भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA
UNITED KINGDOM

Report of the Board to With-Profits Policyholders 2025-26

Life Insurance Corporation of India, UK Branch Office

Report of the Board to With-Profits Policyholders 2025-26

LICI UK Branch is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The Directors of LICI are pleased to report to the with-profits policyholders of its UK Branch on how their interests have been looked after during the year. This report covers the period 1st April 2025 to 31st March 2026, the last full financial year for LICI. In doing so, we are fulfilling the requirements of the FCA, which also regulates LICI UK Branch. The Principles and Practices of Financial Management (PPFM), in particular section 2 "General Principles", set out the way in which the Branch intends to manage its with-profits business and how it ensures that customers are treated fairly.

During the year, we have made an update to the Principles and Practices of management of with- profits business. LICI publishes the PPFM on its website. You may access it at https://www.liciuk.com/pdf/PPFM%202026%20(final).pdf . You can also request a printed copy of the latest version of PPFM from us.

This report sets out how we have complied with the updated PPFM and also provides a summary of the key decisions (e.g. bonus declarations) that have impacted with-profits policyholders during the year.

Governance of With-Profits Business in the UK Branch

LICI has two key roles within its governance structure that provide reassurance that our with-profits business is being managed in accordance with the PPFM – the With-Profits Advisory Arrangement and the With-Profits Actuary. The With-Profits Advisory Arrangement provides advice and recommendations to the Board, monitoring on-going compliance with our PPFM. During 2025-26 the With-Profits Advisory Arrangement reviewed and provided recommendations on all matters affecting with-profits policyholders.

The With-Profits Actuary is responsible for providing the Board with advice on all areas of discretion as they relate to the fair treatment of with-profits policyholders. This includes making recommendations regarding bonus rates, reviewing communications to policyholders and ensuring the interests of with-profits policyholders are considered in a fair and balanced way. The With-Profits Actuary is also required to comment on the Board's actions with regard to with-profits business and his annual statement can be found in the Appendix to this report. A new WPA was appointed during the year, following the retirement of the previous WPA. As such their independent report takes into account the views of the previous WPA.

A third strand of the governance of with-profits business in the UK Branch is the oversight process provided by Head Office.

Over-riding principles

The Branch has four key principles when considering the fair treatment of with-profits policyholders. These are:

(a) To meet the contractual obligations to policyholders;
(b) To meet the tests of solvency and capital adequacy as required by regulatory bodies;
(c) To treat policyholders fairly and meet the reasonable expectations of with-profits policyholders; and
(d) Subject to (a), (b) and (c), to maximize the financial returns to with-profits policyholders and the shareholder.

During the period, the Branch has ensured that all contractual obligations are met and has ensured that it met the various regulatory capital requirements throughout the year. The Branch has also ensured that it has treated its policyholders fairly by making payouts in accordance with the PPFM.

Payouts and Bonus Rates – conventional with-profits

Both final and annual bonus rates were held unchanged during the period while the business reviewed a number of issues, in particular the shareholder expense subsidy.

Note, the final bonus rates were derived for each policy series based on a prospective bonus reserve valuation method in accordance with the principles and practices set out in sections 3 to 5 of the PPFM.

Payouts and Bonus Rates – ISA contracts

The regular bonus rate for ISA contracts is set twice yearly in advance and was maintained at 1.75%pa in September 2025 and March 2026. The final bonus rate methodology for ISA contracts reflects the actual premiums paid and withdrawals made for each policy, aiming for surrender payments to reflect a policy's fair share.

If an ISA policy is surrendered or transferred to another provider at any date other than one where a guarantee applies, a Market Value Reduction may be applied. This will happen if the market value of the assets in which the ISA is notionally invested has fallen below the face value of the units allocated to the ISA.

In addition, ISA policies also receive an Additional Final Bonus ("AFB"), payable on death and surrender.

Smoothing

The UK Branch aims to smooth the fluctuations of investment return and other sources of surplus over the period of the contract. The Branch aims to limit the change in amounts payable on identical policies maturing in consecutive years to 10% from one declaration to the next in normal circumstances.

Given that annual and final bonus rates for the conventional with-profits business and annual and AFB rates for ISA policies were unchanged for the period, consideration of the smoothing limits was not required this year.

Investment Strategy

The Branch's investment policy was taken up for review by the Chief Actuary and With-Profits Actuary and recommendations were made during the period. The Board approved these in May 2026.

The Branch's investment policy delegates investment day-to-day decisions to Rathbones Ltd. The investment performance is regularly monitored against benchmarks, and it has been satisfactory over several years. The Board believes that the investment practice has been in line with the investment policy as specified in the PPFM.

Business Risks

The Branch is managing its business risks in line with the PPFM. It is also managing the agreement with Wapeka Ltd to ensure that good quality service is provided to the Branch and its customers and, in light of the outsourcing by Wapeka Ltd due to end in September 2026, the Branch is managing the transition of these services to LIC India. The Branch is also managing the business risks related to being in run-off, having closed to new business from 24th June 2024.

Charges and Expenses

The investment expenses associated with the with-profits fund's assets are charged to the with-profits fund. A subsidy is provided by the shareholder in order to ensure that maintenance costs in the with-profits fund remain at levels which do not affect the interests of with-profits policyholders. The with-profits fund therefore has been charged for any maintenance expenses at a level subsidised directly by the shareholder.

Management of the Inherited Estate

The UK Branch has no Inherited Estate and, as the conventional with-profits and ISA business is now running off rapidly, plans are in place to ensure the fair distribution of the surplus in the with-profits fund to those policyholders who have contributed to it. Addressing this issue is best achieved by using final bonus rates (as opposed to using regular bonus rates) as this defers the distribution of surplus hence maintains greater investment freedom and ability to maintain equity between different generations and classes of policyholders. The bonuses declared for 2022-23 began that process and it will continue to be developed in 2026-27.

Management of New Business
The with-profits fund closed to all new business on 24th June 2024, and there are no Principles or Practices in the PPFM relating to arrangements for taking on or ceasing new business.

Allocation of Profits
The distribution of surplus is governed by section 28 of the Life Insurance Corporation Act 1956 (of India); this section is amended by Indian Parliament; the amendments are effective from 31 March 2021. The amended section of the Act provides that 90% or more of such surplus, as the Board of LIC of India may approve, shall be allocated to or reserved for the policyholders.

In September 2021, the Board of LICI in India approved changes to the surplus distribution policy to move from a distribution of surplus in the with-profits fund of 95% to policyholders: 5% to shareholders distribution, ultimately, to a 90:10 approach. Further all profits arising from non-profit and unit-linked business would be allocated to shareholders. Implementing these changes for the UK Branch, in particular the allocation of all non-profit and unit-linked business profits to shareholders would have significant capital and regulatory implications, and as such the Board provided a temporary exemption for the UK Branch up to 31-03-2026. This means that for the period under review, the Board has allowed 95% of surplus to be allocated to the policyholders in accordance with the PPFM. This proportion may be reduced in future along with other changes relating to the allocation of profits arising under non-profit and unit linked business as a result of changes agreed by the Board. Further information will be provided to affected policyholders in due course.

Changes to the PPFM
The PPFM was updated in February 2026 in order to bring it into line with various changes in the detailed principles and practices which had been implemented in recent years in order to adhere to the General Principles of fairness to all groups of policyholders. The new PPFM is placed on our website as https://www.liciuk.com/pdf/PPFM%202026%20(final).pdf and the changes with respect to previous PPFM can be accessed on our website: -
https://www.liciuk.com/pdf/Final_Notification%20of%20changes%20to%20PPFM%202026%20vs%20PPFM_260712_152723.pdf

Summary

Having reviewed the period in question, the Directors are pleased to report to the with-profits policyholders that in their opinion the affairs of the Branch have been managed in accordance with the firm's PPFM, the Branch has met the capital adequacy norms, and with-profits policyholders have been treated fairly.

APPENDIX

ANNUAL REPORT FROM THE WITH-PROFITS ACTUARY

As With-Profits Actuary for LICI UK Branch, I advise the With-Profits Advisory Arrangement and the Board on the management of the with-profits business and the key aspects of discretion that are applied.

I am required by the Financial Conduct Authority's rules to report to with-profits policyholders as to whether the Board's annual report to with-profits policyholders and the discretion exercised by LICI in respect of the period covered by the report have taken the interests of the with-profits policyholders into account in a reasonable and proportionate manner.

I have been the With-Profits Actuary since October 2025. In my opinion and based on the information and explanations provided to me by the previous With-Profits Actuary and LICI UK Branch, the discretions exercised by the Board during the period 1st April 2025 to 31st March 2026 have taken the interests of those with-profits policyholders whose policies matured, surrendered or who died into account in a reasonable and proportionate manner.

There is reasonable evidence to support the conclusion that LICI UK Branch has broadly complied with its PPFM during 2025-26, in particular the General Principles (called the "over-riding principles" above). I therefore consider that the annual report to with-profits policyholders prepared by the Board provides a reasonable summary of the key decisions that have impacted with-profits policyholders during the year.

In reaching these opinions I have taken into account the relevant rules and guidance issued by the Financial Conduct Authority, the Actuarial Profession and the Financial Reporting Council.

James Harrison FFA C.Act
Chartered Actuary (Fellow)
Zenith Actuarial Ltd
July 2026