

Key Facts of the transfer

Service and premium payments

If the vote to transfer is successful there will be a transition period which will last for 12 months.

During the early part of the transition period members will continue to pay their premiums in the normal manner and have access to their agent and the office in Middlesbrough.

During the remaining months of the transition period members will be asked to move their payment method to direct debit. Agents will assist members to do this. Those members who currently pay a 5% collection fee in addition to their insurance premiums will no longer have to pay that fee when they move onto direct debit payments.

If a member prefers to pay by cash or cheque, then they can continue to do so. Oddfellows will appoint a Tees Mutual Customer Care Manager who will provide this service. Please see description of the role below.

At the end of the 12-month transition period all members services will be administered by Oddfellows from their Manchester office. Members will be able to contact Oddfellows by telephone, email and via their website.

If a member is unable to access Oddfellows services by telephone, email, or online then they will be referred to the Tees Mutual Customer Care Manager who will visit them and assist them with their payment issues or for example help them make a claim, surrender or any other policy event. This service will be available to customers paying by cash or by direct debit.

Policy bonuses

At present all but a small number of Tees Mutual's policies are "with-profits" policies, which means that members can expect to share in any surpluses generated by the Society (for example from its operations or investments). These would normally take the form of annual bonuses, which would be added to the policy value year by year, and a terminal bonus which would be added when the policy matures or, in the case of whole of life policies, when the life assured dies. The amount of bonuses on "with profits" policies will vary depending, among other factors, on how much surplus the Society is able to generate.

However, for the reasons explained in the Chair's and the Chief Executive's reports on pages 3 and 4 and in their reports to members at recent AGMs, Tees Mutual's financial condition is such that it has not been able to declare any annual bonuses since 2019 and terminal bonuses are lower than we were previously able to pay. The purpose of the rule amendments which are being proposed at the AGM is to convert Tees Mutual's with-profits policies into non-profit policies on which future bonuses will be fixed and no longer depend on the society generating surpluses (although any annual bonuses declared by Tees Mutual in or before 2019 will still be paid, as annual bonuses once declared cannot be taken away).

Oddfellows has agreed to pay the levels of fixed bonus set out below on Tees Mutual with-profits policies if the Transfer goes ahead, but this (and the whole Transfer) is conditional on Tees Mutual passing the rule amendments. In other words, if the rule amendments are not passed, the Transfer will not happen and the fixed bonuses outlined below will not be paid. The Board believes that there is no reasonable prospect of Tees Mutual's financial situation improving so that it could pay higher rates of bonus than offered by Oddfellows. Because the offer of fixed annual and terminal bonuses from Oddfellows offers certainty and security the board recommends that members vote in favour of the rule amendments to convert policies to non-profit and proceed with the Transfer.

The details of the fixed bonuses that Oddfellows have agreed to pay are as follows:

Whole of life

Members with a whole of life policy will receive an annual bonus of 1% of the sum assured and upon death claim a further bonus of 10%.

For example, if a member has a sum assured of £1000 the annual bonus will be £10 and £10 will be added to the value of the policy for every year that the policy is in force. On death a final bonus of £100 will be added to the sum assured and the accumulated annual bonuses.

These bonuses will be in addition to the annual bonuses (if any) that have previously been declared by Tees Mutual on the member's policy.

Endowment

Members with an endowment policy will also receive an annual bonus of 1% of the sum assured and upon maturity a further bonus of 10%.

For example, if a member has a sum assured of £1000 the annual bonus will be £10. For every year that the policy is in force £10 will be added to the value of the policy. On maturity a final bonus of £100 will be added to the sum assured and the accumulated annual bonuses.

These bonuses will also be in addition to the annual bonuses (if any) that have previously been declared by Tees Mutual on the member's policy. In addition, Oddfellows have promised that endowment policyholders will at the very least receive an underpin of 105% of premiums paid in. For example, if an endowment policyholder has paid £1000 in premiums, they will receive at the very least receive £1050 on maturity.

The underpin will result in maturity payouts in excess of the value based on the fixed bonus rates for shorter term policies (up to 16 years) until at least 2028.

Five yearly whole of life policy

In addition to the contractual five yearly bonus members with these policies will receive an annual bonus of 0.25% of the sum assured and, upon death, a further bonus of 10%.

For example, if a member has a sum assured of £1000 the annual bonus will be £2.50. For every year that the policy is in force £2.50 will be added to the value of the policy. On death a final bonus of £100 will be added to the sum assured and the accumulated annual bonuses.

These bonuses will also be in addition to the annual bonuses (if any) that have previously been declared by Tees Mutual on the member's policy. The lower fixed annual bonus proposed for the quinquennial policies reflects the fact that quinquennial payments equal to 77% of premiums paid (for pre 2015 policies) and 48% (for post 2015 policies) will continue to be paid to the holders of these policies every five years in addition to their entitlement of the proposed fixed bonuses.

Early surrenders

If a member decides at any point after the Transfer takes place that they wish to surrender an endowment policy (i.e. to cash it in and stop paying premiums), Oddfellows have promised that the "surrender value" they receive will be at least the amount of premiums they have paid in.

Non-profit policies

There will be no change as a result of the Transfer to the terms and conditions of Tees Mutual's Free Paid-up policies, which are no longer eligible to participate in surpluses and thus are already non-profit policies. Members holding these policies will benefit from the Transfer by having greater security through being members of a larger and more financially robust society.

Membership

If the transfer is agreed Tees Mutual members will become Benefit members of Oddfellows Friendly Society. Oddfellows will contact all Tees Mutual members with details regarding their Fraternal membership and during the first 6 months following the date of the Transfer Tees Mutual members will have the option to take up fraternal membership at a preferential rate. (Please refer to questions 13 and 17 in the Frequently asked questions section.)

Tees Mutual Customer Care Manager

The purpose of this role will be:

1. To collect and process payments by Tees Mutual members who wish to pay by cash or cheque.
2. Assisting Tees Mutual members who have capacity, cognitive or digital exclusion issues e.g. struggling to use Oddfellows online services for a death claim, surrender lapsing, nomination/revocation of policies.
3. Local representation to assist Oddfellows in face-to-face management of vulnerability and associated issues that cannot be managed remotely.

The chart below summarises the current and proposed bonuses and surrender values for each type of policy:

Product	Discretionary Benefits						Contractual benefits	
	Current annual bonus	Proposed fixed annual bonus post transfer	Current terminal bonus (see Note 2 below)	Proposed fixed terminal bonus post transfer	Current surrender value basis	Proposed surrender value basis	Current five yearly return of premiums	Proposed five yearly return of premiums
Whole of life	0%	1%	15%	10%	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid	Not applicable	Not applicable
Quinquennial pre-2015	0%	0.25% (See Note 1 below)	10%	10%	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid (but see Note 3 below)	200 times weekly premium	200 times weekly premium
Quinquennial post 2015	0%	0.25% (See Note 1 below)	10%	10%	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid (but see Note 3 below)	125 times weekly premium	125 times weekly premium
Endowment	0%	1%	25% for policies in force for 10 years 20% for policies in force for more than 10 years	10% with a minimum total payout of 105% of premiums paid	Based on actuarial calculations at the time of surrender and may be lower than the total amount of premiums paid	Minimum of 100% of premiums paid	Not applicable	Not applicable

Note 1 The fixed annual bonus for quinquennial policies is lower than for whole of life and endowment policies because policyholders are contractually entitled to receive a return of premiums equivalent to 77% of premiums paid (for pre-2015 policies) or 48% of premiums paid (for post-2015 policies) every 5 years. This entitlement to the quinquennial return of premiums will continue to apply after the transfer to Oddfellows.

Note 2 This column shows the terminal bonus rate for claims paid in 2024. Terminal bonus rates are reviewed annually and may be changed or withdrawn at any time.

Note 3 Because policyholders are contractually entitled to receive a return of premiums equivalent to 77% of premiums paid (for pre-2015 policies) or 48% of premiums paid (for post-2015 policies) every 5 years (as explained in Note 1 above), it is not proposed to provide any further guaranteed return of premiums on the early surrender of quinquennial policies. The entitlement to the quinquennial return of premiums will continue to apply after the transfer to Oddfellows.