

Schedule 15 Statement

Pages 12 to 17 of this document are the Statement approved by the Prudential Regulation Authority on 16 October 2024 under paragraph 2(2) of schedule 15 to the Friendly Societies Act 1992.

Proposed Transfer of engagements

Proposed transfer of engagements of Kensington Friendly Collecting Friendly Society Limited ("Tees Mutual") to Independent Order of Odd Fellows Manchester Unity Friendly Society Limited ("The Oddfellows").

Proposed effective date: 28 February 2025

Comparative financial positions of each society

Balance Sheet as of 31 December 2023	Tees Mutual	Oddfellows
ASSETS	£'000	£'000
Land and buildings (note 4)	175	84,412
Bonds and other fixed income securities	3,999	120,071
Equities	-	76,431
Other investments (notes 5 & 6)	681	231,192
Fixed assets	5	4,537
Other assets	117	9,215
Cash at bank and in hand	53	7,934
Total	5,030	533,792
LIABILITIES	£'000	£'000
Technical Provisions (note 7)	4,333	337,000
Other liabilities and provisions	95	164,293
Reserves (note 8)	602	32,499
Total	5,030	533,792

- (1) The above figures are extracted from the audited accounts of Tees Mutual and the Oddfellows for the year ended 31 December 2023: Tees Mutual is responsible for the accuracy of the financial data in this statement.
- (2) There has been no material change in the financial position of the participants or in their solvency position as at 16 October 2024
- (3) As of 16 October 2024, neither Tees Mutual nor the Oddfellows had any significant future capital commitments. If either Society expects to incur any significant future capital commitments after the date of issue of this document and before the effective date of the Transfer, notice will be given to members on Tees Mutual's website, <https://www.teesmutual.co.uk/>.

(4) Land and buildings have been brought into account on the following bases:

Tees Mutual	The Oddfellows
<p>Tees Mutual's land and buildings consist of one freehold property, mainly occupied by the society for its own use and partially let to a third party.</p> <p>The property was valued by independent professionally qualified valuers on 22 July 2022.</p> <p>Gains or losses arising from changes in the market value of land and buildings are included in the Income Statement for the period in which they arose.</p>	<p>Owner occupied property is stated at its revalued amount and was last valued at 31 December 2022.</p> <p>Non owner-occupied properties owned by the Society are let on long leases or assured shorthold tenancies and stated at open market value.</p>

(5) Investments have been brought into account on the following bases:

Tees Mutual	The Oddfellows
<p>Investments are stated in the financial statements at fair value. The value of fixed interest securities excludes accrued interest. Fair value is based on mid-market value at the year-end.</p> <p>Valuation movements are recognised in the Income Statement for the period in which they arose.</p>	<p>Investments are stated in the financial statements at fair value.</p> <p>Valuation movements are recognised in the Income Statement for the period in which they arose.</p>

(6) Other investments comprise:

	Tees Mutual	The Oddfellows
	£'000	£'000
Cash Products	681	3,154
Unit Linked Investments	-	227,855
Loans Secured by Mortgage	-	183
Derivatives	-	-
Total Other Investments	681	231,192

(7) Technical Provisions comprise:

	Tees Mutual	The Oddfellows
	£'000	£'000
With Profits long term business provision:	4,333	79,584
Technical provision for Linked Liabilities:	-	216,559
Non-profit Insurance Business provision:	-	17,781
Non-profit Investment Contracts provision:	-	23,076
Total	4,333	337,000

(8) Reserves comprise:

	£'000	£'000
Fund for Future Appropriations:	602	29,965
Other reserves	-	2,534
Total	602	32,499

(9) The membership as at 31 December 2023 and premium income received during 2023 for each participant were:

	Tees Mutual	The Oddfellows
No. of Policies (With-profit)	17,056	14,292
No. of Policies (Non-profit)	612	12,995
No. of Policies (Unit Linked)	-	293,481
Total	17,668	320,768
No. of Members	5,013	365,430
	£'000	£'000
Premium Income	807	£1,504
Contributions for investment contracts	-	9,241
Annual management charge for investment contracts	-	3,112
Total	807	13,857

(10) The actuarial valuations for each Society as at 31 December 2023:

	Tees Mutual	The Oddfellows
The actuarial valuations for the purposes of prudential reporting are shown below.	£'000	£'000
Available capital:	376	352,200
Required margin of Solvency (RMOS)	212	97,900
Excess Assets	164	254,300
Solvency Cover Ratio (Available capital divided by RMOS):	177%	360%

The Oddfellows is a "UK Solvency II firm" for the purposes of the PRA's Rulebook and reports its solvency position accordingly. Tees Mutual's scale of operations is below the threshold for Solvency II and the figures in the above table have been calculated in accordance with the reporting regime generally referred to as 'Solvency I', which uses different methods of assessing the value of policy liabilities and the RMOS than the Solvency II regime that applies to Oddfellows and will apply to the combined Society following the transfer. In view of the comparative sizes of the two societies, the effect of restating the Tees Mutual figures on a Solvency II basis on Oddfellows post-transfer financial position will not be material.

(11) Philip Carey (Chief Executive) and Mark Brooks (Chair) each hold Tees Mutual policies. Otherwise, no member of the Committee of Management of Tees Mutual has any interest in the Transfer.

(12) There is proposed compensation to be paid to Officers of Tees Mutual as follows:

	Pay in lieu of Notice	Statutory Redundancy	Total
Chief Executive	£19,127	£14,468	£33,595
Company Secretary	£30,000	£12,600	£42,600
	<u>£49,127</u>	<u>£27,068</u>	<u>£76,195</u>

Pay in lieu of Notice represents the contractual obligation as set out in the relevant contracts of employment.

(13) The transfer will not conflict with any contractual commitment by either Tees Mutual or Oddfellows or any of their respective subsidiaries or any bodies jointly controlled by either of them.

(14) Subject to approval at an Annual General Meeting of Tees Mutual, a meeting of the Board of Directors of Oddfellows and confirmation of the Prudential Regulation Authority the Transfer will take place on Friday 28 February 2025 or as soon as practicable thereafter.

The principal terms of the transfer are:

- Members of Tees Mutual will become Benefit Members of the Oddfellows
- Those Tees Mutual policies which are eligible to participate in surpluses in Tees Mutual's long term business fund will cease to be so eligible and all Tees Mutual policies will be transferred to the Oddfellows' Non-Profit Fund with the benefit of all bonuses previously allocated to those policies.
- Tees Mutual's policies which had been eligible to participate in surpluses in Tees Mutual's long term business fund will instead be allocated fixed bonuses as follows:
 - o Endowment policies will be allocated an annual bonus of 1% of the sum assured on each anniversary of the effective date of the transfer and a terminal bonus of 10% of the sum assured on maturity.
 - o Whole of life policies (other than 5-yearly whole of life policies) will also be allocated an annual bonus of 1% of the sum assured on each anniversary of the effective date of the transfer and a terminal bonus of 10% of the sum assured on the death of the life assured.
 - o Five-yearly whole of life policies will be allocated an annual bonus of 0.25% of the sum assured on each anniversary of the effective date of the transfer and a terminal bonus of 10% of the sum assured on the death of the life assured. Five-yearly whole of life policies will continue to be allocated the fixed five-yearly bonuses to which they are currently entitled.
- If the total amount payable on the maturity of an endowment policy (other than a Free Paid-up Policy) is less than 105% of the amount of premiums paid, the payment on maturity will be topped up to 105% of premiums paid.
- Tees Mutual's offices in Middlesbrough will remain open for the payment of premiums for at least 12 months after the effective date and the present facility for members to pay premiums to collection agents will remain in place for the same period. Thereafter a Customer Care Manager will be based in the region to assist members with the payment of premiums and to assist beneficiaries of Tees Mutual policies with claims.

Summary Actuarial Report

The Appropriate Actuary of Tees Mutual, Sally Butters FIA, has prepared a report on the proposed transfer, a summary of the conclusions from which appears below:

I have examined the proposed transfer and believe that:

- In my opinion, the security of the benefits of transferring Tees Mutual's business should not be adversely affected by the proposed Transfer.
- In my opinion, the benefit expectations of Tees Mutual's policyholders should not be adversely affected by the proposed Transfer.
- In my opinion, the proposed Transfer is in the interests of the members of Tees Mutual.

Where I have used the phrase adversely affected, I have interpreted this as follows:

For any group of policyholders, there may be some changes for the better and some for the worse. If there are some changes for the worse this does not necessarily mean that the Transfer is unfair or unreasonable, for example they might be outweighed by other benefits, or they might be extremely small, or highly unlikely to occur. The test I have applied is whether the position of any group is, in the round, "materially adversely affected". I do not consider a potential effect material if:

- it is very unlikely to happen and does not have a large impact; or
- it is likely to happen but has a very small impact.

My full report is available on request from Tees Mutual at its registered office: 1-3 Kensington Road, Linthorpe, Middlesbrough, TS5 6AL. Telephone 01642 855199 or email info@teesmutual.co.uk and it is also available on the Tees Mutual website, www.teesmutual.co.uk

Sally Butters FIA
16 October 2024