

**2008 Annual report from the Board of
Liverpool Victoria Friendly Society Limited (“LVFS”)
to its with-profits policyholders in the RNPFN Fund**

Summary

We describe the way in which we manage RNPFN with-profits business within a formal document entitled “Principles and Practices of Financial Management” (PPFM). Each year we review our compliance with the PPFM and report the results of that review to you.

In the opinion of the Board of Directors, the company complied with the obligations relating to the PPFM during 2008. The reasons for this opinion are outlined in this report.

A With Profits Actuary authorised by the FSA advised on the operation of with-profits business throughout the period while the With Profits Committee provided independent judgement to the exercise of discretion. A report from the With Profits Actuary is annexed.

This report covers governance arrangements, the exercise of discretion in conduct of the with profits business and any competing interests between different classes of policyholders

Governance Arrangements

The RNPFN Supervisory Board acts as the With Profits Committee. The Supervisory Board was set up at the time of acquisition, and the majority of members, including the Chairman, are independent of the Liverpool Victoria group. One of its functions is to provide independent judgement on compliance with the PPFM.

The Liverpool Victoria group also has a With Profits Actuary who is authorised by the FSA and who reports to the Board regarding the PPFM. For the majority of the period of this report the With Profits Actuary was Ian Blanchard. He was replaced by Dr Angela Smith from 1 October. Dr Smith’s report covers the whole period under review.

Throughout the period covered the governance arrangements have ensured that the company has complied with the PPFM.

Exercise of Discretion

There are a numbers of areas where discretion was applied to with profits business during the year under review.

A bonus declaration was made with effect from 1 April 2008, which changed payouts on claims from that date. Discretion was used with regards to smoothing, assumed future fund performance and any enhancement to reflect the distribution

of the entire surplus assets of the RNPFN Fund over the remaining life of the With Profits policies.

The investment strategy was regularly reviewed during the year to ensure it remained consistent with prevailing economic conditions. Discretion was exercised with respect to the types of investment held and the proportions of the assets invested in each asset type.

The above decisions were fully reviewed by the RNPFN Supervisory Board and With Profits Actuary. The Board can confirm that the discretion exercised complied with the PPFM during 2008.

We aim to make payouts on maturing policies that are between 80% and 130% of Asset Share and payouts on surrendering/transferring policies between 70% and 130% of Asset Share, with at least 90% of payouts being between these levels. We can confirm that the payouts made during 2008 satisfied these requirements.

Competing or Conflicting Rights, Interests or Expectations

Potentially competing or conflicting rights, interest or expectations of with-profits policyholders may come about, for example between holders of:

- Different products held by different persons
- Policies with different terms or of different sizes
- Policies with different entry or maturity dates
- Different types of claim on a policy (e.g. maturity or surrender)

Discretion between these groups of policyholders will mainly occur through the smoothing of policy benefits and the method of grouping policies when attributing investment returns and charges to Asset Shares.

The advice of the With Profits Actuary was given with regard to these issues and they were reviewed by the RNPFN Supervisory Board.

It is the opinion of the Board that these potential competing or conflicting rights, interests or expectations of policyholders were managed in accordance with the PPFM.

Changes to the PPFM

Minor amendments were made to clarify certain minor points in the PPFM in 2008.

Details of the PPFM can be found at www.lv.com/rnpfn/ppfm

Annex

Respective Responsibilities of the With Profits Actuary and Directors

The directors are responsible for ensuring that the Company complies with the PPFM and are responsible for the exercise of discretion in the management of with-profits business. Each year, the directors must prepare a report on compliance with the PPFM to each class of with-profits policyholder. The report must set out the directors' reasons for their conclusions.

As With Profits Actuary my responsibilities are to advise the Company on key aspects of the discretion to be exercised in respect of each class of the Company's with- profits policyholders. I am required by statute to consider fairness and the appropriateness of information sent to policyholders.

I am required to report to the Company's governing body once a year on key aspects of the discretion exercised by the Directors during the year. I am further required to make a written report to the Company's with-profits policyholders, to accompany the Company's annual report. My responsibilities as With Profits Actuary are set out in statute and in Actuarial Professional Guidance.

Report from the With Profits Actuary

I was appointed as With Profits Actuary to the RNPFN fund from 1 October 2008. My appointment covers all classes of with-profits business .

Since taking office, I have carried out reviews with the full cooperation and assistance of the directors, taking into account where relevant the rules and guidance in section 20.3 of the FSA Conduct of Business Sourcebook, into:

- key aspects of the exercise of discretion during 2008
- compliance with the PPFM
- the 2008 annual report to RNPFN With Profits policyholders
- communications to with-profits policyholders

In carrying out my reviews I have sought such information and explanations as I considered necessary in order to provide me with sufficient evidence to give the opinion below.

Opinion of the With Profits Actuary

In my opinion the 2008 annual report and the discretion exercised by the directors during the year takes, or has taken, the interests of the RNPFN Fund with-profits policyholders into account in a reasonable and proportionate manner.

Dr Angela Smith
With Profits Actuary
Liverpool Victoria Friendly Society Limited
March 2009