



Terms of Reference

of

Advisory arrangement

through an Independent Adviser

in relation to

With Profits Fund

of

LIC UK Branch

In the opinion of the Board of LIC of India, having regard to the size, nature and complexity of its LIC UK Branch, it is appropriate to have an “advisory arrangement” by appointing an Independent Adviser in relation to governance of with-profits fund of LIC UK branch within the meaning of section COBS 20.5 of the FSA conduct of Business Sourcebook.

1. The role of the Independent Adviser is to assess, challenge, report on, and provide clear advice and, where appropriate, give recommendations to the Board of LIC of India on:

- 1.1. the way in which the With-Profits Fund is managed by LIC UK Branch and whether this is properly reflected in its Principles and Practices of Financial Management ("PPFM");
- 1.2. whether LIC UK Branch is complying with the principles and practices set out in the PPFM;
- 1.3. whether LIC UK Branch has addressed effectively the conflicting rights and interests of with-profits policyholders, other policyholders and shareholders, in a way that is consistent with the Principle 6 of the Regulations of Treating Customers Fairly (TCF); and
- 1.4. any other issues with which the Board of LIC or the Independent Adviser considers With-Profits policyholders might reasonably expect the Independent Adviser to be involved.

2. The Independent Adviser will give appropriate consideration to the following key matters of LIC UK Branch :

- 2.1. the identification of surplus and excess surplus, the merits of its distribution or retention and the proposed distribution policy;
- 2.2. how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- 2.3. the relative interests of policyholders with and without valuable guarantees;
- 2.4. With-Profits customer communications such as annual policyholder statements and product literature and whether the Independent Adviser wishes to make a statement or report to With-Profits policyholders in addition to the annual report made by the LIC UK Branch;
- 2.5. Any significant changes to the risk or investment profile of the With- Profits Fund including the management of material illiquid investments and LIC UK Branch's obligations in relation to strategic investments;
- 2.6. LIC UK Branch's strategy for future sales supported by the assets of the With-Profits fund and its impact on surplus
- 2.7. the impact of any management actions planned or implemented;

- 2.8. relevant management information on customer complaints data (but not information relating to individual customer complaints);
- 2.9. the drafting, review, updating of and compliance with run-off plans, court schemes and similar matters;
- 2.10. the costs incurred in operating the With Profits Fund
- 2.11. any other matters which he sees fit to consider.

3. The Independent Adviser will:

- 3.1. advise the Board of LIC of India on the suitability of candidates proposed for appointment as the With Profits Actuary; and
- 3.2. assess the performance of the With Profits Actuary at least annually, and report his view to the Board of LIC of India.

4. The Independent Adviser will:

- 4.1. meet with Chief Manager of LIC UK Branch and the With-Profits Actuary at least quarterly and ad hoc if required;
- 4.2. ensure that these meetings have a formal agenda and minutes of the meetings are made available to the Board of LIC of India;
- 4.3. work closely with the With-Profits Actuary, and obtain his opinion and input as appropriate; and
- 4.4. prepare an annual report for the Board of LIC of India on section (1) above.

5. When considering the operation of the With-Profits Fund of LIC UK Branch the Board of LIC of India will:

- 5.1. obtain, as relevant, assessments, reports, advice and/or recommendations of the Independent Adviser, if significant issues concerning the interests of With-Profits policyholders need to be considered by the Board of LIC of India;
- 5.2. allow the Independent Adviser sufficient time to enable him to provide fully considered input on the issues to be considered;
- 5.3. consider fully and give due regard to the input of the Independent Adviser when determining issues concerning the management of the With Profits Fund and the interests of with profits policyholders;

- 5.4. if the Board of LIC of India decides to depart in any material way from the advice or recommendations of the Independent Adviser, set out fully its reasons and allow the Independent Adviser a reasonable period to consider them and respond; and
- 5.5. Consider any further representations from the Independent Adviser and, if appropriate, set out fully any additional reasons if it continues to depart from the Independent Adviser's advice or recommendation.
6. The Independent Adviser will also be adequately supported by LIC UK Branch's own internal resources and support functions. This will include LIC UK Branch ensuring that relevant employees, including the With Profits Actuary, are made sufficiently available, and provide relevant information and input, to assist the Independent Adviser in his role, as required.

Annexure 1

Declaration to be made by the Independent Adviser for assessment of independence:

- (i) He/she has not been an employee of the Branch within the last five years;
- (ii) He/she has not had within the last 3 years, a material business relationship with LIC or LIC UK Branch either directly, or as a partner, shareholder, director or as a senior employee of a body that has such a relationship with the LIC UK Branch;
- (iii) He/she does not receive additional remuneration from the Branch, participate in any Branch share option or performance-related pay scheme, nor is he/she a member of the LIC UK Branch's pension scheme;
- (iv) He/she has no close family ties with any of the LIC UK Branch's advisers, directors or senior employees;
- (v) He/she has no significant links with the LIC of India or LIC UK Branch's Directors through involvement in other companies or bodies and does not represent a significant shareholder;
- (vi) He/she has not served on any Branch Management Committee for more than nine years from the date of his/her first election.