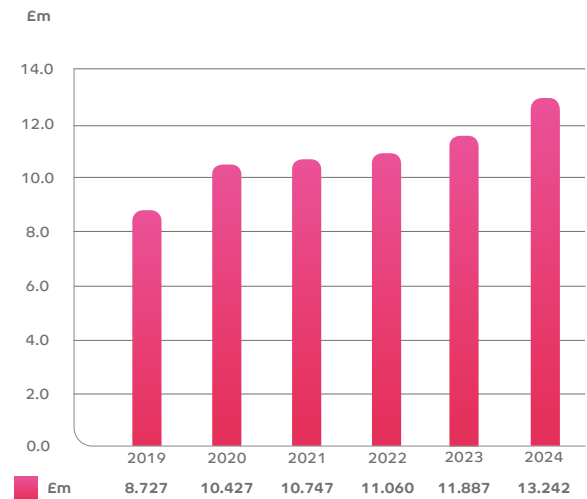
Expenses: Commission was higher due to increased new business volumes, at £4.452m (2023: £2.449m). Operating expenses were £7.050m (2023: £6.890m). One-off costs were £0.089m (2023: £0.138m). Accounting adjustments of £0.516m (2023: £0.551m) are not included in these figures. Expenses were 96% of our business plan.

The Fund for Future Appropriations, which describes how much is available either to distribute to Members or to use as capital to write more new business, decreased in the year to £57.435m, from £73.922m in 2023. The change during 2024 was driven by the Society revising its future assumptions in a number of areas leading to an increase in our liabilities, alongside the capital strain for writing increased levels of new business, paying claims to our Members and withdrawals from our Holloway plans.

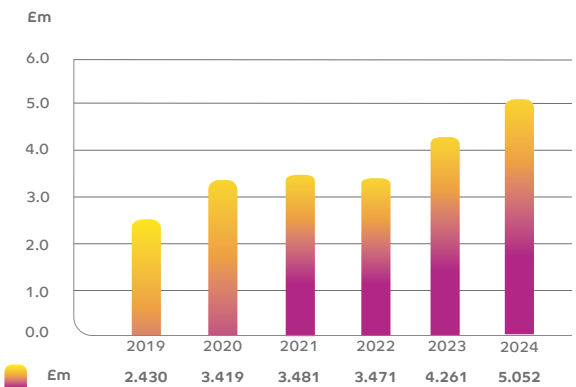
The value of the Society’s investments, including land and buildings, decreased to £15.588m from £19.835m. The change reflects investment performance, the planned drawdown of investments to meet the capital plan and the natural withdrawals of our longer serving Holloway members.

# Strategic Report

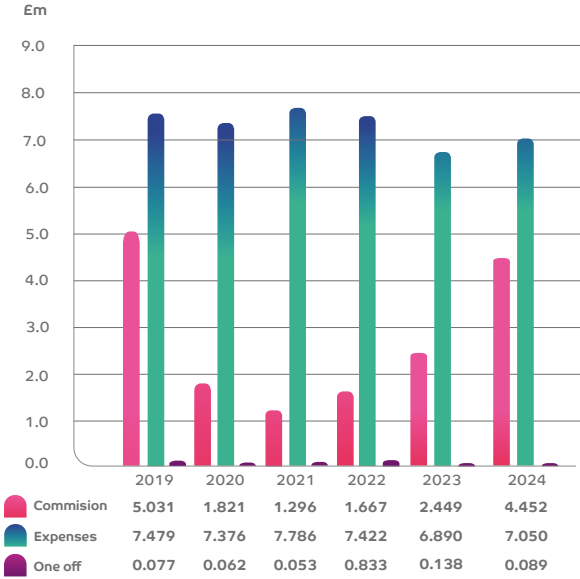
## Gross Earned Premium Income



## Income Protection Claims



## Operating Expenses



## Key Performance Indicators – Member Value

**Total Membership** is a simple measure of our continued raison d’être. Over the year, the number of Members increased to 29,617 from 26,952, which is pleasing to see given the increased volume of maturities and withdrawals we experienced during the year.

**New Sales** are measured by their annualised premium at the point of sale. We call this measure the Annual Premium Income or API. 2024 sales were higher than in 2023, at £3.215m API (2023: £1.635m). This represents an increase of 97%, which we believe is higher than the overall increase in the size of the individual Income Protection market in the year. Sales were 143% of our business plan.

## Key Performance Indicators - Risk

**Solvency Ratio** is a measure of the Society’s capacity to absorb adverse variations in the risks it takes within its business. From the Members’ viewpoint, it is a metric that indicates the security of their benefits. The Solvency Ratio reduced in 2024 and was 141% at 31 December 2024. The reduction was due to revising our future claims assumptions based on recent experience and the additional capital strain of writing new business.

The Board monitors the Solvency Ratio monthly and has defined steps to take in the event the ratio moves outside of tolerance. The Solvency Ratio target range is set relatively high, as is typical for our sector, to reflect that, as a mutual Society, we do not have readily available additional capital should risks crystallise.

# Strategic Report

## Key Performance Indicators – Stakeholder Operations

**Lapses** continue to be monitored both to ensure that sales are of the desired quality but also to ensure that we can give Members options rather than losing important cover in the event that they are experiencing financial hardship. We continued our focus on identifying early-stage indicators of possible lapse and intervening to offer Members alternative options. Low lapses are generally regarded as good for the Society and the implementation of its strategy. Lapses in 2024 were broadly in line with assumptions.

**Engagement** covers how committed our colleagues are to the Society and its goals. We generally measure this through responses to our regular colleague surveys that document how they are feeling at points throughout the year. 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. We operate agile working throughout the Society so that colleagues can split their time between working in Holloway House and working from home, depending on the work being undertaken at the time. Communication mechanisms have evolved both within teams and

across the Society to reflect these new ways of working and we will continue to identify new ways of ensuring effective colleague engagement which is measured through a six-monthly survey.

**Community and Environment** In 2024, we continued our support for the James Hopkins Trust, a children's charity based in Gloucestershire providing support for severely disabled under 5s and their families. Following established practice, the Society was pleased to match the amount raised in 2024, with the result that just over £20,000 was donated during the year.

We have continued to take action to maintain and mitigate the Society's environmental impact where possible. Our investment managers have positioned the Society's investments to deliberately be at the low end of the carbon spectrum.



# 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 key risks to be as follows:

**Strategic risks** The mutual sector relies on attracting continued new Members to provide capital. The Society has proven capable at designing products that provide reasonable returns on capital. Its plans for future strategic growth are at risk if the future supply of member capital is reduced.

**Expense risks** The demands placed on the Society continue to increase. The Society has to meet on-going expenses out of premium income which is mainly fixed as prices of our products do not typically change once they have been sold. As costs increase, we try to increase new business to maintain positive net income.

**Market risks** Most of the Society's assets are invested in the non-profit business, cash, cash funds, high-quality government and corporate bonds. There is therefore significant exposure to interest rate movements (the non-profit business is long term and so sensitive to movements in interest rates) which have been volatile in recent years. We have no immediate plans to alter our investment approach in 2025.

**Operational risks** cover a wide variety of topics. The key hot spots being managed are our operational resilience to business disruption and cyber risks as the number of instances of cyber-crime continues to increase.

**Future Claims** The Society writes typically long-dated guaranteed products. The value of these is particularly sensitive to future claim outcomes, both in terms of the number of claims and how long people claim for. Our recent experience suggests people are not recovering quite as quickly as predicted. We have reflected this learning in our future assessment. 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** over the medium to long term arise where adverse trends in key financial flows (new business premiums, claims and expenses) crystallise and the Society cannot access new capital. Typically, this risk is a consequence of other risks but is a key metric for the Board and management.

**Liquidity risks** may arise as a consequence of uncertainties in projecting cashflows, both income and outgoings. The Society has few sources

of and demands for liquidity. Financial projections provide information on the likely future high level cashflows for the Society over the projection period (typically annually for 3 to 5 years). Short-term cash requirements are monitored by the Finance function and a range of measures exist to manage both the available supply of cash and the forecast demands.

### Risk Management

The Society has a Risk Management Framework which facilitates the mechanisms for effective risk management. The framework contains all the components to support the approach to the identification, assessment, management and control of risk. The framework is organised around a "three lines of defence" model whereby management of risk is the responsibility of everyone. First line management is responsible for the implementation of the risk management process, within tolerances and frameworks that are designed and overseen by the second line risk and compliance functions. Internal audit provides third line independent assurance to the Board over the combined effectiveness of lines one and two.

The Board oversees and challenges the risk management function's activities by receiving regular reports into the Audit and Risk Committee. The risk strategy is reviewed by the Board annually.



# Strategic Report

The key risk management processes operating within the Society are:

- A quarterly Risk and Control Self-Assessment whereby the nominated member of senior management assesses emerging trends and comes to a forward-looking assessment of the risk.
- A quarterly 2nd line review of the risk register to consider whether risks are being broadly reasonably assessed, actions are being completed and risk consideration by management factors in latest emerging trends and information.
- An annual Own Risk and Solvency Assessment process which considers, for those risks that are mitigated by holding capital, the impact on the financial position of the Society of risks crystallising either in isolation or as part of a scenario.
- Limit and tolerance setting processes (also commonly referred to as Risk Appetite) which identify where possible metrics that can be used to assess whether or not a risk is being managed within acceptable limits.
- Combined Risk and Compliance Assurance reviews, which are second-line thematic exercises performed to examine how effectively the Risk Management System is being used end to end for a few selected topics annually.

- A policy framework, which sets how level standards and rules that the Society expects all its people to abide by in order for risk to remain within acceptable limits.

**Risk modelling** will continue to be used to assess the impact on the Society of different scenarios and will use this information to support our decision making. In 2024, our Risk and Actuarial team prepared a number of scenarios considering the potential impact of higher claims, lower new business levels and higher expenses. Our modelling capability will continue to be enhanced in 2025 to ensure that risks are quantified wherever possible, and the Society's management and Board understand the implications of taking various strategic options.

## **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.

## **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.

## **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.

# Strategic Report

## **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.

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

The Society has continued to develop its activities regarding climate change and sustainability. Our overarching objective is for the Society to be carbon-neutral on Scope 1 and Scope 2 GHG emissions, using appropriate high-quality carbon offsets. We believe that this is an appropriate and proportionate objective for an organisation of our scale and complexity.

Our sustainability focus has continued to develop a number of local initiatives where we can make a contribution. Colleagues have contributed ideas which have given rise to initiatives around recycling,

and increasing the use of electronic communication to Members, which now includes our annual mailings in respect of our Annual General Meeting.

We continue to consider our activities under the core elements of recommended climate-related financial disclosures that are used within Task Force on Climate-related Financial Disclosures (TCFD). Specifically:

**People** We continue to promote good health and wellbeing practices to our colleagues, by providing tools and support to live healthy balanced lifestyles with a sense of purpose and satisfaction. Where appropriate we extend this approach 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. Our retention/support activities for Members' experiencing financial difficulties are now embedded as business as usual. We extended the ability of our Members to take a break from paying premiums without lapsing their plans and losing valuable cover. We also allocated specific funds to assist with unexpected one-off costs that our Members incurred, such as essential appliances breaking down.

**Planet** We continue to find a number of ways to reduce our carbon footprint, including promoting

hybrid working and holding meetings online to reduce unnecessary commuting. As an asset owner we recognise that it is important for our purpose to flow out and be shared by our partners. Our investment manager, LGT Wealth Management UK LLP, has agreed with us how to choose which firms to invest in.

**Governance** of our various climate initiatives is provided by senior management with the CEO personally sponsoring the initiatives undertaken.

## **Directors' Assessment**

During 2024 the Directors assessed the Society's prospects over the next five-year period. This assessment took account of the benefits expected from the initiatives delivered in 2024 allowing for current macro-economic and market factors. The resulting outcomes were discussed and helped to shape the development of our 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.

The Board has considered the effectiveness of the internal control and risk management systems. Both of these systems have continued to be monitored during 2024. A range of incident and performance metrics have been provided within regular reporting

# Strategic Report

from which the Board can determine whether or not risk management and control activity has been broadly effective.

Additional independent assurance has been provided to the Board through a series of internal audit reviews which were undertaken by a fully independent party, RSM UK Risk Assurance Services LLP.

Taking all of these factors into account, the Board is satisfied that the internal control and risk management systems are effective.

## Conclusion

The foundations of the Society's strategy are its member-centric 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.

All of us at Holloway remain firmly committed to the ethos and ideals of the Society as captured within its Mission, Purpose and Values and to working tirelessly to achieve it for the wider Membership.

On behalf of the Board of Management



Ben Pears, Chief Executive  
01 April 2025



Annual Report 2024

# 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 the same bonus rate for 2024, as follows:

Bonus Declarations		
Apportionment of Surplus	2024	2023
Holloway Old Tables	£1.30	£1.30
Holloway New Tables and Classic	£1.50	£1.50
Holloway New Classic Plan	£1.25	£1.25
Holloway Premier Plan	£0.20	£0.20
Holloway Classic Plus	£0.90	£0.90
Holloway Classic Plus – Guaranteed	£0.75	£0.75
Holloway Classic Plus – New Table	£0.30	£0.30
Provident Standard, Provident D13 and D26	£1.30	£1.30
Provident Commuted	£2.40	£2.40
Holloway Commuted	£1.86	£1.86

### Compound bonus

Based on the advice of our With Profits Actuary, the Board has slightly decreased compound bonuses from their 2023 levels, The amounts to be credited to Members' Accounts for 2024, are as follows:

Credit to Members' Accounts	2024	2023
Compound Bonus	1.75%	2.25%



### 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. Our contact details are included at the back of this report.

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

A handwritten signature in black ink, appearing to read 'David Wright'.

Chair  
01 April 2025

Annual Report 2024

# 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 2024.

## 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 may 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 20-21.

### 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.

### 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.

The Board has an established 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

# Report of the Board of Management

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 52-70.

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 for ensuring 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).

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 2024 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.



# Report of the Board of Management

## 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 and then reviewed by Colleagues in 2022. These amended values were in place throughout 2024.

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 other members of the 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 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 engagement 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.

## 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 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.

# Report of the Board of Management

## Uncertainty involved in Estimates

Currently, we do not have enough claims, particularly long-term claims, to rely solely on our own experience in deciding our best estimate of future claims and recoveries. Instead, we use industry data which gives us access to a far greater number of claims. We then adjust to allow for trends we observe in our data where we think these will continue in the future. The Board considers the advice of the Chief Actuary on these matters 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.

## Directors' Conclusions

The Directors are satisfied that it is appropriate to adopt a going concern basis of accounting in preparing the financial statements. We 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, equity and inclusion policy.

### 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. This year, in line with its understanding of best practice, an internal Board evaluation was conducted.

In 2024, the Chair held a formal appraisal meeting 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 Members, who are the Society's owners and customers. 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. Attendance at the AGM may be on-line or in person. In 2024 the majority of notices for the AGM were sent via email.

### 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.

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 children's charity based in Gloucestershire, as our main supported charity. In June, nearly all colleagues took part in walking Pen Y Fan and raised £10,004. The Society matched this donation.

# Report of the Board of Management

## 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.

The Chief Executive meets quarterly 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

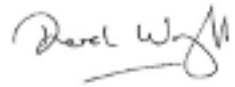
context of the Society's purpose and vision. The purpose and vision are discussed with all stakeholders as appropriate.

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 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  
01 April 2025

# 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. Derek Wright, our chairman of the Board, served as Executive Chair for the Society while a new CEO was being recruited.

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 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 with 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. Throughout 2024, the Board comprised up to two Executive Directors and six Non-Executive Directors.

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 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 of high quality and are designed 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, the Chief Executive, and the Senior Independent Director, 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 businesses 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. She holds annual meetings with the Board, the Chair being absent, to discuss the Chair's performance. She then meets privately with the Chair to discuss the findings.

## 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 policies with the Society, making payments on an arms-length basis. The Board, having considered

# Report of the Board of Management

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.

## Profile of Directors

The following Directors are expected to be serving on the Board after the AGM in 2025. We have shown the details of those that are offering themselves for election at the 2025 AGM first, followed by all other Directors.



# Report of the Board of Management

## Offering themselves for election at the 2024 AGM:

**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 of Schroders Pension Management Ltd.

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

Derek is retiring by rotation and is offering himself for re-election for a one-year term. Having reached the age of 70 the Board carefully considered Derek's eligibility to re-stand as a non-executive director. 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.

**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 was a Non-Executive Director at Entrust which is a national regulator. Anna has held a number of NHS Board roles and was a governor of King Edwards School in Edgbaston, Birmingham.

Anna chaired the Society's Nomination and Remuneration Committees until 31 December 2024 and is a member of the Society's Audit and Risk Committee. Anna is the Society's Senior Independent Director.

Anna is retiring by rotation and is offering herself for re-election for a one-year term. She has served on the Board for more than nine years. As a result, in line with the Code, her candidature was considered particularly carefully. The Board determined that Anna remains independent minded and is satisfied that her continued service on the Board will be of benefit to Members. 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.

**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 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, was until recently, a Non-Executive Director and the Chair of Red Rose Friendly

Andrew is a member of the Nomination and Remuneration Committee and was appointed as their Chair on 1 January 2025. He is the Board's Non-Executive Director Consumer Duty Champion.

Andrew is retiring by rotation and is offering himself for re-election for a three-year term. Andrew's contribution is important to the Society's long-term success because of his strong regulatory knowledge and experience as well as bringing financial services management experience to the Board and its Committees.



# Report of the Board of Management

**Ben Pears, Chief Executive and Executive Director.**  
Ben joined the Board on 24 June 2024

Ben has had a 27-year career in financial services, having worked for Aviva, Virgin Money, Coutts and Barclays. In the latter stages of his career, he made the transition into the mutual sector having been Chief Executive Officer of Kingston Unity Friendly Society between 2017 and 2021 and a Director at the Oddfellows between 2021 and 2024.

Ben brings expertise across a range of different disciplines including strategic planning, operations, sales marketing and governance. Ben is a strong believer in mutuality and has served on the Board of the Association of Finance Mutuals.

Ben is a qualified financial advisor, investment manager and marketer, whilst also holding certificates in project management and business efficiency.

Ben is offering himself for election for a three-year term at the first AGM following his appointment.

Ben's contribution is important to the Society's success because as Chief Executive he is responsible for designing the Society's current strategy and its' successful implementation.

## **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 15 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.

Dave is a Non-Executive Director and Chair of the Risk Committee at Leek Building Society and a Non-Executive Director and Chair of the Audit & Risk Committee at Amber River Group Limited.

Dave is the Chair of the Audit and Risk Committee.

# 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 2024						
	Board		Audit and Risk Committee		Nomination and Remuneration Committees	
Name	Attended	Out of	Attended	Out of	Attended	Out of
Dave Cheeseman	11	12	5	5		
Anna East	12	12	5	5	4	4
Adrian Humphreys	11	12	5	5		
Stuart Tragheim <sup>1</sup>	1	1				
Derek Wright <sup>2</sup>	12	12			4	4
Lynzi Harrison	10	12	5	5		
Andrew Horsley	11	12			4	4
Mark Allen <sup>3</sup>	3	3				
Ben Pears <sup>4</sup>	7	7			1	1
Susan Esson <sup>5</sup>	8	9				

<sup>1</sup> Until 29 February 2024

<sup>2</sup> Executive Chair from 1 March until 8 September 2024

<sup>3</sup> Until 29 March 2024

<sup>4</sup> From 24 June 2024. Nomination Committee only

<sup>5</sup> From 20 May 2024

# 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.

In 2024, we entered into a new business financing arrangement with Munich Re to help give us extra flexibility when managing cashflow. We also continued along the journey of modernising our systems estate and removing dependency on some legacy outsource relationships. We provided our Members with additional support such as second opinion GP services and access to online GP consultations available 24 hours, 7 days a week.

The Board is helped in its work by several 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

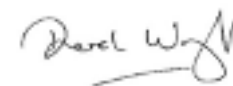
The Board has established three Committees to assist it in discharging its responsibilities. They cover Audit and Risk, Nomination and Remuneration matters. These Committees are important constituents of the Society's governance arrangements.

Each Committee has written terms of reference, which are available on the Society's website under the 'how we run Holloway Friendly' 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  
01 April 2025

# Report of the Board of Management

## Report from the Audit and Risk Committee

### Membership

At the end of 2024, the Committee comprised four 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.

#### 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 2024. 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 2025.

#### 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 2024 amounted to £155,000 (2023: £140,000) for the statutory audit. No non-audit services were carried out by BDO LLP for the Society during 2024 (2023: £nil).

### 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.

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 RSM UK Assurance LLP.

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

Dave Cheeseman  
Chair of the Audit and Risk Committee  
01 April 2025



# Report of the Board of Management

## Report from the Nomination and Remuneration Committees

### Membership

At the end of 2024, 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 Executive management.

The Committee considered the awards to be made under the Short-Term Incentive Plan. The Committee considered the awards to be made under the 2022-2024 and 2023-2025 Enhanced Bonus Plans to Executive management.

The Committee determined appropriate bonus payments to be made under these plans.

The Directors' Remuneration Report on pages 40-43 has more details about the Society's remuneration arrangements. The Committee considered the remuneration of the Non-Executive Directors which is reviewed every three years.

### Diversity and Skills

The Society seeks to attract and retain individuals who contribute through their diversity of thought, attitude and experience. 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. The Board endeavours to encourage diversity of thought and to avoid group thinking by encouraging debate.

### Nomination Committee

#### Board Performance Evaluation

The Committee supported the Chair in the performance evaluations of the Board and its Committees. As external Board appraisal work had been conducted in 2021, the Board and its Committees performed a self-evaluation, the results of which were considered by the Committee. The Committee considered whether the Board would benefit from an external Board evaluation and decided it would be more beneficial to consider this during the next year.

### 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 led the process to appoint a new Chief Executive, ensuring, as with all senior appointments, there is a transparent process to obtain the most suitable candidate. The Committee appointed a new Executive Director to the Board following the resignation of the Chief Finance Officer.

# Report of the Board of Management

## **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. 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.

The Committee had oversight of the induction plans for the new Executive Directors.

**Andrew Horsley**  
Chair of the Nomination and  
Remuneration Committee  
01 April 2025



# 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, income protection and life insurances
- **Short Term Incentive Plan or annual bonus plan:** up to 45% of basic salary (50% CEO) depending on performance against a number of measures and targets, adjusted for individual performance as decided by the Remuneration Committee, and

- **Enhanced Bonus Plan:** this plan pays a bonus depending on performance against a number of measures, subject to meeting a number of gateway thresholds, including solvency and liquidity. 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. The maximum bonus payable is 50% of the Short-Term Incentive Plan award. Payments are staged: 50% payable following the end of the year, 25% one year later and 25% one further year later. Subject to agreement, a new 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, private healthcare, health cash plan, income protection 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 2023

A Short-Term Incentive Plan and Enhanced Bonus Plan were in place in 2024. A payment was made for the second year of the 2022 -2024 Enhanced Bonus Plan

## 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, then a further three and then up to three 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 2024.

Directors' Emoluments, £						
Director	Salary or Fees	Bonuses	Benefits	Pension	Total 2024	Total 2023
Dave Cheeseman	30,000				30,000	30,000
Mark Allen <sup>2</sup>	40,499	-	2,887	6,689	50,075	192,930
Anna East	34,000				34,000	34,000
Adrian Humphreys	24,000				24,000	24,000
Stuart Tragheim <sup>1</sup>	292,256	7,054	1,773	-	301,083	276,645
Derek Wright <sup>5</sup>	61,000				61,000	36,000
Lynzi Harrison	24,000				24,000	24,000
Andrew Horsley	26,000				26,000	26,000
Ben Pears <sup>3</sup>	85,436		4,318	8,891	98,645	-
Susan Esson <sup>4</sup>	72,103		7,535	11,909	91,547	-
<b>Total</b>	<b>689,294</b>	<b>7,054</b>	<b>16,513</b>	<b>27,489</b>	<b>740,350</b>	<b>643,575</b>

<sup>1</sup> receives an enhancement of 8.8% of salary in lieu of pension contributions. Left on 29 February 2024. This payment includes a settlement agreement and PILON.

<sup>2</sup> left on 29th March 2024

<sup>3</sup> joined on 24th June 2024

<sup>4</sup> appointed on 20th May 2024

<sup>5</sup> covered CEO role from 1st March 2024 to 8th September 2024

The bonus payment to Stuart Tragheim is a bonus from the 2022-2024 Enhanced Bonus Plan.

On behalf of the Board of Management

**Andrew Horsley**  
Chair of the Nomination and Remuneration Committee  
01 April 2025



Annual Report 2024

# **Independent auditor's 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 at 31 December 2024 and of the Society's deficit 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 requirements of the Friendly Societies Act 1992.

We have audited the financial statements of The Original Holloway Friendly Society (the 'Society') for the year ended 31 December 2024 which comprise The Statement of Comprehensive Income and 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice) and the special provisions relating to Friendly Societies as set out in the Friendly Societies (Accounts and Related Provisions) Regulations 1994, as amended.

## 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. Our audit opinion is consistent with the additional report to the audit committee.

## Independence

Following the recommendation of the audit committee, we were appointed by Board of Directors on 12th August 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 31 December 2020 to 31 December 2024. 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, growth assertions and ensuring that movements such as premium growth and forecast claims were in line with historic factors, relevant market data and our general sector experience. Where new initiatives or products have been recognised, we have ensured growth assertions and product uptake assumptions were justified by appropriate supporting models. The Society's Business plan was obtained and inspected for threats to the going concern assumption and the prior year budget compared with current year performance to identify and obtain an understanding of any adverse movements; and

# Opinion on the financial statements

- Reviewing the latest Own Risk and Solvency Assessment provided by the Society, checking that stress testing was performed and checking the results of the stress testing. In addition, we reviewed the solvency projections, reconciling current positions to the financial statements and assessed the Directors’ assumptions embedded within the model for reasonableness. We have also checked that the modelling used for solvency is in line with industry standards; and
- Assessing how the Directors have factored in key external factors expected to affect the Society such as inflation, checking these had been appropriately considered as part of the Directors’ going concern assessment.

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.

## Overview

Key audit matters			Materiality
KAM 1	2024	2023	Society financial statements as a whole  £651,500 (2023: £882,000) based on 1.5% (2023: 1.5%) of Funds for Future Appropriations member bonus balances.
	Valuation of technical provisions	Valuation of technical provisions	

### An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Society’s activities and the overall control environment. Based on this understanding, we assessed those aspects of the Society’s transactions and balances which were most likely to give risk to a material misstatement.

### 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. These matters were 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 these matters.

## Key audit matter

### Valuation of technical provisions

The Society's financial statements include a net technical provision asset of £39,463,198 (2023: £51,795,029) measured on a Solvency II basis. This is set out in further detail in note 8.

There is an inherent risk that insurance technical provisions can be misstated due to the fact that estimates are necessarily involved, and as such, there is an element of subjectivity in any such provision.

The calculation of the Society's insurance technical provisions requires management to make significant judgements about a variety of assumptions including (but not limited to) mortality assumptions, lapsed rate, investment yields, discount rates and the current expectation of future expenses.

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

## How the scope of our audit addressed the key audit matter

In assessing the valuation of technical provisions, we performed the following procedures:

- We have obtained and reviewed the actuarial reports prepared by the Society's Actuary.
- We considered the competence, capabilities, objectivity, and independence of the actuarial experts engaged by us.
- With the assistance of our actuarial expert, whom we engaged for their expertise in life and income protection insurance, we have:
  - Assessed the appropriateness of the methodology and the reasonableness of assumptions applied by management in their calculation of the provision; and
  - Tested the accuracy of the calculation of the provision.
- We obtained the data which was provided to the Society's actuaries and our own actuarial experts to perform their calculations and performed a reconciliation to the nominal ledger.
- We obtained an understanding of the conclusions in the actuarial reports prepared by the Society's Actuary and by our actuarial expert, and assessed whether all the relevant judgements and estimates have been considered in the calculation of the provision.
- We agreed a sample of data for new members to the policy admin system to test that the underlying policy data had been correctly entered.
- We reviewed whether historic standing data has been unduly modified by identifying movements using data analytics and agreeing these back to supporting documentation.
- We have challenged the conclusions arrived at by our actuarial expert and checked that their processes are in accordance with both Technical Actuarial Standards (TAS) and industry practices.
- We have reviewed changes to the assumptions used in the technical provisions and, with the assistance of our actuarial expert, have assessed whether these are reasonable and in line with acceptable parameters.

### Key observations:

As a result of the procedures performed, we did not identify any matters to suggest that the assumptions applied by management in valuing the technical provisions are inappropriate.

# 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		
	2024 £ 000's	2023 £000's
<b>Materiality</b>	651.5	882.0
<b>Basis for determining materiality</b>	1.5% of Funds for Future Appropriations excluding member bonus balances.	1.5% of Funds for Future Appropriations excluding member bonus balances.
<b>Rationale for the benchmark applied</b>	We determined Funds for Future Appropriation to be the most appropriate benchmark, as it reflects a key measure of the performance of a mutual friendly society and is used to assess the level of free reserves and in determining solvency. We have excluded member bonus accounts from our calculation of materiality to determine materiality based on the Society's free and unallocated reserves.	
<b>Performance materiality</b>	456.0	617.4
<b>Basis for determining performance materiality</b>	70% of materiality	70% of materiality
<b>Rationale for the percentage applied for performance materiality</b>	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience.	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience.



# Opinion on the financial statements

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,000 (2023: £17,640). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

# Opinion on the financial statements

## Other Friendly Societies Act 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.

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 Directors' report.</p>	<p>We have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"><li>• proper accounting records have not been kept by the Society; or</li><li>• the Society financial statements are not in agreement with the accounting records and returns; 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 Boards' responsibilities statement, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Non-compliance with laws and regulations

Based on:

- Our understanding of the Society and the industry in which it operates;
- Discussion with management and those charged with;
- Obtaining and understanding of the Society's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be the Friendly Societies Act 1992, Friendly Societies (Accounts and Related Provisions) Regulations 1994, Financial Reporting Standard 102 and 103 applicable in the UK and Republic of Ireland and the AFM Corporate Governance Code.

The Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

### Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance also considered Audit Committee, internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Society's policies and procedures relating to:

# Opinion on the financial statements

- o Detecting and responding to the risks of fraud; and
- o Internal controls established to mitigate risks related to fraud.

- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of technical provisions, revenue recognition for new members and management override of controls.

Our procedures in respect of the above included:

Management override

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and

- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

Revenue recognition for new members

- Testing a sample of new member gross written premiums recognised during the year and ensure that these are valid;

Valuation of technical provisions related procedures are covered as part of the key audit matters section.

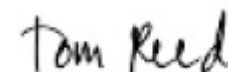
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 section 73 of 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 Society and the Society'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

07 April 2025

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

Annual Report 2024

# Financial Statements

# Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024	Note	2024	2023
		£	£
TECHNICAL ACCOUNT: LONG TERM BUSINESS			
Gross premium written	5	13,242,175	11,886,543
Outward reinsurance premiums	5	(1,847,806)	(380,520)
Net earned premium income		11,394,369	11,506,023
Investment income and realised gain	6	626,704	573,627
Unrealised (loss)/gain on investments		(196,301)	528,075
Total technical income		11,824,772	12,607,725
Gross claims incurred		7,264,740	6,211,632
Reinsurance recoveries		(3,388,873)	(5,508,973)
Claims incurred net of reinsurance	7	3,875,867	702,659
Change in technical provisions	8	12,277,797	(13,256,195)
Net operating expenses	9	12,107,539	10,028,073
Investment expenses and charges		50,700	53,635
Tax attributable to long-term business	10	-	-
		28,311,903	(2,471,828)
Net surplus/(deficit) for the year		(16,487,131)	15,079,553
Transfer (to)/from the fund for future appropriations	11	16,487,131	(15,079,553)
Balance on Technical Account: Long-Term Business		-	-

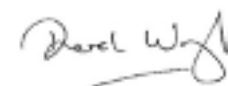
The above results relate wholly to continuing activities. The Society had no other comprehensive income or expenditure and has elected not to prepare separate analysis using a non-technical account.

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 2024		Note	2024 £	2023 £
<b>ASSETS</b>				
Intangible assets	12		3,011,854	3,506,530
Investments				
Land and buildings	13		745,000	745,000
Other financial investments	14		14,843,297	19,090,194
			15,588,297	19,835,194
Assets held to cover linked liabilities	15		556,031	610,065
Debtors				
Arising out of reinsurance operations	16		931,201	-
Other debtors			72,689	198,544
			1,003,890	198,544
Other Assets				
Tangible assets	17		64,283	58,190
Cash at bank and in hand			453,369	519,755
			517,652	577,945
Prepayments and accrued income				
Accrued interest			125,485	156,704
Other prepayments and accrued income			271,031	130,410
			396,516	287,114
Technical provisions	8		39,463,198	51,795,029
			<b>60,537,438</b>	<b>76,810,421</b>
<b>LIABILITIES</b>				
Fund for future appropriations	11		57,434,823	73,921,954
Technical provision for linked liabilities	8		556,031	610,065
Creditors				
Arising out of reinsurance operations			484,583	339,609
Claims outstanding			99,563	77,075
Other creditors (inc tax and social security)	18		1,962,438	1,861,718
			2,546,584	2,278,402
			<b>60,537,438</b>	<b>76,810,421</b>

The financial statements on pages 52-70 were approved by the Board of Management on 01 April 2025 and were signed on its behalf by:



**Derek Wright**  
Chair and Director



**Ben Pears**  
Chief Executive Officer



**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 2023. 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 2024 and a similar valuation as at 31 December 2023 or, where purchased during 2024, 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

These investments are included at market value. 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

## 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 with the exception of the contingent claim amount received from Munich Re.

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 compound bonuses vary in line with risk-free rates and all other 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. The claim

amount for 2023 includes an initial contingent claim for £5.5m under a reinsurance treaty with Munich Re entered into in November 2023.

The claim amount for 2024 includes new business reinsurance under a treaty with Munich Re entered into in February 2024.

Creditors arising out of reinsurance are primarily premiums payable for reinsurance contracts and are accounted for in the Statement of Comprehensive Income as 'Outward reinsurance premiums' when due.

Debtors arising out of reinsurance operations are claim amounts due from reinsurance contracts and are accounted for in the Statement of Comprehensive Income as 'Reinsurers share' 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.

# 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 Overview on pages 8-10.

The Board reviews the strategy annually by considering financial projections under a range of plausible scenarios looking forward for a period of typically three to five years.

A range of metrics are considered within each scenario with the most important being the solvency ratio and cashflow position and the

risks presented under each scenario considered. The projected capital position for the Society is assessed relative to the approved "solvency ladder" which provides a view as to likely future capital management actions that may be necessary.

The scenario with the most acceptable overall outcome, balancing the various metrics, defines the Society's annual business plan and is used as a reference point for setting expense budgets and sales targets.

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 2024. It is not, and has not been in 2024, subject to any externally imposed capital requirements.

### Capital statement

The following summarises the capital resources 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	2024 £000s	2023 £000s
Total capital resources before deductions*	57,435	73,922
Adjustments to assets**	(3,012)	(3,507)
Other provisions	(81)	-
<b>Total available capital resources</b>	<b>54,342</b>	<b>70,415</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 2024. Selected rates are shown below, 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 2024
1	4.46%
2	4.26%
3	4.15%
4	4.08%
5	4.04%
10	4.07%
15	4.23%
20	4.30%
25	4.30%
30	4.23%
50	3.78%

### Expenses

Maintenance expenses are set allowing for new business in accordance with the Society's business plans for the period 2025-2030. Thereafter expenses are assumed to increase with an expense inflation assumption derived from the difference between conventional gilt and index-linked gilt curves.

### Sickness

For income protection products, a sickness inception and recovery approach is used, based on a multiple of the industry standard IP11 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 and occupational classes. 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 AMC00 and for sick lives 100% of IP11.

# 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 2024. \*

Analysis of Change, 2024, £000		
2024	Capital	Change
Available capital at start of year	70,415	
In-force business movements	67,577	-2,838
New business	72,209	4,632
Interest rates	68,568	-3,641
Inflation and other market movements	68,539	-29
Model and basis changes*	54,430	-14,109
Other	54,342	-88
Available capital at end of year	54,342	

Model and basis changes include the following:

- £2,555k relating to actuarial model changes, predominantly the re-platforming the valuation model and manual reserve calculations.

- £11,554k relating to non-economic assumption changes, taking account of more recent sickness and lapse experience and updated assumptions.

## 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 Executive 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, £000		
Available capital at 31 Dec 2024		54,342
Principal Risk	Change	Impact
More people fall sick	10%	-5,231
People don't recover as quickly	-5%	-3,990
More people lapse	10%	-5,888
Fewer people lapse	-10%	6,610
Plans cost more to administer	10%	-996
Risk-free yields rise	+100bps	-3,967
Risk-free yields fall	-100bps	4,596
Corporate bond asset values fall	-10%	-936
Inflation falls	-50bps	-1,400

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 61.

### 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.

## 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 Executive Committee 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 creditworthiness.

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:

Market Value	£000	
	2024	2023
Investment grade	13,032	16,505
Non-investment grade	-	-
Non-rated	-	-
	<b>13,032</b>	<b>16,505</b>

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

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 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. Premium income

Investment income and realised gain/(loss)	2024 £	2023 £
Income Protection business – regular premiums	13,242,175	11,886,543
Outward Reinsurance premiums – Munich Re	(1,782,568)	(331,393)
Outward Reinsurance premiums – other	(65,238)	(49,127)
Net earned premium income	<b>11,394,369</b>	<b>11,506,023</b>

In January 2024 a New Business reinsurance facility was entered into with Munich Re. As reinsurance premiums are paid, they are recorded as an expense through the Statement of Comprehensive Income. In 2024 a reinsurance premium of £1.37m has been recognised in respect of this contract. It is included in Outward reinsurance premiums.

## Note 6. Investment income and realised Gain/(loss)

Income from investments:	2024 £	2023 £
Interest income (cash deposits)	83,698	79,981
Interest income (UK government securities)	64,008	86,287
Interest income (other fixed interest securities)	354,136	231,884
Dividend income	73,502	58,930
	<b>575,344</b>	<b>457,082</b>
Gain/Loss on realisation of investments	<b>51,360</b>	<b>116,545</b>
Investment income and realised gain	<b>626,704</b>	<b>573,627</b>

## Note 7. Claims incurred net of reinsurance

Technical provisions	Total 2024 £	Total 2023 £
Sickness benefit	5,064,828	4,270,407
Reinsurer share	(3,388,873)	(5,508,973)
	<b>1,675,955</b>	<b>(1,238,566)</b>
Unit-linked encashments	68,370	56,823
Withdrawals and maturities	2,131,542	1,884,402
	<b>2,199,912</b>	<b>1,941,225</b>
Claims incurred net of reinsurance	<b>3,875,867</b>	<b>702,659</b>

On 30 September 2023 (the “commencement date”), the Society entered into a treaty reinsurance arrangement with Munich Re.

Upon entering into the treaty, the Society received a contingent claim payment of £5.5m in 2023, which has been recorded as a reinsurance recovery in the Statement of Comprehensive Income. There will be no further payments received from the Reinsurer in respect of this treaty. Under the terms of the treaty, the Society is to pay Reinsurance Premiums to the reinsurer.

The treaty entered into is in respect of certain policies that were in force at the commencement date. The premium payable to the Reinsurer is linked to the premiums received in respect of these in force contracts and, therefore, risk transfer exists in respect of both premium lapse and claims, with the premium payable subject to adjustment.

The future premiums to be paid to the reinsurer in respect of this treaty have been accounted for as a liability in the technical provisions. The impact of this is that there is no net impact to the Statement of Comprehensive Income arising on the commencement of the treaty

In January 2024 an additional reinsurance facility was entered into with Munich Re. This is in respect of New Business contingent advance claims. In 2024 reinsurance claims of £3.4m have been recognised in respect of this contract. It is shown within Reinsurers share.

# Notes to the Financial Statements

## Note 8. Technical provisions

Technical provisions	Unit Linked Liabilities £	Other Liabilities (Assets) £	Total 2024 £	Total 2023 £
Balance at 1 January	610,065	(51,795,029)	(51,184,964)	(37,928,769)
Movement	(54,034)	12,331,831	12,277,797	(13,256,195)
<b>Balance at 31 December</b>	<b>556,031</b>	<b>(39,463,198)</b>	<b>(38,907,167)</b>	<b>(51,184,964)</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 decreased principally as a result of revising our assumptions and future liabilities.

## Note 9. Net operating expenses

Net operating expenses	2024 £	2023 £
Acquisition expenses	8,969,060	6,749,864
Administrative expenses	3,138,479	3,278,209
<b>Net operating expenses</b>	<b>12,107,539</b>	<b>10,028,073</b>

Net operating expenses include the following:

Fees* payable to the Society's auditor:		
Audit (BDO LLP)	155,000	140,000
Other charges:		
Depreciation on tangible fixed assets	22,119	21,391
Amortisation on intangible assets	494,146	499,977

\* All fees are exclusive of VAT.

Employee benefits expense:

Salaries and wages	4,134,513	4,031,502
Social security costs	465,883	465,757
Pension costs	457,049	444,292
	<b>5,057,445</b>	<b>4,941,551</b>

Number of employees:

Board and senior management	10	10
Acquisition and Member contact	22	21
Administration	42	48
	<b>74</b>	<b>79</b>

Numbers include Executive Directors and are a monthly average.

## Note 10. Taxation

No tax is due in 2024 or 2023.

## Note 11. Fund for future appropriations

Fund for future appropriations	General Reserve £	Life and Endowment £	Total 2024 £	Total 2023 £
Balance at 1 January	73,635,634	286,320	73,921,954	58,842,401
Transfer to/(from)	(16,487,131)	-	(16,487,131)	15,079,553
<b>Balance at 31 December</b>	<b>57,148,503</b>	<b>286,320</b>	<b>57,434,823</b>	<b>73,921,954</b>

Member balances	2024 £	2023 £
Balance as at 1 January	15,154,295	15,902,472
Apportionment of surplus	638,126	690,977
Compound bonus	239,045	323,327
Final bonus	50,486	81,499
Death interest	1,829	3,924
<b>Balance plus bonuses</b>	<b>16,083,781</b>	<b>17,002,199</b>
Withdrawals	(2,079,395)	(1,847,904)
<b>Balance as at 31 December</b>	<b>14,004,386</b>	<b>15,154,295</b>

# Notes to the Financial Statements

## Note 12. Intangible assets

Intangible assets	Administration System £	Computer Software £	Total 2024 £	Total 2023 £
Cost				
At 1 January	4,909,170	172,277	5,081,447	5,081,802
Additions	-	-	-	6,941
Disposals	-	(165,336)	(165,336)	(7,296)
At 31 December	4,909,170	6,941	4,916,111	5,081,447
Amortisation				
At 1 January	1,410,882	164,035	1,574,917	1,082,237
Charge for year	490,917	3,229	494,146	499,977
Eliminated on disposals	-	(164,806)	(164,806)	(7,297)
At 31 December	1,901,799	2,458	1,904,257	1,574,917
<b>Net Book Value at 31 December</b>	<b>3,007,371</b>	<b>4,483</b>	<b>3,011,854</b>	<b>3,506,530</b>

## Note 13. Land and buildings

Land and buildings	2024 £	2023 £
Cost/Valuation		
At 1 January	745,000	775,000
(Decrease) in valuation	-	(30,000)
<b>At 31 December</b>	<b>745,000</b>	<b>775,000</b>

The cost of land and buildings was £1,880,000. 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 December 2024. A valuation was carried out by Philip J Pratt BSc MRICS (Registered Valuer) of Alder King property consultants in November 2023. 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 14. Financial assets

Financial assets – fair value through income	Market Value 2024 £	Cost 2024 £	Market Value 2023 £	Cost 2023 £
Shares, other variable yield securities and unit trusts				
UK Listed	1,473,308	1,486,031	1,745,447	1,688,041
Debt securities and other fixed income securities:				
GBP denominated	11,677,919	11,861,495	14,300,530	13,829,898
	<b>13,151,227</b>	<b>13,347,526</b>	<b>16,045,977</b>	<b>15,517,939</b>
Deposits with credit institutions, including cash funds:				
GBP denominated	1,692,070	1,692,070	3,044,217	3,044,216
	<b>14,843,297</b>	<b>15,039,596</b>	<b>19,090,194</b>	<b>18,562,155</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 15. Assets to cover linked liabilities

Assets to cover linked liabilities	Market Value 2024 £	Cost 2024 £	Market Value 2023 £	Cost 2023 £
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Financial assets – fair value through income:

Shares, other variable yield securities and unit trusts

UK Listed	111,855	112,256	161,343	159,964
Debt and fixed income securities	429,911	426,981	439,450	427,638
	<b>541,766</b>	<b>539,237</b>	<b>600,793</b>	<b>587,602</b>

Financial assets – at amortised cost:

Deposits with credit institutions	14,265	14,265	9,272	9,272
	<b>556,031</b>	<b>553,502</b>	<b>610,065</b>	<b>596,874</b>

## Note 16. Debtors

	2024 £	2023 £
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Arising out of reinsurance operations

931,201

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In January 2024 an additional reinsurance facility was entered into with Munich Re. This is in respect of New Business contingent advance claims. The debtor at 31 December 2024 represents the quarter 4 claim.

## Note 17. Tangible assets

Tangible assets	Office Equipment £	Computer Equipment £	Property Improvements £	Total 2024 £	Total 2023 £
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Cost

At 1 January	137,831	142,182	14,358	294,371	295,833
Additions	3,234	24,973	-	28,207	19,999
Disposals	-	(4,755)	-	(4,755)	(21,460)
At 31 December	141,065	162,400	14,358	317,823	294,372

Depreciation

At 1 January	118,321	114,749	3,111	236,181	231,687
Charge for year	6,901	13,184	1,436	21,521	22,124
Eliminated on disposals	-	(4,162)	-	(4,162)	(17,629)
At 31 December	125,222	123,771	4,547	253,540	236,182

Net Book Value as  
at 31 December

**15,843      38,629      9,811      64,283      58,190**

## Note 18. Other creditors

Other creditors	2024 £	2023 £
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Other creditors including taxation and social security:

Taxation and social security	134,916	118,818
Amounts due to retired Members	1,087,735	976,111
Amounts due to extra contributions	57,092	75,718
Other creditors	682,695	691,071
	<b>1,962,438</b>	<b>1,861,718</b>

# Notes to the Financial Statements

## Note 19. Capital commitments

There were no capital commitments due at 31 December 2024 or 2023.

## Note 20. Financial commitments

There were no financial commitments due at 31 December 2024 or 2023.

## Note 21. 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 22. 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 £4,824. There are no other related party transactions.

## Note 23. With Profits Actuary

The With Profits Actuary was Alison Carr, FIA, of Steve Dixon Associates LLP. The Society requested her to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mrs Carr confirmed that neither she 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 Steve Dixon Associates LLP for professional services. The fees paid to Steve Dixon Associates LLP amounted to £186,149 in 2024 (£57,188 in 2023). The majority of these fees were paid for Chief Actuary and With Profit Actuary services.

## Note 24. 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