

Fixed Term Annuity

Your guide to how we manage our with-profits Fixed Term Annuity (Protected Retirement Plan) Fixed Term Investment (Protected Retirement Plan) business

1 Introduction

This guide explains how we look after our with-profits business.

If you have one of the following products this guide applies to you:

- LV= Fixed Term Annuity (Protected Retirement Plan)
- LV = Fixed Term Investment (Protected Retirement Plan)

The purpose of this guide is to explain how these products work. On top of the benefits under the plan conditions, the member is eligible to receive a **mutual bonus**. At the end of the guide there is a helpful glossary of some of the financial and insurance terms we've used. The terms in bold font are those that you'll find in the glossary.

There are separate guides for LV= ISA, other with-profits policies and plans, and also for the with- profits business in the **RNPFN Fund** and **Teachers Assurance Fund**. You can download a copy from our website LV.com, or we'll be pleased to send you one.

To put this guide into context, it might help to read it with your:

- Key Features document or, for the Fixed Term Annuity/Fixed Term Investment .
- Plan Conditions.

For more information, you can ask your financial adviser or alternatively, visit LV.com if you need to download copies of the Key Features Document or Plan Conditions mentioned above.

Please keep this guide safe along with your other documents.

To make this guide easier to read we've used the word plan when referring to the products listed above.

2 Background on LVFS

We've been looking after our customers' money since 1843.

All our with-profits business, such as the plan you invest with us, is held within Liverpool Victoria Financial Services Limited (LVFS). We combine your money with other investors' money and manage it on your behalf. There are other types of plans or policies in LVFS, together with its **inherited estate** (explained in section 7).

LVFS is a mutual company limited by guarantee which means we have no external shareholders but are owned by our members, such as you.

3 What's the aim of our with-profits business?

First and foremost, we want to give you a fair return on your investment. We have different groups of with-profits policyholders, with different plans started at different times, and with different terms. We always try to treat our policyholders fairly when there are any conflicting interests between them.

4 How do we decide the return on your Plan?

Your main benefits are detailed in the plan conditions.

As a member you are eligible to receive a **mutual bonus**, to provide you with a fair share of the **inherited estate** being distributed. If a **mutual bonus** is declared by the LV= Board, after you have held your plan for 12 months, we will add the **mutual bonus** to your plan. The LV= Board will declare the **mutual bonus** each year which could be zero. Once declared, the **mutual bonus** rate is applied to the initial investment less any benefits received accumulated to the point of the bonus declaration. The rate used for accumulation is the investment return priced into your plan. We reserve the right to claw back some or all of the **mutual bonus** previously declared (see section 6). The **mutual bonus** will be paid out with the final amount due under the plan as explained in the Key Features Document. If your plan has a Guaranteed Maturity Value it will be paid out with that amount at the end of the term. If your plan is income only it will be paid out at the same time as the last income payment. If your plan ends early, due to you surrendering the plan (this is called the conversion option in the Plan conditions) or death, it will be paid out at that time.

5 What expenses are charged to your plan?

The guaranteed benefits that you receive from the plan have been calculated to take account of our expenses. There are no extra plan charges.

6 What business risks can affect with-profits policies in LVFS?

The profits or losses from all business risks within LVFS are credited to or borne by the **inherited estate** and may, if the LV= Board determines to allocate such profits or losses, influence the amount of **mutual bonus** payable on your plan. Note that any distribution of profits are currently added as **mutual bonus**, noting these can be removed or reduced (see section 8).

New business will only be accepted into LVFS if, in the opinion of the LV= Board, the terms on which the business is effected are likely to have no adverse effect on the interests of the existing with- profits policyholders in LVFS nor threaten the ability of LVFS to meet its commitments to its members.

The other key business risks of LVFS arise from:

- variations in such factors as policy longevity, annuity take-up rates and the proportion of policies in-force that are not expected to claim and expenses



- higher contributions associated with staff defined benefit pension schemes
- exceptional or unexpected expenses
- compensation to policyholders, resulting from mis-selling and maladministration
- variations in costs of guarantees, options and smoothing
- the value of the investments of the inherited estate of LVFS
- the risk that the **RNPFN Fund** and the **Teachers Assurance Fund** cannot meet their liabilities.

7 What's the 'inherited estate' and how do we use it?

The **inherited estate** means the excess of the assets of LVFS over all its liabilities. It's money that has built up from the profits since we began in 1843.

The **inherited estate** provides capital to meet the regulatory reserving requirements in excess of the realistic liabilities of LVFS, supports its business risks and helps support its regulatory capital requirements. In doing this the capital provided by the **inherited estate** supports LVFS's ability to invest in assets delivering higher returns to policyholders while maintaining guaranteed benefits, and the ability of LVFS to accept new business.

There are currently no constraints on the LV= Board's freedom to deal with the **inherited estate** of LVFS or any obligation on the Board to distribute the inherited estate to the current generation of members, other than in respect of certain expected future distributions for with-profits plans not covered by this guide.

8 What's the mutual bonus?

Our **mutual bonus** rewards eligible members, like you, for their support of the development and growth of Liverpool Victoria Financial Services (LV=). It is not a guaranteed benefit and the amount can vary.

Our aim is to distribute our profits – via the **mutual bonus** – in a broadly stable and sustainable way, by maintaining our profitability and capital position. The **LV= Board** has full discretion and freedom when deciding to award a **mutual bonus**. The decision to award a **mutual bonus** is guided by the **Board's** overriding responsibility to balance the need to deliver for members both today and in the future, against LV's investment needs and projected financial strength of the fund. The **Board** could make adjustments or significant changes to the rates if circumstances require it. For example, if the current performance or capital position of the business differs materially from the business plan. Any past **mutual bonus** could be reduced or removed, though could be reinstated at a later date.

The rate of **mutual bonus** we will award for the plans in scope of this document is at the level that we award for newer style with-profits plans which pay a **mutual bonus** on top of the benefits detailed in their plan conditions.

Currently any such **mutual bonus** is added to your plan and are kept separate from any guaranteed benefits. This will be added to the amount we pay out to you when your plan ends.

For plans such as yours, no **mutual bonus** is declared until it has been in force for 12 months. Further information about **mutual bonus** can be found at [LV.com/mutualbonus](https://www.lv.com/mutualbonus)

9 What would happen if we stopped accepting new business?

We'll let people invest in LVFS as long as we feel it's in the interests of both our existing and new with-profits policyholders and doesn't threaten the ability of LVFS to meet its commitments to its members.

If we did ever stop accepting new business and closed LVFS, we'd share out its **inherited estate** in an equitable manner over the lifetime of the remaining with-profits plans held in LVFS.

If this happened we might change the way we manage the fund, including the investment strategy.

10 Once I have invested, if anything should happen to LVFS is my Fixed Term Annuity or Fixed Term Investment safe?

If we ever did get into financial trouble and could not honour our commitments, you may be entitled to compensation from the Financial Services Compensation Scheme. If you are eligible to claim under the scheme, the compensation you could get depends on the type of product you have. For this type of policy, the scheme covers 100% of the claim. The scheme's first responsibility is to seek continuity rather than to pay compensation.

For more information, go to [fscs.org.uk](https://www.fscs.org.uk) or call 0800 678 1100 or +44 207 741 4100 – see here [fscs.org.uk/contact-us/](https://www.fscs.org.uk/contact-us/)

11 How to find out more

We hope you've found this guide useful. To find out more about the technical details of our with-profits business, please read our Principles and Practices of Financial Management (PPFM) booklet.

On our website [LV.com](https://www.lv.com) you'll find the latest version of this guide, the more technical PPFM and annual reports on how we've managed the fund compared to our PPFM. If you would like us to send you a copy of any of these documents please let us know.

If you have any questions regarding this document, please contact us or your financial adviser.

13 Glossary

Word/Phrase	Definition
Board	The individuals elected by LVFS members to oversee the management of LVFS on their behalf.
Financial strength	Financial strength is measured by how much the value of an insurer's assets exceed the value of its liabilities. It is an indicator of the insurer's ability to withstand adverse economic conditions.
Inherited Estate	Information on the inherited estate can be found in section 8 of this guide.
Insurer	A company or mutual organisation that provides insurance products to the general public.
LVFS	Liverpool Victoria Financial Services Limited.
Members	As a with-profits policyholder, you are also a member of LVFS. LVFS is owned by its members, who can have their say in the running of LVFS through its Annual General Meeting. Members can also receive other benefits. For full details, please see our website at LV.com/members
Mutual bonus	Information on mutual bonus can be found in section 8 of this guide.
RNPFN Fund	The RNPFN Fund is a ring-fenced fund within LVFS which includes the RNPFN with-profits policies. LVFS took over the RNPFN business in 2001.
Teachers Assurance Fund	The Teachers Assurance Fund is a ring-fenced fund within LVFS which includes Teachers with-profits policies. LVFS took over the Teachers business in 2016.

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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