

Liverpool Victoria Friendly Society Limited - PPFM

Summary of Changes

The LVFS PPFM was first published on 30th April 2004.

1. Changes in version 2.0 – October 2005.

The PPFM was amended in October 2005 mainly to reflect the introduction of the All-In-1 Investment Bond. Changes were made to the following paragraphs:

- (a) PRACTICES paragraph 1.1(1)
 - A new paragraph was added to note how the amount payable is determined for the All-In-1 Investment Bond.
- (b) PRACTICES paragraph 1.1(6)
 - This paragraph was amended to note how the investment return for the All-In-1 Investment Bond is determined.
- (c) PRACTICES paragraph 1.1(10)
 - This paragraph was amended to note that an explicit charge for the cost of any guarantees selected applies to the All-In-1 Investment Bond.
- (d) PRACTICES paragraph 1.2(1)
 - This paragraph was amended to note that annual bonuses are not added to All-In-1 Investment Bonds.
- (e) PRACTICES paragraph 1.3(1)
 - This paragraph was amended to note that final bonuses are not added to All-In-1 Investment Bonds.
- (f) PRACTICES paragraph 1.4(3)
 - This paragraph was amended to note that
 - (i) smoothing for conventional with-profits policies applies to “the previous” five years,
 - (ii) smoothing for unitised with-profits policies applies to “the previous” two years,
 - (iii) to note the method of smoothing for the All-In-1 Investment Bond.
- (g) PRACTICES paragraph 1.4(4)
 - This paragraph was clarified to make it clear it only applied to conventional with-profits policies.

- (h) PRACTICES paragraph 1.4(5)
 - This paragraph was amended to note that smoothing does not apply in the first 6 months for the All-In-1 Investment Bond.
- (i) PRACTICES paragraph 1.5(4)
 - This paragraph was amended to note the investment strategy takes into account the Society's "ability to meet its commitments to its members".
- (j) PRACTICES paragraph 1.7(1)
 - This paragraph was amended to note a monthly charge applies to any guarantee selected for the All-In-1 Investment Bond.

2. Changes in Version 3.0 – 31st December 2005

The PPFM was amended in December 2005 mainly to reflect the introduction of “target ranges”. Changes were made to the following paragraphs:

- (a) PRACTICES paragraph 1.1(1)
 - This paragraph was amended to –
 - (i) note the frequency of Asset Share calculations,
 - (ii) clarify that business risks are covered in Section 1.6,
 - (iii) note the factors the Board takes into consideration in determining whether to allocate miscellaneous surplus,
 - (iv) note that bonus rates for non-premium paying policies are determined from premium paying ones and for tax-exempt policies from taxable ones.
- (b) PRACTICES paragraph 1.1(6)
 - This paragraph was amended to
 - (i) incorporate the “target ranges” used to determine payouts,
 - (ii) clarify that investment returns for with-profits policies excludes those assets matching non-profit policies,
 - (iii) note that investment returns are calculated as often as required to calculate Asset Shares.
- (c) PRACTICES paragraph 1.4(2)
 - This paragraph was amended to note that any costs or excesses are charged to the inherited estate.
- (d) PRACTICES paragraph 1.4(3)
 - This paragraph was amended to note that other than investment returns other aspects of experience are not smoothed.
- (e) PRACTICES paragraph 1.4(4)
 - This paragraph was amended to clarify the smoothing of the All-In-1 Investment Bond.
- (f) PRACTICES paragraph 1.5(4)

This paragraph was amended to note the availability of the investment mix on the Society’s website or direct from the Society.

3. Changes in Version 4.0 – 31st December 2006

The PPFM was amended in December 2006 for a variety of reasons. Changes were made to the following paragraphs:

- (a) PRINCIPLES paragraph 1.6
 - This paragraph was amended to clarify the criteria the Board could use in considering the suitability of new and existing business risks. This amendment did not change the underlying Principle.
- (b) PRINCIPLES paragraph 1.8(e)
 - This paragraph was amended to clarify the statement made. This amendment did not change the underlying Principle.
- (c) PRINCIPLES paragraph 1.8(4)
 - This paragraph was amended to note the Board could consider other actions than those listed in order to improve policy values if there was a high level of estate. This amendment did not change the underlying Principle.
- (d) PRINCIPLES paragraph 1.8(6)
 - This paragraph was amended to note the Principle reflected the current position. This amendment did not change the underlying Principle.
- (e) PRACTICES paragraph 1.1(1)
 - This paragraph was amended to
 - (i) clarify how sample policies relate to the with-profits policies they represent,
 - (ii) explain how bonus rates for Appropriate Personal Pension Plans are determined.
- (f) PRACTICES - paragraphs 1.1(2), 1.1(7), 1.1(10), 1.3(1), 1.4(5), 1.7(1), 1.7(2)
 - These paragraphs were amended to clarify the position for accumulating with-profits policies.
- (g) PRACTICE paragraph 1.1(6)
 - This paragraph was amended to clarify that different product types may have different asset mixes ("asset pools") underlying their Asset Shares.
- (h) PRACTICE paragraph 1.2(1)
 - This paragraph was amended to explain how annual bonus rates for accumulating with-profits policies are determined.

- (i) PRACTICE paragraph 1.2(3)
 - This paragraph was amended to allow annual bonus rates to be altered by up to 0.5% if this was greater than 50% of the current rate.
- (j) PRACTICES paragraph 1.4(3)
 - This paragraph was amended to
 - (i) clarify the position for accumulating with-profits policies,
 - (ii) explain how investment returns are smoothed for With Profit Pension Annuity policies.
- (k) PRACTICES paragraph 1.5(4)
 - This paragraph was amended to
 - (i) note the investment mix takes account of specific product features,
 - (ii) note the availability of the investment mix of the asset pools on the Society's web-site or directly from the Society.
- (l) PRACTICES paragraph 1.8(1)(e)
 - This paragraph was amended to clarify the statement made.
- (m) PRACTICES paragraph 1.8(2)
 - This paragraph was amended to note the factors considered in the investment strategy of the inherited estate. This change allows the investment strategy of the inherited estate to differ from that of the rest of the with-profits fund although currently it remains the same.

4. Changes in Version 5.0 – 11th October 2007

The PPFM was amended in October 2007 mainly to reflect the introduction of Series 3 of the With Profits Pension Annuity. Changes were made to the following paragraphs:

- (a) PRACTICES paragraph 1.1(2)
 - This paragraph was amended to clarify how Asset Share calculations are carried out for the With Profit Pension Annuity
- (b) PRACTICES paragraphs 1.1(6) and 1.5(4)
 - These paragraphs were amended to reflect the change in the web-site address
- (c) PRACTICES paragraph 1.1(10)
 - This paragraph was amended to allow for the explicit guarantee and smoothing charges on the new series of With Profit Pension Annuity.
- (d) PRACTICES paragraph 1.2(1)
 - This paragraph was amended to explain the approach to setting annual bonuses for the new series of With Profit Pension Annuity. Other changes were made to the order of paragraphs for clarity.
- (e) PRACTICES paragraph 1.3(1)
 - This paragraph was amended to explain the approach to setting the top-up bonus for the With Profit Pension Annuity.
- (f) PRACTICES paragraph 1.4(3)
 - This paragraph was amended to explain that 2 year smoothing applies for the new series of With Profit Pension Annuity.

5. Changes in Version 2009a – 1st October 2009

The PPFM was amended in October 2009 for various reasons of clarity, new Flexible Guarantee Bond/Flexible Guarantee Plan product launch and minor expansion of Practices. Specifically:

- (a) PRINCIPLES paragraph 1.5(1)
 - 1. There was a minor amendment to the wording in this paragraph to clarify the statement made. This amendment did not change the underlying Principle.
- (b) PRINCIPLES paragraph 1.8(2)
 - The statements were reordered to group similar areas together. No changes were made to the content of the Principle.
- (c) PRINCIPLES paragraph 1.10(1)
 - This paragraph was amended to clarify that the Rules of the Society govern membership criteria.
- (d) PRACTICES paragraph 1.1(1) & (3)
 - This paragraph was amended in anticipation of changes to how bonuses are determined for APPS pension plans and whole of life policies (neither of which currently use a direct asset share approach).
- (e) PRACTICES paragraph 1.1(6)
 - This paragraph was amended to clarify the statement on the use of sample policies to determine asset share.
- (f) PRACTICES paragraph 1.1(10)(b)
 - This paragraph was updated to include the new UWP products similar to the All-in-1 bond. Also 1.3(1), 1.4(3), 1.4(4), 1.4(5), 1.7(1)
- (g) PRACTICES paragraph 1.2(1)
 - This paragraph was amended to clarify factors that will be taken into account when setting annual bonus rates.
- (h) PRACTICES paragraph 1.5(3)
 - This paragraph was amended to mirror the change to the corresponding Principle, and to explain the close matching of liabilities on with profits pensions policies.
- (i) PRACTICES paragraph 1.5(4)
 - This paragraph was amended to reflect revised maximum credit exposure on fixed interest assets.

(j) PRACTICES paragraph 1.7(5)

- This paragraph has been updated as a result of the Part VII transfer of the RNPFN Fund into LVFS last year.

(k) PRACTICES paragraph 1.8(1)

- This paragraph has been reordered to mirror the reordering of the Principles.

(l) PRACTICES paragraph 1.8(4)

- This paragraph was added to explain the process around determining any excess surplus.

(m) PRACTICES paragraph 1.10(5)

- This paragraph was updated to mirror the clarification of the corresponding Principle.

(n) Governance Arrangements

2. This paragraph was added to explain the process around changes to the PPFM and the make up of the With Profits Committee.

6. Changes in Version 7.1 – 15 December 2010

The design of the document has been enhanced and now includes an introductory section and a glossary. Other changes reflect the introduction of final bonuses for Appropriate Personal Pension ("APPs") policies and general changes to add clarity. Specifically:

- a) PRACTICES paragraph 3.1.1 (formerly PRACTICES paragraph 1.1.1)
 - Clarification regarding the past allocations of miscellaneous surplus and the use of approximations when asset shares are not appropriate.
- b) PRACTICES paragraph 3.1.2 (formerly PRACTICES paragraph 1.1.2)
 - Clarification regarding charges for unitised and accumulating with-profits policies and With Profits Pension Annuity policies.
- c) PRACTICES paragraph 3.1.6 (formerly PRACTICES paragraph 1.1.6)
 - Amended regarding the effects of using sample policies. The wording of the paragraph has also been amended so as to improve its clarity.
- d) PRACTICES paragraph 3.2.1 (formerly PRACTICES paragraph 1.2.1)
 - Updated to include the introduction of a final bonus on APPs policies and clarification regarding the determination of annual bonus rates of unitised with-profits policies.
- e) PRACTICES paragraph 3.5.3 (formerly PRACTICES paragraph 1.5.3)
 - Amended to reflect that the Society may seek to match assets and liabilities in the with-profits fund. Additional wording to emphasize that a different asset mix is currently held for the inherited estate.
- f) PRACTICES paragraph 3.5.4 (formerly PRACTICES paragraph 1.5.4)
 - References to the credit exposure limits for the fixed-interest portfolio have been removed following the decision to invest part of the portfolio in OEICs managed by LVAM rather than directly in the underlying assets.
- g) PRACTICES paragraph 3.6.1 (formerly PRACTICES paragraph 1.6.1)
 - Additional wording highlighting the presence of the capital support facility made available to the RNPFN fund.
- h) PRACTICES paragraph 3.6.2 (formerly PRACTICES paragraph 1.6.2)
 - Amended to clarify treatment in relation to asset shares of losses from business risks.
- i) PRACTICES paragraph 3.7.5 (formerly PRACTICES paragraph 1.7.5)
 - References to the RNPFN Fund have been removed.

The above list excludes a few minor amendments of a largely cosmetic nature.

7. Changes in Version 7.2 – 1 June 2011

(a) PRACTICES paragraph 3.1.1

- The Society's ability to allocate surpluses from business risks has been clarified. These are subject to the discretion of the Board and may be removed if the Society's solvency is threatened.

(b) PRACTICES paragraph 3.4.3 (formerly PRACTICES paragraph 1.4.3)

- Investment returns for whole-of-life policies are not smoothed. Previously investment returns were smoothed over a five year period. Payouts continue to be smoothed.
- The smoothing period for an accumulating with-profits policy is two years rather than five years.