

Manchester Unity Friendly Society – Comparison of FAB Policy, IAB Policy and IAB Endowment Policy terms against Fraternal Bond terms

This document contains other information about the comparison of Fraternal Bond terms against the terms of FAB Policies, IAB Policies and IAB Endowment Policies referred to in section 6 (Key Features of Fraternal Bonds) of the product disclosure statement dated 22 February 2023 (PDS) for the offer of Fraternal Bonds by Manchester Unity Friendly Society open for acceptance by New Zealand resident FAB Policyholders, IAB Policyholders and IAB Endowment Policyholders (the Offer), which is considered to be material to the Offer but which is not contained elsewhere in the PDS or the register entry for the Offer.

Capitalised terms used but not defined in this document have the meanings given to them in the PDS dated 22 February 2023 for the offer of Fraternal Bonds.

	What your FAB, IAB or IAB Endowment insurance policy gave you	What the Fraternal bond will give you
Who is responsible for paying me?	Manchester Unity Friendly Society (the Society)	Manchester Unity Friendly Society (the Society)
When is payment made?	<ol style="list-style-type: none"> On your death; or If you are over age 75, when your spouse dies (for FAB Policyholders); or When your IAB Endowment policy would have matured on reaching the specified maturity date determined in accordance with the policy terms. <p>Always subject to payment being made only once the Society has received all documents necessary to assess the claim.</p>	<ol style="list-style-type: none"> On your death; or If you are over age 75, when your spouse dies (for members who held FAB Policies); or When your IAB Endowment Policy would have matured on reaching the specified maturity date determined in accordance with the policy terms (for members who held IAB Endowment Policies). <p>Payment will be made on the date 10 days after the Society has received all documents necessary to show that the Fraternal Bond has matured and is payable.</p>
Amount of payment	The sum insured under your policy (as shown in your annual certificate).	<p>On maturity of a Fraternal Bond, you (or your estate) will be paid the "Outstanding Amount" of the Fraternal Bond which will be:</p> <ul style="list-style-type: none"> the Conversion Value in respect of the Policy (as set out in the Election Form as the Conversion Amount, and which will be the principal amount of the Fraternal Bond on its issue date); and

<i>What your FAB, IAB or IAB Endowment insurance policy gave you</i>		<i>What the Fraternal bond will give you</i>
		<ul style="list-style-type: none"> any interest (after payment of resident withholding tax) that has been applied to that principal, plus any interest (after payment of resident withholding tax) that is to be applied on the maturity date of the Fraternal Bond. <p>This means that the amount payable on your Fraternal Bond maybe less than would have been payable under your Policy.</p> <p>This is a potential outcome that is not matched by a term of the Policies.</p>
Bonuses and interest	A proportionate amount of the annual return earned on the Society's assets is credited against the IAB and FAB funds, which is added to your sum insured and any previously accrued bonuses (subject to the Board's discretion to determine the appropriations policy).	<p>Interest (if any) is applied in arrears to principal amount of your Fraternal Bond on an annual basis.</p> <p>The Interest Rate will be set by the Board on an annual basis (on the Interest Rate Reset Date) as the Base Rate of 1% adjusted by a margin (which may be 0%) determined by the Board in accordance with its current Interest Rate Policy.</p> <p>Interest (if any), after deduction of resident withholding tax, is applied on the last day of each Interest Period (which is the last day of each financial year) to the principal amount of the Fraternal Bond and on its maturity date.</p>
Are bonuses or interest guaranteed?	No	No. The Board has a discretion to at any time during an Interest Period to declare that no interest will be applied to Fraternal Bonds for that Interest Period where it reasonably considers it is in the Society's best interests to do so. If this happens, the Interest Rate payable on the Fraternal Bonds in respect of that Interest Period will be 0%.
Ability to choose to receive payment early	<ol style="list-style-type: none"> For FAB policyholders, none. For IAB Policyholders and IAB Endowment Policyholders, the surrender value of the sum insured and accrued bonuses may be withdrawn as a lump sum. 	All members holding a Fraternal Bond may elect to redeem that Fraternal Bond before its maturity date on an Early Redemption Date (subject to the Society's right, in limited circumstances, to suspend or cancel an Early Redemption Option on an Early Redemption Date). Early Redemption Dates occur on 31 May 2025 and three yearly after that.

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		<p>The amount a Holder is entitled to receive upon exercising an early redemption option will be a discount to the Outstanding Amount of the Fraternal Bond at the time of early redemption. That discount will be equal to the level of discount the Cash-Out Value of the relevant Policy represents to the Conversion Value of that Policy from which the Fraternal Bond was converted to a Fraternal Bond.</p> <p>(The Cash-Out Value and the Conversion Value are defined in the PDS and shown in your Election Form).</p> <p>This is a term of the Fraternal Bonds that is not matched by a term of the Policies. However, it is similar to the term of IAB Policies that provide Policyholders with the right to receive the surrender value of their policy if they elect to cash in that Policy before its maturity date.</p>
Society's ability to make payment early	<p>Society may pay amount of benefit early:</p> <ul style="list-style-type: none"> • by consent; or • by amending the Society's rules (including as approved by the Conversion Remit passed at the Movable Conference on 5 November 2021). 	<p>Society may pay the outstanding principal and any interest owing on all remaining Fraternal Bonds prior to their maturity dates where:</p> <ul style="list-style-type: none"> • the total amount of principal and interest on all Fraternal Bonds held by all members drops below \$10,000,000 (or an adjusted amount approved by Members as described below); or • the Society has determined (by approval of Members under the Rules), to reorganise its business structure, or to dispose of or transfer, all or a part of its business, or to adjust the \$10,000,000 threshold of Fraternal Bonds remaining owing referred to above. <p>The Society must give all remaining Holders 30 days' notice of its intention to do so.</p>
Amount of premiums / contributions	<p>The amount of premiums / contributions payable under your policy is set out in your annual statement.</p>	<p>No premiums or contributions payable. The Fraternal Bonds are issued "fully paid" But you must remain a Financial Member of the Society and pay your annual membership dues.</p>

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Ability to increase contributions	Yes, up to limits set out in the Rules.	No. No contributions are payable, and bondholders cannot invest further funds in the Fraternal Bonds.
What happens if premiums / contributions are not paid?	<p>For FAB Policies, if premiums / contributions remain unpaid for 39 weeks, the benefits will lapse.</p> <p>For IAB Policies and IAB Endowment Policies, the Policy would continue until the amount of contributions in arrears plus interest exceeds the cash surrender value. The Policy would then lapse. (IAB Policyholders also have the option of applying for a "paid up" policy where the sum assured would reduce to an amount requiring no premiums).</p>	<p>No premiums / contributions payable. The Fraternal Bonds are issued "fully paid".</p> <p>However, if you cease to pay your annual membership dues, your Fraternal Bond will be forfeited.</p>
Contingent on membership?	<ol style="list-style-type: none"> For IAB policyholders and IAB Endowment policyholders, no. For FAB policyholders, yes. 	<p>Yes. If you cease to be a member of the Society you will forfeit your Fraternal Bond, including the right to be paid all principal and interest.</p> <p>Although IAB Policies and IAB Endowment Policies include a term allowing a Policyholder to hold that Policy upon ceasing to be a Member, provided contributions continue to be paid, this is not a term able to be matched under the Fraternal Bonds because there are no ongoing contributions required to be made to the Fraternal Bonds. Further, Fraternal Bonds may have interest applied to them.</p>
Can it be transferred / sold?	<ol style="list-style-type: none"> IAB policyholders and IAB Endowment policyholders may assign or mortgage the interest in their policy. FAB policyholders, no. 	No. This is a term that differs from the terms applying to the IAB Policies and IAB Endowment Policies. The Board of the Society considered that, because membership of the Society is a condition of the Fraternal Bonds, allowing the Fraternal Bonds to be transferred is beyond the intended scope of the Fraternal Bonds. There are also administrative complexities and costs involved in keeping reliable and legally compliant records in respect of assigned and mortgaged securities.
Can I borrow money from the Society against my policy/Fraternal Bond?	<ol style="list-style-type: none"> For IAB policyholders and IAB Endowment policyholders, yes. For FAB policyholders, no. 	No. For the reasons set out in relation to transferability, the Board of the Society considered that, because membership of the Society is a condition of the Fraternal Bonds, allowing the Fraternal Bonds to be assigned or

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		mortgaged is beyond the intended scope of the Fraternal Bonds.
Are any commissions payable to the Society?	Yes.	No.
Can the terms of the contract be changed?	<p>Yes, in the following circumstances:</p> <ul style="list-style-type: none"> • by consent; or • by amending the Society's rules (including as approved by the Conversion Remit passed at the Movable Conference on 5 November 2021). 	The Society may make amendments to the Trust Deed and/or the terms of the Fraternal Bonds with the agreement of the Supervisor, where the Supervisor is of the opinion that the amendment will not have a material adverse effect on Holders of Fraternal Bonds, or otherwise with the approval of a special resolution of Holders of Fraternal Bonds.
Where are the terms and conditions set out	The policy terms are set out in the Society's Rules and in the original investment statement and prospectus offering the policy benefits.	The Fraternal Bond terms and conditions are set in the Fraternal Bond Trust Deed between the Society and the Supervisor (on behalf of the bondholders) and in the Product Disclosure Statement (PDS) relating to the Fraternal Bonds.
What happens to my entitlement if the Society becomes insolvent?	<p>If the Society were to become insolvent, it is assumed that your entitlement under your Policy would be paid out of any funds remaining after non-member creditors' claims have been paid.</p> <p>Your entitlement under your Policy would rank equally with other member claims on their policies and share funds.</p> <p>This means that if there is a shortfall of funds with which to pay all these amounts in full, the amount available to be paid to policyholders and to members in relation to their share fund accounts may be apportioned by a liquidator.</p>	<p>If the Society were to become insolvent, your entitlement under your Fraternal Bond would be paid out of any funds remaining after non-member creditors' claims have been paid.</p> <p>It is also assumed that your entitlement under your Policy would rank equally with other member claims on their Fraternal Bonds and share funds.</p> <p>This means that if there is a shortfall of funds with which to pay all these amounts in full, the amount available to be paid to Fraternal Bondholders and to members in relation to their share fund accounts may be apportioned by a liquidator.</p>