

# NPI

Restructuring Our Business  
Your Questions Answered



# Contents

## **What is happening and why** **3**

1. What are the proposed changes?
2. What are the benefits of transferring NPLL With-Profits SERPs to Pearl?

## **What this means for you** **3**

3. Will my benefits be affected?
4. How do I know which of my policies are affected by the Scheme?
5. What is the 'Demutualisation Scheme' and why are you changing it?
6. Who should I contact about my policy after the transfer?
7. Will the Scheme have any implications for my personal tax?
8. I am an NPLL With-Profits SERP policyholder considering my retirement options. How will the timing of the changes affect me?
9. How will my interests as a policyholder be protected under the Scheme?
10. Who is the Independent Expert?

## **More about the Scheme** **5**

11. When will the changes happen?
12. Who needs to approve the changes?
13. How will I find out if the High Court has approved the Scheme?
14. Why wasn't I consulted or allowed to vote on the Scheme?
15. How is the Scheme being funded?
16. Why might you have sent me more than one pack?
17. What is happening with the 2008 Scheme?
18. I didn't receive a communication about the 2008 Scheme. Why is this?
19. Who are the Pearl group of companies?

## **Next Steps** **6**

20. What do I need to do now?
21. How can I find out more?

# What is happening and why

## 1. What are the proposed changes?

We are proposing to transfer National Provident Life Limited (NPLL) With-Profits Self Employed Retirement Plans (SERPs) to Pearl Assurance plc (Pearl). These proposals are referred to as 'the Scheme'.

In connection with the Scheme, we are proposing to make some changes to the NPLL Demutualisation Scheme, which are summarised in the leaflet entitled '**Summary of Changes to the Demutualisation Scheme**'. This leaflet is enclosed for all non-transferring policyholders and is also available on the NPI and Pearl websites, along with further details of the proposed changes.

Notes:

- See **section 2** of the **Scheme Guide 'Restructuring Our Business'** for a full list of the policies affected by the Scheme, and the exceptions that apply.
- NPLL and Pearl are members of the Pearl group of companies.

If the High Court approves our plans (see **section 5** of the **Scheme Guide**), the changes will take place on the 'Transfer Date', which is expected to be 15 February 2010.

## 2. What are the benefits of transferring NPLL With-Profits SERPs to Pearl?

The aim of the restructure is to improve security for policyholders in NPLL and to improve the flexibility we have in managing the investments in the NPLL with-profits fund.

In addition, the with-profits policyholders who remain in NPLL may benefit. The fund is currently conservatively invested in assets such as gilts, corporate bonds and cash with no equity exposure, due to the financial position of NPLL and in order to meet the significant guarantees that exist on the SERPs. Transferring the SERPs out of the NPLL with-profits fund will improve the financial strength of the fund and remove the need to invest to meet these guarantees. This, plus the introduction of flexibility to adjust the investment approach within the NPLL with-profits fund, will allow the National Provident Life Fund Supervisory Board to adopt an investment policy going forward that is appropriate for each group of policies remaining in NPLL.

Any guaranteed benefits provided by your policy, whether a With-Profits SERP or a policy that does not transfer, will be protected. If you are unsure whether your policy includes guaranteed benefits, please refer to your policy documents.

# What this means for you

## 3. Will my benefits be affected?

No. Whether you are transferring to Pearl or remaining with NPLL, your policy features and benefits (including any guaranteed benefits) will all stay the same.

However, if you have an NPLL with-profits policy that is not transferring, you may, over time, see a changed investment approach in respect of your policy. The Scheme will strengthen NPLL and, combined with the proposed changes to the Demutualisation Scheme, will give us flexibility to adopt an investment policy that is appropriate for different groups of policies in NPLL. This will mean that in future we may be able to invest, for certain groups of policies, a proportion of the fund in equity-type investments that have the potential to give higher returns in the longer term, thereby potentially improving your investment outlook.

**As with all equity-based investments, there is a risk that the value of your investment could go down as well as up.** However, we will only change our investment approach when we believe the time is right, with full regard to market conditions, if we believe it will preserve the fair treatment of policyholders within the NPLL fund and following advice from the NPLL With-Profits Actuary and the consent of the Supervisory Board.



#### 4. How do I know which of my policies are affected by the Scheme?

The letter enclosed with this pack will tell you which policy(ies) you hold and what is happening with them. You will also find a full list of the policies and annuities affected by the Scheme in **section 2** of the **Scheme Guide**.

Letters and Scheme Guides are being sent out in November so, if you hold additional NPLL policies that are not covered by this letter, you should receive another letter shortly. If you are not sure if you have received the right information, please call our Scheme Helpline on **0845 602 9296**.

#### 5. What is the 'Demutualisation Scheme' and why are you changing it?

The Demutualisation Scheme is the court approved transfer of the long term insurance business of National Provident Institution (NPI) to NPLL, which took place on 1 January 2000. The Demutualisation Scheme laid down how NPLL would be set up and operated. Following the transfer, the NPLL fund was closed to new business except for increments and the National Provident Life Fund Supervisory Board was appointed to manage the NPLL fund.

The terms of the Demutualisation Scheme can only be amended in certain circumstances, as explained in the leaflet entitled 'Summary of Changes to the Demutualisation Scheme'. This leaflet is enclosed for all non-transferring policyholders and is also available on the NPI and Pearl websites, along with further details of the proposed changes.

We are proposing changes to the Demutualisation Scheme to enable us to implement the Scheme and to allow NPLL greater flexibility in determining the investment strategy for the NPLL with-profits fund, as explained in Question 2 above, and in **section 3.2** of the enclosed **Scheme Guide**.

#### 6. Who should I contact about my policy after the transfer?

When you call us, you will speak to the same team of people on the same telephone number as before and the level of service you receive will be unaffected. From the Transfer Date, policyholders transferring to Pearl will find the information relating to their policies through the Pearl website at **[www.pearl.co.uk](http://www.pearl.co.uk)** rather than the NPI website.

#### 7. Will the Scheme have any implications for my personal tax?

No. The Scheme will only take place on the basis that there will be no adverse personal tax implications for policyholders.



## 8. I am an NPLL With-Profits SERP policyholder considering my retirement options. How will the timing of the changes affect me?

There will be no financial disadvantage to you as a result of the Scheme. Your policy features and benefits – including guaranteed benefits – will all stay the same. We can also assure you that there will be no change in the level of service you receive as a result of these changes.

A few weeks before you are due to take your benefits, or on request, we will send you a pack explaining the options you have. From January 2010, this pack will also include details on how the Scheme will affect your retirement options.

If you take your benefits before the policy transfer takes place and choose not to take the Open Market Option, your annuity will be provided by NPLL. If you take your benefits after the policies are transferred and choose not to take the Open Market Option, your annuity will be provided by Pearl.

## 9. How will my interests as a policyholder be protected under the Scheme?

Whether your policy is due to transfer to Pearl, or remain with NPLL, your interests as a policyholder are protected under the Scheme.

The Scheme will only be approved if the High Court is satisfied that it meets all the necessary legal requirements. The Court process we will follow is explained in **section 5** of the **Scheme Guide**.

In addition, an Independent Expert has been appointed to prepare a report on the Scheme and the proposed changes to the Demutualisation Scheme.

The Independent Expert has considered how the interests of policyholders might be affected by the proposals and has concluded that:

- The proposed amendments to the Demutualisation Scheme will not adversely affect the reasonable expectations of, or reduce the protections conferred by the Demutualisation Scheme on, the NPLL policyholders remaining in NPLL; and
- The security of policyholders' benefits and their benefit expectations will not be materially adversely affected by the Scheme or the proposed amendments to the Demutualisation Scheme.

**Section 12** of the **Scheme Guide** contains a summary of the Independent Expert's report.

## 10. Who is the Independent Expert?

The Independent Expert is Mr Michael Arnold of Milliman Consultants and Actuaries. Mr Arnold is an actuary experienced in the issues concerned with the transfer of life and pensions businesses. He has been appointed to report his opinion on the likely effect of the proposals on policyholders.

# More about the Scheme

## 11. When will the changes happen?

If the High Court approves our plans, we expect the changes will take effect on 15 February 2010.

## 12. Who needs to approve the changes?

The changes need to be approved by the industry regulator (the FSA) and the High Court of England and Wales. In addition, the transfer of certain policies needs to be approved by the Royal Courts of Jersey and Guernsey.

### **13. How will I find out if the High Court has approved the Scheme?**

After the Court hearing, which is expected to take place on 20 January 2010, we will put a note on the NPI and Pearl websites, and a recorded message on the Scheme Helpline **0845 602 9296**, to confirm the High Court's decision.

### **14. Why wasn't I consulted or allowed to vote on the Scheme?**

This pack and the information available on the NPI and Pearl websites provide full details of our proposals and are part of the consultation phase. You also have the right to voice any concerns to us or the High Court (or the Royal Courts of Jersey or Guernsey, if appropriate) and the processes for doing so are outlined in the enclosed **Scheme Guide (sections 6, 9 and 13)**.

### **15. How is the Scheme being funded?**

The Scheme will be wholly funded by shareholders with no cost to any of our policyholders.

### **16. Why might you have sent me more than one pack?**

You may have received more than one pack if you hold different types of policy with NPLL. This is because different policies are affected in different ways.

Letters and Scheme Guides are being sent out in November so, if you hold additional NPLL policies that are not covered by this letter, you should receive another letter shortly. If you are not sure if you have received the right information, please call our Scheme Helpline on **0845 602 9296**.

### **17. What is happening with the 2008 Scheme?**

In September 2008, we sent you information about a proposed transfer of some of the insurance business of NPLL and NPI Limited (NPIL) to Pearl (the 2008 Scheme). However, in view of the significant market turmoil at the end of last year, the 2008 Scheme did not go ahead and this has now been replaced by the new, current Scheme.

### **18. I didn't receive a communication about the 2008 Scheme. Why is this?**

We wrote to all NPLL policyholders on our records in September 2008 to make them aware of the 2008 Scheme. However, if your details were incorrectly recorded at the time of this mailing and have since been amended, you may be hearing about our proposals for the first time. This is also the case if you have joined a Group pension scheme since September 2008.

### **19. Who are the Pearl group of companies?**

The Pearl group of companies includes Pearl Assurance plc, Phoenix Life Limited, London Life Limited, Phoenix & London Assurance Limited, Phoenix Pensions Limited, NPI Limited, National Provident Life Limited and Scottish Mutual International Limited.

On 2 September 2009, Pearl Group (formerly Liberty Acquisition Holdings (International) Company), became the ultimate holding company of the Pearl group of companies.

## **Next Steps**

### **20. What do I need to do now?**

We encourage you to read the enclosed documents to find out more about our proposals. You do not need to take any further action unless you want further information or intend to raise any issues in advance of or at the Court hearing.

The enclosed **Scheme Guide (section 6)** explains the procedure if you wish to object to the changes. A summary of the objections to the September 2008 Scheme (where they are relevant to the current Scheme), and our responses will be sent to the Independent Expert, the High Court and the FSA to be taken into consideration at the final Court hearing. **However, if you wish to object to the changes proposed under the current Scheme or to the changes proposed to the Demutualisation Scheme, you will need to raise a new objection.**

If you are in any doubt about whether you need to take any action you should consult your financial or other professional adviser. If you do not already have a financial adviser, you can find details of the advisers in your area on the IFA Promotion Ltd website at [www.unbiased.co.uk](http://www.unbiased.co.uk). Please note, financial advisers may charge you for providing advice.

If you are aware of anyone else who may have an interest in your policy(ies), please ensure that any such person is given an opportunity to review the documents contained in this pack.

If you are a trustee of a trust-based occupational pension scheme, it is your responsibility to make sure all scheme members are made aware of the Scheme and the proposed changes to the Demutualisation Scheme, and how these proposals affect them (see **Scheme Guide section 8** for more information).

## 21. How can I find out more?

The enclosed Scheme Guide describes the proposed changes and includes a summary of the Independent Expert's analysis of their effect. The full Independent Expert's report and terms of the Scheme are available free of charge on the NPI and Pearl websites.

[www.npi.co.uk/schemeinfo](http://www.npi.co.uk/schemeinfo)  
[www.pearl.co.uk/schemeinfo](http://www.pearl.co.uk/schemeinfo)

For non-transferring policyholders, the separately enclosed leaflet summarises the changes we are proposing to make to the Demutualisation Scheme. This leaflet is also available on the NPI and Pearl websites along with further detail on these proposed changes.

If you would like paper copies of these documents, please call our Scheme Helpline **0845 602 9296**, which will be available Monday to Friday, from 9am to 6pm up until the day before the Court hearing. All calls are charged at the local rates from a UK landline.

You may also write to:

Restructure Team  
MP8  
The Pearl Centre  
Lynch Wood  
Peterborough  
PE2 6FY

If you are unsure of any of the terms used in this document, please see the definitions section of the **Scheme Guide (section 14)**. More definitions are also provided in the 'Jargon Buster' on the NPI and Pearl websites.

### **Note for Jersey and Guernsey policyholders:**

Please note there will be separate schemes relating to policies forming part of the business carried on by NPLL in, or from within, Jersey or Guernsey or issued to residents of Guernsey. There will be separate Court hearings at the Royal Courts of Jersey and Guernsey at which Jersey and Guernsey policyholders respectively are entitled to be heard. Please refer to **section 9** of the **Scheme Guide** for further details.

**Please call us on our Scheme Helpline 0845 602 9296 if you would like a copy of this pack in large print, Braille or on CD.**

## Contact us

Restructure Team  
MP8  
The Pearl Centre  
Lynch Wood  
Peterborough  
PE2 6FY

Scheme Helpline: 0845 602 9296

[www.npi.co.uk/schemeinfo](http://www.npi.co.uk/schemeinfo)  
[www.pearl.co.uk/schemeinfo](http://www.pearl.co.uk/schemeinfo)

Pearl Group Ltd No.05282342 and Pearl Group Services Ltd No. 5549998.  
The following companies are subsidiary companies of Pearl Group Ltd and are authorised and regulated by the Financial Services Authority: Pearl Assurance plc No. 1419, Pearl Assurance (Unit Funds) Ltd No. 1027138, Pearl Assurance (Unit Linked Pensions) Ltd No. 1122485 , Pearl ISA Ltd No. 3597973, London Life Ltd No. 1179800, London Life Linked Assurances Ltd No. 1396188, NPI Ltd No. 3725037, National Provident Life Ltd No. 3641947, UKLS Financial Services Ltd No. 3715118 . All companies are registered in England at The Pearl Centre, Lynch Wood, Peterborough PE2 6FY. Tel. 01733 470470. We may record or monitor telephone calls to improve service and for our mutual protection.