

**2024 Annual Report from the Board of Directors 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 2024.**

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 2024. 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 within 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 provide a summary of the results of the review for 2024 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 2024, 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 2024 except in respect of the issue identified in section 4.11, where rectification to address any claims underpaid remains outstanding.**

The reasons for this opinion are outlined in this report. **The RNPFN 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 Fund, providing independent advice relating to the exercise of discretion. 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 during 2024 and up to 5 February 2025.

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

Before we cover each area where we exercised discretion in 2024 in section 4, we thought it would be useful to give you an overview of the RNPFN Fund.

You can find the PPFM for the RNPFN Fund at [LV.com/RNPFN-ppfm](https://lv.com/RNPFN-ppfm). But if you would like a shorter overview, 'Your guide to how we manage RNPFN Fund for our 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 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 (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**

A final bonus may be added to your payout when the policy is cashed-in or ends, if otherwise the regular bonuses previously added would give less than a fair return. Where guarantees do not apply, for unitised 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 of the premiums that have been paid, less charges taken (including for expenses and death benefits) and tax (where applicable), at the investment returns earned on the pool of assets backing with-profits policy asset shares. We also usually use smoothing to cushion your policy value from the ups and downs of the stock market – see section 3.5.

### **3.4 We group similar policies together to set final bonus rates**

For most policies, rather than work out the value of each individual policy we generally use representative policies to decide the level of final bonuses to pay. We decide what level of bonus to pay by comparing the guaranteed benefits for these policies with the value of the investments underlying them (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 benefits). The same rate of final bonus determined for the representative policy is used for all the individual policies it represents. The exception to this is that any final bonus added for conventional with-profits whole of life policies is calculated on an individual policy basis by comparing the guaranteed benefit for each policy with the value of the investments underlying it.

### **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 pool of assets backing with-profits policy asset shares. Because we use smoothing, it's possible that when you cash in your policy or your policy ends, the amount paid out is higher or lower than the underlying value of the investments of your policy. Smoothing is not intended, over the longer term, to be a source of profit or loss to the RNPFN Fund. Smoothing can be reduced 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 OneSA

policies are not eligible to share in this distribution even if the original investment in the OnelSA policy is.

#### **4. How we used discretion to manage the RNPFN Fund in 2024**

The areas where we exercised our discretion in relation to the with-profits business in the RNPFN Fund during 2024 are covered in detail below, together with how they comply with the PPFM of the Fund. We've also included information on other areas of interest, namely rectification and PPFM changes.

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

During the year, policy claim payouts were based on the results of final bonus reviews that used policy asset shares as a means of assessing a fair payout value, subject to a minimum payout of any guaranteed policy benefits.

For those groups of policies where asset shares (defined in section 3.3) are used as a guide to set payouts, 99.6% of maturity claims, 98.6% of surrender claims, and 100.0% 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 on payout for eligible policies). In performing these assessments, we take into account how we group policies together.

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 are above or below target range to be so.

In accordance with the PPFM, methods other than asset shares were used in 2024 to set payouts (and so a target range is not used) for the following groups of policies:

- conventional with-profits policies (except whole-of-life policies) 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 (except where payouts are uplifted to estimated asset share if otherwise the payout would be below the target range); and
- death claims for conventional endowment policies, where final bonus rates are set to those determined from maturing policies of the same duration.

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

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

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

The rates declared from 1 April 2024<sup>2</sup> were the same as those declared the previous year. For conventional single premium pension policies, a zero regular

---

<sup>2</sup> Except for OnelSA and interest-bearing policies where the declaration date was 6 April 2024.

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 2024, final bonus declarations were made with effect from 1 January, 1 April, 1 August and 1 November<sup>3</sup>, all of which changed claim payments from those dates. The declarations were made in accordance with the PPFM. Discretion was exercised with regards to smoothing, the level of charges allocated to asset shares, the investment return used to project asset shares in the final months up to the point of claim, tax (where applicable), the choice of sample policies used to translate the asset shares into final bonus rates, and the enhancement made 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.

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 OnelSA policies, however none were applied in 2024.

#### **4.4 Our surrender payouts for conventional with-profits policies were fair**

Discretion is exercised in the methods and assumptions used to calculate surrender and early transfer values for conventional with-profits policies. In accordance with the PPFM, the method used for conventional policies (except whole-of-life policies) during 2024 applies 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.

#### **4.5 We continued smoothing pay-outs to give policyholders a fair outcome**

During 2024, the smoothing approach used was to average investment returns over the previous 24 months. 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 is in accordance with the PPFM.

The approaches used give 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.

The target range from 80% to 120% of the asset share (enhanced for the distribution of the inherited estate 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 sample policies, and the quarterly review of final bonuses.

---

<sup>3</sup> Except for OnelSA and interest-bearing policies where the declaration dates are on the 6<sup>th</sup> of the month.

Smoothing profits and losses from expected claims are hedged. This is an investment strategy which aims to reduce the effect of these profits and losses on the inherited estate, and hence help protect those remaining in the Fund. This practice does not affect current customer payouts.

#### **4.6 We monitored and reviewed the investment strategy during 2024**

In accordance with the PPFM, the investment strategy was monitored during 2024 to ensure that it remained appropriate. A full review of the investment strategy was performed in late 2023 in light of the transition to a new asset manager, with the resulting changes being implemented in the first half of 2024. A further review was carried out later in 2024 with no changes being recommended. The current target mix of assets is shown at [LV.com/RNPFN/asset\\_allocation](https://www.lv.com/RNPFN/asset_allocation).

During 2024, the inherited estate of the RNPFN Fund was largely held in the same asset mix as the pool of assets backing asset shares. 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).

Discretion was exercised with respect to the types of investment held and the proportions invested in different types of assets.

The RNPFN Fund holds assets that specifically manage the interest rate risk of the guaranteed annuity options within the Fund (known as 'hedging') which are monitored throughout the year.

During 2024 expected payouts on each quarterly final bonus declaration are moved into cash to hedge them from market movements.

Columbia Threadneedle Investments carried out the majority of investment management of the RNPFN Fund during early 2024. From April 2024 BlackRock became LVFS' primary asset manager.

#### **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 (inclusive of 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 on investment returns and tax relief on expenses were applied, as appropriate.

Any difference between the charges applied to asset shares and the actual expenses charged to the RNPFN Fund is borne by the inherited estate. Costs of certain strategic projects are not applied to asset shares but are charged to the inherited estate.

The expenses charged to the Fund, and the charges applied to asset shares, were in accordance with the PPFM during 2024.

It was confirmed that the level of tax charged to the inherited estate of the RNPFN Fund in relation to calendar year 2023 was in accordance with the PPFM. Confirmation for calendar year 2024 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 inherited estate of the Fund;
- exceptional costs charged to the Fund and differences between the expenses charged to the Fund and the expense charges made to Asset Shares;
- any compensation to policyholders and associated costs resulting from mis-selling and maladministration; and
- costs resulting from the smoothing of policy payouts and bonuses (after allowing for any hedging).

Profits or losses from all business risks within the RNPFN Fund are credited to, or borne by, the RNPFN Fund 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.

The RNPFN Supervisory Board previously agreed to make a small enhancement to any valuable guaranteed annuity rates if an RNPFN pension policyholder took a matching annuity with an external provider paid for by the RNPFN Fund. This practice was ended in early 2024. It is noted that over the period this facility existed it did not have a material cost to the inherited estate of the 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 2024 was 29%, and the rate for the rest of the year was 31%.

#### **4.10 The amount of capital support available in 2024 was £12m**

Under the terms of the Scheme of Transfer, the RNPFN Fund benefits from a capital support facility provided by LVFS. This requires a contingent loan to be advanced to the RNPFN Fund should a deficit arise. A fee is paid by the RNPFN Fund to LVFS for this facility.

A decision was made in November 2023 to set the level of the contingent loan facility for 2024 to be £12m, which is below the maximum allowed. This was because of the low likelihood the facility being used, given the significant strengthening of the RNPFN Fund in recent years. This will reduce the cost of the facility to the RNPFN Fund. The amount of capital support available in 2025 is £10.2m.

#### **4.11 Rectification**

A long-standing issue which is causing claims on certain OneISA policies to be underpaid remained outstanding at the end of 2024. Rectification of affected policies is expected to be completed in 2025. Rectification of other material issues identified in 2024 has been completed.

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

Changes were made to the PPFM on 12 April 2024 (version 20) and 30 May 2024 (Version 21). The only material change was to reflect the appointment of BlackRock as the primary asset manager for LVFS from April 2024.

The current PPFM and a full list of changes are on our website at **[LV.com/RNPFN-ppfm](https://www.lv.com/RNPFN-ppfm)**.

### **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 LVFS Fund (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 terms or of different sizes;
- policies with different entry or maturity dates;
- different types of claim on a policy (for example, a maturity, death or surrender); and

- policies where a policyholder is eligible or not eligible for the distribution of the inherited estate.

To ensure that RNPFN with-profits policyholders are treated fairly in balancing their respective interests, throughout 2024 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 and final 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; and
- the method used to group policies when allocating investment returns, tax (where applicable) 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 (detailed in section 5) were in accordance with its PPFM during 2024, 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 2024 except in respect of the issue identified in section 4.11, where rectification to address any claims underpaid remains outstanding (though is expected to be addressed in 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 2025

## 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 2024 to 31 December 2024 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 on LVFS's compliance with its Principles and Practices of Financial Management during 2024 and up to 5 February 2025.

In my opinion the discretion exercised by the LVFS Board of Directors in relation to the RNPFN Fund in 2024 may be regarded as having taken the interests of with-profits policyholders into account in a reasonable and proportionate manner, and was consistent with disclosures to customers and the PPFM.

The issue causing claim underpayments on certain policies in prior years was not rectified in 2024 but is expected to be addressed in 2025.

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>4</sup>.

**Catherine Gavin**  
**With-Profits Actuary for LVFS**  
29 May 2025

---

<sup>4</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.

46505-2025

**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.