

## Summary of Changes to the Principles and Practices of Financial Management (PPFM)

### Introduction

This document summarises recent changes we have made to our Principles and Practices of Financial Management (PPFM) and gives an overview of some of the changes we plan to make in the near future.

The PPFM explains how we manage our with-profits business. Any changes were proposed by our **With-Profits Actuary** and agreed by the Society's **Board** and With-Profits Advisory Arrangement.

Any words that are in **bold** in this document are listed in the glossary of the PPFM. A copy of our latest PPFM can be found on our website at [www.nationalfriendly.co.uk/with-profits](http://www.nationalfriendly.co.uk/with-profits)

Please note: This summary is provided for explanatory purposes only and does not form part of the Principles and Practices of Financial Management itself.

### 1. Changes to take effect 1 February 2024

Section	Change
Investment Strategy 3.2 Practices	We'll be removing some wording to allow for greater flexibility for the Investment Committee to manage the fund more effectively.
Charges and Expenses 4.2 Practices	There will be some wording amends to add clarity to how our outsourced services contracts are managed.
<b>Inherited Estate</b> 6.2 Practices	We will bring our target range for the <b>inherited estate</b> in line with our Solvency Risk Appetite Framework.
Claim Value Methods 8.1 Principles	We'll update our wording around the <b>asset share</b> method as we may not use that for all classes of business in the future.
Claim Value Methods 8.2 Practices	We'll update our wording around the <b>asset share</b> method as we may not use that for all classes of business in the future.
Claim Value Methods 8.2 Practices Whole Life and Endowment Assurances	We'll update our wording around the <b>asset share</b> method as we may not use that for all classes of business in the future.
Claim Value Methods 8.2 Practices With-Profits Bonds	Currently, the PPFM stipulates a specific percentage (101%) of the bond value as being the minimum we pay upon death of the policyholder. We will be removing reference to a specific percentage for the single premium investment to allow greater flexibility for future iterations of our With-Profits Bond product.
Glossary	We will be updating our definitions of <b>asset share</b> and bonus reserve valuation.

## 2. No changes were made following 26 May 2022 review

## 3. No changes were made following 20 May 2021 review

## 4. Changes effective from 3 June 2020

Section	Change
Charges and Expenses 4.2 Practices	The following wording was added: <i>“If the level of the <b>inherited estate</b> falls below its minimum target level, a charge for the expected cost of meeting guarantees may be deducted from the <b>asset shares</b> following the advice of the <b>With-Profits Actuary.</b>”</i>
Claim Value Methods 8.2 Practices With-Profits Bonds and With-Profits ISAs	A clarification was made to the explanation of how the benefit payable on death is calculated.
Annual Bonus Policy 9.2 Practices	For clarity 1% annual bonus was amended to +/- 1%.

## 5. Changes effective from 13 June 2019

Section	Change
Investment Strategy 3.2 Practices	Wording was added to provide greater flexibility on the re-allocation of assets following a period of adverse market conditions.
<b>Inherited Estates</b> 6.2 Practices	A clarification was made to the explanation of any distribution of surplus.
Claim Value Methods 8.2 Practices Whole Life and Endowment Assurances	Wording was added for clarity on setting final bonus rates for whole of life policies.  A clarification was made to the explanation of special bonus rates being declared.

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