

# Chairman's Review

**Alan Cook**  
Chairman



## £26m

Mutual bonus allocated to members' policies as detailed below:

## 1.0%

policy uplift

Heritage  
With-profits policies

## 0.2% to 0.5%

policy uplift

Flexible Guarantee  
policies

2018 was a challenging year with a combination of severe bad weather at the start, continued competitive pressures and fluctuating investment markets reflecting uncertainty over the UK's future relationship with Europe. If I was to summarise our financial performance it would be steady progress towards our goals and we are reporting a capital surplus of £687m and an operating profit of £136m. Against this backdrop I'm pleased that we have been able to allocate a mutual bonus of £26m. A 1.0% policy uplift has been applied to our heritage With-profits policies and a 0.5% or 0.2% policy uplift for our Flexible Guarantee policies.

Brexit continues to dominate the domestic political landscape and while there is limited direct impact on LV=, as we trade exclusively in the UK, we have been keeping a keen eye on developments particularly in relation to investment markets which do not like uncertainty.

We welcome the absence of further changes to the pensions regime in the Autumn budget. People looking to save want certainty and the simpler the system, the more confident they can be around their future wealth.

As you will be aware, we started 2018 with a new partner for our general insurance business in Allianz and the success of the relationship has been a priority for the board.

While we no longer own 100% of the general insurance business we do maintain overall control of the board. I chair the board and Richard Rowney, together with two of our non-executive directors David Barral and David Neave, are also directors.

The deal with Allianz is structured in two phases and at the end of 2019 they will acquire a further 20.9% of the general insurance business giving them a 69.9% share. At this point they will take overall control. Progress is going well and at that stage I will be standing down from the general insurance board and a new independent chairman appointed.

We are now embarking on the next chapter of our story as a focused life and pensions business.

In last year's report I said that one of our priorities was to build a sustainable life business. LV= is a friendly society and governed by the Friendly Societies Act. Many of its provisions are outdated and it restricts our ability to manage our business effectively and in the best interest of members.

In order to have more flexibility and freedom to compete we want to make some changes to our structure and composition.

Firstly, it is our intention to convert from a friendly society to a company limited by guarantee. This would mean that we would be governed by the Companies Act, rather than the Friendly Societies Act.

Such a change will not alter our mutual status and our wish is to ensure we remain a mutual insurance company so that we can continue to deliver value for our members for many years to come.

Secondly, we currently hold our customers' money and investment income in one With-profits fund and are required by regulations to continue to sell a meaningful level of With-profits business. Demand for these products continues to fall and later in the year, once we are a company limited by guarantee, we are proposing to change to manage the business through two funds, one for With-profits and a second mutual capital fund for all of our other business.

Alongside these changes we continue to transform the composition of the board as we assemble a team with the right blend of skills and experience for this next stage in LV='s development.

Wayne Snow joined LV= in June and was appointed to the board in July as our chief risk officer, a role he previously held at Phoenix Group, the UK's largest specialist closed life insurance and pension fund consolidator. Prior to this he held a number of positions within the Phoenix Group including financial risk director and corporate development actuary.

Tanya Lawler was appointed as a non-executive director in September and brings extensive experience from the retail, media and telecommunications sectors, having spent much of her career at well-known brands including eBay, J Sainsbury's and Home Retail Group.

We start 2019 with a robust capital position and some exciting plans as we seek to build on our mutual heritage and well-respected reputation by creating a better mutual for the future.