



Consumer Friendly Principles
and Practices of Financial Management
(CFPPFM): your guide to
how we manage our
OneFamily (EM) With Profits Fund

Conventional and Unitised With Profits Plans

OneFamily

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Introduction

This guide explains the main points about investing in the OneFamily (EM) With Profits Fund and contains important information about how it works.

It is an important document so please keep it safe with your other plan documents.

Important Note:

Throughout this document there are references to 'Conventional' and 'Unitised' With Profits policies.

- If your policy is a With Profits single premium bond investment, or has been taken out since 1st November 2003, it is a Unitised With Profits (UWP) policy
- Otherwise it is a Conventional With Profits (CWP) policy
- This guide does not apply to Protected Investment Bond and Protected Loyalty Bond holders – a separate guide is available.

If you need to check which type of policy you have, please call our customer service team on **0500 848262**.*

*Calls may be recorded for security and training purposes.



What is the OneFamily (EM) With Profits Fund?

Summary

The OneFamily (EM) With Profits Fund is an investment fund. We combine your money with that of other investors to form the fund, and manage it on your behalf.

Policies investing in the OneFamily (EM) With Profits Fund are medium to long-term investments, which means that you should ideally keep your investment for at least 10 years.

The OneFamily (EM) With Profits Fund provides some stability against the short-term ups and downs of the investment markets, by smoothing returns and pooling your money with that of other with profit investors. In this way everyone shares in the profits or losses of the Fund.

Investment

The Fund may invest in a wide-range of investments including:

- fixed interest securities and Government bonds
- the shares of UK and overseas companies
- property
- cash
- other investments such as currency, commodities or structured investments
- our own business activities involving the additional assets of the fund (see section 3).

Different policies in the OneFamily (EM) With Profits Fund invest in the above investments in different proportions.



Further information on how the OneFamily (EM) With Profits Fund is managed can be found in the Principles and Practices of Financial Management (PPFM) on our website onefamily.com/with-profits-reports

Sharing performance

The performance of the Fund is shared out to policyholders in different ways depending on the policy that you have.

For single premium With Profits policies commencing after 31st October 2006 the performance of the Fund is shared out via changes in the price of units allocated to each policy.

For all other With Profits policies the performance of the Fund is shared out to policy holders through bonuses. There are two types of bonus:

- **Regular bonus**

These are decided once a year and will gradually increase the value of your policy. This type of bonus is sometimes called a reversionary bonus

- **Final bonus**

A final bonus may be added to your policy when you take money out of the OneFamily (EM) With Profits Fund. It is reviewed at least once a year, and may change at short notice if investment conditions change significantly. This type of bonus is sometimes called a terminal bonus.

Guarantees

Unlike many stock market based investments, policies investing in the OneFamily (EM) With Profits Fund provide a guarantee on the minimum amount of money that you will get back. The guaranteed benefit will depend on the type of policy that you have. To find out about the guaranteed benefit that applies to you check the product information that you received when you took out your policy or contact us for more information.

Smoothed returns

Investment returns achieved by the Fund will vary over time and there will be periods when investments may do very well, but other periods when they may perform badly. The OneFamily (EM) With Profits Fund uses a process known as smoothing to help smooth out some of these short term variations in performance.



Further information on smoothed returns can be found in the Principles and Practices of Financial Management (PPFM) on our website onefamily.com/with-profits-reports

What affects the overall performance of the Fund?

Investment returns

The investment returns earned by the Fund's assets, after any tax has been paid, will have the biggest impact on the performance of the Fund. The returns on company shares are more variable because they are higher risk investments, and their values tend to go up and down to a greater extent than other assets, such as government bonds, or cash, which can be less risky. However, historically, over the long-term, the returns from company shares tended to provide better returns than cash. Past performance is not a reliable indicator of future results. Your investment may go down as well as up and you may not get back the full amount of your original investment.

Asset mix

Because the investment performance of different types of asset may vary considerably over time, the overall performance of the Fund will depend on the mix of assets that it holds. However, we manage the Fund by notionally allocating differing proportions of each asset class to each group of policies, depending on the type of policy. Each policy is then attributed with the investment return earned by these assets.

We monitor the asset mix for the Fund, and for different policy groups, on a regular basis, and will change the asset mix, depending on:

- the total amount of policy guarantees, and when these guarantees are likely to arise
- our view of investment market conditions
- the overall financial strength of the Fund (or in other words, the size of the additional assets over and above what is required to meet policyholder benefits and cover other business risks



Further information on how the OneFamily (EM) With Profits Fund is invested can be found on our website [onefamily.com/with-profits-reports](https://www.onefamily.com/with-profits-reports)

Expenses

The expenses of managing the Fund must be paid for out of the Fund's assets. These expenses will typically cover:

- the costs of managing the OneFamily (EM) With Profits Fund
- the costs of investing the Fund's assets
- the ongoing costs of administering existing policies invested in the OneFamily (EM) With Profits Fund
- the costs of setting up new policies invested in the OneFamily (EM) With Profits Fund.

For some policies we cover these expenses by making explicit charges against each policy. For others, the expenses are already allowed for in the returns allocated to each policy.

Other factors

The performance of the Fund may also be affected by other business risks that the Fund supports, for example, the costs of meeting any investment guarantees, providing life assurance or writing new business for the Fund. Performance may also be affected by profits or losses arising on policies within the Fund that are not with profits.



How is the Fund managed fairly and effectively?

Decision making

We have a framework in place to ensure that we manage the Fund fairly and effectively, and in accordance with the regulations of the Financial Conduct Authority (FCA).

We produce a document called the Principles and Practices of Financial Management (PPFM) which gives detailed and technical information about how we manage the OneFamily (EM) With Profits Fund.

A sub-committee of the Board of Directors meets on a regular basis to review the progress of the Fund, and ensure that it is managed in accordance with the PPFM. This sub-committee includes non executive representation and is attended by the With Profits Actuary, who is specifically appointed under FCA Regulations, to give advice to the Board of Directors, and ensure that policyholders are treated fairly.

On an annual basis, the Board of Directors and the With Profits Actuary make a report available to policyholders, confirming that the OneFamily (EM) With Profits Fund has been managed in accordance with the PPFM.

If the approach OneFamily (EM) With Profits Fund changes in the future, we will update the PPFM, and we will let you know about any changes that may significantly affect your investment.



The Principles and Practices of Financial Management (PPFM) can be found on our website [onefamily.com/with-profits-reports](https://www.onefamily.com/with-profits-reports)

Investment strategy and additional assets

The investment strategy for the Fund is the responsibility of the Board, but is managed by the Board sub-committee, who recommend how much of the Fund to invest in each type of asset. The investment strategy also takes account of the 'additional assets' in the Fund. These are the assets over and above those required to meet policyholder benefits. The additional assets are used to cover business risks, to cover the cost of providing guaranteed benefits, the costs of any smoothing and to finance the writing of future new business.

The additional assets are not owned by any particular class of policyholder and there is no predetermined target size for the additional assets. However, the Board of Directors will review the progress of the Fund on an annual basis, and confirm that the Fund does not have excess additional assets. If it is concluded that the Fund does have excess additional assets, the Board may consider how some of the additional assets could be used to improve payouts to existing policyholders.

Closing the Fund to new business

The Fund will be kept open to new business providing that new business is expected to be profitable, and is within the Fund's solvency tolerance. If the Fund was closed to new business then a communication would take place

to all policyholders, explaining the likely impact on the Fund, and any changes required to the Principles and Practices of Financial Management.

A detailed financial plan would also be submitted for approval by the Financial Conduct Authority in accordance with FCA Regulations.

what affects how much I might get back?

This section describes how much you might get back before allowing for any of the additional assets that may be used to improve payouts to existing policyholders (see the previous section for more information on the additional assets).

Summary

How much you get back depends on:

- the size of regular bonuses
- any final bonuses that may be added to your policy
- whether a Market Value Reduction (MVR), or Surrender Adjustment is applied to your policy when you take your money out of the OneFamily (EM) With Profits Fund

Please be aware that Bonus rates could be nil.

The two main factors that determine the level of payouts are:

1. the guaranteed benefit under your policy

The guaranteed benefit will depend on the policy that you have. To find out about the guaranteed benefits that

apply to you check the policy documentation that you received when you took out your policy or contact us for more information.

2. Your overall share of the assets in the OneFamily (EM) With Profits Fund

For each With Profits policy we calculate the overall fair share of the assets in the OneFamily (EM) With Profits Fund. This is called the 'asset share'.

We calculate asset shares by taking into account:

- the premiums paid into, and any money withdrawn from the policy
- the investment return earned on the assets that have been notionally allocated to the policy. This may vary between different groups of policies

- the expenses incurred by the OneFamily (EM) With Profits Fund that are allocated to each policy or for UWP policies the charges payable under the policy
- the cost of providing for any death benefit under the policy
- the tax payable by the Fund that is allocated to each policy
- any charges or costs for providing the guaranteed benefit. For policies commencing before 1st November 2003, these costs are currently met from the surplus assets of the OneFamily (EM) With Profits Fund and are not charged to asset shares
- other sources of profit or loss, for example, profits or losses arising on non With Profits business, or the costs of external capital support for the Fund, if required.

How do we decide the bonus rates?

- **Regular bonus**
The factors we take into account when setting regular bonuses are:
 - current and expected future economic conditions, and in particular, the investment return expected to be earned by the Fund in the future
 - the current level of guaranteed benefits in relation to asset shares, and the expected values in the future
 - the overall financial strength of the Fund

- on CWP Policies where guarantees apply, provided premiums are maintained in full and that you keep your policy until maturity then regular bonuses cannot be taken away once they are added to your policy, or in the event of death, or ill-health early retirement (Section B policies only).

This means that we sometimes set the rate lower than we might otherwise do. If we didn't do this, the guarantees in the Fund could become large and may restrict the amount of the Fund that could be held in stock market investments.

In the event of early surrender regular bonuses are not guaranteed.

- **Final bonus**

The policy value will gradually build up as regular bonuses are added to your policy. When you take your money out of the OneFamily (EM) With Profits Fund, a final bonus may be added to 'top up' the value of your policy to its asset share.

The size of any final bonus will depend on the policy value, including regular bonuses, in relation to the asset share. If the asset share is lower than the policy value then a final bonus may not be payable. In some circumstances an MVR or Surrender Adjustment will apply.

We determine final bonuses by:

- grouping similar policies together according to product type and date of commencement
- calculating the asset shares and policy values, including regular bonuses, for each group of policies
- determining an amount of final bonus that would increase the policy value to the asset share
- this amount may then be adjusted for smoothing. To do this we look at the payouts made to similar groups of policies in previous years and, under normal circumstances, we try to make sure that overall payouts do not fluctuate by more than 10% each year
- our overall aim is to set final bonuses so that in the long run, average payouts reflect 100% of asset share. Most payouts will be within 20% of asset share, sometimes higher and sometimes lower, depending on the performance of the Fund over the period of the investment, together with any smoothing that may apply.

When will a Market Value Reduction (MVR) or Surrender Adjustment apply?

In some circumstances an MVR or Surrender Adjustment may apply when you take money out of the OneFamily (EM) With Profits Fund. These are likely to apply if:

- money is taken out of the Fund on a non guarantee date (e.g. the policy is surrendered before maturity for CWP policies), and
- the level of guaranteed benefits are higher than asset shares.

For UWP business, the MVR is a percentage that is applied to the policy value.

For CWP business a number of different 'Surrender Factors' are calculated depending on product type, policy commencement date, policy term and age.

These are then applied to the sum assured and regular bonuses to determine the amount payable.

We determine MVRs and Surrender Adjustment Factors by:

- grouping similar policies together according to product type and date of commencement
- calculating the asset shares and policy values, including regular bonuses, for each group of policies
- determining an MVR or Surrender Factor that would adjust the policy value to the asset share
- our overall aim is to set these factors so that, in the long run, average payouts reflect 100% of asset shares. Most payouts will be within 20% of asset share, sometimes higher and sometimes lower, depending on the performance of the Fund over the period of the investment, and the number of policyholders withdrawing their money from the

further information

If, when you've read this guide, you would still like further information, our Principles and Practices of Financial Management (PPFM) gives more detailed and technical information about how we manage the OneFamily (EM) With Profits Fund. The PPFM is available online from our website or on request. Please see our contact details below.

If you need more information about your With Profits policy, please refer to the Key Features Document and/or other policy documents that you received when you took out your policy. Our approach to managing the OneFamily (EM) With Profits Fund may change in the future, and we will let you know if we make any changes that may significantly affect your policy.

If you have any queries or require further information please contact our customer contact centre on:

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*Calls may be recorded for security and training purposes. Calls are free from UK landlines only.



Any questions



Call free on **0500 848 262***

Lines are open Monday - Friday 9am-7pm, Saturday 9am-1pm.

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