



**PRINCIPLES AND PRACTICES OF
FINANCIAL MANAGEMENT**

**ROYAL LONDON LONG TERM FUND
(EXCLUDING
'THE CLOSED FUNDS')**

**REPORT TO WITH PROFITS
POLICYHOLDERS
ON COMPLIANCE FOR 2024**

MAY 2025

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1. INTRODUCTION

On 30 April 2004 The Royal London Mutual Insurance Society Limited ('Royal London') first published its Principles and Practices of Financial Management ('PPFM') for the Royal London Long Term Fund, excluding 'the Closed Funds' as mentioned below ('the fund').

The Royal London (CIS) Sub-Fund is closed to new business and consists of three Sub-Funds, which are referred to as 'the Closed Funds' and are described in separate PPFMs.

The Royal London PPFM was fully refreshed on 1 April 2024 to make the document easier to understand and follow. No changes were made to the actual Principles and Practices. This version will be referred to throughout this report.

The Directors must provide a report each year to with profits policyholders giving information on compliance with the PPFM. The Directors have reviewed the operation of the fund for 2024 and in their opinion the PPFM has been complied with in all material respects. It is also their opinion that the exercise of discretion over the period was appropriate and that any issues involving competing or conflicting rights, interests and expectations of policyholders were resolved fairly.

In coming to this view the Directors have taken account of internal and external professional advice provided during the year, including advice from the With Profits Actuary, the With Profits Committee and the Chief Actuary. This report sets out the main reasons for the Directors' opinion and the following sections consider, in turn, governance, the exercise of discretion, competing and conflicting interests, and compliance with the PPFM.

2. GOVERNANCE

Appropriate governance arrangements to monitor compliance with the PPFM have operated throughout the period in question.

The Directors seek opinions as appropriate from the With Profits Actuary, from the Chief Actuary and from the With Profits Committee which was established by the Directors to provide independent advice on the way the fund is managed, to provide an independent view when the Directors are considering the interests of with profits policyholders and to monitor compliance with the PPFM.

A short report to policyholders from the With Profits Actuary confirming their view is attached.

3. EXERCISE OF DISCRETION

The main areas in which discretion is exercised in the operation of with profits business are setting bonus rates, investment strategy, setting surrender values, allocation of expenses and the management of the estate.

SETTING BONUS RATES

For conventional contracts, a process was carried out in line with the PPFM to set bonus rates for 2024. No material changes were made to the bonus methodology or approach to setting assumptions for final bonus rates for 2024.

New final bonus rates were implemented on 1 January 2024 and were not changed during the year. The annual bonus rates were first approved on an interim basis and declared formally at the end of March 2024.

For unitised contracts, annual bonus rates were reviewed at the end of 2023 and implemented from 1 January 2024 onwards. We reviewed final bonus and market value reduction (MVR) rates on a monthly basis during 2024 with changes being made on one occasion during the year.

In making these declarations the Directors took account of advice from the With Profits Actuary and the Chief Actuary and followed the requirements of the PPFM. The Directors also took account of advice from the With Profits Committee.

INVESTMENT STRATEGY

The investment strategy aims to optimise the long-term return for with profits policyholders and maintain the Estate at the target size. This is done making sure that guarantees and other commitments to policyholders are met.

A common statistic used to categorise the level of investment risk within a fund is the proportion of the fund's assets that are invested in shares and property. At the end of 2024, the overall proportion for the majority of business was 72%, which remains unchanged from the end of 2023.

SETTING OF SURRENDER VALUES

During 2024, there have been no changes implemented to surrender value methods.

ALLOCATION OF EXPENSES

For policies that are not covered by expense agreements as part of previous schemes of transfer, Royal London's aim is to allocate expenses to policies that correspond to the actual expenses incurred. Over the course of 2024 the expenses allocated to with profits policies were compared to the actual costs of administering those policies. The expenses allocated to with profits policies were confirmed as being appropriate and in line with the PPFM.

MANAGEMENT OF THE ESTATE

There were no material changes to the methods of monitoring and managing the estate during 2024 as they continue to operate effectively.

MANAGEMENT OF RISK

Royal London continuously seeks to obtain independent assurance that its systems of risk management and internal controls are operating effectively. In addition, Royal London obtains independent opinions on the effectiveness of the key systems and controls throughout the organisation. This includes evaluating the effectiveness of, and adequacy of the risk management processes and ensuring compliance with policies and procedure. The effectiveness of internal controls and the risk management infrastructure is also specifically considered by external auditors in the context of their review of Royal London's financial statements.

Royal London has previously developed a number of actions to mitigate the business risks that are run within the fund including exposures to investment, expense, mortality, morbidity and lapse risks.

CHANGES TO PPFM

On 1 April 2024 we refreshed the PPFM document to make it easier to understand and follow. No changes were made to the underlying Principles or Practices.

4. COMPETING OR CONFLICTING RIGHTS, INTERESTS AND EXPECTATIONS

In any with profits fund, different groups of policyholders could have competing or conflicting interests. For example, holders of:

- policies of different types (such as life or pension policies or regular or single premium)
- policies of different sizes or different policy terms
- policies which started in different years or mature in different years

or policyholders:

- of different ages
- claiming for different reasons (for example maturity, death, surrender)
- exercising different policy options

could receive different benefits relative to each other depending on how discretion is exercised.

Any conflicts which have arisen have been appropriately and fairly resolved, in the Directors' opinion, after taking expert advice, where necessary. This expert advice has been provided by the With Profits Actuary, the Chief Actuary and the With Profits Committee as appropriate.

5. COMPLIANCE WITH PPFM

MANAGEMENT OF THE ESTATE

During 2024, the Directors were provided with information and actuarial reports on a regular basis regarding the current and projected financial position of the fund.

The Directors declared ProfitShare of £181m in respect of 2024.

NEW BUSINESS VOLUMES

No specific volume limitations were deemed necessary on new business, whether with profits or non-profit business. The volume and mix of new business were regularly monitored throughout the year against the planned volume and business mix. The profitability of new business was also monitored regularly throughout the year, to ensure that there was no detriment to the interest of with profits policyholders.

INVESTMENT STRATEGY

During 2024 the Investment Strategy Committee met 10 times. Technical papers on investment strategy were presented during the year and advice from the With Profits Actuary and the Chief Actuary was obtained where appropriate.

The performance of the investment manager was monitored by the Investment Strategy Committee, the Investment Committee and the Directors. Changes to benchmarks were approved by the Directors.

INVESTING RESPONSIBLY

As the UK's largest mutual insurance and pension provider, we're committed to acting and investing responsibly. Visit royallondon.com/responsiblebusiness to read our latest report on our climate change commitments and the progress we've made so far in line with our requirements under the Taskforce on Climate-related Financial Disclosures (TCFD).

POLICY BENEFITS PAYABLE

The methodology used to set bonuses and policy benefits:

- followed the approach set out in the PPFM
- complied with the relevant schemes of transfer where appropriate
- addressed the competing interests of Royal London policyholders, and policyholders whose policies were transferred to Royal London under a scheme of transfer.

The bonus rates declared differed between product types and classes.

An exercise to review compliance with the target ranges for maturity payouts published in the PPFM was carried out. This demonstrated that over 90% of maturity claims were within target range during 2024, satisfying requirements for compliance.

The policy groupings are described in the PPFM. The following shows the combined maturity and surrender claim information for 2024.

Group of Policies	No. of claims included in investigation	Proportion of claims		
		Below Target Range	Within Target Range	Above Target Range
Group A	5,710	2%	97%	1%
Group B	316	3%	93%	4%
Group C	1,258	0%	100%	0%
Group D	4,023	2%	98%	0%
Group E (surrenders only)	11	0%	73%	27%
Group F	176	2%	93%	5%
Group H	22,562	0%	96%	4%
Group I	1,046	0%	100%	0%
Group J	201	3%	90%	7%
Group K (surrenders only)	70	7%	93%	0%
Group L (all claims)	3,659	0%	100%	0%

6. CONCLUSION

In the opinion of the Directors, the management of the with profits business in the fund over this period has complied with the PPFM in all material respects. It is also their opinion that the exercise of discretion over the period was appropriate and that any issues involving competing or conflicting rights, interests and expectations of policyholders were resolved fairly.

B O'Dwyer

Group Chief Executive

May 2025

REPORT FROM THE WITH PROFITS ACTUARY

To with profits policyholders in the Royal London Long Term Fund, excluding ‘The Closed Funds’.

In my opinion the discretion exercised by the Directors in respect of the period covered by their report has taken policyholders’ interests into account in a reasonable and proportionate manner. It is also my opinion that the Directors have complied with the requirements of the Principles and Practices of Financial Management (PPFM) of the Royal London Long Term Fund (excluding ‘The Closed Funds’) in all material respects.

I have based these opinions on the information and explanations provided to me by the Directors and management of Royal London and on my own knowledge and investigations. In doing so I have taken into account the relevant rules and guidance of the Financial Conduct Authority, of the Prudential Regulation Authority, of the Financial Reporting Council and of the Actuarial Profession regarding the management of with profits business.

A separate report confirms compliance in respect of the Royal London (CIS) Sub-Fund.

N Welling

With Profits Actuary

May 2025