

Teachers Assurance Company Limited

Solvency and Financial Condition Report

For the year ended 31 December 2025

Summary

The purpose of the Solvency and Financial Condition Report (SFCR) is to provide information required by the Solvency II regulatory framework, in particular the capital position at 31 December 2025 of Teachers Assurance Company Limited (TACL). This report sets out different aspects of the Company's business and performance, system of governance, risk profile and valuation methods used for solvency purposes and its capital management practices.

Basis of preparation of the SFCR

The TACL SFCR has been prepared on a Standard Formula basis. The calculation of the technical provisions is based on up-to-date and credible information and realistic assumptions as at 31 December 2025.

Business and Performance

TACL's principal purpose was to conduct general insurance business. At the start of July 2016 TACL ceased writing new business. There were no policies in force during the year and as a result no premium earned with only one open claim being administered at the end of the year (2024: one open claim). Following settlement of this claim, it is the Directors' intention that the Company will cease trading and be proposed and managed for strike off.

TACL reported a UK GAAP profit for the year of £29k (2024: £71k). An interim dividend of £2,200k was declared and paid to the parent company, Liverpool Victoria Financial Services Limited (LVFS) in March 2025 (2024: £nil).

Section A of this report sets out further details about TACL's business structure, key operations, market position and financial performance over the reporting period, split by underwriting performance and investment performance.

System of Governance

Changes of Directors during 2025 were as follows:

M R Hanscomb - resigned 31 December 2025
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J M Robert was appointed to the Board on 1 January 2026. Apart from the director changes, the governance of TACL remained stable and is described in Section B of the LVFS Group SFCR.

Section B of this report describes the system of governance in place throughout TACL by which its operations are overseen, directed, managed and controlled.

Risk profile

No new business has been written since June 2016. All policies are for 12 months so by July 2017 there were no further policies in force.

All risks are expected to decline in line with a fall in the investment portfolio as claims are settled and the book runs-off. The main area of risk exposure is Counterparty default risk.

Section C of this report further describes the risks to which TACL is exposed and how it identifies, measures, manages and monitors these risks, including any changes in the year to TACL's risk exposures and specific risk mitigation actions taken.

Valuation for Solvency purposes

Assets, technical provisions and other liabilities are valued in TACL's Solvency II Balance Sheet according to the Solvency II regulations. Assets and liabilities are valued at an amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's-length transaction. Technical Provisions have been calculated as the sum of the Best Estimate Liabilities (BEL) and Risk Margin. The Transitional Measure on Technical Provisions is not used in TACL. There have been no material changes in the valuation methods of TACL during the year.

At 31 December 2025, TACL's excess of assets over liabilities was £3,388k (2024: £5,560k) on a Solvency II regulatory basis. The reduction reflects the £2,200k dividend paid to LVFS during the year.

Section D of this report provides further description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class. In addition, it also provides an explanation of the material differences between the UK GAAP and Solvency II bases of valuation.

Capital Management

TACL manages Own Funds in line with solvency capital requirements. In the calculation of the Solvency Capital Requirement (SCR) TACL uses a Standard Formula approach. The approach to calculating the SCR and Minimum Capital Requirement (MCR) is in accordance with the relevant regulations, PRA Rulebook and associated guidance.

At 31 December 2025, the Eligible Own Funds to meet the SCR were £3,388k (2024: £3,360k), while the SCR was £253k (2024: £202k) and the MCR was £2,400k (2024: £2,400k).

Section E of this report further describes the objectives, policies and procedures employed by TACL for managing its Own Funds. The section also covers information on structure and quality of Own Funds and calculation of SCR.

The key capital management policies and objectives for TACL are set at Group level and are consistent across all entities. For further information on these, refer to section E.1a and E.1b of the LV= Group SFCR.

Directors' approval statement

Financial year ended 31 December 2025

We certify that:

- a) The Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and
- b) We are satisfied that:
 - i. throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company; and
 - ii. it is reasonable to believe that, at the date of the publication of the Solvency and Financial Condition Report, the Company has continued so to comply, and will continue so to comply in future.

The Solvency and Financial Condition Report was approved by the Board of Directors on 09 April 2026 and signed on its behalf by:



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Stephen Percival
Director

09 April 2026

Teachers Assurance Company Limited
County Gates
Bournemouth
BH1 2NF

A. Business and Performance (TACL)

A.1 Business

a) Name and legal form of undertaking

Teachers Assurance Company Limited (TACL) is a UK-incorporated and domiciled company limited by shares.

For the contact details of TACL please see part a) in chapter A.1 of the LV= Group SFCR.

b) Name and contact details of the supervisory authority responsible for financial supervision.

Firm's reference number: 202569

The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) are responsible for the financial supervision of the Company.

For the contact details of the PRA and the FCA please see part b) in chapter A.1 of the LV= Group SFCR.

c) Name and contact details of the external auditor

The Company has taken the exemption to not have an audit opinion on its SFCR.

d) Description of the holders of qualifying holdings in the undertaking

TACL is a wholly owned subsidiary of LVFS. As LVFS is a mutual organisation, there are no external qualifying holdings within the meaning of the Solvency II regulations.

e) Details of the undertakings within the group

For an explanation of the undertaking's position within the group, please see part e) in chapter A.1 of the LV= Group SFCR.

f) Material lines of business and material geographic areas.

TACL underwrites non-life insurance contracts within the UK.

TACL's principal purpose was to conduct general insurance business. At the start of July 2016 TACL ceased writing new business. TACL continues to administer any claims that occur on those policies underwritten prior to this date. TACL is now in run-off with one remaining live claim being administered through to closure. The outlook for TACL is that it will continue in operational existence until all outstanding claims are closed.

g) Significant business or other events occurring during the reporting period that have a material impact on the undertaking.

An interim dividend of £2,200k was declared and paid to the parent company, LVFS in March 2025 (2024: £nil). For Solvency II purposes, the dividend was reported as a foreseeable dividend at 31 December 2024, reducing Eligible Own Funds accordingly.

There were no other significant business or other events occurring during the reporting period that have a material impact on the undertaking.

A.2 Underwriting performance

All business is underwritten in the UK.

The following table provides further information on the income and expenses during the current and prior reporting periods.

Fire and other damage to property insurance	2025 £000	2024 £000
Earned premiums, net of reinsurance	-	-
Net claims incurred including changes in other technical provisions	(20)	2
Expenses incurred (excluding investment management expenses)	(2)	(3)
Net total	(22)	(1)

TACL stopped writing new business in June 2016. Claims performance has been broadly in line with expectations as only old claims were being administered.

A.3 Investment performance

The following table summarises the income and expenses with respect to investment activities for the current and prior reporting periods:

	2025 £000	2024 £000
Interest receivable	60	93
Net total	60	93

TACL had cash balances of £3,480k at 31 December 2025 (2024: £5,702k). The reduction reflects the £2,200k dividend paid to LVFS during the year.

TACL had no investments at 31 December 2025 (2024: £nil).

A.4 Performance of other activities

Tax expense is the only other material expense for TACL:

	2025 £000	2024 £000
Tax expense	(9)	(21)
Total	(9)	(21)

A.5 Any other information

There is no additional information to disclose for section A.

B. System of Governance (TACL)

The system of governance for TACL is aligned to the approach applied across the LV= Group. Therefore, please refer to Section B of the LV= Group SFCR.

The Directors of TACL during the year were as follows:

D E Hynam
S K Percival
M R Hanscomb – resigned 31 December 2025

J M Robert was appointed to the Board on 1 January 2026.

C. Risk Profile (TACL)

C.1 Overview

C.1.1 Overview of risk exposures

No new business has been written since June 2016. All policies are for 12 months so by July 2017 there were no further policies in force.

All risks are expected to decline in line with a fall in the investment portfolio as claims are settled and the book runs-off.

Undiversified Risk Capital, for the year ended 31 December	2025	2024	Change
Counterparty default risk	90%	91%	(1)%
Non-life underwriting risk	9%	8%	1%
Operational risk	1%	1%	0%
Total	100%	100%	

C.1.2 Measurement of risk exposures

A group wide approach is taken in measuring risk exposures. This is described within the LV= Group SFCR in section C.1.2.

C.1.3 Prudent person principle

A common investment framework is employed across the LVFS Group and its subsidiaries. This is set out within the LV= Group SFCR in section C.1.3.

C.1.4 Risk concentration

TACL is exposed to some concentration risk from the cash held although this is with an approved financial institution.

C.2 Underwriting risk

C.2.1 Underwriting risk exposure

TACL is exposed to non-life reserve risk. This arises from the uncertainty of claims that are still to be settled. As the Company has not been writing new business since 2016 there remains no risk from premium uncertainty or from an unknown weather event.

C.2.2 Material changes over the reporting period

There were no material changes over the reporting period.

C.2.3 Risk mitigation techniques

TACL does not undertake any risk mitigation techniques due to the limited risk exposures within the Company.

C.3 Market risk

C.3.1 Market risk exposure

TACL is not exposed to market risk.

C.3.2 Material changes over the reporting period

There were no material changes over the reporting period.

C.3.3 Risk mitigation techniques

As TACL is invested in cash or cash equivalents, no risk mitigation techniques are required.

C.4 Credit counterparty risk

Credit Counterparty risk is described further in section C.4 of the LV= Group SFCR.

All risks are expected to decline in line with a fall in the investment portfolio as claims are settled and the book runs-off.

C.5 Other material risks

Liquidity, operational and other risks are managed at an LVFS Group level and are described further in sections C.5, C.6 and C.7 of the LV= Group SFCR.

C.6 Sensitivities

No stress and scenario testing is conducted for TACL because of the limited risk exposures within the Company.

D. Valuation for Solvency Purposes (TACL)

D.1 Assets

For Solvency II valuation purposes, assets and other liabilities are valued consistently with UK GAAP provided that the UK GAAP valuation methods are consistent with the Valuation section of the PRA Rulebook. Assets and liabilities represent the fair value amount for which they could be exchanged between knowledgeable and willing parties in an arm's-length transaction.

Reconciliation between UK GAAP and Solvency II valuation		2025			
		UK GAAP	Presentational adjustment	Solvency II valuation adjustment	Solvency II
	Note	£000	£000	£000	£000
Cash at bank and in hand	#	3,480	-	-	3,480
Any other assets, not elsewhere shown	#	-	-	-	-
Total Assets		3,480	-	-	3,480

#- Disclosure note not provided as Solvency II value equal to UK GAAP or the amounts are immaterial.

D.2 Technical Provisions

The table below summarises the technical provision recorded as at year end 2025:

	2025		
	UK GAAP	Adjustments	Solvency II
	£000	£000	£000
Technical provisions - Non-Life (excluding health)			
- TP calculated as a whole	76	(76)	-
- Best Estimate	-	76	76
- Risk Margin	-	2	2
Total technical provisions	76	2	78

Overview

Due to materiality, the best estimate liability (BEL) is derived from the underlying UK GAAP Reserves for Solvency II valuation purposes. It comprises a calculation of a claims provision which derives the BEL. The Risk Margin (RM) represents the cost of holding the SCR over the future assumed lifetime of the insurance portfolio, assuming a percentage annual cost.

Best Estimate Liability (BEL)

The BEL for TACL consists only of a Claims Provision as the Company has no unearned premium.

The claims provision covers expired risk, i.e. the cashflows in relation to claims incurred prior to the calculation date. Given TACL is now in run-off and the duration of the outstanding liabilities is low, the Claims Provision has been set equal to the UK GAAP Claims Reserve. Typically, the Claims Provision would allow for the impact of discounting (reducing the provision) and an allowance for Events Not In Data (increasing the provision). As these offset each other directionally and are both likely to be immaterial, these have not been included.

Risk Margin

Given its low level of materiality, the Risk Margin has been approximated. Appropriate allowance has been made in the calculation for the SCR, the average duration of the liabilities and the cost of capital.

D.3 Other liabilities

There is a corporation tax liability of £10k (2024: corporation tax liability of £23k) and trade and other payables of £4k (2024: £59k) in other liabilities within TACL.

D.4 Alternative methods for valuation

There are no material assets that have been valued using alternative valuation methods in accordance with the Valuation section of the PRA Rulebook.

The following material liabilities have been valued using alternative valuation methods in accordance with the Valuation section of the PRA Rulebook:

- Best Estimate Liability and Risk Margin of £78k; this has been valued under Solvency II methodologies and further information can be found earlier in this report.

D.5 Any other information

There is no additional information to disclose for section D.

E. Capital Management (TACL)

E.1 Own funds

The key capital management policies and objectives for TACL are set at Group level and are consistent across all entities. The approach to measuring and monitoring capital for TACL is defined and actioned at Group level. In addition, the Group backs all the underlying entities and has in place mechanisms to support these capital positions if necessary.

For further information on these see section E.1a and E.1b of the LV= Group SFCR.

The following table details the structure, amount and quality of basic own funds.

	Tier 1 £000	Tier 2 £000	Tier 3 £000	Total £000
Ordinary share capital	-	-	-	-
Reconciliation reserve	3,388	-	-	3,388
Total Basic Own Funds	3,388	-	-	3,388
Total available Own Funds to meet the SCR	3,388	-	-	3,388
Total available Own Funds to meet the MCR	3,388	-	-	3,388

The following tables detail the eligibility of own funds to meet the SCR and MCR.

Total available Own Funds to meet the SCR	3,388	-	-	3,388
Total eligible Own Funds to meet the SCR	3,388	-	-	3,388
Total available Own Funds to meet the MCR	3,388	-	-	3,388
Total eligible Own Funds to meet the MCR	3,388	-	-	3,388

Changes in Own Funds during the reporting period

	TACL		
	1 January 2025 £000	Movement £000	31 December 2025 £000
Eligible own funds			
Tier 1 capital	3,360	28	3,388
Total capital	3,360	28	3,388
Made up of:			
Equity shares	-	-	-
Reconciliation reserve / surplus	3,360	28	3,388
Total capital	3,360	28	3,388
Total eligible own funds to meet SCR	3,360	28	3,388

Tier 1 capital includes movements in excess of assets over liabilities.

Ancillary own funds

At 31 December 2025 there were no ancillary own funds.

Deductions from own funds

At 31 December 2025 there were no deductions from own funds (2024: £2,200k).

Explanation of the key elements of the reconciliation reserve

Reconciliation reserve	£000
Retained earnings on a Solvency II basis	3,388
Total	3,388

TACL did not apply any loss absorbency mechanisms as at the end of 2025.

Material differences between equity as shown in the undertaking's financial statements and the excess of assets over liabilities as calculated for Solvency II purposes

The following table provides a reconciliation of equity under UK GAAP to Solvency II excess of assets over liabilities.

	£000
Analysis of Equity – UK GAAP	
Ordinary shares, allotted and fully paid	-
Retained earnings	3,390
Total Equity – UK GAAP	3,390
Solvency II Adjustments (excluding reclassifications)	
<i>Technical provisions</i>	
- Increase in valuation of technical provisions (Section D.2)	(2)
Total Equity - Solvency II basis	3,388
Total own funds - Solvency II basis	3,388

Excess of Assets over Liabilities - Solvency II basis	
Total Assets	3,480
Total Technical Provisions	(78)
Total Other Liabilities	(14)
Excess of Assets over Liabilities - Solvency II basis	3,388

Differences in the asset and liability valuation methodology used for Solvency II purposes and that used under UK GAAP are set out in Section D.

Own fund item that is subject to the transitional arrangements

TACL has no Own Fund items subject to transitional measures.

E.2 SCR and MCR

E.2.1 SCR and MCR

The following table shows the amount of the SCR and MCR for TACL.

£000	2025	2024
SCR	253	202
MCR	2,400	2,400

TACL is now in run-off. There has been an increase in the SCR during 2025, principally attributable to an increase in counterparty default risk over the reporting period.

The calculation of the MCR is laid out in the IR.28.01 QRT annexed to this report. The MCR is calculated using an absolute floor, as specified in the relevant regulations, PRA Rulebook and associated guidance.

E.2.2 SCR split by risk

The following table summarises the risk modules which contribute to the Solvency Capital Requirement applicable under the Standard Formula as at 31 December 2025:

SCR Component	£000
Counterparty default risk	238
Non-life underwriting risk	23
Diversification	(10)
Basic solvency capital requirement	251
Operational risk	2
Solvency capital requirement	253

No material simplifications have been adopted in the calculation of the SCR under Standard Formula.

E.2.3 Basis of calculation

TACL uses a Standard Formula basis to calculate the SCR. The approach to calculating the SCR and MCR is in accordance with the relevant regulations, PRA Rulebook and associated guidance. TACL is not using any material simplifications or undertaking specific parameters in the calculation of the SCR and does not have any regulatory capital add-ons.

E.3 Use of a duration-based equity risk sub-module

TACL has not applied the duration-based equity risk sub-module in the calculation of the SCR.

E.4 Differences between Standard Formula and any Internal Model used

This does not apply as TACL does not use an Internal Model to calculate its SCR.

E.5 Non-compliance with the MCR and the SCR

TACL has been compliant with the MCR and SCR throughout the reporting period.

E.6 Any other material information

There is no additional material information regarding capital management to disclose in this section.