



Countrywide Assured

**Countrywide Assured Guarantee Plus Pension Fund
(S&P Pensions Series)**

Report to With-Profits Policyholders

covering the period
1st January 2017 to 31st December 2017

regarding the Company's compliance with the
Principles and Practices of Financial Management in
respect of its With-Profits Business ("PPFM")

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Introduction

Countrywide Assured plc (“CA”) is required to produce, and make available to its with-profits policyholders, a report detailing how it has complied with its PPFMs over each financial year.

This report is in respect of the CA Guarantee Plus Pension Fund (S&P Pensions Series). The policies in this fund are all policies that were originally issued by Save & Prosper Pensions Limited (“S&P”).

As a result of the Court Scheme approving the terms of the Part VII Business Transfer from S&P to CA, this with-profits fund has been established in CA to replace that previously held in S&P. References in this report to CA’s with-profits business or its with-profits policies relate to this particular with-profits fund in CA from 1 January 2012 and to the equivalent fund in S&P prior to that date.

CA has produced separate reports in respect of its other with-profits business.

Should you require a copy of the PPFM to which this report relates, you can view a copy on our website at www.countrywideassured.co.uk, or this can be requested by contacting our Customer Services Team on 0345 3000 144. Please note that telephone lines are recorded to ensure compliance with our legal and regulatory obligations and internal policies.

Summary

Since 30 April 2004, a document entitled the “Principles and Practices of Financial Management of its With-Profits business” (the “PPFM”) has been available on request to policyholders and their advisors. The PPFM describes in detail how CA, and prior to 1 January 2012 S&P, manages/managed its with-profits business.

The Board of CA has reviewed the way in which our with-profits business was managed in the financial year from 1 January 2017 to 31 December 2017 and produced this report which concludes that during this period:

- governance arrangements were maintained which were appropriate to ensure that the conduct of the with-profits business complied with the PPFM;
- the with-profits business was managed in compliance with the PPFM;
- where discretion was exercised in the conduct of the with-profits business, it was exercised appropriately; and
- where necessary, appropriate regard was had to any competing or conflicting rights, interests or expectations of its policyholders (or groups of policyholders) and shareholders.

Some of the terms used in this document and the PPFM are described below:

“With-Profits Principles” (“Principles”) – enduring statements of the overarching standards that CA adopts in managing the business. They describe the business model used by CA in meeting its duties to Policyholders and in responding to longer-term changes in the business and economic environment. The Principles are not expected to change often.

“With-Profits Practices” (“Practices”) – CA’s approach to managing the business and response to changes in the business and economic environment in the shorter term. Whilst maintaining consistency with the Principles, the Practices may change from time to time as CA’s circumstances and the business environment change.

Compliance with the PPFM

How is it monitored?

The Board of Directors of CA has established a With-Profits Committee to monitor compliance with the PPFM. Prior to 1 January 2012 a similar With-Profits Committee had been established by S&P. This committee is independent from the main Board of Directors and provides an independent assessment of compliance with the PPFM and how any competing or conflicting interests of policyholders and shareholders should be addressed. The With-Profits Actuary (see below) attends meetings of the With-Profits Committee.

Each review period, a detailed report is submitted by the Company to the With-Profits Committee listing the key points from the PPFM, confirming whether these have been complied with and how this has been verified. Any non-compliance or variation is explained. The report also contains details of any proposed changes to the PPFM as a result of the review.

If it wishes, the With-Profits Committee is entitled to make its own statement or report to with-profits policyholders in addition to this report from the Company. The Committee has reviewed and is satisfied with this report, and so does not feel it necessary to issue its own report.

The With-Profits Actuary, who advises the Company's management on key aspects of the discretion to be exercised as it affects with-profits policyholders, also reviews compliance with the PPFM. As the With-Profits Actuary is required to do, they have produced a report addressed to with-profits policyholders that is appended to this report (see Appendix A).

2017 Activity

Have we complied?

During the period 1st January to 31st December 2017 all aspects of compliance with the PPFM were maintained.

The amount payable under a with-profits policy

- The Principles and Practices described in Section 2 of the PPFM with regard to the determination of the amount payable under a with-profits policy have been complied with.
- No approximations have been used which would favour shareholders over policyholders or which would otherwise adversely affect policyholders.
- No past errors or omissions were identified in relation to historical assumptions and parameters.
- The percentage deduction from policyholders' asset shares for the cost of guarantees has been applied and administered in accordance with the Practices within the PPFM.
- The percentage deduction has been reviewed during the period and was reduced from a rate of 1.5% per annum to a rate of 1.25% per annum from 5 July 2017.
- Annual management charges have been applied in accordance with the PPFM.
- The attribution of investment returns, expenses and taxation has been made in accordance with the PPFM.
- The determination of final bonuses (there are no annual bonuses) and any guaranteed benefits payable has been made in accordance with the PPFM.

Smoothing the value of with-profits policies

- The Principles and Practices described in Section 3 of the PPFM with regard to smoothing the value of with-profits policies have been complied with.
- No changes were made to the smoothing formula.

Investment Strategy of with-profits policies

- The Principles and Practices described in Section 4 of the PPFM with regard to investment strategy have been complied with.
- The use of derivative instruments was strictly in accordance with the Principles and Practices.
- Counterparty exposure was within the limits applying during the period.
- The investment guidelines were reviewed in accordance with the Practices.

Exposure of the with-profits business to business risk

- The Principles and Practices described in Section 5 of the PPFM with regard to exposure to business risk have been complied with.
- No changes were made to the Principles or Practices in this section as none of the exceptional circumstances listed in the PPFM for this to occur arose.

Charges and expenses

- The Principles and Practices described in Section 6 of the PPFM with regard to charges and expenses have been complied with.
- No increases were made to policy charges.
- Expenses incurred in the management of investments in property were charged to policyholder assets.
- Management expenses and additional costs of mortality or morbidity cover were charged to shareholder assets.
- Policy charges and deductions have been applied in accordance with the Practices.

Balance between the interests of with-profits policyholders and shareholders

- The Principles and Practices described in Section 7 of the PPFM with regard to the balance between the interests of with-profits policyholders and shareholders have been complied with.

Wind-up of the With-Profits Fund

- The Principles and Practices described in Section 8 of the PPFM with regard to the wind-up of the With-Profits Fund have been complied with.

Changes to the PPFM

The PPFM was last updated on 5 December 2017 to reflect the revised Percentage Deduction applicable from July 2017.

Appendix A

Report on Save & Prosper Pensions with-profit sub-fund from the With-Profit Actuary

This report covers the with-profits business of Countrywide Assured plc (Countrywide Assured) originally written by Save & Prosper Pensions Ltd. Separate reports cover the business originally written by Countrywide Assured and reinsured to ReAssure Ltd and the business originally written by Save & Prosper Insurance Ltd.

The Financial Reporting Council (“**FRC**”) sets technical standards for the members of the UK Actuarial Profession. This report is subject to and complies with the following standards:

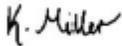
- Technical Actuarial Standard 100: Principles for Technical Actuarial Work
- Technical Actuarial Standard 200: Insurance

The actuary appointed by Countrywide Assured to perform the With-Profits Actuary function is required, among other things:

- to advise management on key aspects of the discretion to be exercised affecting its with-profits policyholders; and
- in respect of each financial year, to make a written report addressed to the with-profits policyholders to accompany the report from the company to its with-profits policyholders.

This report to the with-profits policyholders in the Save & Prosper Pensions sub-fund of Countrywide Assured is in respect of the financial year ended 31 December 2017. Countrywide Assured carries out a formal review of its compliance with the Principles and Practices of Financial Management (“**PPFM**”) applicable to its With-Profits Fund on a regular basis and submits a report on the results of each review to the With-Profits Committee and to myself. Based on these and on other information that has been made available to me by Countrywide Assured, I am satisfied that:

- it has at all times acted appropriately in the exercise of discretion in respect of their with-profits business; and
- it has complied fully with the PPFM applicable to its With-Profits Fund.



Karen Miller BSc FIA
With-Profit Actuary
April 2018

Appendix B - PPFMs covered by the period

The version of the PPFM that applied during this period was:

Version 11 1 January 2017 - 4 December 2017
Version 12 5 December - 31 December 2017

Previous Versions:

Version 1 30 April 2004
Version 2 1 December 2005
Version 3 17 January 2006
Version 4 1 January 2008
Version 5 1 September 2008
Version 6 1 July 2009
Version 7 1 October 2010
Version 8 14 June 2011
Version 9 24 May 2012
Version 10 28 November 2013
Version 11 13 December 2016
Version 11 5 December 2017.

Copies of the latest version are available for viewing on our website at www.countrywideassured.co.uk or are available by contacting our Customer Services Team on 0345 3000 144.

CA also has available a second document relating to its Principles and Practices for managing its with-profits business: “Your guide to how we manage the CA With-Profits Pensions Fund (S&P Series)”. This document is a version of the PPFM that is intended to use jargon-free, simplified language to explain the Principles and Practices in a more summarised form, and was mailed to all policyholders in July 2006. You can view a copy on our website at www.countrywideassured.co.uk, or if you would like to receive a copy, please contact our Customer Services Team on 0345 3000 144.