

Consumer Duty – Product Information for the Monthly Cash Policy

Including target market, fair value, and customer vulnerability statements

Product Type

Single premium fixed term insurance policy.

Product Description

The LV= Monthly Cash Policy is an insurance policy with a fixed term, that can only be set up with payment of 'tax-free cash' from the LV= SIPP (Flexible Transitions Account), held by an existing LV= customer who is UK resident. The purpose of the Policy is to provide customers with the option to receive 'tax-free cash' in equal instalments over a fixed period of 12 months, directly into their UK bank account. The alternative would be to receive 'tax-free cash' as a single lump sum.

The policy is not an investment of the customer's LV= SIPP (Flexible Transitions Account), but is a life insurance policy in the customer's own name. The LV= Monthly Cash Policy is therefore a way for customers to manage their cash flow. Instalments of 'tax-free cash' can be paid monthly, quarterly or half yearly; in advance or in arrears.

Product Objective

To enable the policyholder, to receive payment of their 'tax-free cash' in equal instalments over a fixed period of 12 months, directly into their UK bank account, rather than as a single lump sum. This provides customers with increased income and tax planning flexibility, for example when combined with regular pension fund withdrawals, and provides them with an extra level of cashflow management.

Product Holding Time

The policy has a 12 month fixed term for payment of instalments.

Product Features

- Payment of 'tax-free cash' in equal instalments, rather than a single lump sum.
- Guaranteed income over a fixed 12 month term.
- Choice of payment frequency at outset.
- Instalments of 'tax-free cash' can align with, or be paid at a different frequency, and to a different bank account from any drawdown pension income from the customer's LV= SIPP (Flexible Transitions Account).
- Guaranteed return of fund on death with life cover element as standard: 100.01% return of fund.

More detailed information, which includes the product investment limits and basis, as well as a description of costs and charges, can be found in our Product Profile document.

Eligibility Criteria

To apply clients must be:

- Using their whole 'tax-free cash' payment from an LV= SIPP (Flexible Transitions Account). No other payment is allowed.
- UK resident.

- Using all of the tax-free cash that they choose to take at any particular time from their LV= SIPP (Flexible Transitions Account). For example they won't be able to use only 50% of it in the Policy and take the other 50% as a lump sum.
- Aged 55 or older (under 55 only if benefits are taken from the LV= SIPP on the grounds of ill health), there is no maximum age.
- Taking out the policy in their own name. The policy can only be owned by individuals on a single life basis, not by trustees or companies.
- Taking benefits from their LV= SIPP (Flexible Transitions Account) on a standard basis. The policy is not available to customers who have a protected early pension age or protected lump sum rights under their LV= SIPP (Flexible Transitions Account).

Distribution strategy

To ensure your client receives a product that is right for them we believe the policy should only be available on an advised basis, whether this be face to face or over the phone. We don't accept applications from direct customers.

Our pricing is consistent across all our channels of distribution. Firms that recommend the policy must have current terms of business agreement in place with LV=. These can range from restricted (tied, multi-tied and whole of market) and independent advisers.

Target market

We believe the main group of individuals that the policy is likely to appeal to are:

- 55+ year olds with an LV= SIPP (Flexible Transitions Account).
- Partially retiring.
- Post-retirement.
- Using only part of the fund under their LV= SIPP (Flexible Transitions Account) to generate 'tax-free cash'.

We believe that the policy is:

suitable for individuals who

- Are existing UK resident LV= customers who have an LV= SIPP (Flexible Transitions Account).
- Have chosen drawdown pension in respect of part of their LV= SIPP (Flexible Transitions Account), and take 'tax-free cash' at the same time.
- May be looking to avoid triggering the Money Purchase Annual Allowance (MPAA) rules by only taking 'tax-free cash' and selecting drawdown on a nil income basis.
- Are aged 55 or over (or less than age 55 if they are in ill health) and wish, for cash flow purposes, to take 'tax free cash' from their LV= SIPP (Flexible Transitions Account) in regular instalments, rather than as a single lump sum.
- Want to pay the 'tax-free cash' into an insurance policy, not



held in the pension scheme, that will pay the money as fixed regular instalments directly into their UK bank account over a period of 12 months.

- Do not want to have the investment choice for funds remaining in their LV= SIPP (Flexible Transitions Account) restricted in order to access 'tax-free cash' in regular instalments.
- Want choice about whether to receive regular instalments of their 'tax-free cash' at the same frequency as any drawdown pension instalments from their LV= SIPP (Flexible Transitions Account), or at a different frequency.
- Want choice about whether to receive regular instalments of their 'tax-free cash' into the same bank account as any drawdown pension income from their LV= SIPP (Flexible Transitions Account), or to a different bank account.
- Want certainty that 100% of their 'tax-free cash' is guaranteed to be paid to them (or 100.01% of any unpaid instalments if they die before the end of the 12 month period), and are willing to accept that, in return for taking no investment risk, no interest will be payable from the policy.

unsuitable for individuals who

- Are not existing LV= customers with an LV= SIPP (Flexible Transitions Account).
- Are not resident in the UK for tax purposes.
- Are resident outside the UK and wish to make contributions to their pension with LV=.
- Do not have a UK bank account.
- Have a protected early pension age or protected lump sum rights under their LV= SIPP (Flexible Transitions Account).
- Are looking to invest their 'tax-free cash' with the potential for an investment return (even if there is a risk of loss) and/or a shelter from Inheritance Tax (IHT).
- Require instalments of their 'tax-free cash' to be paid on a fully flexible basis, rather than being 'locked in' for 12 months. For example customers who want to receive instalments on an ad-hoc basis, to stop payments altogether, or to cash in the policy for a lump sum representing the balance of unpaid instalments (other than on death).
- Want to receive their 'tax-free cash' in instalments over a period longer than 12 months.
- Want to purchase a Lifetime Annuity.

Customers must choose the frequency of their instalments before the policy starts. This can't be changed, stopped or suspended afterwards.

The underlying fund that LV= hold and own will be invested in cash and LV= will guarantee that 100% of a customer's money is always returned. No interest will be paid though, and your client should consider an alternative product if they require an investment return on their money.

It is not possible to set up a phased drawdown strategy under a customer's LV= SIPP (Flexible Transitions Account) in conjunction with the Monthly Cash Policy. Instead, we will remind customers and their advisers two months before instalments of 'tax-free cash' are due to stop and, if applicable, provide an option to apply for a new Monthly Cash Policy. At that point the customer can choose whether to receive the same level of income and payment details, or select something different.

If the customer decides to transfer their LV= SIPP (Flexible Transitions Account) fund with LV= to another pension provider, their Monthly Cash Policy will remain with LV=, and will continue to provide instalments of their 'tax free cash' until the end of the 12 month term. This is because a Monthly Cash Policy is not an

investment of the pension scheme but held outside as an insurance policy in the customer's own name.

Providing Fair Value

We conduct an annual review of the product following principles set out in our fair value framework. These principles help to assess that our customers are getting fair value during the key touchpoints with LV= over the lifetime of the product. They take account of the distribution channel through which the policy is made available. Note that for this product there are no charges levied by LV=, but there is also no interest paid on the instalments of tax-free cash paid over the 12 month period.

Our key fair value assessments areas reviewed annually are:

Assessment Area - Features

Assessment Criteria

- Needs of target market
- Competitor comparison
- Product terms

What this means

- We assess the benefits and limitations of the policy, and the service we deliver to you and your client, continues to meet the needs, characteristics and objectives of our target market including vulnerable customers.
- We regularly compare product features with those of our competitors to ensure we offer flexibility to your clients throughout the lifetime of their policy.
- We assess the relationship between the overall price the customer pays and the quality of the product and service provided.
- We conduct customer surveys as part of our on-going product governance. As part of this, we gather feedback from customers about their use and experience with to ensure it continues to meet customer needs and provide good outcomes.

Assessment Area - Services

Assessment Criteria

- Quality of service delivered
- Customer satisfaction
- Intermediary feedback

What this means

- We assess the benefits and limitations of the policy, and the service we deliver to you and your client, continues to meet the needs, characteristics and objectives of our target market including vulnerable customers.
- Our servicing processes are assessed to identify where we can make efficiencies and streamline processes making us easy to do business with.
- Customer satisfaction is monitored monthly, with post-sales suitability surveys completed on new business annually. Adviser feedback is also collected. Feedback used as appropriate to deliver communication that is engaging and easy to understand.
- Ensuring our servicing teams are appropriately trained and able to recognise and support vulnerable customers through training policy, practices and established processes.

Assessment Area - Pricing

Assessment Criteria

- Overall costs/pricing
- Profit margins
- Competitor Comparison

What this means

- LV= does not take any charges from the Monthly Cash Policy (MCP) itself.
- Any charges that may apply for crystallising benefits at wrapper level to pay pension drawdown and tax-free cash from the LV= SIPP (Flexible Transitions Account) are outlined in the LV= SIPP product literature.
- Our separate document: 'Consumer Duty – Product Information for the LV= SIPP (Flexible Transitions Account)' covers the assessment information relating to the pricing of that product.

Assessment Area - Distribution

Assessment Criteria

- Impact of distribution strategy on value delivered to the customer

What this means

- Our distribution strategy remains appropriate for our target market with no areas identified that would negatively impact your clients, including clients who may be vulnerable.
- We consider the charges we facilitate to ensure they are not set at a level that would mean the product is unlikely to achieve its objectives and provide fair value.

The LV= Monthly Cash Policy was most recently assessed for fair value in August 2024. Our assessment confirms:

- The policy remains consistent with the needs of the identified target market.
- The policy provides fair value to customers, including vulnerable customers.
- The intended distribution strategy remains appropriate.

There may be additional factors that influence the fair value of the product within the distribution chain, these include any other fees charged to the client not by LV=.

Customer Vulnerability

At LV= we consider the needs of all our customers, including those with vulnerabilities, across all aspects of product development and throughout the life of a customer's policy in line with the FCA Vulnerable Customer Guidance.

A vulnerable customer is someone who, due to their personal circumstance, is especially susceptible to detriment, particularly where a firm is not acting with appropriate levels of care.

The main drivers of customer vulnerability are

Vulnerability Characteristic	Why
Health	A customer may find themselves with a condition or illness that affects their ability to complete day-to-day tasks, both mentally and physically. When we suffer from ill health, it can greatly reduce our capabilities. For customers who have long-term health conditions, are living with pain, are battling addiction or undergoing treatment, everyday tasks become a greater challenge.
Life Events	Throughout a person's life, they will experience different life events. Some may result in things becoming more difficult or complicated. Examples of life events that may put a customer in a position of vulnerability include bereavement, redundancy or a relationship breakdown. Other events include taking on care responsibilities or being a victim of crime or involvement in an accident.
Resilience	A customer may have a low ability to withstand financial or emotional shocks. Such shocks can occur from ill health or challenging life events. For example, someone on a low income, with little savings, may be less resilient to the financial shock of a life event. Without support, their situation can quickly worsen, leading to debt and stress.
Capability	A customer may have low knowledge of financial matters, low confidence in managing and making decisions about their investment or have little digital skills. This could make accessing the product features difficult, as they may be unfamiliar with how to get information or find it difficult to understand.
Capacity in financial difficulty	What is the customer's ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on their standard of living or investment composure, this should be taken into account when assessing the risk that they are able to take when investing in the bond.

Customer vulnerabilities are expected to change over the life time of our products due of the long-term nature of them but also over the shorter term in relation to life events that can create unexpected vulnerabilities.

How we strive to achieve good outcomes for our vulnerable customers

To help achieve good outcomes for all our customers, including those with vulnerabilities we:

- Have a customer focussed culture giving you and our customers confidence that we treat each individual fairly as a priority, and that all LV= colleagues will act with integrity and have the competence to do so.
- Focus on how we can support all customers with a vulnerability through training, policy, sharing knowledge and experience.
- Have a dedicated support structure that our customer facing teams can draw on in order to support vulnerable customers in conversations for example, Vulnerable Customer Champions across the business and an appropriate internal forum to identify areas of continuous improvement.
- Provide customer communications that is accessible, clear, fair and not misleading. We aim to keep customers informed throughout their relationship with us, making it easy for all to engage with us, to help them make informed decisions.
- Understand the needs of our target and existing customer base and design fair, transparent and accessible propositions, which we regularly review so that customers can be confident they will perform as expected and deliver value.
- Monitor the quality of the service we deliver on an ongoing basis (including complaints data) and are accountable for any action taken if there is any impact on customer outcomes.
- Help you support your clients who are more vulnerable with the aid of our Vulnerable Customer Guide for Advisers.

If this document is not accessible for you, you can contact us and ask for an alternative format. It will help us if you tell us what assistive technology you use.

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