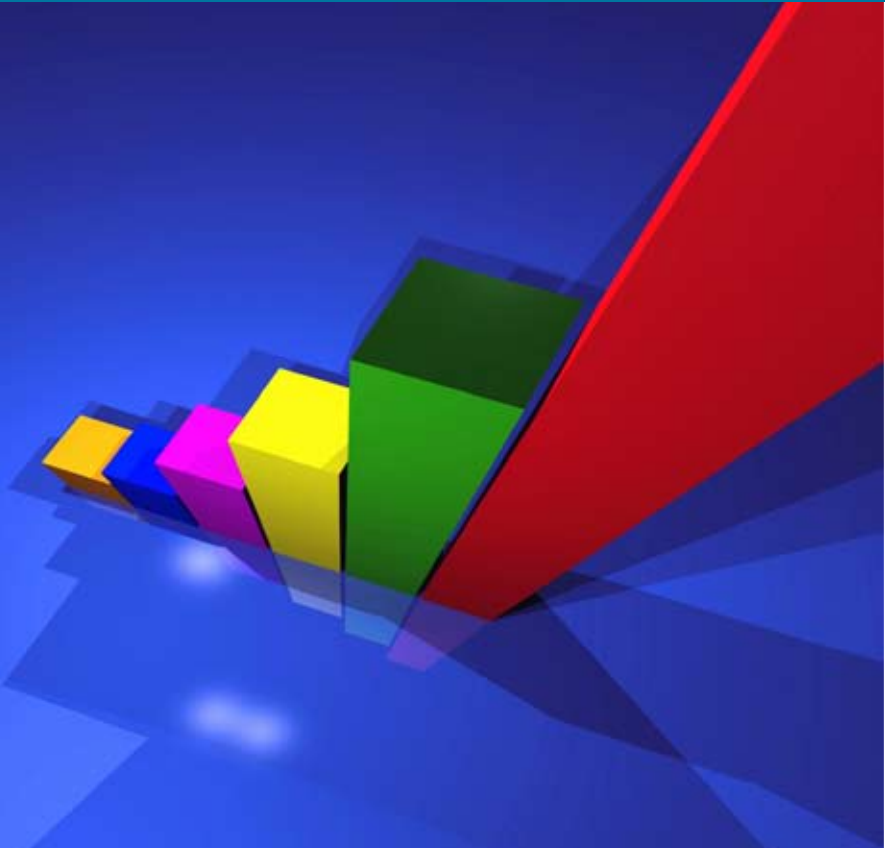




Association of Friendly Societies

key statistics 2009



Showing sector statistics for the end of 2008

Introductory comments

This Key Statistics Booklet provides a snapshot of the activities and balance sheets of friendly societies at the end of 2008. It is provided as a summary of the extensive information collected from and provided to members via the Online Handbook, and replaces the AFS Yearbook which was published annually up until 2006.

At the end of 2008 there were 46 friendly society members of AFS. On that basis alone the sector proved resilient in the face of very difficult trading conditions. And as you survey the information provided in the booklet, you will see further evidence that friendly societies have fared better than most of the financial services sector.

Which is not to deny that it was a very tough year: friendly societies generate the income needed to run the business and to pay claims from a combination of the premiums collected from policyholders, and the returns they make on investments. In 2007, with a fairly benign stockmarket, income from investments amounted to over £800 million. In 2008, net income from investments was -£1 billion, which cancelled out all the premium income collected during the year. As a consequence net assets, which have been growing over the last few years, were static.

There are though more positives than negatives. Friendly society premium income rose in the year by 6.5%: compare this to ABI figures for the insurance industry, which suggest that net premium income fell in 2008 by 20%. Membership of friendly societies grew strongly during the year, with the prominence of the sector in the Child Trust Fund market the principle reason. By the end of 2009 we expect around 2 million children to have their CTF account managed by a friendly society. Also, with the traditionally conservative business model of friendly societies, the sector has not been exposed to Icelandic banks, bad debts or failed business ventures. So many friendly societies saw assets grow in the year, and a number reported positive returns on investments.

And more good news: as the charts towards the end of the booklet show, friendly societies continue to deliver lower cost savings than products like ISAs. We also use independent research to demonstrate how returns on investment continue to outperform other forms of savings.

Finally, with the UK still in recession, it's encouraging to hear from a number of friendly societies that business levels in 2009 have been strong.

Martin Shaw
September 2009

Explanatory comments

The statistics provided in this booklet are taken from information supplied by members of the Association of Friendly Societies. Whilst every effort has been made to verify the accuracy of the data, no responsibility can be accepted for any errors or omissions.

The sources of data include the Annual Report and Accounts of AFS members, together with data submitted to AFS either as part of the returns for the Annotated Combined Code, or for other purposes.

The data provided is intended only as a guide to the position of AFS and its members. Not all members of AFS supplied information for the key statistics provided in this booklet. Also, whilst the data shows the position of individual societies as at the end of 2008, societies that are no longer operating are not listed and their data is not included. Care is therefore needed when comparing year on year changes, and some interpretation has been added to some of the analysis charts. Further information is provided via the AFS online handbook (www.afs.org.uk), use of which is restricted to AFS members.

Please contact the AFS if you require clarification (see back page for contact information).



Overall member statistics

Member	Members at 31.12.2008	Policies at 31.12.2008	Total net assets	Total net income	Inc. premium income	Claims incurred	Operating costs
TOTALS	5,111,873	10,483,135	£15,058,826,004	£30,685,178	£978,143,208	£1,456,751,190	£293,986,601
Ancient Order of Foresters Friendly Society Limited	72,875	86,301	£167,945,000	-£9,257,000	£12,327,000	£11,125,000	£3,260,000
Anglo-Saxons Friendly Society	1,480	1,480	£15,273,837	-£2,029,817	£119,781	£443,033	£147,512
Bacon & Woodrow	10	41				£-	£-
British Friendly Society Limited	16,382	16,382	£92,813,000	-£829,000	£4,462,000	£818,000	£1,311,000
Bus Employees' Friendly Society	600	1,243				£-	£-
Carolgate Friendly Society	7	7				£-	£-
Children's Mutual, The	253,757	891,846	£599,215,000	£32,218,000	£63,903,000	£77,680,000	£20,503,000
Cirencester Friendly Society Limited	29,979	32,309	£46,576,710	£10,943,362	£10,217,625	£1,903,497	£5,494,899
Communication Workers Friendly Society	26,800	43,000	£104,869,105	-£5,765,266	£12,266,207	£11,857,350	£3,995,284
Compass Friendly Society Limited	348	348	£386,864	£16,888	£54,851	£8,956	£5,166
Coventry Assurance Society	9,653	9,653	£2,854,947	£867,302	£762,633	£255,280	£189,012
CS Healthcare Society	23,998	15,957	£41,672,000	£20,163,000	£15,449,000	£16,189,000	£3,120,000
Dentists' & General Mutual Benefit society	6,386	11,115	£31,353,416	£1,880,518	£3,162,526	£1,006,134	£1,070,623
Dentists' Provident Society	13,288	13,288	£132,012,539	-£17,420,463	£10,504,851	£8,594,499	£3,758,109
Druids Sheffield Friendly Society	12,178	11,596	£19,710,348	£1,360,398	£1,788,986	£576,785	£386,547
engage Mutual Assurance	217,430	428,343	£508,121,000	-£11,256,000	£34,527,000	£50,283,000	£16,836,000
Exeter Friendly Society	68,654	68,654	£113,157,000	£52,517,000	£53,683,000	£39,903,000	£10,509,000
Family Investments	1,048,262	1,142,066	£1,075,133,000	-£68,320,000	£62,656,000	£108,945,000	£11,607,000
Grand United Order of Oddfellows Friendly Society	6,157	6,157	£2,049,933	-£195,418	£14,913	£9,003	£210,335
Health Shield Friendly Society Limited	84,673	84,673	£40,807,355	£7,931,931	£18,468,267	£15,421,935	£5,178,042
Healthy Investment	23,805	39,106	£22,868,917	£4,725,399	£7,949,569	£889,822	£1,010,512
Independent Order of Odd Fellows Manchester Unity Friendly Society	88,438	33,399	£72,213,000	£1,624,000	£716,000	£10,175,000	£642,000
Kensington Friendly Collecting Society Limited	10,236	18,215				£-	£-
Kingston Unity Friendly Society	38,590	28,817	£18,846,536	£6,499,136	£6,103,239	£918,514	£616,245

Member	Members at 31.12.2008	Policies at 31.12.2008	Total net assets	Total net income	Inc. premium income	Claims incurred	Operating costs
Leeds Friendly Societies Council						£-	£-
LV=	1,137,000	2,394,351	£6,280,800,000	-£83,200,000	£203,900,000	£387,600,000	£75,800,000
Metropolitan Police Friendly Society Limited	15,482	39,320	£78,184,000	£5,144,000	£12,457,000	£14,823,000	£1,342,000
Midland Counties Colliery Officials & Staffs Friendly Society						£-	£-
National Friendly Society Limited	56,107	65,215	£150,107,042	-£5,661,242	£13,927,769	£12,309,631	£8,797,219
Newbridge Road Assurance Society	10	10	£13,300,217	£769,252		£-	£24,154
Nottingham Friendly Society	10,920	10,985	£15,465,607	£1,437,606	£3,216,175	£1,469,810	£968,353
Original Holloway Friendly Society Limited	15,206	17,264	£37,586,134	£5,988,567	£5,183,097	£1,106,745	£1,940,451
Pharmaceutical and General Provident Society Limited	3,050	3,050	£26,168,305	-£4,322,809	£1,973,783	£792,078	£922,161
Police Mutual Assurance Society	210,012	483,453	£931,479,000	£19,524,000	£115,947,000	£212,642,000	£11,628,000
Railway Enginemens Assurance Society	5,415	17,142	£25,536,232	£2,988,781	£3,680,136	£2,985,338	£714,364
Railway Friendly Society						£-	£-
Red Rose Friendly Society Limited	14,313	19,375	£7,699,347	£829,077	£951,166	£785,844	£455,291
Royal Liver Assurance	981,327	3,020,288	£3,526,601,000	£76,243,000	£183,124,000	£352,094,000	£81,080,000
Royal Standard Friendly Society	945	995	£1,260,191	£228,388	£141,677	£119,391	£63,425
Schoolteachers Friendly Society	61,794	61,904	£32,634,016	-£3,178,630	£3,406,407	£480,473	£412,052
Scottish Friendly Assurance Society Limited	489,000	1,296,000	£701,651,000	-£6,547,000	£101,606,000	£104,843,000	£15,185,000
Sheffield Mutual Friendly Society	5,710	7,151	£20,312,639	£256,580	£2,513,522	£703,583	£586,487
Shepherds Friendly Society Limited	25,643	25,643	£52,446,767	-£3,157,362	£3,984,028	£5,251,489	£2,279,358
Transport Friendly Society Limited	19,557	30,597	£34,093,000	-£3,014,000	£1,249,000	£1,110,000	£1,096,000
Wiltshire Friendly Society Limited	6,396	6,396	£15,622,000	£683,000	£1,746,000	£632,000	£842,000
Transport Friendly Society Limited	19,557	30,597	£34,093,000	-£3,014,000	£1,249,000	£1,110,000	£1,096,000
Wiltshire Friendly Society Limited	6,396	6,396	£15,622,000	£683,000	£1,746,000	£632,000	£842,000

Cumulative figures and rankings

for the members of the AFS for the year ending 31 December 2008.

	Members	Policies	Total net assets	
2008 Totals	5,111,873	10,483,135	15,058,826,004	
2007 Totals	4,857,067	10,897,813	14,989,929,797	

	Total net income	Premium income	Claims incurred	Operating costs
2008 Totals	£30,685,178	£978,143,208	£1,456,751,190	£293,986,601
2007 Totals	£1,523,819,795	£918,050,765	£1,594,730,411	£248,825,449

* Note: 2007 membership figures approximated and re-based following a de-duplication exercise by Royal Liver in 2008

* Total net income is the sum of net premium income, net income from investments and other income. Income from Non-friendly societies business is excluded. The main reason for the change in 2008 is the negative income from investment discussed on page 2.

Top tens

Top 10 Societies ranked by members

1	LV=	1,137,000
2	Family Investments	1,048,262
3	Royal Liver Assurance	981,327
4	Scottish Friendly Assurance Society Limited	489,000
5	Children's Mutual, The	253,757
6	engage Mutual Assurance	217,430
7	Police Mutual Assurance Society	210,012
8	Independent Order of Odd Fellows Manchester Unity Friendly Society	88,438
9	Health Shield Friendly Society Limited	84,673
10	Ancient Order of Foresters	72,875

Top 10 Societies ranked by total net assets

1	LV=	6,280,800,000
2	Royal Liver Assurance	3,526,601,000
3	Family Investments	1,075,133,000
4	Police Mutual Assurance Society	931,479,000
5	Scottish Friendly Assurance Society Limited	701,651,000
6	Children's Mutual, The	599,215,000
7	engage Mutual Assurance	508,121,000
8	Ancient Order of Foresters Friendly Society Limited	167,945,000
9	National Friendly Society Limited	150,107,042
10	Dentists' Provident Society	132,012,539

Top 10 Societies ranked by premium income

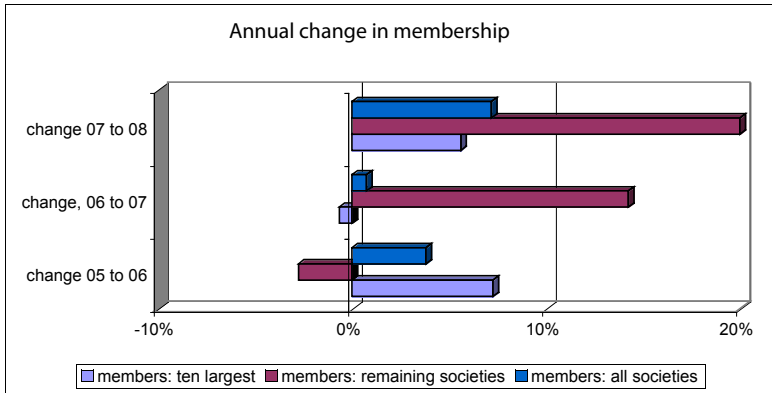
1	LV=	203,900,000
2	Royal Liver Assurance	183,124,000
3	Police Mutual Assurance Society	115,947,000
4	Scottish Friendly Assurance Society Limited	101,606,000
5	Children's Mutual, The	63,903,000
6	Family Investments	62,656,000
7	Exeter Friendly Society	53,683,000
8	engage Mutual Assurance	34,527,000
9	Health Shield Friendly Society Limited	18,468,267
10	CS Healthcare Society	15,449,000

Performance charts showing the effectiveness of friendly societies

Membership of friendly societies continues to increase

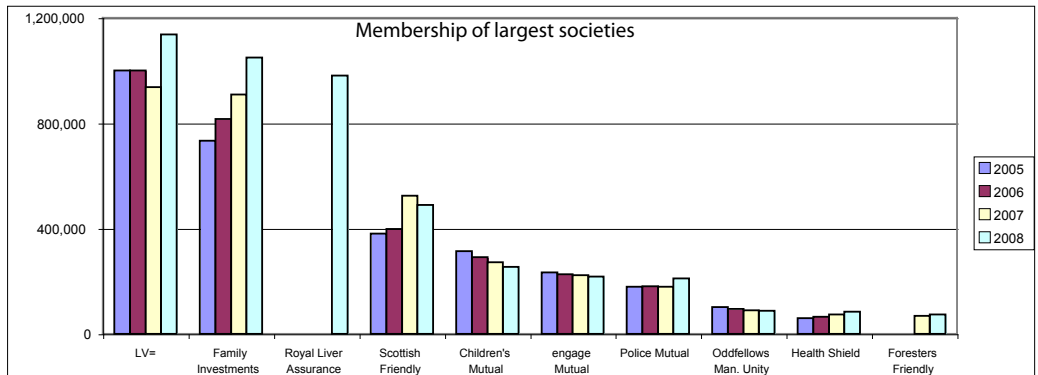
Total membership of friendly societies at the end of 2008 stood at just over 5.1 million. During the year Royal Liver conducted an exercise to cleanse and de-duplicate member records. This reduced their total membership figure significantly; so stripping out the Royal Liver membership from the figures, membership during the year increased by 316,000, or around 5%*.

Change in membership in 2008



Source data: AFS member accounts

Membership of largest Societies



* In 2008, Liverpool Victoria created 244,000 new members, by transferring most of its life company assets to its friendly society.

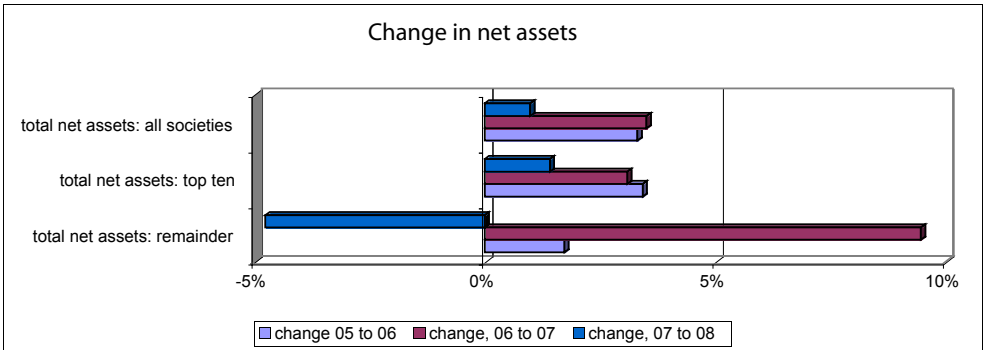
Net assets generally only a little lower

The total net assets of AFS members exceeded £15 billion at the end of 2008. This represents a 0.5% increase on the figures as at the end of 2007. This is in contrast to the expected trend, as asset valuation will have dropped due to stock market falls and reductions in property values.

The UK insurance industry saw assets invested reduce by around 6.4% in 2008 according to ABI. However, Liverpool Victoria transferred most of the assets from its life company to the friendly society during the year, to achieve a clearer membership structure, and without this net assets would have fallen in line with the industry average.

Change in net assets reflect a series of movements in the balance sheet over the year. Inevitably where the stockmarket fell by 31% over the year, those with significant equity holdings will have tended to see net assets fall most. A number of societies saw double-digit falls in assets over the year: for example for large societies minus LV=, the average reduction in net assets in 2008 was around 10%. Smaller societies (those outside the top ten in asset size) experiences a fall in net assets in the year of 5%, to stand at just below £1 billion.

Net assets



Source data: AFS member accounts

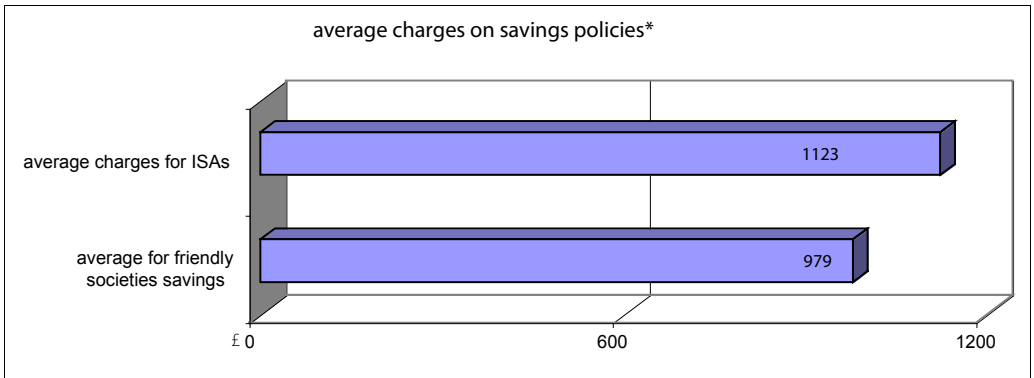
At the end of 2008, the ten largest friendly societies accounted for 93.5% of all friendly society net assets (2007: 93%).

Looking for a good value savings policy?

In previous years we've published comparison data obtained from the FSA on the charges levied over 10 years in a regular savings endowment. For example, last year we reported that the average charges on a friendly society savings product was £1,011 over the term, and had the money been invested in a shareholder-owned insurer, the average charge would be £1,286, or 27% more. That meant nearly six more month's premiums were being wasted by investing with an insurer. Something had to give, and this year not one shareholder-owned insurer offers a regular savings endowment (or at least is prepared to have their charges quoted by the FSA).

But that doesn't mean that friendly societies are complacent about charges: this year the same FSA tables show the average charges made by friendly societies are £979, or 3% less. And to put that into perspective, as the chart shows, we compared the charges published by FSA for friendly society savings with average charges on the ISA: remember, the ISA is the government favoured savings scheme, which is promoted as being low cost and transparent. But as we see, the average charge on an ISA, investing £50 a month for 10 years, is £1,123 over the term. This is 15% more than the total charges on a friendly society savings investment.

Average charges on savings policies*



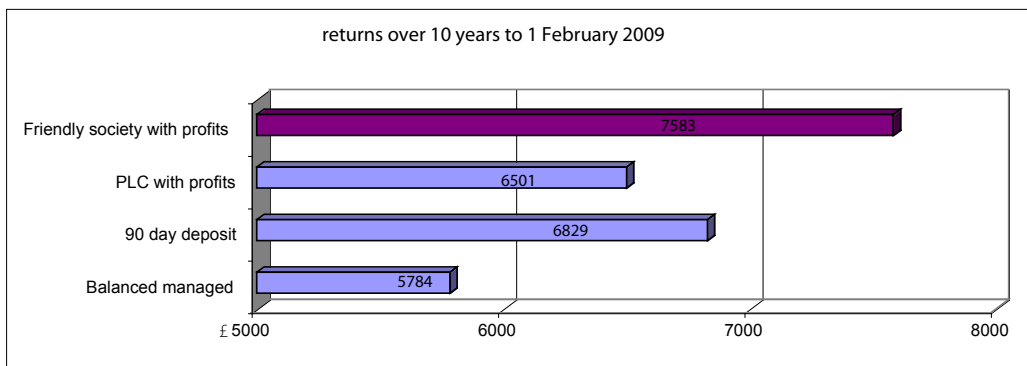
* Date source: FSA comparative tables, August 2009

Based on £50 per month invested for 10 years in a savings endowment offered by an AFS member, or an ISA

Value... and performance

As the previous chart shows, friendly society products tend to have significantly lower charges than other long-term investment products. But as any unit trust manager will tell you, at the end of the day it's all about performance. But before you conclude that the higher charges from your ISA manager produce better returns, look at the evidence below.

Returns over 10 years to February 2009



Data source: Money Marketing, April 2009, based on maturity values as at 1 February 2009 over 10 years, for investment of £50 per month

As the chart shows, investing £50 a month over 10 years into a friendly society endowment policy would provide a return of £7,583. This is a massive 31% more than investing in a balanced managed fund, such as those offered by ISA managers, who would have paid out a lot less than a building society deposit, and a good deal below the £6,000 that was paid in. And the advantage of investing in with profits is even greater over 25 years, where the average value of a friendly society policy, at £50,687, was 80% more than a balanced managed fund.

What does this mean? Well, certainly higher charges don't mean a greater prospect of receiving a better return. They probably reflect the high costs of paying bonuses and shareholder returns. So it seems all the evidence suggests it's best to put the money into a friendly society.

£50 per month paid into:	10 years		25 years	
	return, £s	shortfall to friendly society	return, £s	shortfall to friendly society
Balanced managed	5,784	31%	28,100	80%
UK all companies	4,943	53%	29,268	73%
90 day deposit	6,829	11%	26,195	93%
PLC with profits	6,501	17%	39,292	29%
Friendly society with profits	7,583		50,687	

Data source: Money Management, April 2009

About AFS and its members

The Association of Friendly Societies represents 46 friendly societies in the UK. Between them these organisations manage the savings and protection needs of over 5 million people, and have total funds under management over £15 billion.

Friendly societies are mutual organisations, set up originally to encourage self-help and personal responsibility and to enable people with limited financial resources to improve their economic status.

Many friendly societies continue to specialise in providing products with very low premiums and/ or not typically available from high street banks or insurance companies, though their products and services are generally open to all. For example friendly societies are now the largest providers of the Child Trust Fund, and are increasingly prominent and well-regarded in regular savings and income protection markets.

The AFS mission statement is:

“Representing the interests and uniqueness of friendly societies, for the benefit of their customers”

This is achieved by working closely with our members in the following key areas:

- Lobbying
- Networking
- Responding to legislation
- Acting as a point of contact
- Education
- Guidance



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