

Liverpool Victoria Friendly Society Limited ("LVFS")
With Profits Committee ("WPC")

Terms of Reference

Status/Authority	Sub-committee of the board of LVFS ("Board"). Authority is derived from the Board's establishment of the WPC and the approval by the Board of these terms of reference on 15 December 2010.
Membership	<ul style="list-style-type: none"> • One person wholly independent of LVFS with appropriate industry knowledge who will act as chairman of the WPC • One non-executive director of LVFS • Managing Director, Life SBU
In attendance	<ul style="list-style-type: none"> • Group Director Finance • With Profits Actuary • The Actuarial Function Holder • Chief Investment Officer (as required)
Quorum	<p>Two members, including the independent chairman</p> <p>In the event of the death, incapacity or non availability in extremis of the independent chairman, the quorum shall be two and the chair shall be taken by the non executive director.</p>
Meeting frequency	<p>Meetings shall be held not less than twice a year.</p> <p>The With Profits Actuary may request the holding of a meeting if he considers that one is necessary.</p> <p>Interim meetings may take place by e-mail.</p>
Minutes	<p>The Secretary shall maintain minutes of meetings of the WPC.</p> <p>Minutes shall be presented to the next meeting of the Board for information and to the next meeting of the WPC for formal adoption.</p> <p>Where meetings take place by exchange of e-mail, copies of the e-mails shall be signed by the relevant members of the WPC and included in the minute book as the minutes of the e-mail meeting.</p>
Role/principal functions	<p>The purpose of the WPC is (A) to bring independent judgement to (i) the assessment of compliance with the PPFM and (ii) how any competing or conflicting rights and interests of with-profits policyholders have been addressed; and (B) to provide input to the Board on strategic and investment decisions so far as they may have potential impact on the interests of with profits policyholders.</p> <p>The role of the WPC is recognised as being non-technical in nature. The decisions of the WPC and its advice to the Board shall be given on the basis of it being that of an informed layperson.</p> <p>Accordingly, the WPC shall be entitled to rely on expert advice and, to the extent that the WPC considers it necessary, the WPC is authorised to obtain at the expense of LVFS outside legal, actuarial or other independent professional advice and to secure the attendance at its meetings of outsiders with relevant experience and expertise</p> <p>On an annual basis the Committee will conduct a review of its effectiveness, including the adequacy of the Chairman and Non Executive Director time commitment, and report accordingly to the Board with any recommendations.</p>

Scope	<p>The WPC will:</p> <ol style="list-style-type: none"> 1) consider significant transactions and issues arising in the Long Term Business Fund of LVFS that affect with-profits policyholders' interests (including the use of discretion), so as to ensure that they are treated fairly, and make any appropriate recommendations to the Board; 2) review the use of discretion in the operation of the With-Profits Business of LVFS and any instances involving potential conflict arising in with-profits policyholders' interests, for example in relation to: <ol style="list-style-type: none"> 2.1) proposals for bonus rates, surrender values or market value reductions in respect of with-profits policies; 2.2) proposals for the investment strategy of the with-profits fund; and make any appropriate recommendations to the Board; 3) review communications with policyholders, for example, bonus mailings or with profit summaries with particular reference to their clarity and the appropriate level of detail provided; 4) consider any proposals to make any material changes to the PPFM of LVFS and make recommendations to the Board in respect of their adoption; 5) review the conduct of With-Profits Business by LVFS to ensure that it meets the FSA's standards of <i>Treating Customers Fairly</i> 6) consider, and assess the implications of, any pronouncements by the FSA on the subject of With-Profits Business and review the response of the Board to such pronouncements; and 7) review its terms of reference at least annually to ensure they reflect best practice and regulatory requirements and refer any proposed changes to the Board for approval
Authority	<p>As set out in these terms of reference, as amended from time to time.</p> <p>The WPC is authorised to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of LVFS including, without prejudice to the generality of the foregoing, the Head of Actuarial Function and the With Profits Actuary, and all LVFS group employees are directed to co-operate with any request made by the WPC.</p> <p>The chairman of the WPC shall have the right at any time at his discretion to notify the Board that the WPC wishes to make a report to policyholders, in which event the Board shall facilitate the making of such a report.</p> <p>The chairman of the WPC may raise any particular issue with the Board and will on request provide to the Board the view of the WPC on any particular matter requested of the WPC by the Board in relation to that matter.</p>
Escalation	To the Board
Secretary	Group Company Secretary
Version No Effective From Date Withdrawn	2010-12 WPC 15 December 2010
Supersedes Version	2010-05 WPC Inforce 26 May 2010 – 15 December 2010