Liverpool Victoria Financial Services Limited

LVFS Fund PPFM

Summary of Changes

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

Changes in version 41 – 16 July 2026

The following lists the main changes made in this version.

Paragraph	Change
2.2.4, 2.2.5, 2.2.10	Practice 2.2.4 in the previous version has been split into two new practices (2.2.4 and 2.2.5) and slightly reworded, with practices up to 2.2.10 being renumbered. Previous practice 2.2.11 has been incorporated into practice 2.2.10
2.2.19, 2.2.28	These practices have been amended to clarify the default 10-working day waiting period on fund switches for Flexible Guarantee Bond Series 3 and Flexible Guarantee Funds Series 2 policies and third generation unitised with-profits policies.
2.2.20	This practice has been amended to clarify that, for relevant policies, the current smoothing approaches were set up with the long term aim of making total aggregate payouts of 100% of Asset Share.
2.2.26	The practice was amended to reflect the position following the issue of new LVFS Group's Subordinated Debt, which replaced the previous debt.
3.2.5	This practice has been amended to clarify that for conventional with-profits policies, LVFS increases guaranteed benefits for annual bonus declared in respect of a particular calendar year during the following calendar year.
5.2.4	This practice has been amended to clarify that while LVFS normally applies the same approach to each type of policy irrespective of the type of claim (subject to the distinctions in paragraphs 5.2.3), this could change in exceptional circumstances.
7.2.2	The practice has been amended to clarify there is a business risk to the LVFS Fund from potentially not being able to charge certain costs to the RNPFN Fund and/or Teachers Assurance Fund due to reasons of fairness.
8.1.3	A new Principle has been added to clarify that the investment return allocated to Asset Shares of with-profits policies (or, for third generation unitised with-profits policies, to investment fund options) is net of certain investment related expenses. The following Principle has been renumbered.
8.2.1	This practice has been amended to clarify that the LVFS internal fair value framework can lead to charges being reduced appropriately.
8.2.5 2.2.10, 2.2.12, 2.2.28, 8.2.2, 8.2.3, 8.2.4, 8.2.8	This new practice (8.2.5) sets out how the investment return applied to Asset Shares of policies (or for third generation unitised with-profits policies through the progression of the price of units allocated to the policy) is net of expenses incurred as a result of buying and selling assets. The following practices in section 8.2 have been renumbered. There are also consequential changes to the other practices detailed.
9.2.4 to 9.2.26	Various non-material amendments have been made to simplify or reword the some of the practices explaining how estate distributions work (including how mutual bonus rates are set). This includes the removal of previous practice 9.2.12 and splitting previous practice 9.2.15 into two practices, with consequential renumbering of paragraphs.
9.2.15, 9.2.18, Glossary	References to the Flexi Guarantee Plan have been removed as there are no longer any such policies in force.
10.2.5	This new practice has been added to clarify that where any policyholder in the RNPFN Fund exercises the option to take their benefits as a non-profit annuity, the policy is then transferred to the LVFS Fund in accordance with paragraph 10.2.1 for the PPFM of the RNPFN Fund on terms that are regularly reviewed.

12	This has been amended to reflect that with-profits policyholders have no entitlement to receive the Asset Shares on their policies (where these are used) unless specified in policy conditions.
Appendix 1	The glossary has been amended with various definitions added, amended or removed (if no longer used).

Other non-material changes have been made to amend text purely for clarification purposes or to remove now redundant wording.

Changes in version 40 – 1 April 2026

The following lists the changes made in this version.

Paragraph	Change
2.2.4	This practice, relating to how exit bonus is added to asset shares, has been removed following its cessation on 1 April 2026. The following practices in section 2.2 have been renumbered.
2.2.27	The wording has been amended to clarify that with-profits fixed term annuities have discretionary benefits, and to add a missing reference to miscellaneous surplus distributions made before 2011
4.2, 7.2.6, 9.1.5, 9.1.6, Glossary	The wording of various principles and practices has been amended to reflect the declaration of the one-off bonus for eligible policies on 1 April 2026 and that exit bonus ceased from 1 April 2026.
6.2.10	The practice has been amended to remove the wording on how the assets supporting future distributions of exit bonus are invested
7.2.5	This practice, relating to how the exit bonus rate is determined, has been removed. The following practice has been renumbered.
9.2.15	The practice has been amended to reflect the declaration of one-off bonus on 1 April 2026.

Other minor non-material changes have been made for clarification purposes.

Changes in version 39 – 19 November 2025

The following lists the changes made in this version.

Paragraph	Change
6.1.7, 7.2.2	The RNPFN Fund's capital support facility was removed from 1 November 2025. Accordingly, Principle 6.1.7 which dealt with the facility has been deleted, and the reference to the facility in Practice 7.2.2 has also been deleted.

Changes in version 38 – 1 November 2025

The following lists the changes made in this version.

Paragraph	Change
2.2.19	This practice has been amended to: a) Detail the change in the method from 1 November 2025 used to calculate lump sum benefits for all conventional with-profits pension policies (except Person Pension policies taken out after 1 January 1995) if policyholders retire later than a specified date. b) Detail the methods used to recalculate guaranteed annuity benefits if the retirement date is changed or if premiums cease early for all conventional with-profits pension policies, including the change in the method from 1 November 1995 used for all policies (except Person Pension policies taken out after 1 January 1995) if policyholders retire later than a specified date.

Other minor non-material changes have been made for clarification purposes.

Changes in version 37 – 17 July 2025

The following lists the change made in this version.

Paragraph	Change
1.5	This has been amended to make it clear there are no restrictions on LVFS's ability to change the practices, beyond any requirements set out in regulations.
2.2.1/2.2.16	These practices have been amended to clarify that, as intended, mortality rebates and charges (i.e. increases and decreases) can be made to Asset Shares of surviving policies for with-profits annuity policies. Previously only increases were referred to.
2.2.7/2.2.8	These two practices have been swapped so they are in a more logical order. The practice now numbered 2.2.8 has been amended so it's clearer how top-up bonus rates and declared investment returns are determined.
2.2.16	This practice has been amended to clarify that for OB Pensions policies a mortality charge can be made in the minor number of instances where Asset Share is below the death benefit.
2.2.22	This practice has been amended to include the target ranges now to be used, together with the factors used to set them, for conventional with-profits, accumulating with-profits and first generation unitised with-profits policies.
4.2.1/4.2.6/4.2.8/4.2.9/4.2.10/4.2.11	These practices have been amended to make it clearer that payout amounts include any Mutual Bonus, One-off Bonus and Exit Bonus.
5.1.1/5.2.5	Principle 5.1.1 has been reworded to include that with-profits fixed term annuity policies do not use smoothing. This was previously stated in practice 5.2.5 which has been deleted.
6.2.2	This practice now mentions the company policy which sets out controls and limits for those issuing investment instructions.
6.2.3/Glossary	In accordance with Principle 6.1.1, this practice now includes "responsible investment" as one of the factors used to set the investment strategy. A "responsible investment" definition has been added to the Glossary).
6.2.5	This practice has been amended to better reflect how derivatives will be used in future (the previous wording said derivatives were only used in limited proportions).
6.2.6	This practice has been amended to remove All-In-1 Investment Bonds and Guaranteed Capital Bonds from the list of products where investment returns are hypothecated, as since February 2025 they are invested in actual asset pools.
6.2.7	This practice has been amended to reflect certain types of conventional with-profits policies, where payouts are now set monthly rather than quarterly, are no longer moved into cash when payouts are set. This practice has also been amended to clarify that when payouts for With Profits Pension Annuity and Pension Income Plus Annuity policies are set, the expected amounts to be paid are moved into cash as this was not mentioned before.
6.2.11	This practice has been amended to explicitly mention the Prudent Person Principle as one of the considerations before investing in new types of investments.
7.2.2	This practice has been amended to remove the Ockham Pension Scheme as it is no longer key business risk.
7.2.3	This new practice has been added to recognise that reinsurance is used (and insurance can be used) to manage business risks. The subsequent practices in section 7 have been renumbered.
8.2.1	This practice has been amended to clarity that the LVFS fair value framework helps to assess the fairness of all charges for expenses applied to policies, rather than just in the limited situation previously mentioned.
8.2.5	This practice has been amended to clarify that certain investment-related operational services are also outsourced.
Glossary	The glossary (Appendix 1) has been amended with various definitions added or amended.

Minor non-material changes have been made to other practices for clarification purposes.

Changes in version 36 – 14 April 2025

The following lists the change made in this version.

Paragraph	Change
5.2.3	This practice has been amended to reflect the change in smoothing approach for conventional with-profits pensions where from 1 April 2025 smoothing is normally applied using a geometric average of the previous two years of investment returns. Payouts from 14 April 2025 reflect the new approach.

Changes in version 35 – 1 March 2025

The following lists the changes made in this version.

Paragraph	Change
1.3/2.2.1/2.2.2/ 3.2.1/4.2.11/ 7.2.4/8.1.1/ 9.2.7/9.2.18/ Appendix 2	These have been updated to reflect the launch of the With-Profits Fixed Term Annuity product.
2.2.5/2.2.8	These practices have been amended to reflect the change in payout methodology from 1 March 2025 for conventional with-profits endowment policies. An individual asset share approach is now used to set payouts so these policies have been removed from practice 2.2.5.
2.2.9	In connection with the change in payout methodology for conventional with-profits endowment policies, this practice reflects the change in how the death benefit is calculated.
2.2.30	A new practice has been added to describe the benefits and features of the With-Profits Fixed Term Annuity product
4.2.3	In connection with the change in payout methodology for conventional with-profits endowment policies, this practice has been amended to reflect we now expect to set payouts on a monthly basis.
5.2.3	In connection with the change in payout methodology for conventional with-profits endowment policies, this practice has been amended to state that smoothing is now normally applied using the geometric average of actual investment returns over the previous two years.
5.2.5/6.2.14	These new practices have been added in connection with the launch of the With-Profits Fixed Term Annuity product to state that no smoothing is applied (5.2.5), and to describe how it is priced and invested (6.2.14).
8.2.2/8.2.7	These practices have been updated in connection with the launch of the With-Profits Fixed Term Annuity product to state that charges for expenses are implicit in the main benefits offered under the contract.
8.2.4	In connection with the change in payout methodology for conventional with-profits endowment policies, this practice has been amended to reflect that from 1 October 2024 their expenses are each totalled and charged to individual Asset Shares via a percentage charge.
9.2.9/9.2.10	These practices have been updated in connection with the launch of the With-Profits Fixed Term Annuity product to reflect how Mutual Bonus is allocated to them.
Glossary (Appendix 1)	The 'Miscellaneous Surplus' and 'Mutual Bonus' glossary definitions have been updated to incorporate the With-Profits Fixed Term Annuity product. A new 'With-Profits Fixed Term Annuity policies' glossary definition has been added.

Changes in version 34 – 1 August 2024

The following lists the changes made in this version.

Paragraph	Change
2.2.5/2.2.6/ 2.2.8	Practice 2.2.6 has been added to reflect the change to how asset shares are calculated for all individual Ordinary Branch conventional whole-of-life policies from 1 August 2024, with subsequent practices being renumbered. As a result, references to Ordinary Branch conventional whole-of-life policies have been removed from Practices 2.2.5 and 2.2.8 (previously 2.2.7).
2.2.9	This has been amended to reflect the death benefit introduced for Ordinary Branch conventional whole-of-life policies on 1 August 2024, with some minor rewording of the Practice for clarity.
2.2.13/6.2.13/ Glossary	These have been reworded for clarity and to define the Main Asset Pool.
4.2.2	This has been amended to reflect changes in how payouts are set for Ordinary Branch conventional whole-of-life policies from 1 August 2024, with some minor rewording of the Practice for clarity.
5.2.3	The wording has been amended to state that the change in payouts were not smoothed as a result of the alteration to how payouts are set for Ordinary Branch conventional whole-of-life policies on 1 August 2024. The similar wording for the alternation to how Industrial Branch conventional whole-of-life policies are set was reworded for consistency.
6.2.10	This has been amended to reflect the change in investment strategy for the portion of the inherited estate used to support future distributions of Exit Bonus. The approach is now fully to be in line with asset shares.
7.2.2	The risk that the LVFS Fund will have to rebate part of the investment costs incurred in respect of the Teachers Assurance Fund in certain circumstances has been removed as the rebate does not apply with the appointment of BlackRock as the primary asset manager.
8.2.3/8.2.4	These have been amended to reflect the new method of applying per policy maintenance expenses introduced as part of the alteration to how payouts are set for Ordinary Branch conventional whole-of-life policies on 1 August 2024. There has also been some minor rewording for clarity.
Glossary	The definition of sub-ordinated debt was amended following changes in where the debt is now held within the LVFS Group.

Other non-material changes have also been made for clarification purposes only**.**

Changes in version 33 – 12 April 2024

The following lists the change made in this version.

Paragraph	Change
8.2.5	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 32 – 21 February 2024

The following lists the changes made in this version.

Paragraph	Change
2.2.5	This practice has been amended to reflect the change to how granular sample policy asset shares for are calculated for Industrial Branch conventional whole-of-life policies from 21 February 2024.
2.2.8	This has been amended to reflect the change in the death benefit for Industrial Branch conventional whole-of-life policies from 21 February 2024. There is an increase in the death benefit for premium-paying policies. In addition, death benefits for policies where premiums have ceased early are calculated assuming that premiums are maintained in full less a deduction for missed premiums for a 12 month period starting from when premiums cease.
5.2.3	The wording has been amended to state that for the declaration of final bonus rates for Industrial Branch conventional whole-of-life policies on 21 February 2024, no smoothing was applied to changes in final bonus rates in respect of the alteration to how payouts are set on that date.
2.2.5/ 2.2.8/ 4.2.2 8.2.4	The wording of these practices has been amended for clarity.

Changes in version 31 – 20 December 2023

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

Paragraph	Change
6.2.10	This practice has been amended to reflect the change in investment strategy for the portion of the inherited estate used to support future distributions of Exit Bonus. It now uses a blended approach based on cash and asset shares with the aim of increasing it fully to be in line with asset shares during 2024.

Changes in version 30 – 23 November 2023

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

Paragraph	Change
5.2.3	This practice has been amended to reflect the change in smoothing approach for Ordinary Branch conventional with-profits whole-of-life policies to use a geometric average of the previous two years of investment returns.
6.2.8	The wording has been amended to clarify that LVFS aims to manage its liquidity position to avoid any constraints on estate distribution.
6.2.10 / 7.2.2	The wording has been amended to reflect the new Estate Distribution Policy (see section 9.2).
7.2.3	The wording in this practice regarding how Mutual Bonus rates were previously set has been removed given the new Estate Distribution Policy (see section 9.2).
9.1.2/9.2.2	Principle 9.1.2 has been clarified to refer to other capital resources with a new Practice 9.2.2 stating these are currently provided by the Subordinated Debt. The previous Practice 9.2.2 is now covered in the summary of the new Estate Distribution Policy added to section 9.2.
9.2.3 to 9.2.27	New practices have been added to summarise the new Estate Distribution Policy. The key aspects of the new policy are: • The range of factors the LVFS Board considers in deciding whether to declare a Mutual Bonus has been clarified. In particular, that 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 LVFS's investment needs and projected financial strength of the fund. • The approach for sharing the company's past and current profits between policyholders, whilst maintaining their relative interests in the inherited estate of the LVFS Fund has been amended. LVFS now set ratios of the Mutual Bonus rates for different groups of policyholders to give very similar outcomes to before. In addition, the new policy allows for One-off Bonuses to be declared at the Board's discretion in the same form as Mutual Bonus. One-off Bonus has been added in various other paragraphs in the document.
10.1.2 / 10.2.4	The wording has been amended to clarify that in the event of the LVFS Fund permanently ceasing to take on new business, the Board would change the Estate Distribution Policy.

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

Changes in version 29 – 1 August 2023

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

Paragraph	Change
1.5	The wording has been amended to provide more detail.
2.2.1	The wording has been amended to clarify that the Asset Shares can be used to guide the amount payable as a regular annuity and they also reflect previous regular annuity payments and partial payouts, and also that Asset Shares can be uplifted in the circumstances described in paragraph 2.2.15.
2.2.5	The wording has been amended to clarify that claims paid in accordance with paragraphs 2.2.7 and 2.2.8 also have a final bonus calculated using representative policies and to reword, for clarity, the explanation regarding why no Asset Share is calculated for conventional with-profits pensions in payment.
2.2.6/4.2.10	The wording has been amended to make it clear that for both With Profits Pension Annuity policies and Pension Income Plus Annuity policies, payouts are set so as to pay out the Asset Share over the expected lifetime of sample policies. Similar wording was previous included in 4.2.10 in respect of Pension Income Plus Annuity policies only.
2.2.15	The wording in 2.2.15 has been amended to make it clear that for With Profits Pension Annuity policies and Pension Income Plus Annuity policies additions can be made to Asset Shares in respect of surviving policies. It has also been clarified that mortality experience is assessed and applied in Asset Shares by product series.
2.2.27/7.2.3/ 7.2.4	The wording has been amended to include a reference to regular annuity payments.
3.2.6	A new practice has been included to provide the considerations when a new series of annual bonus rates would be introduced.
4.2.5	The practice has been amended to clarify the frequency of calculation for final bonus rates for first generation unitised with-profits policies and Appropriate Personal Pension policies.
4.2.9	The wording has been amended to clarify that LVFS currently sets top-up bonus rates once a year on the policy anniversary for With Profits Pension Annuity policies.
5.2.3	The wording has been amended to reflect the change in smoothing approach for Pension Income Plus Annuity policies to use a geometric average of previous two years of investment returns. In addition, there were minor amendments for clarity in the descriptions of smoothing approaches for other types of policies.
6.2.5	The wording has been amended to clarify that derivatives are used to a limited extent for the purpose of efficient portfolio management and risk reduction.
6.2.7	The wording has been amended to clarify that a) for conventional life with-profits policies the expected payouts on each quarterly declaration are moved into cash to hedge them from market movements and b) smoothing profits and losses from expected claims are hedged for the majority of with-profits policies.
6.2.10	The wording regarding the investment strategy of the inherited estate has been amended to clarify that it includes its non-profit business and subsidiary companies as assets.
8.2.1	The wording has been amended to reflect that an internal fair value framework is used to assess fairness of charges.
8.2.5	The wording regarding the investment manager has been amended to reflect the current position.
9.1.4/9.2.1/ 9.2.2	The wording of 9.2.1 has been expanded to include reference to LVFS' capital management policy which includes a target operating range for regulatory capital. There are minor consequential changes to 9.1.4 and 9.2.2.

10.2.1	A new practice has been included to clarify that, in respect of 10.1.1, profitability of new business is monitored.

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

Changes in version 28 – 1 March 2023

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

Paragraph	Change
2.2.28	The wording has been amended to reflect that some new third generation unitised with-profits policies do not have the option to select a guarantee.
5.2.3	The wording has been amended to reflect that for Industrial Branch conventional with-profits whole-of-life policies, from 1 January 2023 smoothing is applied by smoothing investment returns by the geometric average of the returns over the previous two years. The new approach was reflected in payouts from the 1 March 2023 declaration.
6.2.9 / 7.2.2	The wording has been amended to reflect that the portion of the inherited estate used to support future distributions of Mutual Bonus and Exit Bonus derived from proceeds from the sale of LVFS's general insurance business is now invested in cash-based assets and, given that, how the policyholder expectations regarding Mutual Bonus rates are preserved
Appendix 2	The list of policies covered by the PPFM has been updated to include the following as third generation unitised with-profits policies: • LV= Smoothed Managed Funds Pension Series 1 (available via our LV= Pension Portfolio and LV= Junior Pension Portfolio) • LV= Smoothed Managed Funds ISA Series 1 (available via our LV= ISA Portfolio and LV= Junior ISA Portfolio)

Changes in version 27 – 19 December 2022

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

Paragraph	Change
Throughout	Various references to members of LVFS have been has been amended so it is clear that references to members are only in the context of membership of LVFS, and that policyholder is always used when policyholder is meant. Various amends have also been made to recognise LVFS needs to meet the expectations of both policyholders and members (as well as commitments to them).
Principle 2.1.2	The exceptions to this principle for death claims have been clarified.
Principle 2.1.4	The reasons why the Board may change historical assumptions have been clarified to include references to 2.1.1 and 2.1.2.
Practice 2.2.1/ 2.2.20-2.2.23	The wording in 2.2.1 has been clarified as to which policy/claim types use asset shares "as a guide", or use them directly in accordance with policy conditions, or do not use them. In connection with this: - In 2.2.20 the situations where the long term aim of making total aggregate payouts of 100% of Asset Share applies has been clarified. - In 2.2.21/2.2.22/2.2.23 the situations when the target range applies, and when it does not, have been clarified.
Practice 2.2.12	The wording has been amended to reflect the change in mix of assets underlying the asset shares of With Profits Income Bonds.
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 new practice has been added to clarify which policies section 3 applies to.
Practice 3.2.2	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, previously in 3.2.1 and 3.2.2, have been removed as they are no longer relevant or are covered in Principle 3.1.1.
Practice 3.2.3	The wording has been amended to reflect the change that annual bonus rates for Appropriate Personal Pension policies may be reviewed more frequently than annually.
Practice 3.2.4	The wording has been amended to reflect the change that LVFS does not set a maximum amount by which annual bonuses would alter if a change is made.
Principle 4.1.1	This has been clarified to reflect that the wording regarding final bonus rates also relates to other rates of a similar nature, market value reductions and surrender values. Consequently, relevant wording regarding these has been moved from sections 3 and 5 to section 4.
Principle 5.1.1	It has been clarified that the statement that "smoothing is not intended, over the long term, to be a material source of profit or loss" does not apply where the smoothing methodology is specified in the policy conditions.
Principle 5.1.2/ Practice 5.2.4	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 5.2.1	It has been clarified that the statement that "LVFS does not set a period over which it expects smoothing to be neutral in the LVFS Fund" does not apply where the smoothing methodology is specified in the policy conditions. In addition the wording on the monitoring of accumulated smoothing profits and losses has been made more general and includes profits and losses derived from any hedging of the smoothing.
Practice 5.2.2	Wording (previously in 5.2.1) regarding the right to remove smoothing in exceptional circumstances has been clarified to include the right to suspend or reduce smoothing. Detail has been added that decisions regarding this will take into account the historic and expected cost of maintaining smoothing (taking account of any hedging), the fair treatment of the policyholders and members in the LVFS Fund and the current and projected financial strength of the LVFS Fund.

Practice 6.2.8	This has been amended to better reflect current practice regarding liquidity risk.
Practice 7.2.2	It has been clarified that the list of risks does not just include the key risks. In addition, for clarification the risk from variations in costs caused by difference in assets actually held for certain with-profits policies from those assumed to be held has been added to the list.
Practice 8.2.3/ 8.2.4	8.2.3 has been amended to clarify that only certain investment related expenses are applied to asset shares of conventional with-profits life and pension policies. There is a consequential change in 8.2.4.
Practice 8.2.5	Previous paragraphs 8.2.5 and 8.2.6 have been combined with the wording regarding outsourcing of management and administration services clarified to better reflect actual practice.
Practice 10.2.2	This has been reworded to better reflect current practice and to note the regulatory requirements regarding the LVFS Fund remaining open to new business.
Principle 11.1.1	This has been updated to better reflect the wording of the Articles of Association.

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 26 – 12 December 2022

The following lists the change made in this version.

Paragraph	Change
Appendix 2	The list of policies covered by the PPFM has been updated to include the LV= Smoothed Managed Funds Trustee Investment Plan Series 1 as a third generation unitised with-profits policy.

Changes in version 25 – 1 September 2022

The following lists the changes made in this version.

Paragraph	Change
Practices 2.2.5 & 8.2.4	Minor clarifications have been made to the wording.
Practice 5.2.2	This practice has been amended to reflect the change to how conventional with-profit endowment policies are smoothed.
Practice 5.2.2	Minor clarifications to the wording for second and third generation unitised with-profits policies have been made.
Practice 5.2.2	In connection with including the LV= ISA in the PPFM, its smoothing approach has been added to this practice.
Appendix 2	The list of policies covered by the PPFM has been updated to include the LV= ISA as a third generation unitised with-profits policy.

Changes in version 24 – 1 August 2022

The following lists the changes made in this version.

Paragraph	Change
Practice 2.2.5	This practice has been amended to reflect the use of granular sample policies for Industrial Branch conventional whole-of-life policies payouts as part of a methodology change made on 1 August 2022. Other amendments have been made to the practice to clarify the use of sample policies for other types of policy.
Practice 2.2.7	This practice has been amended to reflect that as a result of the methodology change made on 1 August 2022, there are now no types of Industrial Branch conventional whole-of-life policies where a non-asset share method is used to set payouts. Minor other amendments have been made to the practice for clarity.
Practice 2.2.8	This practice has been amended to reflect the death benefit introduced for Industrial Branch conventional whole-of-life policies as a result of the methodology change made on 1 August 2022.
Practice 4.2.2-4.2.4	Practice 4.2.2 has been amended to reflect changes in how final bonus rates and surrender values are set for Industrial Branch conventional whole-of-life policies as a result of the methodology change made on 1 August 2022. There has also been some rearrangement of the wording in practices 4.2.2-4.2.4.
Practice 5.2.2	Practice 5.2.2 has been amended to reflect the smoothing used from 1 August 2022 for the change in methodology for Industrial Branch conventional whole-of-life policies.
Practice 7.2.4	A minor amendment has been made to clarify that Exit Bonus is also paid on any death benefits dependent on asset share.
Practices 8.2.3-8.2.4	These have been amended to reflect the fund-based charge method of applying per policy maintenance expenses introduced as part of the methodology change for Industrial Branch conventional whole-of-life policies made on 1 August 2022. There has also been some rearrangement and minor rewording of practices 8.2.3-8.2.4.

Changes in version 23 – 23 May 2022

The following lists the changes made in this version.

Paragraph	Change
1.3 Appendix 2	The scope of the PPFM has been amended to include third generation unitised with-profits policies (in particular the Smoothed Managed Funds Bond Series 1).
Practice 2.2.1	A change has been made to state that third generation unitised with-profits policies do not use Asset Share as a guide to determine benefits, as their benefits are determined by the number and value of units allocated to the policy under the policy conditions.
Practices 2.2.2, 2.2.16, 2.2.19 2.2.26, 3.2.8 4.2.7, 5.2.1 5.2.6, 7.2.3 8.2.2, 8.2.8	Changes to these practices have been made as a consequence of the inclusion of third generation unitised with-profits policies in the PPFM. These include references to units rather than Asset Share for these policies and some related clarifications for other policies.
Practice 2.2.28	A new practice has been added which describes the key features of third generation unitised with-profits policies.
Principle 5.1.1	A change has been made to clarify that smoothing is not intended over the long term to be a material source of profit or loss (the word "material" has been added).
Practice 5.2.2	The smoothing rules for third generation unitised with-profits policies have been added.
Practice 5.2.6	A minor change has been made to clarify that the proportion of the policy values cancelled for partial payments takes into account the suspension of smoothing for second and third generation unitised with-profits policies.
Principle 6.1.1	A change has been made to explicitly allow for alternative or additional aims for the investment strategy (other than optimising investment returns) where these have been explicitly communicated to policyholders.
Practice 6.2.2	A change has been made to state that for third generation unitised with-profits policies references to Asset Shares or Asset Pools in the investment strategy section should be interpreted as relating to their investment fund options.
Practice 7.2.3	Changes have been made to reflect that the Board has agreed that members with third generation unitised with-profits policies are eligible for Mutual Bonus to be added to their policy on the same basis as the Flexible Guarantee Bond Series 3 and Flexible Guarantee Funds Series 2 policies. A further change has been made to reflect that the Board has agreed that third generation unitised with-profits policies originally taken out on a non-profit basis are also eligible for Mutual Bonus after the policy has been in force for at least 12 months from the date the policy converted to with-profits. A change has also been made to clarify that for Flexible Guarantee Bond Series 3 and Flexible Guarantee Funds Series 2 policies and third generation unitised with-profits policies setting Mutual Bonus takes into account (among other things) the financial performance of the LVFS business (the word "financial" has been added).
Practice 7.2.4	A change has been made to state that third generation unitised with-profits policies are not eligible for Exit Bonus.
Appendix 1	The glossary definitions of Miscellaneous Surplus and Mutual Bonus have been revised to reflect the inclusion of third generation unitised with-profits policies.

Changes in version 22 – 4 February 2022

The following lists the changes made in this version.

Paragraph	Change
1.2	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.
Practice 5.2.2	For conventional with-profits endowment policies, the practice of adjusting final bonus rates if otherwise payouts would fall outside of the target range has been removed.
Principle 6.1.1 Practice 6.2.3	Preserving a level of risk to the return which is consistent with our assessment of with-profits policyholders' expectations has been added as a constraint to optimising investment returns for with-profits members in 6.1.1. Similar wording has also been added to 6.2.3.
Practices 6.2.9 and 6.2.10	The wording of these paragraphs have been rearranged and reworded for clarity. This includes a clarification that the portion of the inherited estate that supports Mutual Bonus and Exit Bonus distributions comes from the sale of the LVFS general insurance business.

Changes in version 21 – 30 September 2021

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

Paragraph	Change
1.2	This paragraph now includes a clarification that the LVFS 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 2.2.3	This practice has been amended to clarify that, where permitted under policy conditions, LVFS has a right to make deductions to Asset Shares (which includes Miscellaneous Surplus allocations made before 2011) in exceptional adverse circumstances, and also to reflect that that Miscellaneous Surplus allocations made before 2011 rank the same as core Asset Shares if such deductions were to be made.
Practice 2.2.17	This practice now includes a clarification that where some conventional with-profits life and pension policies contractually became non-profit or were treated as non-profit before 2001, from then on they are treated as with-profits policies.
Practice 2.2.26	This practice now includes a clarification that, in accordance with the terms of Subordinated Debt, in the event of deferral of interest or principal on the Debt (e.g. as a result of reduced LVFS solvency coverage), no future Mutual Bonus or Exit Bonus can be distributed until the deferral of interest or principal had been made good.
Practice 3.2.1	Past practice has now been included as a factor in setting annual bonus rates.
Practice 3.2.4	For Flexible Whole Life policies, LVFS's practice is now not to alter monthly annual bonus rates by more than 0.5% over a twelve month period.
Practices 6.2.2/6.2.3	LVFS now formally reviews the long-term investment strategy for each of the Asset Pools 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.
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.
Practices 6.2.9/6.2.10	These practices have been amended to reflect that a portion of the inherited estate of the LVFS Fund now has similar asset mixes to those held in the Asset Pools supporting Asset Shares and this is used to support future distributions of Mutual Bonus and Exit Bonus.
Practice 7.2.2	The key risks to which the LVFS Fund is exposed have been clarified.
Practice 7.2.3	The factors used to help set Mutual Bonus rates has been reworded with an additional consideration included (changes in policy Asset Shares since the last declaration).
Practice 7.2.5	This practice (previously 7.2.3) has been amended to state that the LVFS Fund would only charge losses from business risks against Asset Shares in exceptional circumstances, and only once future Mutual Bonus and Exit Bonus have been reduced to zero and prior allocations Mutual Bonus had been removed.
Principles 9.1.5/9.1.6	The principles regarding that there is no division of the inherited estate between any classes of business within the Fund and currently no constraints on the Board's freedom to deal with the inherited estate of the LVFS Fund or any obligation on the Board to distribute the inherited estate to the current generation of members have been updated to reflect that they are now subject to future distributions of Mutual Bonus and Exit Bonus. This follows the communication of the use of the proceeds from the sale of LV=’s general insurance business in 2020.

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

Changes in version 20 – 28 January 2021

The following material changes have been made:

Paragraph	Change
Practice 2.2.2 & 7.2.5	Clarifications have been made that Exit Bonus is added to the asset share allowing for any smoothing. In addition, the detail regarding how Exit Bonus may vary has been moved to Practice 7.2.5.
Practice 7.2.4	Clarifications have been made that Mutual Bonus, once added, becomes part of policy benefits, and that Mutual Bonus may be added to eligible policies owned by non-members.
Practice 7.2.5	Clarifications have been made that Exit Bonus becomes part of policy benefits at the time it is paid out, that Exit Bonus and that Mutual Bonus may be added to eligible policies owned by non-members.

The following other changes have been made.

Paragraph	Change
Practice 7.2.4 & 7.2.5	Minor wording improvements have been made in the first sentence of each practice.

The above list excludes a few minor typographical improvements.

Changes in version 19 – 30 July 2020

The following material changes have been made:

Paragraph	Change
Practice 2.2.2	A change has been made to reflect that an Exit Bonus will now be paid on claim for eligible with-profits policies in the LVFS Fund, as part of the distribution of the proceeds of the sale of LVFS' general insurance business.
Practice 4.2.6	A change has been made to remove the practice of not taking into account smoothing in top-up bonus rates of Series 3 and 4 With Profits Pension Annuity policies when the impact of smoothing is greater than 10%.
Practice 4.2.7	A change has been made to state that Exit Bonus is added to Pension Income Plus Annuity (PIPA) payouts separately to the main benefits, with a clarification added that this also applies to Mutual Bonus.
Practice 5.2.2	A change has been made to state that Exit Bonus is not included in the smoothing approach for conventional whole of life and endowment policies.
Practices 5.2.5/ 5.2.6	Changes have been made to state that Exit Bonus is used in the calculation of partial payments of UWP policies.
Practice 6.2.4	A change has been made to state that reducing the proportion of equities invested in the Asset Pools used for all policies (except ones used for second generation unitised policies) is no longer formally anticipated on a sharp fall in equity markets. It has been replaced with a more general statement that LVFS reserves the right to change the mix of assets on all Asset Pools (including ones used for second generation unitised policies) in response to significant movements in market prices.
Practice 6.2.5	A change has been made to reflect that the practice of hedging LVFS's asset based market exposures relating to charges has been extended to include exposures relating to smoothing.
Practice 6.2.9	A change has been made to the practice regarding assets not normally traded to remove a reference to LVFS's former general insurance business as a strategic asset, and to make the wording of the practice more general.
Practice 7.2.4	A change has been made to Mutual Bonus setting methodology to be used from trading year 2020. Part of the proceeds from the sale of the LVFS's general insurance business is now used to support the future Mutual Bonus declarations for all with-profits policies in LVFS Fund apart from the most recent series of Flexible Guarantee policies. For the latter, the previous methodology is maintained.
Practice 7.2.5	A new practice has been added to reflect the methodology used to pay and set Exit Bonus.

The following other changes have been made.

Paragraph	Change
Introduction 1.4 Practice 2.2.6	Minor changes have been made to remove duplicate wording.
Practice 2.2.2	Clarifications regarding miscellaneous surplus (including Mutual Bonus) have been made.
Practices 2.2.11/2.2.17	Clarifications regarding the pre-vesting death benefit for conventional pension policies have been made.
Practice 5.2.2	The smoothing approach used for conventional endowment policies has been clarified.
Practice 8.2.8	The wording regarding expense apportionment has been clarified.
Principle 11.1.1	A wording of a Principle has been amended to clarify that since conversion to company limited by guarantee, there are Articles of Association rather than Rules.
12. Schedule	A change has been made to update the composition of the With-Profits Committee.
Glossary	Inclusion of a definition of Exit Bonus and minor amend to Mutual Bonus definition.

The above list excludes a few minor typographical improvements.

Changes in version 18 – 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.
Practice 6.2.9 and Appendix 1	Amendments have been made to 6.2.9 and the definition of Trading Business to reflect the sale of the holding in a general insurance business at the end of 2019.
1.1	The company information section has been rewritten given the conversion.

Changes in version 17.2 – 1 December 2019

The following material change has been made:

Paragraph	Change
Practice 2.2.4	An amendment has been made to reflect the change in practice for determining payouts for conventional whole-of-life policies that have ceased paying premiums early and this occurred on or after 1 December 2018. These are calculated assuming that premiums are maintained in full, less a deduction for missed premiums accumulated with interest, subject to a minimum of the guaranteed benefits which have been adjusted for premiums ceasing early.

Changes in version 17.1 – 17 October 2019

The following material changes have been made:

Paragraph	Change
1.2	An amendment has been made to clarify that this PPFM excludes the RNPFN Fund and the Teachers Assurance Fund which are subject to their own PPFMs.
Principle 2.1.2	An amendment has been made to clarify that payouts are subject to a minimum of the guaranteed benefits.
Practice 2.2.3	An amendment has been made to clarify that representative policies are used to set bonuses on WPPA and PIPA policies.
Practice 2.2.4	An amendment has been made to clarify that Industrial Branch tax-exempt whole-of-life policies with entry dates from 1980 are also one of the groups of policies where methods other than asset share are used to set payouts.
Practice 2.2.7	An amendment has been made to clarify that estimated investment returns can be used if actual returns are not available eg for conventional final bonus declarations.
Practice 2.2.13	An amendment has been made to clarify that some conventional with-profits policies contractually become non-profit when premiums cease (as well as policies that were treated as non-profit).
Practice 2.2.22	A new practice added to clarify profits and losses on payouts are not reflected in Asset Shares, beyond any charge or rebate made for the benefits provided under the policy. Instead, they accrue to the inherited estate of the LVFS Fund.
Practice 4.2.1	A clarification has been made that a final bonus can be added where an annuity is taken at vesting on conventional with-profits pension policies.
Principle 5.1.2	An amendment has been made to clarify that, where contractual under a policy, different approaches to smoothing for certain types of claim can be used.
Practices 5.2.1/5.2.2	The practice of automatically reducing payouts towards the unsmoothed asset share in certain circumstances for first generation unitised bonds has been discontinued, and as such the text regarding this in 5.2.2 has been removed. In conjunction with this the text of 5.2.1 has been amended to reflect that, except where contractual under a policy, the right is still reserved to remove smoothing on various with-profits policies in exceptional circumstances.
Practice 5.2.2	An amendment has been made to clarify for second generation unitised policies, the unit price using actual investment returns is defined as the 'underlying unit price'.
Principle 6.1.1	An amendment has been made to clarify the nature of the liabilities is a factor in determining the investment strategy.
Practice 6.2.3	An amendment has been made to recognise the majority of the liabilities for conventional with-profits pensions ('OB Pension') are now reassured.
Practice 6.2.5	An amendment has been made to reflect that the new practice of asset share shorting (i.e. holding less assets so as to hedge asset based market exposures relating to charges) now applies to all policies in the main Asset Pool as well as those for the Flexible Guarantee policies.
Practice 6.2.9	An amendment has been made to recognise the sale of the holding in a general insurance business at the end of 2019.
Practice 7.2.4	An amendment has been made to reflect that a Mutual Bonus can now be declared for Flexible Guarantee Bond Series 3 and Flexible Guarantee Funds Series 2 policies after they have been in-force for 12 months.
Principle 8.1.3	An amendment has been made to clarify changes to the basis on which charges are applied or expenses are apportioned can only be done where permitted under the terms of a policy.
Practice 8.2.3	The practice regarding how expenses are applied to conventional policies has been clarified to reflect that for conventional with-profits pension policies the investment costs applied are those which would be deemed to be charged for the Asset Pool they are invested in, rather than the separate fund that backs the actual liabilities.
Practice 8.2.7	An update has been made to reflect the current agreement with Columbia Threadneedle Investments now runs to 2023.

Practice 8.2.9	A new practice has been added to note the rebate from the LVFS Fund to the inherited estate of the TA Fund in the circumstances detailed in paragraph 8.10 of the PPFM of the TA Fund.
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 LVFS Fund.

The following other changes have been made.

Paragraph	**Change**
Throughout	The phrase "the Society" has been replaced by "LVFS"
1.3/1.9/ Practices 2.2.3/ 2.2.8/2.2.19/ 2.2.21/4.2.4/ 6.2.8 Schedule/ Appendix 2	Various minor rewording and rearrangement of text to improve readability.
Practices 2.2.5/ 2.2.6/2.2.7/ 8.2.2/8.2.3	Amendments have been made to move text regarding expenses and tax from paragraphs 2.2.5/2.2.6 to 2.2.7/8.2.2/8.2.3 to avoid duplication of information between section 2 and section 8.
Appendix 1	An amendment has made to the definitions of 'Miscellaneous Surplus' and 'Mutual Bonus' to recognise that past allocations can be removed.

This excludes a number of cosmetic changes.

Changes in Version 16.2 – 1 June 2019

The following material changes have been made:

Paragraph	Change
Practice 2.2.3	An amendment has been made to reflect a change to how final bonus rates are calculated for conventional with-profits whole-of-life policies. They are now calculated by grouping policies using their calendar year of entry, rather than using duration in-force.
Practice 5.2.2	An amendment has been made to reflect that a change to how smoothing is performed for conventional with-profits policies as follows: - For conventional whole-of-life policies smoothing is now normally applied by limiting the change in final bonus rates at a single review so that the immediate change in payout does not change by more than 5% (excluding new amounts added in respect of Mutual Bonus. Previously, smoothing for these products was performed by limiting the payout from one year to the next. - For conventional endowment policies, smoothing is normally applied by limiting the change in final bonus rates at a single review so that payouts do not change by more than 5% for policies of the same term (excluding new amounts added in respect of Mutual Bonus). Previously, smoothing for these products was performed by limiting the payout from one year to the next. The previous practice of smoothing investment returns is retained.

Changes in Version 16.1 – 1 March 2019

The following material changes have been made:

Paragraph	Change
Practice 2.2.3	An amendment has been made in respect of a change to how final bonus rates are calculated for Ordinary Branch conventional whole-of-life policies. They are now calculated as the ratio of the aggregate projected Asset Share to the aggregate guaranteed benefits for those policies expected to claim during the period in question.
Practice 4.2.2	An amendment has been made to reflect that final bonus rates for conventional life policies will be reviewed quarterly from 1 March 2019, rather than annually. Conventional pension policies will continue to be reviewed annually.
Practice 6.2.5	The practice where, following the declaration of a new scale of final bonus rates for conventional life with-profits policies and top-up bonus rates for With Profits Pension Annuity policies, projected claim amounts were transferred out of the relevant Asset Pool and invested in cash or similar assets, has ceased. Therefore the content of 6.2.5 (which detailed this practice) has been removed with subsequent Practices renumbered.

Changes in Version 15.1 – 1 August 2018

The contents of the separate PPFM that was used for Flexible Guarantee Bond, Flexible Guarantee Funds, Flexi Guarantee Plan, All-in-1 Investment Bond and Guaranteed Capital Bond from 1 November 2011 have been incorporated into this PPFM. Changes resulting from this, and also from various reorganisations of practices, from introducing signposting of the different policy types, minor rewording of practices and cosmetic changes are not shown in the list of changes below.

The following material changes have been made:

Paragraph	Change
2.2.13	A new practice has been added to clarify that some conventional with-profits policies were treated as non-profit from the time premiums ceased and that from 2001 the Board decided to fully treat them as with-profits.
2.2.16	The practice regarding the fact that the LVFS Fund is managed with the long term aim of making total aggregate maturity payouts of 100% of asset share (where that is used) has been amended to reflect the aim is on all types of payouts.
2.2.17	The practices regarding the target range of Asset Share have been amended to reflect the actual current practice that the target range generally applies to all maturity, transfer, surrender and death payouts. The following other changes were made: • A rationale for the target range has been added. • The circumstances when payouts outside target range can occur have been clarified. • The wording regarding how payouts on conventional policies are assessed against target range has been simplified.
2.2.18	A new practice has been added to clarify the circumstances when target ranges are not deemed to apply though asset shares are used as a guide to payouts.
3.2.2/3.2.3/ 3.2.4	The methods used to check whether annual bonus rates for unitised products need to be changed more frequently than annually, whether interim bonus rates need to be changed and the amount by which annual bonus rates can change over a twelve month period have been simplified.
3.2.5	This paragraph has been added to clarify that annual bonus rates for Flexible Whole Life Policies are set with the aim of paying out the Asset Share given no final bonus applies to these polices.
5.2.1	A change has been made to reflect the new practice of monitoring the accumulated cost of smoothing under Flexible Guarantee Bond Series 3 and Flexible Guarantee Funds Series 2 policies with the intention of removing smoothing subject to the fair treatment of the policyholders concerned should the accumulated cost reach an amount that is agreed by the Board.
7.2.4	An addition has been made to the practice to reflect that smoothing profits and losses on policies may contribute to any Mutual Bonus. A change has been made for Flexible Guarantee Bond Series 3 and Flexible Guarantee Funds Series 2 policies to clarify that while Mutual Bonus is expected to be zero at shorter policy durations, consideration would then be given to paying a Mutual Bonus.

The following other changes have been made:

Paragraph	Change
1.1	The fact that the Society is bound by its Memorandum of Association and its Rules has been added.
1.1 & throughout	The structure of the Society has been clarified. There is a main fund (the subject of this PPFM which is now called the "LVFS Fund" throughout it), the ring-fenced RNPFN Fund and the ring-fenced Teachers Assurance

Paragraph	Change
	Fund. Various amendments (including to Principles) have been made to clarify the scope of the document is for policies in the LVFS Fund.
1.2	The "Purpose of this document" section has been rewritten for clarity.
1.3 & Appendix 2	The "Scope of this document" (previously "Policies covered") has been rewritten to detail the different groups of policy types covered by the document, with full detail of all the policy types being added as Appendix 2.
1.4-1.7 & Schedule	Minor changes have been made to clarify how changes to the PPFM are communicated and that the WPC provides "independent advice" to the Board (rather than "independent judgement").
2.2.3	A description of how final bonus rates are added to conventional with-profits policies has been added, with superfluous wording on how sample policies are set removed.
2.2.4	The list of policy types where Asset Share is not used to set payouts has been expanded. The reference to conventional pension policies has been removed given the reference to them added to 2.2.17.
2.2.7	Duplicate information regarding where asset mixes can be found on LV.com (also included in section 6) has been removed.
2.2.8	The practice on how expenses are proportioned across all policies in the Society has been updated to reflect current practice. For consistency, minor updates to how expenses are referred to have also been made in 2.2.6 and 8.2.3.
2.2.11	A minor amendment has been made to the practice to clarify that some policies have charges for morbidity benefits, and that with-profits annuity policy asset shares (and hence payouts) reflect the Society's own and industry mortality experience.
2.2.12	The fact that there are explicit charges for the cost of term-related guarantees for second generation unitised with-profits policies has been clarified.
2.2.15	Detail of how guarantees and switching operate for FGB-style policies has been added for clarity.
2.2.19/ 2.2.20	The practice regarding how the Society documents the methods, parameters and assumptions used to determine payouts and the practice regarding how changes to them can be made have been updated to reflect current practice.
3.2.7	A practice has been added to clarify that second generation unitised policies do not receive an annual bonus.
4.1.1	This Principle has been amended to clarify that top-up bonus rates are paid on certain policies.
4.2.1	This practice has been amended to clarify the types of policies that final bonus may be applied to. In addition, the text regarding the degree to which total payouts on transfer and surrender can reflect the methods stated in section 2 of the PPFM has been removed.
4.2.3/ 5.2.6	The current practice of updating the surrender basis for conventional endowments every time a new set of final bonus rates are declared has been added to 4.2.3. In conjunction with this, the practice regarding applying surrender and transfer bases on a reasonably broad basis so as to avoid continual adjustments (previously in 5.2.6) has been removed.
4.2.5	A minor amendment has been made to the practice to clarify that final bonus rates for old-style unitised policies and APP policies are calculated mechanically as often as required.
4.2.7	A new practice has been added to clarify that final bonus rates are not applied to Flexible Whole Life policies and FGB-style policies, and that top-up bonuses are not applied to Pension Income Plus Annuity policies.
5.2.2	The following amendments have been made:

Paragraph	Change
	• The practice of ensuring that changes in payouts do not change by more than 20% for conventional life policies has been moved to this practice from what was practice 5.2.3. • The practice of introducing new pricing series for new first generation unitised products has been updated to reflect this now only applies to top-ups (given no new first generation products are envisaged). • For second generation unitised policies, the wording that the payments are subject to any guaranteed minimum amount have been removed as this is now reflected in 2.2.17. • It is clarified that, for second generation unitised policies, smoothing is not removed for death and terminal illness claims after 26 weeks. • Wording noting other aspects of experience are not smoothed for various policies types has been removed.
5.2.3	It has been clarified that Flexible Whole Life policies and all first generation unitised policies can have a Market Value Reduction (MVR) applied, but current practice is only to apply MVRs on first generation unitised bonds.
5.2.4	It has been clarified that that the Society applies the same approach to smoothing for each type of claim (subject to the distinctions in 5.2.2 and 5.2.3).
6.1.6, 7.2.1	This Principle has been updated to reflect that the Society does not own office buildings, to remove a reference to "other companies with the Liverpool Victoria group" (given subsidiaries are mentioned in the practice) and to remove detail on why the Society holds office buildings or subsidiaries. Wording in paragraph 7.2.1 regarding "related group companies" has also been removed.
6.2.1/6.2.9	Minor amendment to reflect the current governance structure of the Society for approving investment decisions.
6.2.2	This paragraph has been updated to reflect the current practice that the Society seeks to maintain a reasonable level of liquidity in either cash or short term credit to meet policy payouts as they arise.
6.2.4	Minor amendment to clarify that while there is a formal management action to reduce the proportion invested in equities for the main asset share pool and for the asset pool backing With Profit Income Bonds, that the Society also reserves the right to do so for the asset pools for second generation unitised policies.
6.2.10	An update has been made to reflect that the Society does not wholly own the General Insurance business.
7.2.2	Minor amendments have been made to remove the wording that the RNPFN Fund is a ring-fenced fund (now mentioned in paragraph 1.1) and that a charge is levied by the Society on the RNPFN Fund for its capital support facility.
8.2.2/8.2.3	Additional wording has been included to clarify that charges on unitised, accumulating and with-profit annuity policies are deducted from Asset Shares in accordance with paragraphs 2.2.6 and 8.1.1. It is clarified that VAT may be charged on investment management expenses. The wording regarding how charges to conventional pension policies are applied has been made clearer.
8.2.4	The content of this practice now just refers to paragraph 2.2.8, rather than duplicating it.
8.2.6	This practice has been amended to clarify that only the more material out-sourced services are either for fixed terms or contain termination provisions or are able to be exited immediately.
8.2.7	This practice has been updated to clarify that certain specialised assets are out-sourced to an asset manager other than CTI and that these are not used for the asset pools backing with-profits policies.

Paragraph	Change
8.2.8	A minor amendment has been made to clarify that the Society exercises judgement in apportioning expenses between the LVFS Fund, the RNPFN Fund and the Teachers Assurance Fund.
9.1.4	Minor amendment to a Principle to clarify that the size of the inherited estate will influence smoothing and the level of discretionary benefits. This was already implicit in the wording of the rest of the Principle.
9.2.3	Minor amendment to clarify that it is the Life Chief Actuary (as well as the With-Profits Actuary) who advises the Board regarding excess surplus.
10.2.1	Minor amendment to clarify that the Board monitors the current and projected financial strength of the LVFS Fund to determine the "volume" (rather than "maximum volume") of new business accepted into the fund.
Schedule	A minor amendment to reflect the current composition of the With-Profits Committee.
Appendix 1 Glossary	Various definitions have been expanded to provide more detail. Definitions of "non-profit policy" and "Life Chief Actuary" have been added and the definition of "with-profits annuities" has been removed (as it is now in Appendix 2).

The changes to Principles mentioned above are not material, being minor amendments to them to bring them up to date or for clarification purposes.

Changes in Version 14.2 – 1 April 2018

The following material changes have been made:

Paragraph	Change
Practice 2.2.1	An amendment has been made to reflect that asset shares used for the lump sum benefits for conventional with-profits pension policies are calculated using an individual policy approach.
Practice 2.2.2	An amendment has been made to reflect that lump sum payments on conventional with-profits pension policies are subject to a minimum amount in accordance with the Practice 2.2.13.
Practices 2.2.3 & 8.2.1	Amendments have been made to reflect a change to how expenses incurred from 1 April 2018 are applied to conventional with-profits pension policy asset shares.
Practice 2.2.13	Practice 2.2.13 has been replaced with detail of the lump sum basis for conventional with-profits pension policies to apply from 1 April 2018. It also includes a requirement for an annual review of the basis used to calculate the minimum amount paid and whether it should be removed. The previous Practice 2.2.13 is renumbered 2.2.14.
Practice 5.2.2	An amendment has been made to reflect the smoothing approach to be used for conventional with-profits pension policies from 1 April 2018.

The following other changes have been made:

Paragraph	Change
Practice 2.2.12	An amendment has been made to clarify that mortality rebates are applied to the asset shares of conventional with-profits pension policies as this was not explicitly mentioned before.
Practice 4.2.3	An amendment has been made to clarify that now only conventional endowment policies have a formulaic surrender basis.
Practice 4.2.5	This Practice has been added to clarify that for conventional with-profits pension policies, final bonus only applies if an annuity is taken, to clarify that such final bonus is expected to be zero and to state that the minimum of the transfer value described in paragraph 2.2.13 does not apply in the asset share used to assess any such final bonus.
Practice 5.2.3	An amendment has been made to clarify that the 20% limit on payouts does not apply to conventional with-profits pension policies.
Practice 6.2.5	An amendment has been made to clarify that this Practice does not apply to conventional with-profits pension policies.

Changes in Version 14.1 – 1 March 2018

The following material changes have been made:

Paragraph	Change
Practice 2.2.1	An amendment has been made in respect of a change to how final bonus rates are calculated for conventional IB whole-of-life policies. They are now calculated as the ratio of the aggregate projected Asset Share to the aggregate guaranteed benefits for those policies expected to claim during the period in question. The wording in respect of how final bonus rates are calculated for other conventional policies has been amended for clarity.

Changes in Version 13.2 – 1 December 2017

The following material changes have been made:

Paragraph	Change
Practice 7.2.4	An amendment has been made to state that the level and form of the Mutual Bonus declaration can take into account the contribution made by the policies concerned to the Society. An example of such a contribution has been added, namely the risks taken in supporting the establishment and growth of the trading business.

The following other changes have been made:

Paragraph	Change
Introduction	The requirement to certify each year to the FCA that the Society's with-profits business has been managed in accordance with its PPFM has been removed. This is no longer required under the current Solvency regime.
Practice 2.2.2	It has been clarified that no past allocations of Miscellaneous Surpluses have been removed.
Practice 2.2.3 & Practice 2.2.4	For clarity these practices have been reorganised. Also for clarity the reference to different expense assumptions and use of average premiums for conventional whole-of-life and endowments has been removed as they are not relevant.
Practice 2.2.7	An amendment has been made to make it clear that the With Profits Income Bond has a different asset pool to the other policies covered by this PPFM.
Practice 6.2.1	An amendment has been made to clarify that it is the investment strategy of Asset Pools that are reviewed at least every three years.
Practice 6.2.2	An amendment has been made to clarify that different asset mixes are held in respect of the liabilities of the Society's policies not covered by this PPFM. An amendment has been made to clarify that the assets actually held for conventional with-profit pensions and the With Profits Income Bonds differ from those underlying the Asset Pool that these policies are held in.
Practice 7.2.4	An amendment has been made to clarify that Miscellaneous Surplus is now allocated as Mutual Bonus.
Glossary	An amendment has been made to the definition of Asset Pool.

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

Changes in Version 13.1 – 1 May 2017

The following material changes have been made:

Paragraph	Change
Principle 8.1.1 & Practice 2.2.3	An amendment has been made to clarify that a fund-based charge can be applied to accumulating with-profits Appropriate Personal Pension Plans.
Practice 8.2.1	An amendment has been made to reflect that from 1 May 2017 a fund-based charge is applied to accumulating with-profits Appropriate Personal Pension Plans, and that it is equal to the actual investment costs and any performance fee paid to the asset manager.

The following other changes have been made:

Paragraph	Change
Practice 8.2.1	An amendment has been made to clarify that any performance fee paid to the asset manager is included in the expenses applied to conventional with-profits policies.

Changes in Version 12.0 – 1 December 2016

The following material changes have been made:

Paragraph	Change
Practice 6.2.6	An amendment has been made to reflect a new regulation that, from the introduction of Solvency II, requires strategic investments (such as the Society's investment in its general insurance business) to be made in the best interests of all the Society's with-profits and non-profit policyholders.
Practice 7.2.2	An amendment has been made to reflect the change following the introduction of Solvency II that the RNPFN capital support facility will now be called on if the RNPFN Fund fails to cover its own Solvency Capital Requirement.

The following other changes have been made:

Paragraph	Change
Introduction 1.2	An amendment has been made to confirm that with-profits policies in the Teachers Assurance Fund are excluded from the products covered by this PPFM.
Practice 2.2.2	An amendment has been made to clarify that past allocations of miscellaneous surplus, if removed, may subsequently be reinstated if the Board considers it appropriate.
Practice 2.2.2	The examples of the types of policy where payouts are not set with reference to asset share have been clarified.
Practice 2.2.3	An amendment has been made to clarify that for unitised and accumulating policies, although the charges are those set out in the policy documentation, the investment return is based on actual experience.
Practice 2.2.7	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	An amendment has been made to clarify that regard is had to current gilt yields when setting annual bonus rates for With Profits Pension Annuity policies.
Principle 4.1.1 & Practice 4.2.1	The text referring to guaranteed benefits plus final bonus has been removed as it is not relevant to surrenders and transfers.
Practice 4.2.3	An amendment has been made to clarify that formulaic surrender or transfer bases only apply to conventional policies.
Practice 7.2.2	An amendment has been made to clarify that the RNPFN contingent loan can increase as well as decrease and that a £100 million cap applies.
Schedule	The composition of the With-Profits Committee has been updated.
Glossary	A minor amendment has been made to the definition of annual bonus. Definitions of Accumulating With-Profits Policy, Policyholder and Solvency Capital Requirement have been added.
Throughout	For the avoidance of doubt, where necessary, amendments have been made to clarify whether policies referred to in the PPFM are those with-profits policies covered by the PPFM or are other policies insured by the Society.

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

Changes in Version 11.0 – 1 December 2015

The following material changes have been made:

(a) PRACTICE 2.2.2

- The wording has been amended to indicate that Mutual Bonus is likely to be removed from Asset Shares ahead of other forms of Miscellaneous Surplus.

(b) PRACTICE 3.2.1

- The wording has been amended to reflect the removal of the formal link with gilt yields and expected future investment returns when setting annual bonus rates. Expected future investment returns however are still included as one of the factors taken into account when rates are set (along with the relationship between asset shares and guaranteed policy benefits, current and projected financial strength and past communications made to policyholders).

(c) PRACTICE 6.2.1

- The wording has been amended to reflect a change in frequency of reviews of the long-term investment strategy for with-profit business. Detailed reviews are now expected to be performed at least every three years, with less detailed reviews at approximately annual intervals.

(d) PRACTICE 6.2.3

- The wording has been amended to make it clear that the Society anticipates reducing the proportion of Asset Shares invested in equites on a sharp fall in equity markets.

The following other changes have been made:

(e) PRACTICE 2.2.1

- A minor improvement has been made to the wording.

(f) PRACTICE 2.2.2

- The description of those methods of setting payouts that are not based on asset shares has been made more comprehensive.

(g) PRACTICE 2.2.3

- The description of the expense deductions made to the asset shares under unitised and accumulating with-profit policies has been amended so as to clarify its meaning.

(h) PRACTICE 3.2.1

- The wording regarding how the relationship between asset share and smoothed asset share affects the With Profits Pension Annity policies (Series 3 onward) has been clarified.

(i) PRACTICE 4.2.3

- The description of final bonus in formulaic surrender and transfer bases has been clarified.

(j) PRACTICE 5.2.3

- The wording has been amended to clarify how the 20% limit on the change in payouts from one year to the next operates.

(k) PRACTICE 6.2.3

- The wording has been amended to reflect that benchmark asset mixes for with-profit asset shares are now available on the Society's web-site.

(l) PRACTICE 6.2.5

- The wording has clarified that surrenders are not included in the projected claim payments transferred out of the relevant Asset Pool.

(m) PRACTICE 6.2.6

- A new practice has been added to explain that the Board reviews that its investment in the General Insurance business is likely to have no adverse effects on the interest of the Society's with-profits policyholders at approximately annual intervals.

(n) PRACTICE 7.2.2

- The description of the capital support facility that the Society makes available to the RNPFN Fund has been expanded.

(o) PRACTICE 8.2.5

- The wording has been amended to reflect a change in name of the company to which the Society currently outsources the investment management of its assets. Threadneedle Asset Management is now known as Columbia Threadneedle Investments.

(p) GLOSSARY

- Improvements have been made to the definitions of Miscellaneous Surplus and Mutual Bonus. A definition has been added for Trading Business.

The above list excludes a few minor improvements.

Changes in Version 10.0 – 1 October 2014

No material changes have been made. The following other changes have been made:

(a) INTRODUCTION 1.2

- The range of products outside the scope of the PPFM has been widened to include the new Flexible Guarantee Funds product.

(b) PRACTICE 2.2.2

- The wording has been modified to make it clear that the ability to reduce or remove past miscellaneous surplus additions includes any investment return added to them.

(c) PRACTICE 3.2.2

- A minor amendment has been made 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. Similar changes have been made to Practices 3.2.3 and 3.2.4.

(d) PRACTICES 5.2.2 and 7.2.1

- Minor improvements have been made to the wording.

(e) GLOSSARY

- A definition of "Interim Bonus" has been added.

Changes in Version 9.0 – 1 October 2013

The following material changes have been made:

(a) PRACTICE 2.2.12

- 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 with-profit policies.

(b) PRINCIPLE 10.1.1

- The wording has been brought into line with new requirements introduced in 2012 regarding the circumstances in which new business can be accepted into the with-profits fund.

The following other changes have been made:

(c) INTRODUCTION 1.1

- An amendment has been made to reflect the replacement of the Financial Services Authority with the Prudential Regulation Authority and the Financial Conduct Authority. Similar changes have been made to paragraphs 1.3 and 1.7 of the same section.

(d) INTRODUCTION 1.5

- The sentence "There are no restrictions on the Society's ability to change the Practices" has been deleted as it duplicated the previous sentence.

(e) PRACTICE 2.2.2

- An improvement has been made to the wording which explains that miscellaneous surpluses are not permanent additions to Asset Shares.

(f) PRACTICE 2.2.7

- Additional text has been added to highlight that payouts under unitised with-profit policies might at times fall outside the target range, due to the process used to smooth the payouts for these policies.

(g) PRINCIPLES 5.1.1 and 5.1.2

- Improvements to the wording have been made (and order of these paragraphs reversed) to make it clearer what is meant by the term "smoothing".

(h) PRACTICE 5.2.3

- Additional text has been inserted to make it clear that the maximum change in payouts of 20% over a one-year period is before allowing for the impact of Mutual Bonus.

(i) SCHEDULE

- Minor improvements have been made to the wording. The description of the With-Profits Committee has also been updated.

(j) GLOSSARY

- The definition of "Conventional With-Profits Policy" has been improved and a high-level definition of "Subordinated Debt" added.

The above list excludes a few minor clarifications and improvements.

Changes in Version 8.0 – 1 October 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) PRACTICE 2.2.3

- The wording has been amended to reflect the launch of another with-profits annuity product, the Pension Income Plus Annuity. A similar change has been made to Practices 2.2.11 and 5.2.2.
- The wording has been clarified to reflect that information on product charges can appear in documents other than policy conditions and key features. A similar change has been made to Principle 8.1.1. The wording has also been clarified to cover changes to charges that are made in accordance with these documents.

(b) PRACTICE 2.2.7

- The statement that payouts target between 95% and 105% of the smoothed asset share has been deleted, as a target of 100% applies in practice.

(c) PRACTICE 2.2.8

- The paragraph has been clarified to reflect the fact that product charges rather than actual costs are allocated to asset shares under with-profit annuities. A similar change has been made to Principles 8.1.1 and 8.1.2, and to Practice 8.2.2.

(d) PRACTICE 3.2.1

- The statement that the annual bonus rate under the Flexible Whole Life Plan is set to 80% of the expected future investment return has been deleted as the current practice is to target payouts at the underlying asset share.

(e) PRACTICE 3.2.5

- A new Practice has been added to reflect that Pension Income Plus Annuity policies do not receive annual or final bonuses, but instead their level of income is varied through the use of a "declared investment return". A similar change has been made to Practice 4.2.1.

(f) PRACTICE 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.

(g) PRACTICE 5.2.2

- A new paragraph has been added to describe the smoothing approach used for Pension Income Plus Annuity policies.

(h) PRACTICE 6.2.5

- A new Practice has been added to reflect that following the declaration of a new scale of final bonus rates for conventional with-profits policies, the claim payments projected to be made on that scale are now invested in cash or similar assets.

(i) PRACTICE 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.

(j) PRINCIPLE 9.1.3

- The statement that the Society does not set a target range for the inherited estate has been amended to be consistent with the current practice of monitoring the ratio of the Society's capital resources to the level of capital it is required to hold against an agreed range.

(k) SCHEDULE

- The wording has been amended to reflect a change in the membership of the With-Profits Committee.

(l) GLOSSARY

- Three new definitions have been added: "Declared Investment Return", "Top-up Bonus" and "With-profits annuities".

Changes in Version 7.4 – 1 March 2012

The following material changes have been made.

(a) PRACTICES paragraph 3.1.1

- This section now details that bonus rates for Industrial Branch whole-of-life policies with entry dates prior to 1980 are set to the rate for a taxable whole-of-life policy with an entry date in 1980.

(b) 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 7.3 – 1 November 2011

References to the Flexible Guarantee Bond, Flexi Guarantee Plan, All-in-1 Investment Bond and the Guaranteed Capital Bond have been removed from this PPFM. These products now have their own PPFM. Details of a few minor amendments of a largely cosmetic nature have been omitted.

The PPFM has been updated to take into account the outsourcing of the investment management of the With-Profits Fund to Threadneedle Asset Management.

The following material changes have been made.

(a) PRACTICES paragraph 3.1.1

- From 2011 the distribution of miscellaneous surpluses is by way of Mutual Bonus.

(b) PRACTICES paragraph 3.4.3

- Changes in payouts on conventional whole-of-life policies are now smoothed. This differs from the past practice of smoothing investment returns used to determine the payouts.

- Clarification that the amount payable under UWP bonds may be reduced if actual investment returns fall sufficiently below smoothed investment returns.

(c) PRACTICES paragraph 3.4.6

- A new section has been added clarifying when a Market Value Reduction may arise.

(d) PRACTICES paragraph 3.6.3

- A new section has been added reflecting the introduction of Mutual Bonus, replacing the previous sections on distributing profits and losses.

(e) PRACTICES paragraph 3.7.1

- The examples of types of charges that may be applied to policies have been removed.

(f) GLOSSARY

- The definition of regular bonus has been replaced with one of annual bonus. A definition of Mutual Bonus has also been added.

Changes in Version 7.2 – 1 June 2011

(a) PRACTICES paragraph 3.1.1

- The Society's ability to allocate surpluses from business risks has been clarified. These are subject to the discretion of the Board and may be removed if the Society's solvency is threatened.

(b) PRACTICES paragraph 3.4.3 (formerly PRACTICES paragraph 1.4.3)

- Investment returns for whole-of-life policies are not smoothed. Previously investment returns were smoothed over a five year period. Payouts continue to be smoothed.
- The smoothing period for an accumulating with-profits policy is two years rather than five years.

Changes in Version 7.1 – 15 December 2010

The design of the document has been enhanced and now includes an introductory section and a glossary. Other changes reflect the introduction of final bonuses for Appropriate Personal Pension ("APPs") policies and general changes to add clarity. Specifically:

(a) PRACTICES paragraph 3.1.1 (formerly PRACTICES paragraph 1.1.1)

- Clarification regarding the past allocations of miscellaneous surplus and the use of approximations when asset shares are not appropriate.

(b) PRACTICES paragraph 3.1.2 (formerly PRACTICES paragraph 1.1.2)

- Clarification regarding charges for unitised and accumulating with-profits policies and With Profits Pension Annuity policies.

(c) 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.

(d) PRACTICES paragraph 3.2.1 (formerly PRACTICES paragraph 1.2.1)

- Updated to include the introduction of a final bonus on APPs policies and clarification regarding the determination of annual bonus rates of unitised with-profits policies.

(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. Additional wording to emphasize that a different asset mix is currently held for the inherited estate.

(f) PRACTICES paragraph 3.5.4 (formerly PRACTICES paragraph 1.5.4)

- 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 3.6.1 (formerly PRACTICES paragraph 1.6.1)

- Additional wording highlighting the presence of the capital support facility made available to the RNPFN fund.

(h) PRACTICES paragraph 3.6.2 (formerly PRACTICES paragraph 1.6.2)

- Amended to clarify treatment in relation to asset shares of losses from business risks.

(i) PRACTICES paragraph 3.7.5 (formerly PRACTICES paragraph 1.7.5)

- References to the RNPFN Fund have been removed.

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

Changes in Version 2009a – 1 October 2009

The PPFM was amended in October 2009 for various reasons of clarity, new Flexible Guarantee Bond/Flexi Guarantee Plan product launch and minor expansion of Practices. Specifically:

(a) PRINCIPLES paragraph 1.5(1)

- There was a minor amendment to the wording in this paragraph to clarify the statement made. This amendment did not change the underlying Principle.

(b) PRINCIPLES paragraph 1.8(2)

- The statements were reordered to group similar areas together. No changes were made to the content of the Principle.

(c) PRINCIPLES paragraph 1.10(1)

- This paragraph was amended to clarify that the Rules of the Society govern membership criteria.

(d) PRACTICES paragraph 1.1(1) & (3)

- This paragraph was amended in anticipation of changes to how bonuses are determined for APPS pension plans and whole of life policies (neither of which currently use a direct asset share approach).

(e) PRACTICES paragraph 1.1(6)

- This paragraph was amended to clarify the statement on the use of sample policies to determine asset share.

(f) PRACTICES paragraph 1.1(10)(b)

- This paragraph was updated to include the new UWP products similar to the All-in-1 bond. Also 1.3(1), 1.4(3), 1.4(4), 1.4(5), 1.7(1)

(g) PRACTICES paragraph 1.2(1)

- This paragraph was amended to clarify factors that will be taken into account when setting annual bonus rates.

(h) PRACTICES paragraph 1.5(3)

- This paragraph was amended to mirror the change to the corresponding Principle, and to explain the close matching of liabilities on with profits pensions policies.

(i) PRACTICES paragraph 1.5(4)

- This paragraph was amended to reflect revised maximum credit exposure on fixed interest assets.

(j) PRACTICES paragraph 1.7(5)

- This paragraph has been updated as a result of the Part VII transfer of the RNPFN Fund into LVFS last year.

(k) PRACTICES paragraph 1.8(1)

- This paragraph has been reordered to mirror the reordering of the Principles.

(l) PRACTICES paragraph 1.8(4)

- This paragraph was added to explain the process around determining any excess surplus.

(m) PRACTICES paragraph 1.10(5)

- This paragraph was updated to mirror the clarification of the corresponding Principle.

(n) Governance Arrangements

- This paragraph was added to explain the process around changes to the PPFM and the make up of the With Profits Committee.

Changes in Version 5.0 – 11 October 2007

The PPFM was amended in October 2007 mainly to reflect the introduction of Series 3 of the With Profits Pension Annuity. Changes were made to the following paragraphs:

(a) PRACTICES paragraph 1.1(2)

- This paragraph was amended to clarify how Asset Share calculations are carried out for the With Profit Pension Annuity

(b) PRACTICES paragraphs 1.1(6) and 1.5(4)

- These paragraphs were amended to reflect the change in the web-site address

(c) PRACTICES paragraph 1.1(10)

- This paragraph was amended to allow for the explicit guarantee and smoothing charges on the new series of With Profit Pension Annuity.

(d) PRACTICES paragraph 1.2(1)

- This paragraph was amended to explain the approach to setting annual bonuses for the new series of With Profit Pension Annuity. Other changes were made to the order of paragraphs for clarity.

(e) PRACTICES paragraph 1.3(1)

- This paragraph was amended to explain the approach to setting the top-up bonus for the With Profit Pension Annuity.

(f) PRACTICES paragraph 1.4(3)

- This paragraph was amended to explain that 2 year smoothing applies for the new series of With Profit Pension Annuity.

Changes in Version 4.0 – 31 December 2006

The PPFM was amended in December 2006 for a variety of reasons. Changes were made to the following paragraphs:

(a) PRINCIPLES paragraph 1.6

- This paragraph was amended to clarify the criteria the Board could use in considering the suitability of new and existing business risks. This amendment did not change the underlying Principle.

(b) PRINCIPLES paragraph 1.8(e)

- This paragraph was amended to clarify the statement made. This amendment did not change the underlying Principle.

(c) PRINCIPLES paragraph 1.8(4)

- This paragraph was amended to note the Board could consider other actions than those listed in order to improve policy values if there was a high level of estate. This amendment did not change the underlying Principle.

(d) PRINCIPLES paragraph 1.8(6)

- This paragraph was amended to note the Principle reflected the current position. This amendment did not change the underlying Principle.

(e) PRACTICES paragraph 1.1(1)

- This paragraph was amended to

  (i) clarify how sample policies relate to the with-profits policies they represent,
  (ii) explain how bonus rates for Appropriate Personal Pension Plans are determined.

(f) PRACTICES - paragraphs 1.1(2), 1.1(7), 1.1(10), 1.3(1), 1.4(5), 1.7(1), 1.7(2)

- These paragraphs were amended to clarify the position for accumulating with-profits policies.

(g) PRACTICE paragraph 1.1(6)

- This paragraph was amended to clarify that different product types may have different asset mixes ("asset pools") underlying their Asset Shares.

(h) PRACTICE paragraph 1.2(1)

- This paragraph was amended to explain how annual bonus rates for accumulating with-profits polices are determined.

Changes in Version 3.0 – 31 December 2005

The PPFM was amended in December 2005 mainly to reflect the introduction of "target ranges". Changes were made to the following paragraphs:

(a) PRACTICES paragraph 1.1(1)

- This paragraph was amended to

  (i) note the frequency of Asset Share calculations,
  (ii) clarify that business risks are covered in Section 1.6,
  (iii) note the factors the Board takes into consideration in determining whether to allocate miscellaneous surplus,
  (iv) note that bonus rates for non-premium paying policies are determined from premium paying ones and for tax-exempt policies from taxable ones.

(b) PRACTICES paragraph 1.1(6)

- This paragraph was amended to

  (i) incorporate the "target ranges" used to determine payouts,
  (ii) clarify that investment returns for with-profits policies excludes those assets matching non-profit policies,
  (iii) note that investment returns are calculated as often as required to calculate Asset Shares.

(c) PRACTICES paragraph 1.4(2)

- This paragraph was amended to note that any costs or excesses are charged to the inherited estate.

(d) PRACTICES paragraph 1.4(3)

- This paragraph was amended to note that other than investment returns other aspects of experience are not smoothed.

(e) PRACTICES paragraph 1.4(4)

- This paragraph was amended to clarify the smoothing of the All-In-1 Investment Bond.

(f) PRACTICES paragraph 1.5(4)

- This paragraph was amended to note the availability of the investment mix on the Society's website or direct from the Society.

Changes in Version 2.0 – October 2005

The PPFM was amended in October 2005 mainly to reflect the introduction of the All-In-1 Investment Bond. Changes were made to the following paragraphs:

(a) PRACTICES paragraph 1.1(1)

- A new paragraph was added to note how the amount payable is determined for the All-In-1 Investment Bond.

(b) PRACTICES paragraph 1.1(6)

- This paragraph was amended to note how the investment return for the All-In-1 Investment Bond is determined.

(c) PRACTICES paragraph 1.1(10)

- This paragraph was amended to note that an explicit charge for the cost of any guarantees selected applies to the All-In-1 Investment Bond.

(d) PRACTICES paragraph 1.2(1)

- This paragraph was amended to note that annual bonuses are not added to All-In-1 Investment Bonds.

(e) PRACTICES paragraph 1.3(1)

- This paragraph was amended to note that final bonuses are not added to All-In-1 Investment Bonds.

(f) PRACTICES paragraph 1.4(3)

- This paragraph was amended to note that

  (i) smoothing for conventional with-profits policies applies to "the previous" five years,
  (ii) smoothing for unitised with-profits policies applies to "the previous" two years,
  (iii) to note the method of smoothing for the All-In-1 Investment Bond.

(g) PRACTICES paragraph 1.4(4)

- This paragraph was clarified to make it clear it only applied to conventional with-profits policies.

(h) PRACTICES paragraph 1.4(5)

- This paragraph was amended to note that smoothing does not apply in the first 6 months for the All-In-1 Investment Bond.

(i) PRACTICES paragraph 1.5(4)

- This paragraph was amended to note the investment strategy takes into account the Society's "ability to meet its commitments to its members".

(j) PRACTICES paragraph 1.7(1)

- This paragraph was amended to note a monthly charge applies to any guarantee selected for the All-In-1 Investment Bond.

A separate PPFM was used for Flexible Guarantee Bond, Flexible Guarantee Funds, Flexi Guarantee Plan, All-in-1 Investment Bond and Guaranteed Capital Bond policies in the LVFS Fund from 1 November 2011 to 31 July 2018. From 1 August 2018 the content of this PPFM was incorporated into the PPFM for other with-profits policies in the LVFS Fund.

The changes below are those made to this separate PPFM.

Changes in Version 7.2 – 1 December 2017

The following material changes have been made:

Paragraph	Change
Practice 4.2.4	An amendment has been made to state that now fewer assets are invested than those underlying the Asset Pools for Flexible Guarantee policies as a hedge to remove the Society's asset-based market exposures relating to charges.
Practice 7.2.4	An amendment has been made to add an example of the contribution made by the policies to the Society in determining the level and form of the Mutual Bonus declaration, namely the risks taken in supporting the establishment and growth of the trading business.

The following other changes have been made:

Paragraph	Change
Introduction	The requirement to certify each year to the FCA that the Society's with-profits business has been managed in accordance with its PPFM has been removed. This is no longer required under the current Solvency regime.
Practice 2.2.2	It has been clarified that no past allocations of Miscellaneous Surpluses have been removed.
Practice 2.2.3	An amendment has been made to clarify that tax on investment returns is allowed for, where appropriate.
Practice 2.2.9	An amendment has been made to clarify that policyholders may switch the Asset Pool their product is invested in.
Practice 4.2.3	An amendment has been made to clarify that it is the investment strategy of Asset Pools that are reviewed at least every three years.
Practice 4.2.4	An amendment has been made to clarify that different asset mixes are held in respect of the liabilities of the Society's policies not covered by this PPFM. An amendment has been made to clarify that the assets actually held for All-in-1 Investment Bonds and Guaranteed Capital Bonds differ from those underlying the Asset Pool that these policies are held in.
Practice 7.2.4	An amendment has been made to clarify that Miscellaneous Surplus is now allocated as Mutual Bonus.
Glossary	An amendment has been made to the definition of Asset Pool.

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

Changes in Version 7.1 – 12 June 2017

The following material changes have been made to reflect the introduction of the Flexible Guarantee Bond Series 3 and Flexible Guarantee Fund Series 2:

Paragraph	Change
Practice 2.2.11	A new Practice has been added which allows the Society discretion to delay buying, selling or switching units for Flexible Guarantee Bond Series 3 and Flexible Guarantee Fund Series 2 in accordance with their policy conditions.
Practice 3.2.2	For all products covered by this PPFM, when Asset Share calculated using actual investment returns ("UAS") is 80% or less of the Asset Share calculated using smoothed investment returns ("SAS"), the Society will set payouts to the UAS. An amendment has been made to the Practice to allow the Society the right to set the payout to UAS in other exceptional circumstances for Flexible Guarantee Bond Series 3 and Flexible Guarantee Fund Series 2. Examples of when the Society might do this are included.
Practice 5.2.4	An amendment has been made to allow Mutual Bonus to also be determined by contribution made by the policies to the Society. A further amendment has been made to state that for Flexible Guarantee Bond Series 3 and Flexible Guarantee Fund Series 2 the Mutual Bonus declared would be expected to be zero. It is also stated that this does not preclude these products from ever receiving a Mutual Bonus.

The following other changes have been made:

Paragraph	Change
Introduction	For the avoidance of doubt, where necessary, amendments have been made to clarify whether policies referred to in the PPFM are for all series of the Flexible Guarantee Bond and the Flexible Guarantee Funds, or specific series.

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

Changes in Version 6.0 – 1 December 2016

The following material changes have been made:

Paragraph	Change
Practice 4.2.6	An amendment has been made to reflect a new regulation that, from the introduction of Solvency II, requires strategic investments (such as the Society's investment in its general insurance business) to be made in the best interests of all the Society's with-profits and non-profit policyholders.
Practice 5.2.2	An amendment has been made to reflect the change following the introduction of Solvency II that the RNPFN capital support facility will now be called on if the RNPFN Fund fails to cover its own Solvency Capital Requirement.

The following other changes have been made:

Paragraph	Change
Practice 2.2.2	An amendment has been made to clarify that past allocations of miscellaneous surplus, if removed, may subsequently be reinstated if the Board considers it appropriate.
Practice 7.2.2	An amendment has been made to clarify that the RNPFN contingent loan can increase as well as decrease and that a £100 million cap applies.
Schedule	The composition of the With-Profits Committee has been updated.
Glossary	Definitions of Policyholder and Solvency Capital Requirement have been added.
Throughout	For the avoidance of doubt, where necessary, amendments have been made to clarify whether policies referred to in the PPFM are those with-profits policies covered by the PPFM or are other policies insured by the Society.

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

Changes in Version 11.0 – 1 December 2015

The following material changes have been made:

(a) PRACTICE 4.2.3

- The wording has been amended to reflect a change in frequency of reviews of the long-term investment strategy for with-profit business. Detailed reviews are now expected to be performed at least every three years, with less detailed reviews at approximately annual intervals.

The following other changes have been made:

(b) PRACTICE 4.2.2

- The wording has been amended to reflect that benchmark asset mixes for with-profit asset shares are now available on the Society's web-site.

(c) PRACTICE 4.2.6

- A new practice has been added to explain that the Board reviews that its investment in the General Insurance business is likely to have no adverse effects on the interest of the Society's with-profits policyholders at approximately annual intervals.

(d) PRACTICE 5.2.2

- The description of the capital support facility that the Society makes available to the RNPFN Fund has been expanded.

(e) PRACTICE 6.2.5

- The wording has been amended to reflect a change in name of the company to which the Society currently outsources the investment management of its assets. Threadneedle Asset Management is now known as Columbia Threadneedle Investments.

(f) GLOSSARY

- Improvements have been made to the definitions of Miscellaneous Surplus and Mutual Bonus. A definition has been added for Trading Business.

Changes in Version 4.0 – 1 October 2014

No material changes have been made. The following other changes have been made:

(a) INTRODUCTION 1.2

a. The new Flexible Guarantee Funds product has been added to the list of products covered by the FGB version of the PPFM, with a similar change to the front cover.

(b) PRACTICE 2.2.2

b. The wording has been modified to make it clear that the ability to reduce or remove past miscellaneous surplus additions includes any investment return added to them.

(c) PRACTICE 2.2.9

c. The wording has been amended to make it clear that the full return under the policy is allocated through the unit price, using the approach to smoothing outlined in section 3.

(d) PRACTICE 3.2.2

- The description of the smoothing approach has been amended to reflect that the unit prices are averaged, rather than the investment returns.

(e) PRACTICE 5.2.1

- A minor improvement has been made to the wording.

Changes in Version 3.0 – 1 October 2013

The following material changes have been made:

(a) PRACTICE 2.2.10

d. 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 with-profit policies.

(b) PRINCIPLE 8.1.1

e. The wording has been brought into line with new requirements introduced in 2012 regarding the circumstances in which new business can be accepted into the with-profits fund.

The following other changes have been made:

(c) INTRODUCTION 1.1

f. An amendment has been made to reflect the replacement of the Financial Services Authority with the Prudential Regulation Authority and the Financial Conduct Authority. Similar changes have been made to paragraphs 1.3 and 1.7 of the same section.

(d) INTRODUCTION 1.5

g. The sentence "There are no restrictions on the Society's ability to change the Practices" has been deleted as it duplicated the previous sentence.

(e) PRACTICE 2.2.2

h. An improvement has been made to the wording which explains that miscellaneous surpluses are not permanent additions to Asset Shares.

(f) PRINCIPLES 3.1.1 and 3.1.2

i. Improvements to the wording have been made (and order of these paragraphs reversed) to make it clearer what is meant by the term "smoothing".

(g) SCHEDULE

j. Minor improvements have been made to the wording. The description of the With-Profits Committee has also been updated.

(h) GLOSSARY

k. A high-level definition of "Subordinated Debt" added.

The above list excludes a few minor clarifications and improvements.

Changes in Version 2.0 – 1 October 2012

(a) INTRODUCTION 1.5

- A sentence has been added to clarify that the Practices may change and that they only reflect current practice. A sentence has also been added to clarify that there are no restrictions on the Society's ability to change the Practices.

(b) PRACTICE 2.2.4

l. The wording has been clarified to reflect that information on product charges can appear in documents other than policy conditions and key features. A similar change has been made to Principle 8.1.1. The wording has also been clarified to cover changes to charges that are made in accordance with these documents.

(c) PRACTICE 6.2.4

m. 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.

(d) PRINCIPLE 7.1.3

n. The statement that the Society does not set a target range for the inherited estate has been amended to be consistent with the current practice of monitoring the ratio of the Society's capital resources to the level of capital it is required to hold against an agreed range.

(e) SCHEDULE

o. The wording has been amended to reflect a change in the membership of the With-Profits Committee.

Changes in Version 1.1 – 1 March 2012

(a) PRACTICES Paragraph 2.2.3

- This section has been removed as it was originally included due to an oversight. Subsequent paragraphs in section 2 have been renumbered appropriately.

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