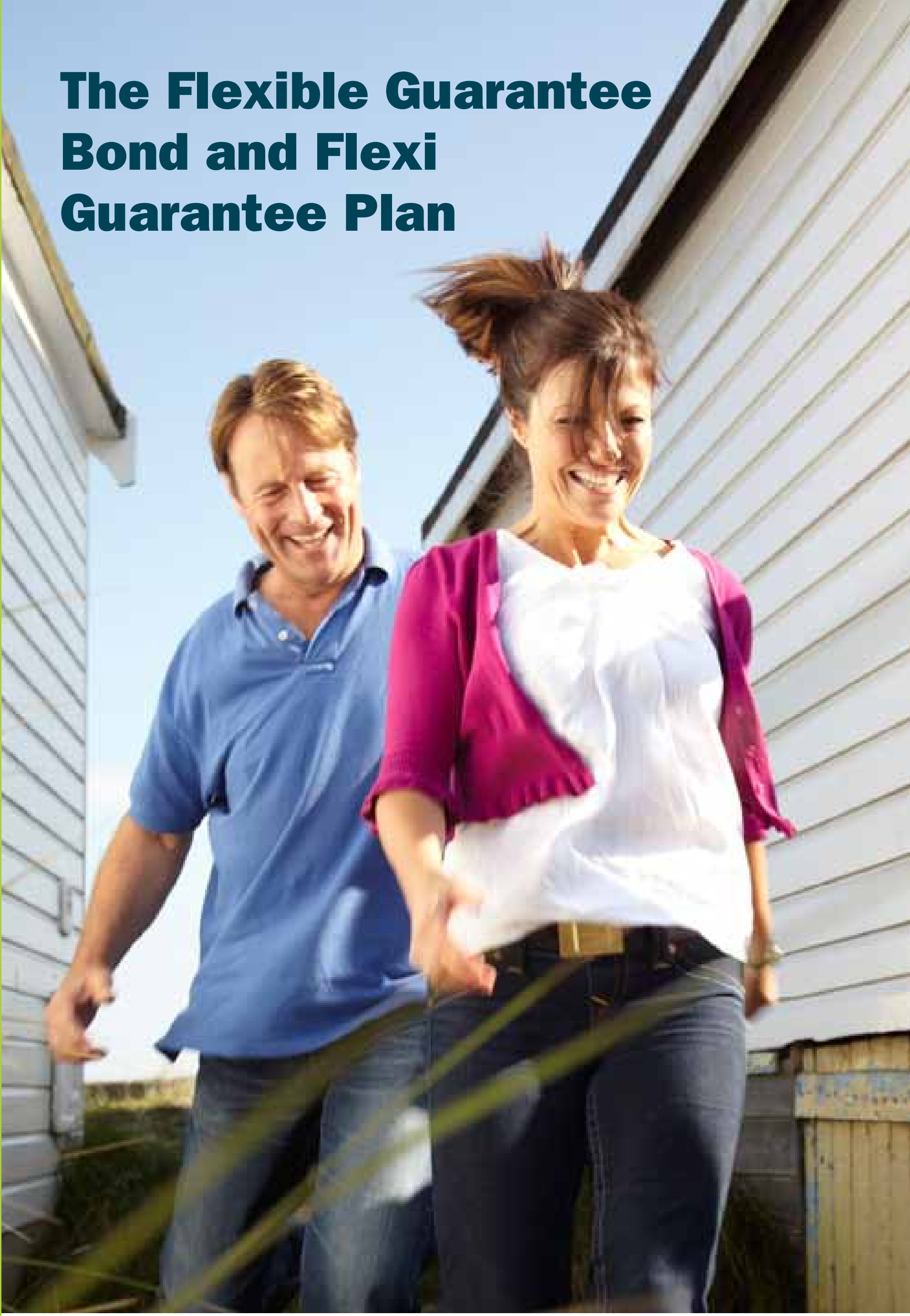
The Flexible Guarantee Bond and Flexi Guarantee Plan

Investment Report 2011



LIVERPOOL VICTORIA

The Flexible Guarantee Bond and Flexi Guarantee Plan

Investment Report 2011

This information does not constitute investment advice and we recommend that you speak to a suitably qualified financial adviser before making any investment decision based upon this, or any other information.

This report provides information on the performance of your bond, for the period 1 January 2011 to 31 December 2011. The investments are managed by Threadneedle Investments.

Threadneedle Investments

The management of the Flexible Guarantee Bond funds was transferred from Liverpool Victoria Asset Management (LVAM) to Threadneedle Investments on 1 November 2011.

We made the decision to outsource our asset management to a carefully selected, stand-alone investment house to maintain a high standard of investment management for our members. We believe it's in the best interests of our members to focus day-to-day operations on our fast growing general insurance and life businesses and that outsourcing asset management to a pure investment house will continue to ensure excellent investment performance.

Threadneedle is a leading international investment manager with a strong track record of outperformance across asset classes. It actively invests £73bn of assets (as at 31 December 2011), investing on behalf of individuals, pension funds, insurers and corporations. It is a top 10 UK fund manager by Assets Under Management, and the UK's fourth largest retail fund manager (UK IMA rankings, November 2011). Established in 1994 in London, Threadneedle operates in 15 countries across Europe, the Middle East, Asia Pacific and North America. Threadneedle's website address is www.Threadneedle.com.

Principles and Practices of Financial Management (PPFM)

Every company that offers With Profits investments is required to document the Principles and Practices (the beliefs and behaviours) behind how they manage their With Profits investments so that consumers can understand what to expect from the provider they invest with, or are considering investing with. Our consumer friendly version can be found on the LV= website at www.LV.com/withprofitsguide or a hard copy is available on request.

Unit price and performance of each fund option available

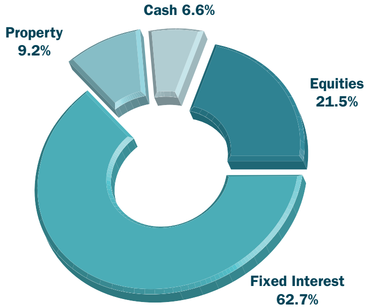
Within the following pages you'll find the performance of each fund option for your bond.

Please see your individual statement for the current price of the units you hold, the value of your bond and the fund option in which you are invested. You can find the current unit price of your bond at www.LV.com/fgbprices. This information should be read alongside your policy document. You need to be aware that in each fund option your investment can go down as well as up. The higher the amount invested in stocks & shares, the more frequently this will happen and the more significant the changes in value are likely to be.

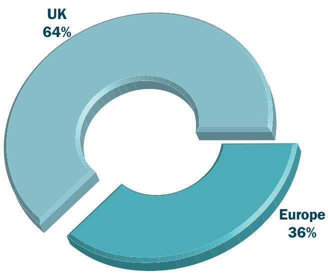
Cautious Series 2

This fund is designed to provide the potential for steady growth. The fund is mainly invested in fixed interest securities with the balance in equities and property. This is the lowest risk fund option under our Bond and therefore offers the lowest growth potential.

Asset allocation as at 30 December 2011



Equity Weightings as at 30 December 2011



Fund Price Date	**30 December 2011***	31 December 2010*	31 December 2009**	18 August 2009**
Fund Price	**115.3p**	112.9p	104.0p	100.0p
Growth (%) for 12 months up to date shown	**2.1%**	8.6%	4.0%	
Total Percentage Growth of Fund Price from 18 August 2009 (launch date) to 30 December 2011				**15.3%**

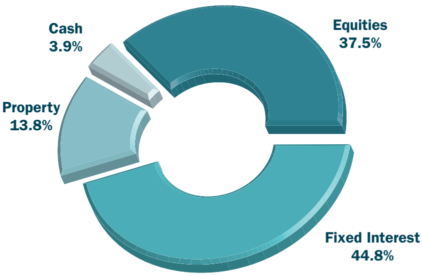
* The fund price quoted is the Averaged price.
** The fund price quoted is the Underlying price as the Averaged price did not exist.
Please see your annual statement and policy documentation for an explanation of this.
Please note: Product charges are by way of unit cancellation rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Balanced Series 2

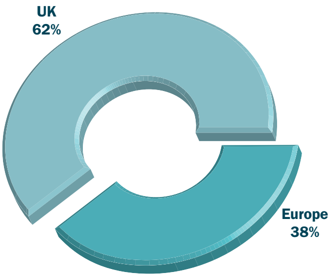
This fund is designed to provide the potential for moderate growth. Around half of this fund is invested in fixed interest securities with the balance in equities and property.

We believe this fund is higher risk than the Cautious Series 2 fund, but lower risk than the Managed Growth fund.

Asset allocation as at 30 December 2011



Equity Weightings as at 30 December 2011



Fund Price Date	**30 December 2011***	31 December 2010*	31 December 2009**	18 August 2009**
Fund Price	**115.4p**	114.5p	105.4p	100.0p
Growth (%) for 12 months up to date shown	**0.8%**	8.6%	5.4%	
Total Percentage Growth of Fund Price from 18 August 2009 (launch date) to 30 December 2011				**15.4%**

* The fund price quoted is the Averaged price.
** The fund price quoted is the Underlying price as the Averaged price did not exist.
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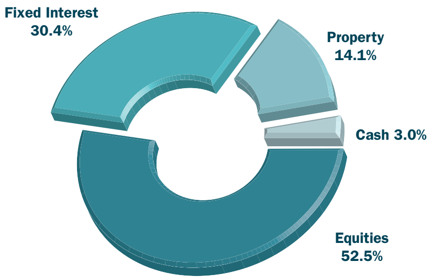
Please note: Product charges are by way of unit cancellation rather than reflected in the unit price. Past performance is not a reliable guide to future performance.

Managed Growth

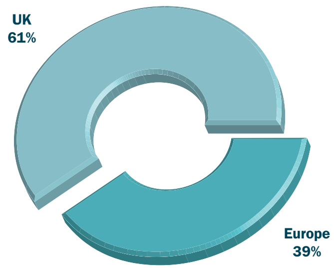
This fund is designed to provide the potential for higher growth than the other two fund options. But of course, this means that it's also the most risky.

Around two thirds of the fund is invested in equity and property with the balance in fixed interest securities.

Asset allocation as at 30 December 2011



Equity Weightings as at 30 December 2011



Fund Price Date	**30 December 2011***	31 December 2010*	31 December 2009**	18 August 2009**
Fund Price	**115.6p**	115.8p	106.1p	100.0p
Growth (%) for 12 months up to date shown	**-0.2%**	9.1%	6.1%	
Total Percentage Growth of Fund Price from 18 August 2009 (launch date) to 30 December 2011				**15.6%**

* The fund price quoted is the Averaged price.
** The fund price quoted is the Underlying price as the Averaged price did not exist.
Please see your annual statement and policy documentation for an explanation of this.
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Flexible Guarantee Bond/Flexi Guarantee Plan Performance Review

Equities

In contrast to 2010 it was a poor year for equity markets overall. Share prices faced a variety of pressures ranging from the pure economic as activity slowed, through the dramatic as the Japanese earthquake impacted specific companies, to the almost panic-stricken as markets fell sharply in the summer on fears linked to Greece. Of global regions only the United States produced a positive return whilst the worst performing area, the Far East, saw prices fall nearly 15%. In general our equity investments beat their benchmarks but saw falls in value.

Fixed Interest

In contrast to equities our returns in UK gilts - IOUs issued by the UK Government - and corporate bonds - IOUs issued by companies - were positive and ahead of their benchmarks. In gilts the Manager positioned the assets towards the long-term end of the range and that area performed best. In corporate bonds he took advantage of opportunities in the financial sector and was rewarded.

Property

The property portfolio performed poorly in the second half of the year as the outlook for smaller sites in secondary locations worsened. So far in 2012 some recovery in values has been observed.

Market and Economic Review

2011 proved a challenging year for global equities. Sentiment was dominated by the crisis in the eurozone and the slowdown in the world economy. Additionally, markets had to contend with political unrest in parts of North Africa and the Middle East. On the other side of the globe, the Japanese earthquake and tsunami disrupted economic activity and led to a shortage of manufacturing components. Elsewhere, investors debated whether the Chinese authorities could successfully engineer a soft landing for China.

In early April, Portugal became the third member of the eurozone to request a rescue package from the International Monetary Fund (IMF) and EU, while in May it was already evident that Greece would require additional funding. At the start of July markets were cheered by news that the Greek government had passed a series of new austerity measures, thereby securing the next tranche of the country's initial bailout package.

Powers were also granted to the European Financial Stability Facility (EFSF) to buy the debt of financially stressed nations. Unfortunately markets subsequently slipped back, with August seeing concerns spread to Italy, which accounts for just under a quarter of all eurozone sovereign debt. October saw a strong rebound in risk assets when additional measures were proposed to tackle the Greek debt crisis. However, the better tone was punctured by subsequent political machinations in Greece.

Within the UK, sentiment was boosted by the announcement of a further £75bn of quantitative easing. Towards the end of the reporting period, equity markets rallied strongly as leading central banks unveiled a co-ordinated plan to boost liquidity. Markets were also buoyed by an EU summit in December calling for increased fiscal integration. The European Central Bank (ECB) then undertook its biggest-ever liquidity operation, further alleviating fears of a second credit crunch.

Throughout the period interest rates in the US, UK and Japan remained at historic lows to support economic activity. Two earlier rises in European rates were reversed in Q4, so that by the end of the year they had returned to 1%. Interest rates were also cut in several emerging markets, helping to offset the impact of slower growth in the developed world.

Over the reporting period government bonds performed well, with UK gilts achieving a particularly strong return. US treasuries also performed strongly despite the downgrade in the credit rating for the US from AAA to AA+. In Europe, bonds issued by core nations such as Germany posted good returns although those from peripheral countries suffered in the wake of the eurozone sovereign debt crisis. Elsewhere, it was also a positive year for emerging market and investment grade corporate bonds but lower-rated, higher yielding areas of the corporate bond market weakened.

Market and Economic Outlook

Economic growth is likely to be lacklustre at best in the developed world in 2012, and the UK is certainly no exception to this rule. But despite this disappointing economic backdrop, the government remains committed to its austerity programme of raising taxes and cutting public sector jobs.

There is a silver lining to this cloud however, in that the Bank of England understands the need to maintain a loose monetary policy to offset the effects of the government's actions. As such, interest rates are unlikely to rise from their current historic lows in the coming months and we also expect to see further stimulus in the form of quantitative easing.

In spite of the poor outlook for growth and the low probability of interest rate hikes, we see limited scope for significant gains from gilts. This is because the economic background is already priced into the market, resulting in historically low yields. At the same time the government needs to issue high volumes of gilts whilst also trying to address the fiscal deficit without losing its AAA credit rating. However, quantitative easing will provide support in the short term – especially among longer-dated issues.

Within fixed income, we believe that better value is offered by higher-yielding areas such as corporate bonds, where spreads are implying significantly higher default rates than we foresee. Investment grade corporates have strengthened their finances over the past few years and are generally better placed to survive tough economic conditions today than they were in 2008.

Equity valuations remain attractive relative to history and to bonds. Share prices reflect the uncertainties generated by the eurozone debt crisis and the prospect of lower growth in 2012. Once the eurozone situation is resolved, risk appetite should improve, allowing stock markets to deliver healthy gains. We continue to favour companies with strong balance sheets in our equity portfolios, as we believe that these should fare better than highly leveraged businesses given the weak economic background.

We are also biased towards companies with exposure to faster-growing international markets. For example, we expect China to post impressive growth again in 2012 and companies in areas as diverse as engineering and luxury goods will continue to benefit from this growth.

Finally, UK commercial property is attractive from a yield perspective. However, the difficult domestic economic environment could put pressure on both rental income and capital values.

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