

Teachers Assurance proposes to transfer its business to Liverpool Victoria

Teachers Provident Society (TPS) announces that it has agreed to transfer the majority of its business to Liverpool Victoria Friendly Society Limited (LV=). The terms of the transfer have been unanimously approved by the Board of TPS.

TPS, which trades as Teachers Assurance, is a member-owned mutual friendly society, endorsed by the National Union of Teachers (NUT). Formed in 1877, the Society provides a range of financial products and services to the education profession.

Teachers Assurance manages c. £1 billion on behalf of its members and policyholders. For the last eight years, it has been ranked the strongest with-profit life office in the UK, when measured by free asset ratio.* As at December 2013, it had a free asset ratio of 54.6% and capital resources of c. £110 million.

This move follows a strategic review in which the TPS Board considered how best to position the Society in the future, in order to deliver the greatest value to its members and policyholders. The Board believes that a transfer of the business to a third party is more favourable than remaining open to new business as an independent entity or closing and running off the existing book of business over time.

The proposed transfer to LV= includes all of the Teachers Assurance group of companies, with the exception of Sovereign Unit Trust Managers Limited (SUTM), the Society's unit trust business, which is responsible for the management of the Sovereign unit trust range. Instead, TPS has reached an agreement to transfer the business of those funds to Threadneedle Investments.

Speaking on behalf of Teachers Assurance, John Sinclair, Chairman, said, "As the Board of a mutual, our primary concern is to act in the best interest of our members and policyholders. We are strongly committed to mutuality and in this context, believe that joining forces with LV= should provide real benefits to members and policyholders. LV= shares our commitment to mutuality, with over 5.5 million members and customers, to whom they offer a range of insurance, investment and retirement solutions."

David Furniss, Group Chief Executive added, "Our two societies, both with Bournemouth based headquarters, share a long history of mutuality and a common ethos when it comes to our commitment to delivering value and service to members. We believe that this transfer to LV= will allow our members and policyholders to benefit from greater economies of scale than if we were to remain independent, as well as a wider range of products and services.

"Threadneedle is a leading UK-based investment business that manages £92.6 billion on behalf of individuals, pension funds and institutions. In particular, Threadneedle also has a strategic partnership with LV= for the management of assets on behalf of LV='s policyholder and customer funds."

Key terms and benefits

Under the terms of the agreement, LV= will make a payment in respect of TPS's non-profit business, a number of its operating subsidiaries and for goodwill. With-profits policyholders of TPS will also benefit from the distribution of TPS's inherited estate.

The inherited estate is currently worth c. £140 million^[1] and its distribution should result in enhancements to pay-outs to circa 30,000 with-profits policyholders.

Under the terms of the transfer, LV= has agreed to arrangements that will protect the interests of TPS with-profits policyholders, including provisions which will limit the amounts that can be charged to TPS with-profits policies for administration and other matters. In addition, a TPS member representative will be appointed to the LV= With-Profits Committee.

Should the transfer to LV= proceed, TPS proposes to make a special cash payment to its members in light of their loss of membership rights in TPS. This is expected to be in the region of £250, totalling circa £14.5 million.

As a result of the strategic review and the proposed transfer of TPS's business to LV=, Teachers Assurance will close to new with-profits business with effect from 18 December 2014.

The closure to new with-profits business will not affect the rights of policyholders to pay further premiums or to exercise other rights such as any rights to take out new policies (e.g. annuities on the maturity of a pension policy). Customers requiring new with-profits policies will be referred to LV=.

Teachers Assurance will continue to offer its range of Sovereign ISA and unit trust products as well as home and contents insurance until the relevant transfers take effect.

Members of the Society will be asked to vote on the proposed transfer at a Special General Meeting in the second quarter of 2015. An information pack will be sent to all members in advance, explaining the proposed transfer in more detail.

If the proposed transfer is approved by the members of the Society, and subject to the approval of the Prudential Regulation Authority and Financial Conduct Authority, the transfer is expected to take place at the end of 2015.

Important information

Please note that in order to protect the interests of existing members and policyholders of Teachers Assurance, entitlement to any payments or other benefits available in connection with this transaction will be assessed by reference to the policy records of Teachers Assurance as at close of business on 18 December 2014.

Anyone who starts a policy after that date will not qualify for such payments or other benefits by virtue of that policy. Similarly, any alteration under a policy made after that date will not create or increase any entitlement to receive such payments or other benefits.

In addition, any alteration under a policy made after 18 December 2014 which reduces investment in Teachers Assurance may result in the loss of some or all of any entitlement to receive payments or other benefits available in connection with a transaction.

Appropriate arrangements will be made for policies issued and alterations under policies made on or around 18 December 2014.

Should members or policyholders have any questions in this regard, they should call the Teachers Assurance Helpline on 0800 731 2436.

ENDS

[1] Realistic working capital on a Realistic Balance Sheet basis at June 14

*Teachers Assurance was ranked the strongest with-profit life office in the UK for the eighth year running in an independent survey by Money Management – August 2014

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