

**2025 Annual Report from the Board of  
Liverpool Victoria Financial Services Limited  
to the With-Profits Policyholders in the RNPFN Fund**

**You're about to read a summary of how we made decisions affecting the with-profits policyholders in the RNPFN Fund in 2025.**

We've gone into a lot of detail here to provide you with reassurance that we're managing your money as we should. We've done our best to keep it easy to read, but you can always get in touch if you have questions. You can find out how by clicking on 'contact us' at [LV.com/ RNPFN](https://www.lv.com/rnPFN).

## **1. Summary**

This report examines the management of the with-profits business within the RNPFN Fund (the 'Fund') during 2025. It covers the governance arrangements, how we have made decisions (we call this exercising discretion), and how any competing interests between different classes of policyholders were addressed.

We describe the way in which we manage the with-profits business in the RNPFN Fund in a formal document known as the 'Principles and Practices of Financial Management' (or 'PPFM'). Each year we review our compliance with the PPFM. We also provide a summary of the results of the review for 2025 in this report.

**The Board of Directors ('the Board') of Liverpool Victoria Financial Services Limited<sup>1</sup> ('LVFS') confirms that, in its opinion, its exercise of discretion and its management of the potentially competing or conflicting rights, interests, or expectations of policyholders in the RNPFN Fund were in accordance with its PPFM during 2025, thereby treating with-profits policyholders fairly. The Board can also confirm that, in its opinion, LVFS complied with the obligations set out in the PPFM during 2025.**

The reasons for this opinion are outlined in this report. **The RNPFN Supervisory Board ('Supervisory Board') agrees with the opinion of the Board.**

## **2. Governance arrangements**

The Board is ultimately responsible for the operation of the RNPFN Fund and for the management of the with-profits business within it. The interests of the policyholders in the RNPFN Fund are looked after by a separate Supervisory Board set up at the time that the LV= Group acquired the RNPFN business. The Supervisory Board monitors the management of the Fund, including the investment and bonus policies, against the requirements agreed when the business was acquired (the 'Scheme of Transfer').

---

<sup>1</sup> Prior to its conversion to a mutual company limited by guarantee on 2 January 2020, the company was known as Liverpool Victoria Friendly Society Limited.

The Supervisory Board also acts as the With-Profits Committee for the RNPFN Fund, providing independent advice relating to the exercise of discretion relating to matters affecting the with-profits business within the Fund. It also monitors compliance with the PPFM. The majority of the members of the Supervisory Board, including the Chair, are independent of LVFS.

LVFS also has a With-Profits Actuary, authorised by the Prudential Regulation Authority, who provides advice to the Board, the RNPFN Supervisory Board, and management on the exercise of discretion relating to matters affecting the with-profits business within the RNPFN Fund. The current With-Profits Actuary is Catherine Gavin and her report is annexed to this report. Catherine Gavin replaced Trevor Fannin who was With-Profits Actuary up to 5 February 2025.

### **3. Overview of the RNPFN Fund**

Before we cover each area where we exercised discretion in 2025 in section 4, we thought it would be useful to give you an overview of the RNPFN Fund and how we set payouts for the with-profits policies within it.

You can find the PPFM for the RNPFN Fund at [LV.com/RNPFN-ppfm](https://lv.com/RNPFN-ppfm). It's a technical document but if you would like a customer friendly overview, 'Your guide to how we manage the RNPFN Fund for with-profits business' can be found at the same link.

And if you'd like more information about where we invest your funds, you can find details at [LV.com/RNPFN/asset\\_allocation](https://lv.com/RNPFN/asset_allocation).

#### **3.1 Here's a reminder of what's included in the RNPFN Fund**

The RNPFN Fund is an investment fund where we combine your money with other policyholders' money and manage it on your behalf. The policies, assets, and liabilities in the RNPFN Fund are held separately from the rest of LVFS. All profits and losses from the Fund affect the with-profits policies within it.

The pool of assets in the RNPFN Fund backing with-profits policy asset shares (defined in section 3.3) is used to set payouts. Sometimes in our documents we refer to this as the 'RNPFN with-profits fund'. The 'inherited estate' of the RNPFN Fund represents the assets that are in excess of the RNPFN Fund's liabilities. We are distributing the 'inherited estate' of the RNPFN Fund over the lifetime of eligible with-profits policies in the Fund by increasing the payout under the policy when it is cashed in or ends.

First and foremost, we want to give you a fair return on your investment, allowing for any guaranteed benefits. We have different groups of with-profits policyholders invested in the RNPFN Fund – with different policies started at different times, and with different terms. We always try to treat policyholders fairly when there are any conflicting interests between them – there's more about this in section 5 below.

### **3.2 Regular bonuses may be added**

Regular bonuses (also known as annual bonuses, or 'interest' for interest bearing policies) may be added from time to time to increase the guaranteed benefits under a policy.

### **3.3 Final bonuses may be added or market value reductions may be made to ensure you get a fair return for the main policy benefits**

We want to make sure that you receive a fair return on your policy. A final bonus may be added to your payout when the policy ends, if otherwise the regular bonuses previously added would give less than a fair return. Where guarantees do not apply, for unitised with-profits policies a 'market value reduction' can be made to your payout (or a negative final bonus rate applied for conventional with-profits policies) if regular bonuses previously added are more than a fair return.

For most policies we use asset shares when setting final bonuses or market value reductions. The 'asset share' is the underlying value of a policy and is the accumulation (at the investment return earned on the RNPFN with-profits fund) of the premiums paid, less charges taken (including for expenses and any death benefits) and tax (where applicable) and allowing for any partial payouts. We also usually use smoothing to cushion your policy value from the ups and downs of the investment markets – see section 3.5.

If you end your policy early, this is called 'cashing-in' or 'surrendering' your policy. You may also transfer your pension early. We'll work out how much to pay you, being fair to both you and the policyholders staying in the RNPFN Fund. For unitised policies, we may add a final bonus or apply a market value reduction. For interest bearing policies, we may add a final bonus. For conventional policies, we use a similar approach to how we decide the level of final bonuses.

### **3.4 Final bonuses may be added or market value reductions may be made to ensure you get a fair return for the main policy benefits**

For conventional whole-of-life policies (and, from 1 July 2025, endowment and Moneybuilder policies) we use individual policy values to decide the level of final bonus to pay. For other policies, rather than work out the value of each individual policy we use representative policies to decide the level of final bonuses.

In either case, we decide what level of final bonus to pay by comparing the guaranteed benefit<sup>2</sup> for each policy with its asset share, which is normally subject to smoothing. Where representative policies are used, the same rate of final bonus determined for the representative policy is used for all the individual policies it represents.

For unitised with-profits policies and interest-bearing policies we use the value of your units or the interest account respectively rather than the guaranteed benefit. For OneISA policies, market value reductions can also be applied to the value of units to ensure a fair value is paid.

---

<sup>2</sup> Or the value of your units for unitised with-profits policies, or the interest account for interest-bearing policies.

For endowment policies, the final bonus paid on death will include an uplift for any life insurance cover we provide.

### **3.5 We usually use a process called smoothing to help protect with-profits policyholders**

Smoothing helps protect policyholders from sudden changes in the value of the RNPFN with-profits fund. Because we normally use smoothing, it's possible that when your policy ends or you cash it in, the amount paid out is higher or lower than the asset share. Smoothing is not intended, over the longer term, to be a source of profit or loss to the RNPFN Fund. Smoothing can be reduced, suspended or removed in exceptional circumstances.

### **3.6 We are distributing the inherited estate of the RNPFN Fund to eligible policyholders**

As part of the deal when the LV= Group bought the business of RNPFN, we're distributing the inherited estate of the RNPFN Fund over the remaining lifetime of the eligible with-profits policies in the Fund, where appropriate, by enhancing the final bonus paid when policies are cashed in or they end, increasing payouts. Only RNPFN with-profits policies taken out on or before 10 July 2001 (or where an application for a policy was made on or before 10 July and was received by 19 July 2001) are eligible to share in this distribution. Top-ups to RNPFN OneISA policies made after these dates are not eligible to share in this distribution even if the original investment in the OneISA policy is.

## **4. How we used discretion to manage the RNPFN Fund in 2025**

The areas where we exercised our discretion in relation to the with-profits business in the RNPFN Fund during 2025 are covered in detail below, together with how our decisions comply with the PPFM of the Fund. We've also included information on other areas of interest, namely rectification of errors and PPFM changes.

### **4.1 The claim amounts we paid were fair**

During the year, policy claim payouts were generally based on policy asset shares (as detailed in section 3.3 and 3.4) as a means of assessing a fair payout value, subject to a minimum payout of any guaranteed policy benefits.

Discretion was exercised by changing the payout methodology for endowment and Moneybuilder policies from 1 July 2025 to reflect asset shares calculated for individual policies, with payouts being set on a monthly basis.

For those groups of policies where asset shares are used as a guide to set payouts, 99.5% of maturity claims, 96.7% of surrender claims and 98.9% of death claims during the year were within the target payout range stated in the PPFM of 80% to 120% of asset share (enhanced for the distribution of the inherited estate of the RNPFN Fund on payout for eligible policies). In performing these assessments, where relevant we take into account how we use representative policies to set the final bonus rate for a group of individual policies.

Financial Conduct Authority regulation states that we may make payouts outside the target range if we have a good reason to believe 90% of payouts fall within the target range. LVFS is comfortable that it is reasonable for those payouts which were above or below target range to be so.

The target range from 80% to 120% of the asset share (enhanced for the distribution of the inherited estate of the RNPFN Fund on payout for eligible policies) used for RNPFN with-profits policies where asset share is used as a guide to setting payouts is considered to be appropriate taking into account the investment strategy, the smoothing mechanism, the use of representative policies, and the frequency of review of final bonuses.

In accordance with the PPFM, methods other than asset shares were used in 2025 to set payouts (and so a target range is not used) for the following groups of policies:

- conventional with-profits pension policies (and endowment and Moneybuilder policies before 1 July 2025) where regular premiums have stopped, or which are non-standard, receive the same final bonus rate as a premium-paying policy of the same type and duration (unless such payouts are uplifted to the estimated asset share if otherwise the payout would be below the target range); and
- death claims for conventional endowment policies, where the payout includes an uplift for any life insurance cover we provide.

The treatment of the above policy groups is considered to provide a fair payout.

Amounts paid on all policy types are subject to a minimum payout of any guaranteed policy benefits.

#### **4.2 Regular bonus rates increased guaranteed benefits for most policies**

Regular bonus rates (sometimes known as annual bonus rates, or interest rates for interest bearing policies) were reviewed during the year, in accordance with the PPFM. Discretion was exercised in maintaining different series of regular bonus rates for different policy types.

The rates declared from 1 April 2025<sup>3</sup> were the same as those declared the previous year. For conventional single premium pension policies, a zero regular bonus rate continued to be declared given the strength of the lump sum guarantees applying to them.

#### **4.3 We added final bonuses to most claim payments**

During 2025, final bonus declarations were made with effect from 1 January, 1 April, 1 August and 1 November<sup>4</sup>, all of which changed claim payments from those dates. The exception to this is for endowment and Moneybuilder policies where payouts were set on a monthly basis from 1 July 2025. These declarations and calculations were made in accordance with the PPFM.

---

<sup>3</sup> Except for OnelSA and interest-bearing policies where the declaration date was 6 April 2025.

<sup>4</sup> Except for OnelSA and interest-bearing policies where the declaration dates are on the 6<sup>th</sup> of the month.

Discretion was exercised with regards to the method used to set payouts, frequency of review, smoothing, the level of charges allocated to asset shares, the investment return used to project asset shares in the final month(s) up to the point of claim, tax (where applicable), the choice of representative policies used to translate the asset shares into final bonus rates (where relevant), and the level of the enhancement made to payouts to reflect the distribution of the inherited estate of the RNPFN Fund over the remaining term of the eligible with-profits policies in the Fund (see section 4.9).

During the year, for some single premium conventional pension policies zero final bonus rates were applied, with some negative final bonus rates being applied for transfers below age 55. Market value reductions can be applied where appropriate to OnISA policies, however none were applied in 2025.

#### **4.4 Our cash in and early transfer payouts for conventional with-profits policies were fair**

Discretion is exercised in the methods and assumptions used to calculate cash in and early transfer values for conventional with-profits policies. The method used for conventional with-profits pension policies (and endowment and Moneybuilder policies before 1 July 2025) during 2025 applied the same rate of final bonus to the recalculated guaranteed benefits as would apply to a maturity or death claim for the same policy type and duration in force, with appropriate adjustments being made where surrenders occur at non-integer durations. This is considered to provide a fair payout.

Cash in payouts for whole-of-life policies and, from 1 July 2025, for endowment and Moneybuilder policies, were set at a level designed to pay individual asset share of the policy, normally subject to smoothing.

These methods were all used in 2025 in accordance with the PPFM.

#### **4.5 We continued smoothing payouts to give policyholders a fair outcome**

As set out in the PPFM, the current smoothing approach is to average investment returns over the previous 24 months, though smoothing can be removed or reduced on payouts in exceptional circumstances so that we treat remaining with-profits policyholders fairly. The current approach was used throughout 2025. When this approach was introduced in June 2023, investment returns prior to this date were assumed to be equal to the long term expected return at that time as smoothing is not intended to be a material source of profit or loss over the long term.

The approach used gives an appropriate level of smoothing to those with-profits policyholders leaving the RNPFN Fund, so as to avoid excessive differences in payouts on similar policies over short periods of time, given the mix of assets backing asset shares.

LVFS reserves the right to remove, suspend or reduce smoothing on all with-profits policies in the RNPFN Fund in exceptional circumstances. This right was not exercised in 2025.

#### **4.6 We monitored and reviewed the investment strategy during 2025**

In accordance with the PPFM, the investment strategy of the RNPFN with-profits fund was monitored during 2025 to ensure that it remained appropriate. Over 2025 the investment strategy was reviewed twice. Minor changes were approved in the second review. The current target mix of assets is shown at [LV.com/RNPFN/asset\\_allocation](https://www.lv.com/RNPFN/asset_allocation).

Throughout 2025, the investment strategy of the inherited estate of the RNPFN Fund was aligned with that used for the pool of assets used to back asset shares, allowing for the hedging referred to below. This provides a more stable level for the enhancement to final bonus rates used to distribute the inherited estate of the RNPFN Fund (described in section 4.9).

BlackRock is responsible for the day-to day management of the majority of assets in the RNPFN Fund, operating within our agreed guidelines. This was also the case for 2025.

For both the RNPFN with-profits fund and the inherited estate, discretion was exercised with respect to the types of investment held and the proportions invested in different types of assets.

During 2025, discretion was also exercised with respect to the use of various techniques to help reduce investment related risk including to protect the inherited estate of the RNPFN Fund from undue volatility. While these practices do not affect current customer payouts, profits and losses resulting from them are credited to or are borne by the Fund's inherited estate.

#### **4.7 Charges and expenses taken were in accordance with the PPFM**

LVFS exercised discretion in the method used to apportion the maintenance expenses of LVFS to the RNPFN Fund. For some policy types, we applied these expenses, together with investment management fees and investment service costs (inclusive of any Value Added Tax), to asset shares. For other policy types, the charges applied to asset shares were in line with charges set out in policy conditions or similar documents. Tax relief on expenses were applied, as appropriate.

Mortality charges were applied for conventional with-profits endowment policies.

LVFS uses an internal fair value framework to help assess fairness of charges for expenses applied to policies in the RNPFN Fund. Where the level of a charge is not guaranteed, it may be varied by LVFS, subject to the requirement to treat our policyholders fairly.

Any difference between the charges applied to asset shares and the actual expenses charged to the RNPFN Fund is credited to or borne by its inherited

estate. Costs of strategic projects relating to the RNPFN Fund are not applied to asset shares but are charged to the Fund's inherited estate.

The expenses charged to the Fund, and the charges applied to asset shares, were in accordance with the PPFM during 2025

It was also confirmed that the level of tax charged to the inherited estate of the RNPFN Fund in relation to calendar year 2024 was in accordance with the PPFM. Confirmation for calendar year 2025 is not available at the time of writing and will be included in next year's annual report.

#### **4.8 How the RNPFN Fund is exposed to business risk**

The RNPFN Fund is exposed to business risks in the normal course of events. These include those arising from variations in the following:

- demographic experience and assumptions, including in particular the proportions taking up cash or guaranteed annuity benefit options on certain policies;
- costs related to guarantees and options attaching to policies (after allowing for any hedging);
- the value of the investments of the Fund's inherited estate;
- exceptional costs charged to the Fund and differences between the expenses charged to the Fund and the expense charges made to Asset Shares;
- compensation to policyholders and associated costs resulting from any mis-selling and maladministration; and
- costs resulting from the smoothing of policy payouts (after allowing for any hedging).

Profits or losses from all business risks within the RNPFN Fund are credited to, or borne by, its inherited estate and hence, as the inherited estate is being distributed, will directly influence the amount payable under with-profits policies eligible for this distribution.

The RNPFN Fund is not permitted to write new business other than in respect of new, additional, or replacement policies being issued as the result of a policyholder exercising a right or option where LVFS decides to satisfy that right or option through issuance of a policy by the RNPFN Fund. New annuities issued to satisfy the right under certain types of RNPFN with-profits policy to take an annuity at the end of the policy term are written by the main fund of LVFS with an appropriate transfer of funds from the RNPFN Fund.

#### **4.9 Distribution of the inherited estate of the RNPFN Fund**

The Board exercised discretion in setting the enhancement to final bonus rates used to increase payouts for policies eligible for the distribution of the inherited estate of the RNPFN Fund, as described in the PPFM. It is reviewed annually. The rate of enhancement applying in Q1 2025 was 31%, and the rate for the rest of the year was 32%.

#### **4.10 Capital support was removed on 1 November 2025**

Under the terms of the Scheme of Transfer, the RNPFN Fund benefited from a capital support facility provided by the main fund of LVFS. This required a contingent loan to be advanced to the RNPFN Fund should a deficit arise in the Fund relative to its regulatory capital requirements. A fee was paid by the RNPFN Fund to the main fund of LVFS for this facility. The amount of capital support available in 2025 was £10.2m. However, the RNPFN Supervisory Board agreed to remove the RNPFN Fund's capital support facility (along with the charge for it) from 1 November 2025 as it is no longer considered to be of value to the policyholders in the RNPFN Fund. The facility cannot subsequently be reinstated except by agreement of the LVFS Board following a request by the RNPFN Supervisory Board.

#### **4.11 Rectification of errors**

Where payouts are made incorrectly, they are rectified in accordance with LVFS's Risk Management framework. Where such issues are outstanding at the end of a calendar year and are not due to be rectified within a reasonable period, they are considered to lead to non-compliance with the PPFM for that year. The rectification of the long-standing issue on certain OnelSA policies (which was previously considered to lead to non-compliance with the PPFM) was finalised in 2025 with underpaid claims being rectified. As such, at the end of 2025 there were no issues which were deemed to lead to non-compliance with the PPFM.

#### **4.12 A summary of changes to the PPFM are on our website**

The current version of the PPFM and a full list of changes are on our website at [LV.com/RNPFN-ppfm](https://www.lv.com/rnPFN-ppfm). A number of changes to the PPFM were made during 2025. The more material changes were to reflect:

- the change to the payout methodology for RNPFN endowment and Moneybuilder policies from 1 July 2025 (mentioned in section 4.1);
- that in determining the mix of assets account is now taken of our approach to responsible investment;
- removal of a restriction on how derivatives are used for efficient portfolio management purposes, and;
- the removal of the capital support facility from 1 November 2025 (mentioned in section 4.10).

The following important clarifications were also made:

- accumulated smoothing profits and losses (allowing for any offsetting profits and losses derived from hedging the smoothing cost) may be monitored for consideration as one factor in any decision to remove, suspend or reduce smoothing;
- that whilst the investment strategy for the inherited estate of the RNPFN Fund is aligned with the investment strategy for the Asset Pool used for Asset Shares, it allows for the impact of hedging which helps to stabilise the distribution of the Fund's inherited estate, and;

- reinsurance or insurance can be used, where appropriate, to manage business risks.

## **5. When competing or conflicting rights, interests or expectations of policyholders occur**

The RNPFN Fund is run as a mutual fund which therefore avoids having any competing or conflicting interests with shareholders.

Potential conflicts can occur between the RNPFN Fund and the main fund of LVFS (for example in respect of charges made to the RNPFN Fund). Where these occur, the RNPFN Supervisory Board, With-Profits Actuary, and Chief Actuary provide advice to the Board to ensure that with-profits policyholders in both funds are fairly treated. If a material potential conflict were to arise, consideration would be given to the need for independent external advice.

Potentially competing or conflicting rights, interests, or expectations of with-profits policyholders within the Fund may come about, for example, between:

- different types of policy;
- policies with varying benefits and policy conditions;
- policies with different sizes;
- policies with different entry dates or different durations in force;
- different types of claim on a policy (for example, a maturity, death or surrender); and/or
- policies where a policyholder is eligible or not eligible for the distribution of the inherited estate of the RNPFN Fund.

To ensure that RNPFN with-profits policyholders are treated fairly in balancing their respective interests, throughout 2025 LVFS exercised discretion between these groups of policyholders through:

- the choice as to how policy benefits are smoothed;
- how expenses are apportioned;
- maintaining different series of regular bonus rates for different policy types;
- the method used to calculate the enhancement to final bonus rates used to increase payouts where a policy is eligible to share in the distribution of the inherited estate of the RNPFN Fund; and
- the method used to set payouts (including final bonus rates), including (where applicable) grouping policies when allocating investment returns, tax, and charges to asset shares.

## **6. Conclusion**

The Board can confirm that, in its opinion, the exercise of discretion (as detailed in section 4), and its management of the potentially competing or conflicting rights, interests, or expectations of policyholders in the RNPFN Fund (as detailed in section 5) were in accordance with its PPFM during 2025, thereby treating with-profits policyholders fairly.

The Board can also confirm that, in its opinion, LVFS complied with the obligations set out in the PPFM of the RNPFN Fund during 2025. The reasons for this opinion are detailed in section 4.

The Supervisory Board and the With-Profits Actuary agree with these opinions.

**The Board of Directors**  
**Liverpool Victoria Financial Services Limited**  
29 May 2026

## Annex

### **Report from the With-Profits Actuary to the With-Profits Policyholders in the RNPFN Fund of Liverpool Victoria Financial Services Limited**

It is my responsibility as With-Profits Actuary ('WPA') of Liverpool Victoria Financial Services Limited ('LVFS') to advise the Board of Directors on the management of its with-profits business, and to report annually to with-profits policyholders on the exercise of discretion in relation to that business.

This report covers the period from 1 January 2025 to 31 December 2025 inclusive. I was formally engaged by LVFS as WPA on 6 February 2025 following confirmation by the Prudential Regulation Authority and the Financial Conduct Authority. My predecessor Trevor Fannin was involved in consideration of the matters referred to in the attached report up to 5 February 2025.

In my opinion the discretion exercised by the LVFS Board of Directors in relation to the RNPFN Fund in 2025 may be regarded as having taken the interests of with-profits policyholders into account in a reasonable and proportionate manner. It was also consistent with disclosures to customers and with the Principles and Practices of Financial Management of the RNPFN Fund.

In reaching this opinion I have relied on reports and information provided to me by the company and my predecessor, and I have taken into account the relevant rules and guidance issued by the Prudential Regulation Authority and the Financial Conduct Authority and applicable standards and guidance issued by the Financial Reporting Council<sup>5</sup>.

**Catherine Gavin**  
**With-Profits Actuary for LVFS**  
29 May 2026

---

<sup>5</sup> TAS 100 and TAS 200

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

49588-2026

**Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.**

LV= and RNPFN are registered trademarks of Liverpool Victoria Financial Services Limited and trading styles of the Liverpool Victoria group of companies. Liverpool Victoria Financial Services Limited, registered in England with registration number 12383237 is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, register number 110035. Registered address: County Gates, Bournemouth BH1 2NF.