



Lessons from the demutualisation of LV

AFM Conference 2021

Breakout session A

The Drawing Room

Timeline to LV's sale

Founded in 1843 as a burial society in Liverpool

1868 Head office established in Islington, Liverpool

National Insurance Act 1912 gave friendly societies a role to provide state insurance

1930 Head office moves to Bloomsbury Square in London

NHS established in 1948 removed friendly societies' role in state insurance

1996 Frizzell acquisition and move to Bournemouth

2015 LV leaves AFM

21 March 2019

Annual results for 2018 published, including £136m profit and announcement of plans to convert from a Friendly Society to a Mutual Company Limited by Guarantee (CLG)

22 May 2019

Special General Meeting approves conversion to CLG

31 May 2019

LV= agrees sale of final 30.1% of general insurance business to Allianz for £365m

11 December 2019

Richard Rowney steps down as CEO

20 December 2019

Mark Hartigan appointed CEO

19 March 2020

LV= announces 2019 annual results and publishes annual report to members

Timeline to LV's sale (cont)

11 June 2020

- Sky News Reports LV= is exploring an end to its independence

15 June 2020

- LV= issues the first public statement on the story

28 September 2020

- LV= announces to the London Stock Exchange that it is in 'ongoing discussions with a number of companies.

30 September 2020

- AGM held in private

2 October 2020

- LV= announces to the Stock Exchange that it is in exclusive talks with Bain Capital

15 December 2020

- LV= agrees transaction with Bain
- LV= leadership writes to members for the first time to inform them of the sale

3 February 2021

- LV= member virtual event

8 February 2021

- APPG for mutuals decides to undertake an inquiry into the proposed demutualisation of LV=

Sources: LV website and APPG for mutuals – Inquiry into the planned demutualisation of LV=

Shortcomings of the 1992 Act

- No parliamentary scrutiny due to 1992 snap General Election
- Consolidates earlier (Victorian) legislation
- Inconsistencies
- Duplication
- Redundant provisions
- Reforms to companies law applied patchily

The poison pill rule



Voting requirements for certain resolutions

The following resolutions may only be passed as resolutions of the Society if at least 50% of the Members entitled to vote on the resolution do vote (whether in person or by proxy):

- a. a resolution to transfer the engagements of the Society to any proprietary company;
- b. a resolution to convert the Society into a proprietary company; and
- c. a resolution to rescind, disapply or alter this Rule 13.8.

For the purposes of this Rule, "proprietary company" means a body corporate, the capital of which is divided into shares which are (or will be) capable of being transferred to persons to whom the body corporate does not supply financial services.

M&G | ADVISORY SERVICES

The Mutual Way

IN A MUTUAL, EVERYBODY WINS
There's a mutual for everyone, and mutuals work for the good of all their members and the communities they serve

WE EXIST ONLY TO SERVE YOU
We have no shareholders, so our only interest is in supporting the needs of our customers

WE WILL ALWAYS TREAT YOU WITH RESPECT AND FAIRNESS
We do this by better customer service, fairer claims handling and looking after our staff

WE WILL COMMUNICATE WITH YOU OPENLY AND HONESTLY
Mutuals keep things simple so you have a clear understanding of our products and services

financialmutuals.org

The infographic features several illustrations: a group of diverse people celebrating, a hand holding gears, a hand holding a scale, a hand holding a book, a hand holding a magnifying glass over a document, and a hand holding a speech bubble.

The regulators' role

Change in control

How we assess change in control applications

We will follow the assessment procedure set out in sections 185 and 186 of the [Financial Services and Markets Act 2000 \(Controllers\) Regulations 2009](#).

As part of this assessment, as well as assessing the proposed new controller, we will (in consultation with the FCA) consider the impact of a proposed change in control on the firm's ability to comply and continue to comply with our prudential requirements, including the relevant threshold conditions. This may include, for example, the resilience of the target firm's business model, capital and liquidity position, governance, risk management and controls, and the group structure.

We have 60 working days from acknowledging a complete section 178 notification to either:

- determine whether to approve the acquisition unconditionally
- propose to approve the acquisition subject to conditions
- propose to object to the acquisition.

Mutual Deferred Shares Act 2015

- Enabling legislation to allow mutuals to raise publicly-traded Tier 1 quasi-equity capital
- Contained protections for mutuality
- To be implemented by Treasury regulations
- First draft regulations produced but never progressed into law due to HMRC objections
- Act remains in force and could still be implemented with sufficient political will.

LV today

- Founded as a burial society in 1843
- Financial assets £13.740bn
- Gross earned premiums £613m
- Members 1.25m
- Policyholders 1.28m

Source: LV website

M&G | ADVISORY SERVICES

John Gilbert

john.gilbert@mgadvisory.co.uk

07768 382086

Richard Martin

richard.martin@mgadvisory.co.uk

07803 26 7706

www.mgadvisory.co.uk