



Incorporation of the Society – 1st January 2016

On the 8th August 2015 delegates attending a Special General Meeting voted in favour of a resolution for the Society to Incorporate on 1st January 2016. Below are some questions and answers that may help to explain the background to the change but if you require any further information please contact us.

1. Why did we need to consider incorporation?

The basic structure of the Society and its Rules have been very similar since its formation in 1840. Clearly the rules have changed over the years but the basic format of the Society with its Branches, developing of business, new policies and services for its members and its fraternal activities have remained remarkably similar.

The world has changed considerably since 1840 and in 1992, Friendly Societies were allowed to become incorporated bodies and indeed any new Friendly Society being set up today can only be incorporated. In the last ten years, there has been a particularly marked pace of change in terms of legislation and regulation which we as a Society now have to comply with and it is clear that the governance, regulatory and accountability expectations of regulators will continue to increase making the responsibilities of running the business and the Branches much more demanding in terms of the time, knowledge, expertise and personal responsibility and liability.

In addition to this, there has been a substantial change in the way the Society operates in itself, with substantial growth in premium income and membership being generated by the Society centrally rather than through the traditional route of the Branches. We need now to consider how to adapt our structures to reflect these considerable pressures and developments. By way of example the Prudential Regulation Authority (PRA) and being only one of our regulators is currently proposing to make the chairmen (who are non-executive individuals) of some of our subcommittees personally more accountable to the regulator for certain functions inside the Society. That could be quite onerous.

2. What is the Society's current legal status?

The Society is an unincorporated society governed by the Friendly Societies Act 1974. We have branches which are also Registered under the 1974 Act. We are also a "directive society" and therefore subject to the full panoply of the European Directive relating to Solvency. The organisation is owned by its members and through each branch run by persons appointed by the members. The assets of the Society and its Branches are held by Trustees.



KINGSTON UNITY
Helping our Members
secure their financial future

CELEBRATING 175 YEARS 1840 - 2015

This means that the Society does not have its own separate distinct legal identity and as a result, all of our members, Trustees and committee representatives could become personally liable for the debts of the Society and /or Branch. If the Society were ever to experience financial difficulty then ultimately the members could be required to satisfy the creditors and there may possibly be personal liability on the trustees and the management and the liability of all persons affected would be unlimited. This liability extends to regulatory liability (fines, criminal offences and being banned) for mismanagement as well as financial liability to creditors.

3. **What is incorporation?**

Incorporation means that instead of being a "Registered" Society under the 1974 Friendly Societies Act, we would become an "incorporated" Society under the Friendly Societies Act 1992. The effect of this will be that the Society becomes a separate legal entity in its own right and the word "limited" will be added to our name. The limited Society will then be liable in its own name for its debts and management. The liability of members of the Society will be limited to the amount of any unpaid premiums or contributions which may be in arrears at any particular date.

4. **How does the position differ between being "registered" and "incorporated"?**

The Society continues to be owned by its members and will retain full mutual status. However, the Society becomes a corporate body and because it then has its own legal identity, it will own all its own assets without the need for those to be held by trustees.

Incorporation also means that the Society will look much more like a modern company in its structure and allow us to form subsidiary companies to carry on types of business which directive societies are not allowed to carry on alongside their insurance business: societies that are registered under the 1974 Act cannot form subsidiaries. It will also allow the Society to acquire other corporate bodies enabling it to carry out a wider range of activities than is available now should the business need arise in the future. . It is only the 1992 Act which allows a wider corporate governance structure which would allow the Society to develop its business.

5. **How will any policies I hold with the Society be affected?**



They will not. They will be as enforceable against the Society as they were before and the ability of the Society to receive premiums and contributions from you will also continue.

6. **What will happen to the Society's Branches?**

On Incorporation all the assets and liabilities relating to Branch Insurance funds will be transferred to the Society and the Branch will be deemed to have been dissolved. All future payment of policy premiums and claims will be managed by the Society and not Branches which will involve changes in many cases to existing standing order payments and we will be writing to you in the very near future to arrange for this to happen.