COMPASS
FRIENDLY SOCIETY

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AN IMPORTANT UPDATE FOR MEMBERS

SUMMARY OF THE PROPOSAL FOR THE DISSOLUTION OF COMPASS FRIENDLY SOCIETY LIMITED

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The Proposed Dissolution of the Society

Compass Friendly Society is proposing to dissolve early in 2027. This document summarises what this means for you, why it is happening, and what you need to do next. We have also provided answers to some questions you may have.

Why you are receiving this document

You are receiving this because you (or a child you invested for) hold a unit-linked insurance policy with Compass.

If the Society dissolves, policies will be cashed in and members will receive:

- The full value of their investment
- An additional share of Compass's reserves, currently estimated at 10–15% of policy value (not guaranteed)

The insurance protection part of members' policies will end.

Why Compass is proposing to dissolve

Compass is now very small, with only 98 insured members holding Compass policies. Running costs are rising and will soon exceed the reserves required to stay solvent. The Committee has explored alternatives, including transferring the business to another provider, but none was possible. Dissolving the Society and distributing the remaining value to members is considered the fairest and safest option.

What will happen to your policy?

If members vote in favour:

- No more premiums or benefits will be payable from the date of a Special General Meeting to approve the dissolution expected to be held in February 2027
- Investments will be sold and the first payment (policy value) will be made in March 2027
- A second payment (a share of reserves) will follow in September 2027

Compass will begin gradually moving investments into lower-risk assets (cash and fixed-interest) to protect policy values from now onwards.

How payments will be made

The quickest way to receive your money is by bank transfer. Please used the enclosed form to send the insured person's account name, sort code and account number to:

- **Email:** info@compass-fs.co.uk
- **Post:** Compass Friendly Society, Old Bank House, 59 High Street, Odiham, RG29 1LF

If the insured person is under 18, you may need to open a bank account in that person's name. If no bank details are provided, payment will be made by cheque, valid until 15 December 2027, after which any unclaimed payments will be donated to charity and Compass's bank accounts will be closed.

Tax information

Compass cannot give personal tax advice. In most cases:

- The first payment (policy value) will not normally create a tax charge
- Some policies may trigger a chargeable event for Income Tax purposes depending on how they were set up or how many premiums have been paid
- The final reserves payment will count as a capital gain, which may be taxable if total gains exceed the annual allowance (currently £3,000)

If unsure, please seek independent tax advice.

Your vote is essential

Compass cannot dissolve unless members approve it. There are two votes:

1. Annual General Meeting (AGM) – 20 November 2026	when members vote on changes to Compass's rules to facilitate dissolution.
2. Special General Meeting (SGM) – February 2027	when members vote on the dissolution itself.

You can vote in person or by proxy. A proxy form is included with the notice of the AGM.

Key dates at a glance

Step	**Expected Timing**
AGM – vote on rule changes	20 November 2026
FCA registration of new rules	January 2027
SGM invitations issued	January 2027
SGM - vote on dissolution	February 2027
Policy investments cashed in	February/March 2027
First payment (policy value)	March 2027
Final claims period (for Sons of Temperance policies)	now – August 2027
Second payment (share of reserves)	September 2027
Final deadline for cashing cheques	15 December 2027

Need help?

If you have questions or need assistance, please contact:

- **Phone:** Compass Dissolution Helpline: 07850 777630
- **Email:** info@compass-fs.co.uk
- **Post:** Compass Friendly Society, Old Bank House, 59 High Street, Odiham, RG29 1LF

Please read all enclosed documents carefully and return your proxy form to arrive no later than 17 November if you cannot attend the AGM.

Questions Answered

1. Why Is Compass Proposing Dissolution?

Compass is no longer viable as a long-term insurance provider. Member numbers have fallen to 98 and no new policies are being sold, meaning numbers will continue to decline. As at 31 December 2025, Compass held reserves of £118,882, only £28,882 above the legally required solvency margin of £90,000.

Even with minimal operating costs, reserves are expected to fall below the minimum requirement by the end of 2027. The Committee has addressed the legacy issues relating to the Sons of Temperance (see Q5), and now recommends dissolution to avoid the risk of insolvency.

2. Why Are Other Options Not Viable?

The Committee explored a Transfer of Engagements—moving all members, policies, assets and liabilities to another friendly society. No provider was willing to take Compass on due to its small size. Dissolution is therefore the only realistic option.

3. What Will Members Receive?

If dissolution is approved:

- Each insured person will receive the value of his/her policy, paid shortly after the dissolution decision (expected February 2027).
- If the policy value is lower than the total premiums paid, Compass will top up the value so the member receives at least what was paid in.
- A second payment—each member's share of Compass's reserves—will follow in September 2027.

Compass will cash in all underlying investments soon after the dissolution vote. Values may fluctuate, and a small number of members might receive less than they paid in but the proposed topping-up payments will prevent this.

After liabilities are settled, remaining reserves will be distributed. Compass expects a distribution of 10–15% of policy values, after topping-up adjustments.

4. Why Does The Process Have Two Stages?

Compass must first amend its rules at the 2026 AGM. These amendments must be registered by the Financial Conduct Authority before a Special General Meeting (SGM) can vote on dissolution. Registration may take several weeks.

Reserves cannot be distributed until September 2027 because Compass must:

- Cancel regulatory permissions
- Close its office lease
- Settle all liabilities
- Allow final claims from former Sons of Temperance policyholders

A trust will be created to hold funds for Compass members and any valid Sons of Temperance claims received before 31 August 2027.

5. Who Are Sons of Temperance And Why Do They Matter?

Sons of Temperance was a friendly society founded in 1857. When it ceased insurance operations in 2011, it attempted to pay out its members but there were many it could not trace. In 2012, it transferred 2,655 untraced policyholders and funds to Compass.

Compass has since paid claims to 75 former members (2012–2021) and, after a major tracing exercise in 2024–2026, a further 221 members. Any further expenditure on tracing would not be cost effective, but Compass proposes still to allow a little time for any remaining claims before distributing reserves.

6. Why Can Exact Dates Not Be Given?

Rule amendments must be registered by the FCA before dissolution can proceed. Registration timelines are outside Compass's control. The SGM will be scheduled as soon as registration is complete, with reasonable notice to members.

7. What Are The Proposed Rule Changes?

Compass's current rules require strict proportional distribution of assets, which would block:

- Payments to Sons of Temperance claimants
- Surplus distributions to members who cash in policies before dissolution
- Top-up payments for members whose policy values are below premiums paid

New rules will allow distribution in "such just and equitable proportions as are determined by the Committee on the advice of the Actuary". Additional changes include:

- Closing membership
- Updating regulatory references
- Allowing online meetings
- Removing outdated statutory references
- Suspending premiums and claims from the SGM date
- Donating unclaimed payments after 15 December 2027 to charity.

8. What Should I Do If The Policyholder Is A Child Under 18?

Children cannot vote, but their Donor Member (the adult who took out the policy) can. Payments will be made directly to the child. If the child has a bank account, please provide details on the attached form; if not, one can be opened regardless of the child's age. If no bank details are provided, payment will be sent by cheque, which must be cashed by 15 December 2027, after which any money remaining in Compass's bank accounts will be donated to charity and the accounts permanently closed.

9. What Should Members Do Now?

Members should:

- Attend the AGM or return the proxy form
- Watch for the SGM invitation in January

- Provide bank details for the insured person on the form enclosed with your mailing to avoid delays in payment

10. What Happens If I Want to Cash In A Policy Early?

Members may cash in policies before the SGM. They will receive the full policy value and still receive a share of reserves in 2027. However:

- They will **not** receive top-up payments
- They will lose membership rights and cannot vote on dissolution

11. What Would Happen If Members Reject The Dissolution?

Compass has no viable future. Rejection would force the Committee to propose dissolution again, probably on worse terms because reserves would continue to decline. Delay increases the risk of formal insolvency, which would mean significantly lower payments to members.

12. Where Can I Get More Information?

Members can contact Compass via email (at info@compass-fs.co.uk), telephone (on 07850 777630), or post at Old Bank House, 59 High Street, Odiham, Hampshire, RG29 1LF.

Glossary

”actuary”	A person who works with friendly societies like Compass and other insurers to help them calculate financial costs and evaluate risks.
“beneficiary”	A person who stands to benefit under an insurance policy or another financial services product.
“capital gain”	The increase in value of an asset on which tax may be payable. Under current UK tax capital gains totalling £3,000 in any one tax year are free of tax. Gains resulting from insurance policies may be subject to UK income tax rather than capital gains tax– see chargeable event.
“chargeable event”	An event (usually involving a payment) for which an insurer it required to send the policyholder a “chargeable event certificate” notifying them that the event has occurred and should be taken into account for income tax purposes.
“Committee of Management” or “Committee”	The governing body of a friendly society, which is elected by its members. A friendly society’s Committee of Management is the equivalent of a company’s board of directors.

"dissolution"	The legal process through which a friendly society ceases its operations, divides its assets among its members and then ceases to exist.
"Donor Member"	An adult who has purchased a Compass policy for a child or young person who is still under the age of 18. Because the Friendly Societies Act 1992 does not allow people aged below 18 to vote at members' meetings, Compass has given Donor Members the right to vote.
"equities"	Investments, usually in stocks and shares, conferring ownership rights in the company (or other legal entity) in which the investment is made. The value of equity investments and the return on them can fluctuate sharply depending on market sentiment and the performance of the company concerned.
"Financial Conduct Authority" or "FCA"	The body established by the Financial Services and Markets Act 2000 to regulate the conduct of financial institutions such as Compass. The FCA also acts as the registration authority for all friendly societies, a role similar to that undertaken by Companies House for companies.
"fixed interest securities"	Investments on which the company (or other legal entity) in which the investment is made pays a regular fixed return on the investment.
"friendly society"	A legal entity, similar in many ways to a company, but owned by its customers and governed by separate legislation, principally the Friendly Societies Act 1992.
"gone-aways"	Members with whom a friendly society or other insurer has lost contact, either through letters sent to their last known address being returned "gone-away" or otherwise.
"guaranteed sum assured"	For a premium paying policy, an amount (normally equal to 75% of the total premiums payable during the term of the policy) which is payable on the death of the insured person even if the policy value is lower.
"Instrument of Dissolution"	The document which sets out certain information about a friendly society, lists its assets and liabilities, sets out how they are to be distributed and appoints trustees to administer the distribution. The Instrument must be approved by a special resolution of members and is then registered with the Financial Conduct Authority and becomes binding on all members of the society.
"insured person"	The person named in an insurance policy whose life is insured under the policy and who is entitled to the proceeds when the policy matures

	or is cashed in. Although Compass policies are principally intended to be savings products, Compass is an insurer and its savings products are set up as insurance policies.
"liabilities"	The amount a friendly society (or company) owes to third parties. For a friendly society that conducts insurance business like Compass, the liabilities will include the amount needed to make future payments to policyholders as calculated by an actuary.
"minimum solvency margin"	The minimum amount of reserves a friendly society is required to have in order to meet regulatory requirements. For Compass, this is £90,000.
"premiums"	The payments made by a policyholder to an insurer in exchange for the benefits under the policy. Some Compass policies are single premium policies, under which a single lump sum is paid at the start of the policy but others are regular premium policies where premiums are paid monthly or annually.
"proxy"	A person (usually, but not always, the chair of the meeting) appointed by a member of a friendly society to vote on the member's behalf at a meeting that the member does not personally attend. Members can direct their proxies how to vote or can leave it to the proxies to decide how to vote.
"reserves"	The amount by which a friendly society's (or a company's) assets exceeds its liabilities.
"solvent", "solvency" and "insolvent"	A friendly society or company will be "solvent" if it has sufficient assets to meet its liabilities as they fall due. If, like Compass, it conducts insurance business. it is required also to maintain reserves at a level that is at least equal to its minimum solvency margin and it will be technically insolvent if it no longer has sufficient reserves to do so.
"Sons of Temperance"	Sons of Temperance Friendly Society, a friendly society founded in 1857 that conducted small-value insurance business, transferred its remaining insurance business to Compass in 2012 and was finally dissolved in 2019.
"special general meeting" or "SGM"	A general meeting of the members of a friendly society other than the annual general meeting,

“special resolution”	A resolution by the members of a friendly society for which a 75% majority of those members voting is required in order for the resolution to be passed.
“unitised investment fund”	An investment fund which is divided into units. The price of a unit is determined by the value of the fund’s investments divided by the number of units issued. When a payment is made into a unitised investment fund the number of units allocated to the investor is based on the unit price at the date of payment. When an investor wishes to withdraw money from the fund the investor’s units will be cancelled and the amount paid to the investor will be the number of units being cancelled multiplied by the unit price at the date of cancellation.
“unit-linked policy”	A type of insurance policy where premiums are invested in a unitised investment fund and the return on the policy is determined by the performance of that fund (after the deduction of charges to cover the cost of administration). All insurance policies issued by Compass are unit-linked policies.
“volatile”	In the context of investments, a volatile investment is one where the price can change significantly in a short time, while a less volatile investment is less at risk of sudden change. Equities tend to be more volatile investments (but can produce a bigger return) and fixed interest securities less volatile (although they often produce a lower return).
“winding-up”	Another term for dissolution.