

Liverpool Victoria Financial Services Limited

RNPFN Fund PPFM

Summary of Changes

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

Changes in version 24 published 14 May 2026

The following lists the most significant changes made in this version.

Paragraph	Change
1.2	Information about the transfer of non-profit business and unit-linked business in the RNPFN to the main fund of LVFS during 2021 has been added.
2.2.2	This practice has been amended to reflect that for accumulating with-profits (interest bearing) pension policies, from 1 April 2026 payouts reflect Asset Shares calculated for individual policies. This practice has also been amended to reflect that for conventional with-profits pension policies, from 1 May 2026 payouts reflect Asset Shares calculated for individual policies.
2.2.3 deleted 2.2.8 2.2.9	The previous practice 2.2.3 no longer applies given the change mentioned in 2.2.2 in respect of conventional with-profits pension policies. Hence it has been deleted with consequential changes to 2.2.8 and 2.2.9. Subsequent practices renumbered.
2.2.12	The practice has been amended to clarify that tax can be applied to the investment return used to calculate Asset Shares where appropriate, and that true-ups are done when actual values of estimated returns used are available.
4.2.4/4.2.5	The practice on setting payouts for endowment and Moneybuilder policies has been split into two practices, with detail added on the annuity option for Moneybuilder policies.
4.2.6	This practice is now in respect of setting payouts for conventional with-profits pension policies following the change mentioned in 2.2.2 with expanded detail (including on the annuity option, how final bonus rates are set to a minimum of zero for all benefits paid from age 55, and the minimum paid for death claims on policies written before 1989). The previous practice 4.2.6 and has been incorporated into it. Wording in the previous practice 4.2.7 regarding these policies has been removed as it no longer applies following the change mentioned in 2.2.2.
4.2.7	This practice is now in respect of setting payouts for accumulating with-profits pension policies following the change mentioned in 2.2.2.
4.2.8	The practice on setting payouts for conventional with-profits whole-of-life policies previously in 4.2.7 is now in 4.2.8. The practice has been expanded for clarity and reflects that from 1 July 2026 LVFS expects to set payouts on a monthly basis (previously this was on a quarterly basis).
4.2.9	An explicit practice on setting payouts for unitised with-profits policies has been added for clarity
4.2.10	The practice has been amended to remove detail now included in preceding practices.

6.2.8	For clarity, a reference to the Prudent Person Principle has been added to the list of considerations before investing in new types of investment.
7.2.4	The practice has been updated to reflect that policyholders in the RNPFN Fund are not eligible for one-off bonus discretionary additions made by LVFS to its policyholders (reflecting the conversion of exit bonus to one-off bonus).
8.1.3 8.2.3	A new principle has been added (with detail in a new practice 8.2.3, with subsequent paragraphs renumbered) to include the long-standing practice of netting off the investment return used to calculate Asset Shares with certain investment related expenses. There are also consequential changes to 2.2.12, 2.2.13 and 8.2.1
8.2.1	In connection with the change mentioned in 2.2.2, this practice has been amended to include that for conventional and accumulating with-profits pension policies, since 1 January 2026 the maintenance expenses incurred for each calendar year are totalled and averaged across these policies and charged to individual Asset Shares via a percentage charge, except for accumulating policies before 1 May 2026 where 0.80% p.a. was used (including, for clarity, before 1 January 2026 under the previous practice).
8.2.1	The practice has been amended to reflect that for conventional whole-of-life policies, from 1 July 2026 the charge for maintenance expenses is set to the charge applying to conventional with-profits endowment policies.
8.2.1	In addition to the amendments above, the practice has been restructured and now refers to with-profit bonds explicitly, with consequential changes to 2.2.4.
9.2.4	The wording has been amended for clarity to note that distributions of the inherited estate of the RNPFN Fund are applied as an increase to payouts before any guaranteed benefits are applied.

In addition, various other changes (including to the glossary) have been made to improve clarity.

Changes in version 23 – 19 November 2025

The following lists the changes made in this version.

Paragraph	Change
6.1.5	Principle 6.1.5 has been amended to reflect that the RNPFN Fund's capital support facility was removed from 1 November 2025 as it is no longer considered to be of value to the policyholders in the Fund.
3.1.1, 4.1.1, 6.1.2, 6.2.3, 9.2.2	References to the RNPFN Fund's capital support facility have been deleted from these Principles and Practices.
6.1.1.7, 6.1.6, 6.2.8	Principles 6.1.1.7 and 6.1.6 and Practice 6.2.8 which dealt with the RNPFN Fund's capital support facility have been removed, resulting in Practices 6.2.9-6.2.11 being renumbered 6.2.8-6.2.10.

Changes in version 22 – 1 July 2025

The following lists the most significant changes made in this version.

Paragraph	Change
2.2.2, 2.2.3, 2.2.4, 2.2.10	These practices have been amended to reflect that for conventional with-profits endowments and Moneybuilder policies, from 1 July 2025 payouts reflect Asset Shares calculated for individual policies. In conjunction with this, the way the death benefit is calculated for conventional with-profits endowment policies has been amended.
4.2.4, 4.2.5, 4.2.6, 4.2.7, 4.2.8	In conjunction with the changes in section 2 mentioned above, practice 4.2.4 details how maturity, surrender and death claim payouts will now be set for conventional with-profits endowment and Moneybuilder policies. There are also some consequential changes with renumbering to practices 4.2.5, 4.2.6, 4.2.7 and 4.2.8.
5.2.1	This practice has been updated to include how accumulated 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.
6.2.2	This practice has been expanded to reflect how a policy, approved by the Investment Committee, sets out controls and limits for those issuing investment instructions.
6.2.3, Glossary	This practice has been amended to reflect how in determining the mix of assets we also now take into account our approach to responsible investment. A Responsible Investment definition has been added to the Glossary.
6.2.5	The practice on the use of derivatives for the purpose of efficient portfolio management and risk reduction has been amended.
6.2.8	This practice has been amended to reflect that for 2025 the maximum amount for the capital support facility is £10.2m.
6.2.10	This practice has been amended to reflect that whilst the investment strategy for the inherited estate 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 inherited estate.
7.2.2	This practice has been added to state that reinsurance or insurance can be used, where appropriate, to manage business risks. The sections after this have been renumbered.
8.2.1	This practice has been amended to include how for conventional with-profits endowment and Moneybuilder policies, since 1 June 2023 the expenses incurred for each calendar year are totalled and charged to individual Asset Shares via a percentage charge. The sections after this have been renumbered.
8.2.7	This practice (previously 8.2.6) has been expanded to clarify that investment related services are also outsourced.

In addition, various other changes have been made to improve clarity or to make minor corrections.

Changes in version 21 – 30 May 2024

The following lists the changes made in this version.

Paragraph	Change
1.7, 2.2.1, 2.2.8, 3.2.1, 5.1.3, 6.2.7, 7.2.1, 8.2.6	Non-material changes for clarification purposes
Glossary	The definition of subordinated debt was amended following changes in where the debt is now held within the LVFS Group.

Changes in version 20 – 12 April 2024

The following lists the change made in this version.

Paragraph	Change
8.2.6	This practice has been amended to reflect the appointment of BlackRock as the primary asset manager for LVFS from 12 April 2024, with the remaining assets outsourced to other third parties.

Changes in version 19 – 22 November 2023

The following lists the most significant changes made in this version.

Paragraph	Change
3.2.4	A new practice has been added on the considerations for introducing a new series of annual bonus rates.
9.1.2	This principle has been amended to clarify that it is subject to the requirements of the Scheme of Transfer regarding the RNPFN Fund remaining solvent in all reasonably foreseeable circumstances.
9.2.2	A new practice has been inserted (with subsequent paragraphs renumbered) to state that the inherited estate of the RNPFN Fund is managed in line with a financial management framework which includes a capital buffer agreed by the LVFS Board.
9.2.4	This practice has been amended to provide more detail on how distributions of the inherited estate of the RNPFN Fund are calculated and are applied to payouts.

Changes in version 18 – 1 July 2023

The following lists the most significant changes made in this version.

Paragraph	Change
2.2.1	It has been clarified that partial payouts are deducted from Asset Shares.
2.2.2	It has been clarified that the payouts for policies detailed in paragraph 2.2.4 are also an exception to this practice.
3.2.3	The practice has been amended to clarify how annual bonus is added to guaranteed benefits for conventional policies and that no interim bonus is added.
5.2.2	The practice has been amended to reflect that from 1 June 2023 smoothing is now applied by taking the geometric average of investment returns over the previous 24 months. This affects payouts from 1 July 2023.
5.2.3/7.2.1	5.2.3 been amended to reflect that the decision to remove or reduce smoothing now takes into account profits and losses derived from any hedging of the smoothing cost. A corresponding change has been made to 7.2.1 to reflect the smoothing risk allows for any hedging.
6.2.5	This practice has been amended to clarify that derivatives are used to a limited extent for the purpose of efficient portfolio management and risk reduction.
6.2.6	A new practice has been added to reflect that the expected payouts on each quarterly declaration are now moved into cash to hedge them from market movements and that smoothing profits and losses from expected claims are hedged.
6.2.10	The wording previously in 6.2.9 and 6.2.10 regarding different investment strategies being used for liabilities of non-profit policies and that illiquid assets being used in the mix of assets used for Asset Shares has been removed as they are no longer relevant.
8.2.1	These practices have been amended to reflect that charges to Asset Shares may be restricted by an internal fair value framework.
8.2.6	The wording regarding the investment manager has been amended to reflect the current position.
9.2.2	The wording has been amended to reflect that the amount of the distribution of the inherited estate is now normally reviewed annually.
9.2.3	The wording has been amended to reflect that the distribution of the inherited estate is not smoothed when applied to final bonus rates.

In addition, various other changes have been made to improve clarity.

Changes in version 17 – 19 December 2022

The following lists the most significant changes made in this version.

Paragraph	Change
1.3	A sentence has been added to highlight that the RNPFN Scheme includes details of when and how the RNPFN Fund can be merged with the main fund of LVFS.
Principle 2.1.3	The exceptions to this principle for death claims have been clarified.
Principle 2.1.5	The reasons why the Board may change historical assumptions have been clarified to include references to 2.1.1 and 2.1.3.
Practice 2.2.1/ 2.2.9-2.2.12	The wording in 2.2.1 has been clarified as to which policy/claim types use asset shares "as a guide" and which do not use them. In connection with this: <ul style="list-style-type: none"> - In 2.2.9 the situations where the long term aim of making total aggregate payouts of 100% of Asset Share applies has been clarified. - In 2.2.10-2.2.12 the situations when the target range applies, and when it does not, have been clarified.
2.2.3	This paragraph (regarding how payouts are set for most conventional with-profits policies on which regular premiums have ceased early, or which have reduced guaranteed benefits for other reasons) has been reworded to better reflect current practice. In addition references to Moneybuilder policies written on a Guaranteed basis in this and other paragraphs have been removed from the PPFM as there are no longer any in force.
Principle 3.1.1	This has been reworded with an additional aim in setting annual bonus rates being included – that they would be stable.
Practice 3.2.1	This has been amended to reflect the change that, in considering whether it may be appropriate to change annual bonus rates, the primary consideration is whether asset share cover for a material proportion of the relevant policy benefits falls outside a broad range. It also notes that as the range is broad, changes in annual bonus rates should be expected to be relatively infrequent. The previous other considerations have been removed as they are no longer relevant or are covered in Principle 3.1.1.
Principle 4.1.1	This has been clarified to reflect that the wording regarding final bonus rates also relates to all payouts and market value reductions. Consequently, relevant wording regarding these has been moved from section 5 to section 4.
Practice 4.2.2	This paragraph has been added to clarify how market value reductions are applied.
Practice 4.2.5	This paragraph has been added to clarify when final bonus rates can be negative on conventional with-profits policies
Principle 5.1.2/ Practice 5.2.3	For clarity the word "normally" has been added to the statement that a similar approach to smoothing is normally adopted irrespective of the type of claim.
Practice 5.2.4	This paragraph has been added to clarify LVFS has the right to remove or reduce smoothing on all RNPFN with-profits policy payouts in exceptional circumstances. It notes the decision to do this will take into account the fair treatment of RNPFN with-profits policyholders, the expected cost of maintaining smoothing and the current and projected financial strength of the RNPFN Fund.
Practice 6.2.6	This has been amended to better reflect current practice regarding liquidity risk.

Practice 7.2.1	It has been clarified that the list of risks does not just include the key risks.
Practice 8.2.1/ 8.2.3	8.2.1 has been amended to clarify that only certain investment related expenses are applied to asset shares of relevant with-profits policies. There is a consequential change in 8.2.3.
Practice 8.2.6	Previous paragraphs 8.2.6 and 8.2.7 have been combined with the wording regarding outsourcing of management and administration services clarified to better reflect actual practice.

In addition, various other changes have been made to improve clarity. These include rewording, minor additional detail, removal of redundant or duplicate wording and moving wording to a different paragraph.

Changes in version 16 – 4 February 2022

The following lists the changes made in this version.

Paragraph	Change
1.4	The paragraph mentioning the transaction agreed in December 2020 by LV= with Bain Capital was removed. LV= members voted against the transaction in December 2021.
6.2.3	In determining the mix of assets for the Asset Pool used for Asset Shares in the RNPFN Fund, the investment strategy now also takes into account our assessment of with-profits policyholders' expectations regarding a level of risk to the return.
6.2.9	Previously this practice stated that the inherited estate of the RNPFN Fund may have a different investment strategy to that used for the Asset Pool used to support Asset Shares. This practice has been now been amended to clarify that the same investment strategy is now used.

Changes in version 15 – 30 September 2021

The following lists the material changes and the most material clarifications that have been made in this version.

Paragraph	Change
1.4	This paragraph now includes a clarification that the RNPFN Fund PPFM does not make any allowance for the transaction, agreed in December 2020 by LV= with Bain Capital that is subject to a future member vote.
Practice 3.2.1	Past practice has now been included as a factor in setting annual bonus rates.
Practice 5.2.4	This practice has been amended to state that now, in addition to the factors considered in 5.1.4, the decision whether or not to apply Market Value Reductions also takes into account the expected cost of not applying a Market Value Reduction relative to the size of the inherited estate of the RNPFN Fund.
Practices 6.2.2/6.2.3	LVFS now formally reviews the long-term investment strategy for the Asset Pool used for Asset Shares at approximately annual intervals. The strategy may also be reviewed more frequently e.g. if the external economic environment changes. Such reviews now take account of developments in investment practice and past communications to policyholders.
Practice 6.2.5	This practice now clarifies that investments in non-UK assets may be currency-hedged if this is felt appropriate to reduce the level of risk.
Practice 6.2.9	Previously this practice stated that the inherited estate of the RNPFN Fund may have the same investment strategy to that used for the Asset Pool used to support Asset Shares. This practice has been now been amended to clarify that the same investment strategy is now used.
Practice 7.2.1	The key risks to which the RNPFN Fund is exposed have been clarified.
Practices 8.2.1/8.2.2	These practices have been amended to clarify that the RNPFN Scheme has requirements which may result in the expenses charged to the RNPFN Fund being restricted, and if so, this may be reflected in reducing the charges applied to Asset Shares.
Practice 10.2.1	This practice has been amended to state that when the transfer of the existing RNPFN Non-Profit annuity business to the LVFS Fund is completed, new vesting annuities are transferred to the LVFS Fund.

In addition, extensive non-material changes have been made throughout to improve clarity or remove redundant wording.

Changes in version 14 – 30 September 2020

The following material changes have been made:

Paragraph	Change
Throughout	Change to clarify that this document is in respect of policies and their policyholders (rather than as members of LVFS).
Principles 2.1.2 & 6.1.1	Change to clarify that the RNPFN Supervisory Board provides advice to the Board, rather than views.
Practice 2.2.1	Change to clarify that death claims for conventional endowment policies are not considered to target asset share.
Practice 2.2.6	Change to clarify that where asset shares are used as a guide to payouts, the target range applies to all maturities, surrenders, transfers and death claims (except endowment death claims).
Practice 4.2.2	Change to clarify MVRs are not applied at the same time as a final bonus for tranches of premiums where used in setting payouts.
Practice 6.2.2	Change to clarify that a separate asset pool is held for all non-profit business.
Practice 7.2.6	Change to reflect that policyholders in the RNPFN Fund are not eligible for any exit bonus that LVFS allocate to its own eligible policies.
Practice 8.2.5	Change to clarify that the hedge in respect Guaranteed Annuity Options is not managed by Columbia Threadneedle Investments.
Practice 9.2.1	Change to clarify the frequency of the review of the level of the distribution of the RNPFN Fund inherited estate, and who provides advice to the Board regarding it.
Schedule of Disclaimers	The composition of the RNPFN Supervisory Board has been updated.

The following changes were also made:

Paragraph	Change
Introduction 1.4, and throughout	Added definition of "LVFS Fund" for the main fund of LVFS which then is used in various places in the PPFM.
Introduction 1.6	Removal of duplication regarding notice period for changes to principles.
6.2.3, 7.2.6, 9.2.1, Schedule of Disclaimers, Glossary	Minor improvements in wording.

This excludes a number of cosmetic changes.

Changes in version 13 – 2 January 2020

The following material changes have been made:

Paragraph	Change
Throughout	The name of the company has been amended to Liverpool Victoria Financial Services Limited following the conversion from a friendly society to a private company limited by guarantee on 2 January 2020, with the definition of LVFS in the glossary in Appendix 1 being amended accordingly.
1.1/1.2	The company information section (1.1) has been rewritten given the conversion, with some content being moved to a new section (1.2), resulting in subsequent sections being renumbered.

Changes in version 12.1 – 17 October 2019

The following material changes have been made:

Paragraph	Change
1.4/ Appendix 2	A new section has been added showing the policy types covered by this document with further detail added in a new Appendix 2.
Practices 2.2.4/ 2.2.5	Amendments have been made to clarify the actual practices used regarding documenting and changing methods, parameters and assumptions.
Practice 2.2.7	An amendment has been made to clarify how maintenance expenses are apportioned across LVFS (in line with similar wording in the LVFS Fund PPFM) and that no acquisition expenses are charged to the RNPFN Fund.
Practice 3.2.1	An amendment has been made to clarify that guaranteed benefits are called the "interest account" for accumulating with-profits (i.e. interest bearing) policies, with a rearrangement of some of the text.
Practice 3.2.4	A new practice has been added to clarify that no annual bonuses are paid on Guaranteed Moneybuilder policies.
Principle 6.1.1	An amendment has been made to clarify that the With-Profits Actuary (as well as the Life Chief Actuary) provide advice to the Board regarding the investment policy of the RNPFN Fund.
Practice 6.2.1	An amendment has been made to clarify that that the current long-term benchmark and actual investment mix for the with-profits fund is available on the website.
Practice 6.2.4	An amendment has been made to clarify that the Board delegates authority to approve changes in investment strategy and tactical investment decisions to its Investment Committee.
Practice 6.2.5	The paragraph regarding investing in new types of investments has been replaced with a more detailed description of the current practice.
Practice 7.2.6	A new practice has been added to clarify policyholders in the RNPFN Fund are not eligible for mutual bonus.
Practice 8.2.1	An amendment has been made to provide further detail of how charges are applied to asset shares.
Practice 8.2.5	An amendment has been made to reflect that the current agreement with Columbia Threadneedle Investments (CTI) now runs to 2023 and to clarify that all the assets in the RNPFN Fund are managed by CTI.
Principle 9.1.2.1	An amendment has been made to clarify that the inherited estate is used to provide statutory capital to meet reserving requirements (among other things) including providing capital to support the business in the RNPFN Fund.

The following changes were also made:

Paragraph	Change
Throughout	The phrase "the Society" has been replaced by "LVFS"
1.3/1.10/ Practices 2.2.8/ 2.2.11/7.2.5/ 8.2.1/8.2.2/ Schedule	Various minor rewording and rearrangement of text to improve readability.

This excludes a number of cosmetic changes.

Changes in version 11.2 – 1 April 2019

The following material changes have been made:

Paragraph	Change
Practices 2.2.1, 2.2.2, 2.2.7, 4.2.3, 5.2.2, 8.2.1	<p>Various practices have been changed in respect of the introduction of a new methodology to set payouts for conventional whole of life policies on 1 April 2019 by reference to their individual asset share. The practices with the key changes in are:</p> <p>2.2.1 which has the new methodology to calculate the payout, with the policy type being removed from the list of types of policy which use other methods to assess a fair return</p> <p>2.2.2/2.2.7/8.2.1 are amended in respect of expenses that are applied to asset shares for conventional whole-of-life policies.</p> <p>4.2.3 is amended to remove the use for a formulaic surrender basis for conventional whole-of-life policies</p> <p>5.2.2 is amended to introduce the smoothing methodology to be used for conventional whole-of-life policies</p>

Changes in version 11.1 – 1 July 2018

The following material changes have been made:

Paragraph	Change
Practice 2.2.1	A material change has been made to reflect the current approach to uplift payouts that would otherwise be below target range of asset share that is set for payouts (detailed in Practice 2.2.6) for those types of conventional policy where asset share is not considered to be targeted, except for Guaranteed Moneybuilders (as no Asset Share is set for these policies).
Practice 3.2.3	A material change has been made to simplify how interim bonus rates for conventional policies would be set given they are unlikely to change from the current level of zero.
Practice 9.2.1	A material change has been made to clarify that top-ups to ONE ISA policies made after dates quoted in this practice are not eligible for the distribution of the inherited estate of the RNPFN Fund. This is the case even if the original investment was eligible.

The following other changes have been made:

Paragraph	Change
Introduction 1.4 & 1.7, Schedule	Minor clarifications or improvements in wording have been made to better reflect how changes in the PPFM are communicated to policyholders, and that changes should satisfy relevant requirements of the 2001 and 2008 Schemes of Transfer in respect of the RNPFN business.
Introduction 1.5. Schedule	Minor clarifications have been made to reflect that the scope of the PPFM is only regarding the RNPFN Fund.
Introduction 1.6, Schedule	Minor clarifications in wording have been made to reflect that the RNPFN Supervisory Board provides "independent advice" to the LVFS Board as the With-Profits Committee for the RNPFN Fund, rather than "some independent judgement".
Practice 2.2.1	The description of how sample policies are used has been simplified.
Practice 2.2.10	A clarification has been made to reflect that charges for mortality risks are not relevant for some policy types.
Practice 5.2.2	A clarification has been made to reflect that smoothing for Interest-Bearing policies is performed by limiting the change in payout for the premiums paid in that calendar year.
Practice 8.2.1	Clarifications have been made to reflect that charges are applied to Asset Shares, and that VAT may be added on investment management fees.
Practice 8.2.4	A clarification has been made to note it is only the more material contracts that have fixed terms and provisions regarding termination.
Glossary	Amendments have been made to the definitions of "Final Bonus", "Unitised With-Profits Policy" and "With-Profits Committee".

In addition, there are also a small number of cosmetic changes.

Changes in version 10.1 – 1 August 2017

The following material changes have been made:

Paragraph	Change
Introduction 1.3	An amendment has been made to remove the requirement for the LVFS Board to certify each year to the FCA that the RNPFN with-profits business has been managed in accordance with its PPFM as this is no longer a regulatory requirement.
Principle 6.1.1.2	Investment policy is set subject to the constraint of the RNPFN Fund remaining solvent. An amendment has been made in respect of a new regulatory regime to state that solvent means maintaining a prudent level of free assets in excess of the Solvency Capital Requirement. The previous wording used an old regulatory regime definition of "Minimum Solvency Margin".

The following other changes have been made:

Paragraph	Change
Introduction 1.2 & 1.3	An amendment has been made to clarify the scope of policies covered by this PPFM.
Practice 2.2.1	An amendment has been made to clarify that non-standard policies receive the same final bonus rate as a standard premium-paying policy of the same duration.
Practice 2.2.10	An amendment has been made to clarify that the Society currently does not make a charge for the cost of guarantees and cost of capital in its asset share calculations.
Practice 5.2.4	A minor amendment has been made to clarify the types of policies that market value reductions and surrender and transfer bases apply to.
Practice 6.2.2	An amendment has been made to clarify separate asset pools with different investment strategies are also maintained for the liabilities for annuity policies and unit-linked policies, as well as the inherited estate.
Practice 6.2.3	An amendment has been made to clarify that if LVFS advances the RNPFN Fund a contingent loan, LVFS only receives the investment return on the amount advanced subject to it not giving rise to a deficit.
Practice 6.2.6	A new practice has been added to clarify that there is no hypothecation of assets applied in the asset pool used for asset shares.
Practice 7.2.3	An amendment has been made to clarify that, while profits or losses from business risks are not smoothed before they are used to determine payout amounts, they would then be smoothed in accordance with the normal smoothing mechanism (detailed in paragraph 5.2.2).
Glossary	An amendment has been made to the definition of 'Asset Pool' following the changes made to Practice 6.2.2

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

Changes in version 9.1 – 1 July 2016

The following material changes have been made:

Paragraph	Change
Practice 2.2.2 Practice 2.2.7 Practice 3.2.1	Amendments have been made to these practices to reflect the decision to treat interest-bearing policies as accumulating with-profits ones. Accordingly, Practices 3.2.5 and 3.2.6 have been deleted and minor adjustments also made to Practices 4.2.3, 4.2.4, 5.2.2 and 8.2.2.
Practice 3.2.2	The ability to change annual bonus rates for unitised with-profits policies more frequently than annually has been removed.
Practice 4.2.4	The level of the Terminal Bonus Enhancement is now reviewed quarterly rather than half-yearly.
Practice 6.2.3	Given the introduction of Solvency II, the definition of the deficit used to determine when the contingent loan is advanced to the RNPFN Fund has been changed to be when the RNPFN Fund is not compliant with its Solvency Capital Requirement.
Practice 8.2.1	A new paragraph has been added for the charges levied under accumulating with-profits policies.

The following other changes have been made:

Paragraph	Change
Principle 2.1.2	An amendment has been made to reflect the replacement of the role of the Actuarial Function Holder by the Life Chief Actuary under Solvency II. Similar changes have also been made to Principles 6.1.1 and 6.1.7. A definition of 'Life Chief Actuary' has also been added to the Glossary, replacing that for 'Actuarial Function Holder'.
Principle 2.1.6	A change has been made to delete the reference to the RNPFN Scheme, as it is inconsistent with the corresponding requirement in the Scheme.
Practice 2.2.1 Practice 5.2.2	For clarity, a change has been made to document the existing practice of using tranches of premiums within a policy to set final bonus rates for ISAs. The practice is now also used for accumulating with-profits policies.
Practice 2.2.1	For clarity, conventional with-profits whole-of-life policies have been added to the list of policies whose payouts are not based on their own asset shares. The layout of the paragraph has also been adjusted to improve readability.
Practice 2.2.6	An amendment has been made to clarify that target ranges do not apply when asset shares are not used to set final bonus rates.
Practice 3.2.1	For clarity, past communications to policyholders have been added as one of the items taken into account in setting annual bonus rates.

Practice 4.2.1	The text referring to 'guaranteed benefits plus final bonus' as being the total payout has been removed, as it is not relevant to surrenders and transfers.
Practice 4.2.1	Additional wording has been added to clarify that the Terminal Bonus Enhancement is used to enhance the asset share before setting the result to a minimum of the guaranteed benefits (so could leave the payout unchanged).
Practice 6.2.3	An amendment has been made to clarify that the contingent loan can increase as well as decrease.
Practice 8.2.1	Changes have been made to clarify that maintenance expenses include per-policy administration expenses and investment management fees.
Glossary	A new definition of 'accumulating with-profits policy' replaces the definition of 'interest-bearing policy', with a related change to the definition of 'annual bonus'. A definition of Solvency Capital Requirement has also been added.

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

Changes in version 8.1 – 1st July 2015

The following material changes have been made:

(a) PRACTICE 3.2.1

- The formal link between the level of regular bonus rates and gilt yields or expected future investment returns has been removed so as to make it clear that investment returns are just one of a number of factors taken into account when setting bonus rates. A comment has also been added that annual bonus rates are not expected to change significantly from their current levels.

(b) PRACTICE 6.2.3

- Additional wording has been inserted into the practice to reflect the enhanced disclosure requirements being introduced by the FCA from the beginning of 2016 for capital support arrangements in respect of with-profit funds.

(c) PRACTICE 2.2.1

- Additional wording has been inserted to reflect the decision to pay final bonus on Guaranteed Moneybuilder policies at the same rate as for the corresponding with-profits version of the policy.

(d) PRACTICE 6.2.4

- The practice has been amended to permit greater flexibility around the frequency of formal reviews of the long-term investment strategy for the RNPFN Fund. It is now proposed to conduct these in detail at least every three years, with less detailed reviews expected to be annual.

The following other changes have been made:

(e) PRINCIPLE 2.1.1

- The reference to the schedule of disclaimer has been removed, given that it is mentioned earlier in section 1.9.

(f) PRACTICE 2.2.1

- To improve clarity, minor amendments have been made to the descriptions of how eligible policies are enhanced and of how sample policies are set.

(g) PRACTICE 4.2.3

- The description of the surrender value basis for conventional with-profit policies has been clarified so as to reflect more closely the current practice of applying the final bonus rate for a maturity of the same duration to reduced guaranteed benefits.

(h) PRACTICE 5.2.2

- A minor amendment makes it clear that the limit on changes in payouts at a single final bonus review applies to policies of the same term.
- (i) PRINCIPLE 6.1.2
- A minor change has been made to use the term 'capital support' when referring to the contingent loan facility provided by LVFS to the RNPFN Fund.
- (j) PRACTICE 6.2.2
- The wording has been corrected, as the interest rate hedge applies to the guaranteed annuities under Moneybuilder policies as well as to those under pension policies.
- (k) PRACTICE 8.2.5
- The wording has been amended to reflect the change in name of Threadneedle Asset Management to Columbia Threadneedle Investments.

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

Changes in version 7.1 – 1st July 2014

The following material changes have been made:

(a) PRACTICES paragraphs 2.2.6, 4.2.4, 5.2.2 and 5.2.3

- Paragraph 5.2.2 has been amended to reflect a change in the approach to smoothing the value of with-profit policies. The investment returns for calendar years from 2014 onwards used in the calculation of final bonus rates will no longer be averaged over a rolling two-year period. Instead smoothing will be applied by limiting the change in the payout that can occur at each declaration of final bonus rates, normally to 5%.
- As a result of this change, paragraph 2.2.6 has been amended to reflect that the investment returns for calendar years prior to 2014, averaged over a rolling two year-period, have been consolidated into base asset shares.
- Paragraph 5.2.3 has been deleted, as the 20% upper limit on the change in payouts over a twelve-month period no longer applies under the new smoothing approach. As a consequence paragraphs 5.2.4 to 5.2.6 have been renumbered.
- An amendment has been made to paragraph 4.2.4 to reflect that it is now expected to review final bonus rates four times each year.

(b) PRACTICES 2.2.11

- A new paragraph has been added to make it clear that payments under the subordinated debt raised by the Society in May 2013 rank behind discretionary as well as guaranteed benefits under RNPFN with-profit policies.

The following other changes have been made:

(c) PRACTICES 2.2.1

- The wording has been amended to clarify that payouts under paid-up policies do not target the underlying asset share.

(d) PRACTICES 3.2.2

- The wording has been amended to clarify that only regular bonus rates under unitised with-profit policies can be reset between annual reviews. The description of the trigger for the reset has also been clarified, with a similar change being made to Practice 3.2.4.

(e) PRACTICES 3.2.5 and 3.2.6

- Two new paragraphs have been added describing the approach taken to set interest rate additions under Deposit Administration policies.

(f) PRINCIPLES 5.1.1 and 5.1.2

- The order of Principles 5.1.1 and 5.1.2 has been reversed.

(g) SCHEDULE

- The description of the RNPFN Supervisory Board has been updated.

(h) GLOSSARY

- Definitions of "Interest-Bearing Policy", "Interim Bonus" and "Subordinated Debt" have been added.

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

Changes in version 6.1 – 1st July 2013

The following material changes have been made:

(a) PRACTICES paragraph 2.2.6

- This change allows the investment strategy of the inherited estate of the RNPFFN Fund to differ from that of the asset portfolio backing RNPFFN with-profits policy asset shares. Corresponding amendments has been made to Practices 6.2.1 and 6.2.2.

(b) PRACTICES paragraph 4.2.4

- The restriction on changing final bonus rates at a mid-year review only if the payout moves by at least 5% has been deleted as it was difficult to interpret in practice.

The following other changes have been made:

(c) INTRODUCTION

- Amendments have been made to reflect the replacement of the Financial Services Authority with the Prudential Regulation Authority and the Financial Conduct Authority on 1st April 2013.
- A statement has been inserted to highlight that the Practices set out in the PPFM may be changed in the future.

(d) PRACTICES 2.2.2

- The wording has been clarified to reflect that information on product charges can appear in Key Features and other customer documents, as well as policy conditions. A similar change has been made to Practices 2.2.7 and 8.2.1, and to Principle 8.1.1.

(e) PRACTICES 2.2.6

- A statement to clarify the frequency with which investment returns are calculated has been added.

(f) SCHEDULE

- A sentence has been added to the Governance Arrangements section to highlight the fact that advice is provided by the With-Profits Actuary.

(g) GLOSSARY

- Definitions of "Asset Pool" and "RNPFFN Supervisory Board" have been added.
- The definition of "Conventional With-Profits Policy" has been improved.
- The definition of "Miscellaneous Surplus" has been removed as it is not relevant to the RNPFFN Fund.

The above list excludes a few minor clarifications and improvements.

Changes in version 5.1 – 1st July 2012

The design of the document has been enhanced so that each set of Principles is accompanied by the corresponding set of Practices, rather than listing all the Principles followed by all the Practices as in previous versions. As a consequence, the numbering of the paragraphs in the document has changed. The following other changes have been made (using the new numbering):

- (a) PRACTICES paragraph 2.2.1
 - The paragraph has been amended to clarify that policies where regular premiums have ceased are currently subject to the same scale of bonus rates as similar policies where premiums are continuing to be paid.
- (b) PRACTICES paragraphs 2.2.7, 8.2.1 and 8.2.3, PRINCIPLE paragraph 8.1.1
 - The description of the charges levied on policy asset shares has been clarified.
- (c) PRINCIPLES paragraph 5.1.4
 - The qualification that the use of Market Value Reductions to reflect movements in the underlying asset share is subject to meeting statutory solvency requirements has been removed following change in regulation.
- (d) PRACTICES paragraph 8.2.1
 - The detail of the different types of charge under the unitised with-profit ISA policy has been removed.
- (e) PRACTICES paragraph 8.2.4
 - The sentence saying that fixed term outsourcing contracts contain a clause allowing them to be terminated with the payment of compensation to the outsourcer has been deleted as it no longer applicable.

Changes in version 4.6 – 1st April 2012

The following material change has been made.

(a) PRACTICES paragraph 3.1.6

- The section has been updated to reflect that the Society aims to make payouts on maturing, surrendering and transferring policies that are between 80% and 120% of Asset Share.

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.

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.

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.

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.

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.
- PRACTICES paragraph 1.3(4)
- This paragraph was amended to reflect revised permissible credit risk in the Fund.

(b) PRACTICES paragraph 1.5(3)

- This paragraph has had a minor clarification of wording.

(c) PRACTICES paragraph 1.5(4) and paragraph 1.7(3)

- The web-site address has been updated.

(d) PRACTICES paragraph 1.8(2)

- This paragraph has been amended to allow for different investment strategies between the main WP Fund and the Estate.

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.

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.

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.

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.

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