

Liverpool Victoria Friendly Society Limited

RNPFN Fund PPFM

Summary of Changes

The RNPFN Fund PPFM was first published on 30th April 2004.

1. Changes in version 2.0 – 31st December 2005

The PPFM was amended in December 2005 mainly to reflect the introduction of "target ranges" and some clarifying changes.

- (a) PRACTICES paragraph 1.1(1)
 - This paragraph was amended to:
 - (i) note that the surplus assets described in Section 1.8 are affected by the business risks described in Section 1.6,
 - (ii) note the frequency of Asset Share Calculations.
- (b) PRACTICES paragraph 1.1(6)
 - This paragraph was amended to incorporate the "target ranges" used to determine payouts.
- (c) PRACTICES paragraph 1.1(7)
 - This paragraph was amended to note the swaptions matching guaranteed annuity options do not affect the return allocated to Asset Shares.
- (d) PRACTICES paragraph 1.1(10)
 - This paragraph was amended to note that no charge for the cost of guarantees would be made.
- (e) PRACTICES paragraph 1.2(1)
 - This paragraph was amended to note that zero bonus rates only apply to conventional with-profits policies.
- (f) PRACTICES paragraph 1.3(1)
 - This paragraph was amended to remove the reference to transfers and surrenders as this is now covered by (b) above.
- (g) PRACTICES paragraph 1.4(2)

- This paragraph was amended to note that any costs or excesses are charged to the inherited estate.
- (h) PRACTICES paragraph 1.4(3)
- This paragraph was amended to note that other than investment returns other aspects of experience are not smoothed.
- (i) PRACTICES paragraph 1.4(4)
- This paragraph was clarified to make it clear that it only applies to conventional with-profits policies and that the maximum change in payouts from year to year was 20% (previously 40%).
- (j) PRACTICES paragraph 1.5(4)
- This paragraph was amended to reflect revised investment guidelines.
- (k) PRACTICES paragraph 1.6(1)
- This paragraph was amended to clarify that new business risks may arise on policies effected as a result of a right or option being exercised.
- (l) PRACTICES paragraph 1.8(2)
- This paragraph was amended to reflect part of the inherited estate being invested in swaptions.

2. Changes in version 3.0 – 31st March 2007

The PPFM was amended in March 2007 as follows:

- (a) PRACTICES paragraph 1.1(1)
 - This paragraph was amended to clarify which policies sample policies represent.

- (b) PRACTICES paragraph 1.5(4)
 - This paragraph was amended to remove the table of investment guidelines and to highlight their availability on the web-site (or directly from Liverpool Victoria) and to amend the credit rating exposures.

3. Changes in version 4.0 – 30th June 2008

The PPFM was amended in June 2008 as follows:

- (a) PRINCIPLES paragraph 1.8(2) & PRACTICE paragraph 1.8(1)
 - This paragraph was amended to improve clarity - previous sub-points (a), (c) and (e) have been combined into (a).
- (b) PRACTICES paragraph 1.1(6)
 - This paragraph was amended to allow for alternative methods of comparing payouts against target ranges.
- (c) PRACTICES paragraph 1.1(7)
 - This paragraph was amended to improve clarity regarding how we allow for maintenance expenses and/or charges in determining Asset Shares for the two unitised with profits products.
- (d) PRACTICES paragraph 1.2(1)
 - This paragraph was amended to improve clarity regarding how tax and charges are taken into account in setting bonus rates.
- (e) PRACTICES paragraph 1.5(2)
 - This paragraph was amended to improve clarity around benchmarks rather than strategy being reviewed annually.
- (f) SCHEDULE
 - The Schedule has been added to explain the firm's Governance Arrangements.

4. Changes in version 4.1 – 30th June 2009

The PPFM was amended in June 2009 as follows:

- (a) INTRODUCTION & throughout –
 - The PPFM has been updated to take account the Second Scheme of Transfer of RNPFN from LVLC to LVFS. Additional wording clarifying this has been added to the introduction, and references to LVLC, "The Company" or similar have been amended throughout. Similar amendments from "the Actuary" to either With Profits Actuary (WPA), Actuarial Function Holder (AFH) or both (as appropriate) have been made.
- (b) PRACTICES paragraph 1.3(4)
 - This paragraph was amended to reflect revised permissible credit risk in the Fund.
- (c) PRACTICES paragraph 1.5(3)
 - This paragraph has had a minor clarification of wording.
- (d) PRACTICES paragraph 1.5(4) and paragraph 1.7(3)
 - The web-site address has been updated.
- (e) PRACTICES paragraph 1.8(2)
 - This paragraph has been amended to allow for different investment strategies between the main WP Fund and the Estate.

5. Changes in version 4.2 – 1st June 2010

The PPFM was amended in May 2010 as follows:

- (a) PRACTICES paragraph 1.2(1)
 - Considerations when setting the regular bonus rate for unitised policies have been clarified.
- (b) PRACTICES paragraph 1.3(4)
 - The frequency of final bonus reviews has been changed.
- (c) PRACTICES paragraph 1.6(2)
 - This paragraph has had a minor clarification of wording.

6. Changes in version 4.3 – 1st February 2011

The PPFM was amended in December 2010 to clarify the distribution of the inherited estate.

- (a) PRINCIPLES paragraph 1.3
 - This paragraph has had a minor clarification of wording.
- (b) PRINCIPLES paragraph 1.8
 - Wording has been introduced to clarify that eligible policies will share in the distribution of the inherited estate.
- (c) PRACTICES paragraph 1.1 & PRACTICES paragraph 1.6
 - This paragraph has had a minor clarification of wording.
- (d) PRACTICES paragraph 1.8
 - Additional wording has been included to clarify conditions for the distribution of the inherited estate.

7. Changes in version 4.4 – 1st June 2011

The design of the document has been enhanced and now includes an introductory section and a glossary.

- (a) PRACTICES paragraph 3.1.1 (formerly PRACTICES paragraph 1.1.1)
 - Clarification regarding the definition of asset shares and the use of approximations when asset shares are not appropriate.
- (b) 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.
- (c) PRACTICES paragraph 3.1.7 (formerly PRACTICES paragraph 1.1.7)
 - Wording has been amended to improve clarity.
- (d) PRACTICES paragraph 3.2.1 (formerly PRACTICES paragraph 1.2.1)
 - The description of how annual bonus rates are set for unitised policies has been amended so as to make it clear that the target bonus rate is net of any (fund-based) charges, as well as being net of tax.
- (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.
- (f) PRACTICES paragraph 3.5.4 (formerly PRACTICES paragraph 1.5.4)
 - Clarification that the contingent loan facility is taken into account when assessing the investment strategy of the RNPFN Fund.
 - 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 3.6.2 (formerly PRACTICES paragraph 1.6.2)
 - The reference to product design being one of the business risks to which the RNPFN Fund is exposed has been deleted, given that the Fund is closed to new business.
- (h) PRACTICES paragraph 3.7.4 (formerly PRACTICES paragraph 1.7.4)
 - In practice, the outsourcing arrangement covering the investment management of the assets is reviewed regularly rather than monthly.

- (i) PRACTICES paragraph 3.7.5 (formerly PRACTICES paragraph 1.7.5)
 - The Practice has been removed to ensure section 3.7 refers solely to the allocation of costs between policyholders and shareholders.

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

8. Changes in version 4.5 – 1st November 2011

The PPFM has been updated to take into account the outsourcing of the investment management of the With-Profits Fund to Threadneedle Asset Management.