

**Ancient Order of Foresters Friendly Society – Court 8143 “Pride of Sarnia”
 (“Foresters Healthcare”)**

**Public Disclosure Information
for the financial year ended 31 December 2018**

This information has been prepared in accordance with the Insurance Business (Public Disclosure of Information) Rules, 2018.

Profile

The Ancient Order of Foresters Friendly Society is a UK-registered friendly society registered under the Friendly Societies Act 1974. Court 8143 “Pride of Sarnia” is a Guernsey-established branch of the friendly society and is authorised for insurance business by the Guernsey Financial Services Commission under the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended). It trades under the name “Foresters Healthcare”.

Foresters Healthcare provides medical insurance schemes covering:

- Primary Care;
- Additional Benefits; and
- Major and Critical Care

Foresters Healthcare aims to provide specified classes of insurance contracts for members as well as providing discretionary benefits and social or benevolent activities for its members. The insurance contracts are available to residents of the Bailiwick of Guernsey (excluding Sark) and are designed to cover local medical costs. Alongside collective premiums from policyholders, Foresters Healthcare also maintains a portfolio of assets enabling it to meet its objectives.

Corporate Governance

The Board of Directors of Foresters Healthcare operates in accordance with the *Finance Sector Code of Corporate Governance* issued by the Guernsey Financial Services Commission.

The Board is comprised of three Non-Executive Directors (Trustees), who are all members, and a Managing Director (Court Secretary). The board met seven times during the financial year.

Orion Insurance Management Limited is the Insurance Manager of Foresters Healthcare and provides a Compliance Officer, Money Laundering Compliance Officer and Money Laundering Reporting Officer all of whom report to be board of Foresters Healthcare. One of the Non-Executive Directors is also a Non-Executive Director of the Insurance Manager and the Managing Director is an employee of the Insurance Manager.

The Board exercises management control and is responsible for the risk management framework. One of the key risks is ensuring that payments are not made erroneously or as a result of fraudulent claims, this risk being mitigated by one of the Non-Executive Directors approving every payment.

Technical Reserves

Medical insurance is not identified as “long tail” insurance, and therefore the focus is on the immediate healthcare required by members. The Technical Reserve is primarily calculated based on a small percentage uplift on the previous year’s claims. At the end of the financial year this was £3.8 million. This is backed by investments totalling £4.2 million.

Insurance Risk

The risk under an insurance contract is the possibility that an insured event occurs and the policyholder suffers a loss. By its nature this risk is random and therefore unpredictable. The insurer is subject to uncertainty over the timing and amount of any resulting claim.

The insurer reviews each claim to confirm it is valid under the terms of the insurance policy. The insurer reviews the adequacy of the insured level of each insurance policy to ensure the claim paid is not in excess of what is covered under the policy.

The level of claims is reviewed on an ongoing basis by the directors and where claims have increased significantly in frequency or value the directors will consider if it is necessary to increase insurance premiums.

Although the timing of claims is uncertain, most claims are both small and discrete and the insurer ensures that it has assets that are sufficiently liquid to settle claims as they arise. The insurer does not reinsure its insurance business.

Financial Performance

The insurer maintains two sets of income and expenditure accounts, one in respect of the general insurance business and the other covering non-insurance items.

Income & Expenditure – General Insurance Business

	2018	2017
	£	£
INCOME		
Earned Premiums (gross)	2,443,144	2,370,660
Allocated Investment Income	128,706	122,537
	<hr/> 2,571,850	<hr/> 2,493,197
EXPENDITURE		
Claims Insured + Administration Costs	2,259,553	2,136,525
Acquisition Costs of New Business	70,706	81,451
Administration Costs	<hr/> 80,623	<hr/> 78,231
NET INCOME – GENERAL INSURANCE BUSINESS	160,968	196,990

The net income added to the insurer's general funds, increasing them from £3,648,967 to £3,809,935 over the financial year. The Allocated Investment Income was a proportion of the total income earned by the insurer from investments. The total investment income for the insurer was:

Investment Income

	2018	2017
	£	£
INCOME		
Rent from Property	42,600	42,060
Interest – Court Investment Fund	134,842	125,651
Dividend Income	14,893	13,834
Bank Interest	240	102
Discretionary Benefit's Fund Income	2,600	3,100
Realised Gains/(Losses) on sale of investments	15,115	-
Unrealised Gains/(Losses) on investments	(7,804)	169,398
TOTAL INVESTMENT INCOME	202,486	354,145

Claims

Year-on-year claims increased from £2,006,138 to £2,125,180 (an increase of 5.9%) whilst premiums increased from £2,370,660 to £2,443,144 (an increase of 3.1%).

The insurer regularly tracks claims vs premiums through bi-monthly management information. If claims continued to increase vs premiums, then the insurer would seek to increase the premium charged to policyholders at time of annual renewal.

Should any policyholder be making excessive claims then the insurer would seek to add an increase factor onto the premiums payable by that policyholder at the time of annual renewal.

Capital Adequacy

Under the Insurance Business (Bailiwick of Guernsey) Law 2002, the Guernsey Financial Services Commission sets regulatory solvency requirements - the Prescribed Capital Requirement ("PCR") and the Minimum Capital Requirement ("MCR") – under the Insurance Business (Solvency) Rules 2015 (as amended). The insurer calculates both the PCR and the MCR using the formulae set out in the Rules.

At the end of the financial year the MCR for the insurer was £293,177.

At the end of the financial year the PCR for the insurer was £2,089,673.

The Solvency Ratio at the end of the financial year was 215.2% (being the available capital of £4,497,493 divided by the PCR of £2,089,673). The insurer therefore has more than adequate solvency for its business.

Financial Instruments

The insurer has investments directly in property (in the Bailiwick of Guernsey), in the Court Investment Fund operated by the Ancient Order of Foresters Friendly Society, and in a portfolio managed by Ravenscroft Investment Management Limited (a Guernsey-based investment manager licensed by the Guernsey Financial Services Commission).

The investments can be broken down as follows:

	Property	Court Investment Fd	Ravenscroft Portfolio
Bonds	-	5.23%	13.91%
Cash	-	2.49%	1.94%
Hedge Funds	-	0.08%	-
Illiquid Equity	-	0.06%	-
Liquid Equity	-	1.32%	16.03%
Property	24.16%	34.78%	-
Total	24.16%	43.96%	31.88%
Total Value	£1,020,00	£1,855,708	£1,345,939

Enterprise Risk Management (ERM) and Asset-Liability Management (ALM)

As a Category 3 licensed insurer with a MCR below £1,500,000 the insurer is only required to produce an Own Solvency Capital Assessment (OSCA) as its Own Risk and Solvency Assessment (ORSA). The insurer has produced an OSCA, which confirms that the insurer has sufficient capital. The OSCA will be updated when there is a significant change in its risk profile or at least annually.

Under the risk management framework, the insurer is aware of its risks and has ensured that it has sufficient funds to meet its liabilities. The financial situation of the insurer is reviewed by the directors at least bi-monthly.

As part of its risk framework the insurer has an Asset-Liability Management policy. This ensures that the insurer has sufficient funds and liquidity to meet the cash flow requirements of its business. The insurer can confirm that it:

- Has sufficient cash on account to meet the short- and medium-term liabilities of its insurance business
- Has sufficient cash and liquid investments to meet the long-term liabilities of its insurance business

The audited financial statements of the insurer are available on request.

Date: 02 August 2019