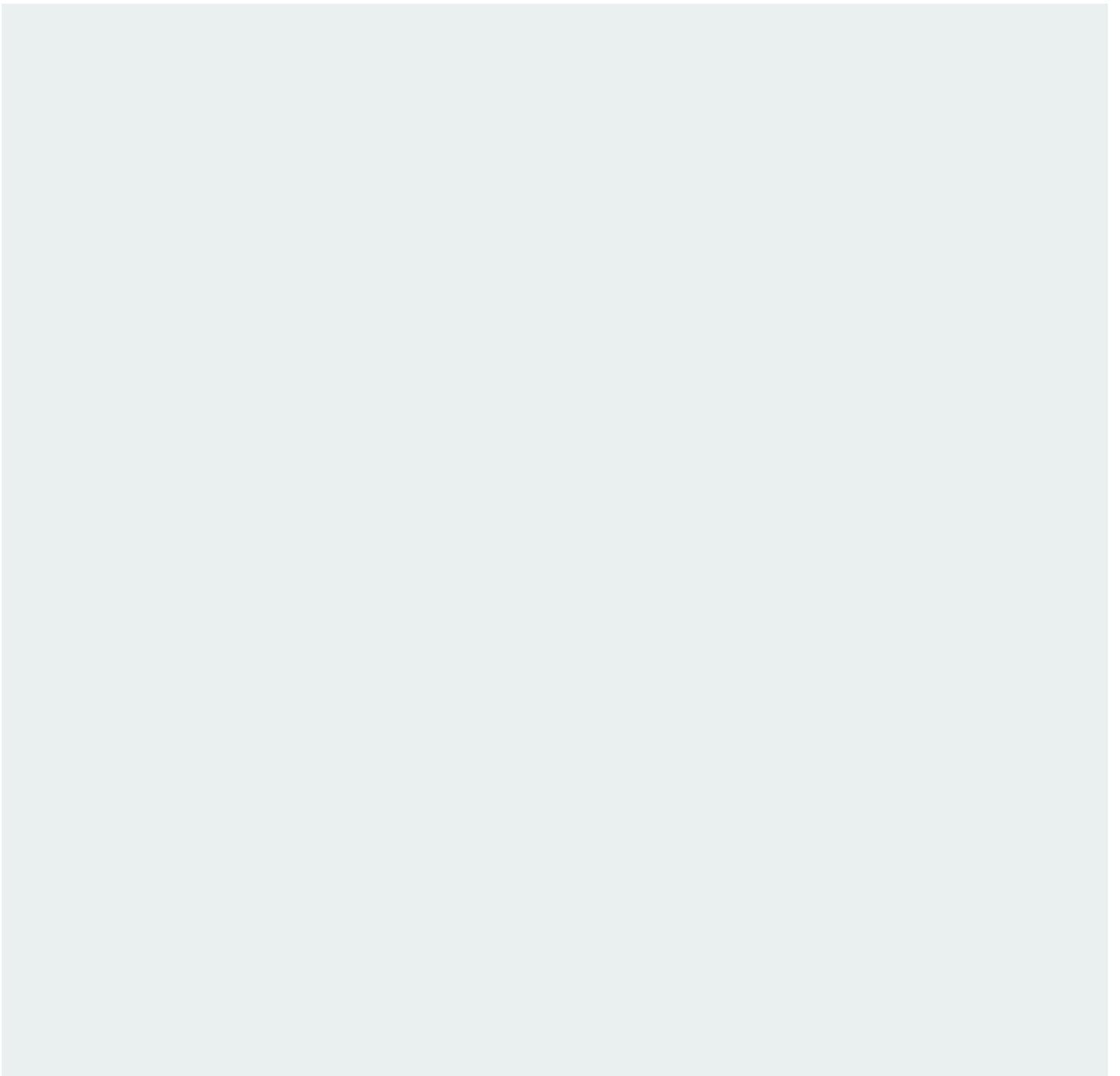


20 April 2016



Zurich Assurance Ltd (ZAL) Terms of Reference for Steve Dixon to perform the role of Independent Person in the governance of ZAL's With-Profits Funds



Overview

The Independent Person's role is to consider all aspects of the management and the exercise of discretion in respect of both the 90:10 With-Profits Fund and the 100:0 With- Profits Fund including, but not limited to providing:

- independent oversight of recommendations to the senior management and Board of Zurich Assurance Ltd. (ZAL)
- an opinion to senior management and the Board on recommendations put to them
- independent observations to senior management and the Board as to whether the decisions they take are appropriate having regard to ZAL's regulatory obligations, and to industry best practice.
- an independent review of all discretionary decisions by the company in the management of its with-profits business where these are, or may be, relevant to
 - a) ZAL's compliance with its obligation to treat customers fairly or
 - b) whether ZAL's management of the with- profits business has been consistent with the published Principles and Practices of Financial Management (PPFM).

In carrying out his responsibilities, the Independent Person will have regard to FCA's and PRA's respective Handbooks and to what he perceives to be industry best practice, as evidenced by, for example, the reports and speeches given by the regulators.

In addition to any advice which may have been provided to senior management and/or the Board on specific issues which may have arisen during the year, the Independent Person will report, at least once a year, to the Board of ZAL on how any competing or conflicting rights and interests of policyholders and shareholders, including between different groups of policyholders, have been addressed, whether policyholders have been treated fairly and whether ZAL's management of the each fund is consistent with its published PPFM.

Prior to making the appointment the Board considered that the Independent Person had appropriate skills, knowledge and experience to perform the role. The Independent Person must make the Board aware of any matter which might cause a reasonable observer to doubt the validity of this assessment.

If the Independent Person wishes to make a statement or report to with-profits policyholders in addition to that made by the company this will be facilitated.

The appointment was initially made for a period of 3 years from 1 January 2013 and has been extended for a further period of 3 years subject to a notice period of 1 month from either side. The appointment is personal to the appointee. In the event of prolonged incapacity, the Independent Person's employer may nominate an alternate but any such alternate will only take over the responsibilities of the role with the written authorisation of the ZAL Board.

Prior to appointment and annually thereafter the Independent Person shall demonstrate to the satisfaction of the Board that he continues to be independent of ZAL and of ZAL's ultimate parent, Zurich Insurance Group Limited.

The Independent Person is an advisory position which has no executive authority.

Details

In fulfilling the responsibilities set out above, the Independent Person will, as a minimum,

- review the analyses and reports prepared by ZAL's Finance Function and With-Profits Actuary which support the bonus and surrender value recommendations for the two funds including any proposals for distribution of the surplus assets. These analyses will include expense allocation, tax apportionment, allocation of investment return, application of smoothing, and asset share calculations together with the merits of their distribution or retention.
- review the bonus and surrender value decisions taken by the Board for compliance with the PPFM and with its regulatory obligations to treat customers fairly.
- review the analyses and reports prepared for ZAL's management of the funds including any periodic Management Information.
- review the With-Profits Actuary's report on compliance with the PPFM
- review policyholder communications issued during the review period to ensure that satisfactory standards are being adhered to and that literature continues to meet the "fair, clear and not misleading" requirement.
- review any proposals for significant changes in the risk or investment profile of the funds in advance of their implementation including the management of material illiquid investments and the firm's obligations in relation to strategic investments.
- contribute to and review any proposed changes to ZAL's published PPFM.
- advise on industry developments that may have an impact on the with-profits funds.
- consider the impact on the with-profits funds of any management actions planned or implemented.
- advise on the drafting, review, updating of and compliance with run-off plans and any Court schemes impacting on the with-profits funds.
- advise the Board on the suitability of candidates proposed for appointment as With-Profits Actuary.

- assess the performance of the With-Profits Actuary at least annually and report to the Board on that assessment.
- consider the identification and extent of ZAL's with-profits funds, and consider whether a part of either fund constitutes a separate with-profits fund.
- consider the use and purpose of, and terms under which, assets are available to support the funds in accordance with the support mechanism.

The Independent Person will set out in one or more reports to the Board the results of his review of whether ZAL has complied with its published PPFM. Any such report must be provided in sufficient detail for the Board to be able to judge whether the company has met its obligations under COBS 20.

The Independent Person may set out in a separate report any issues he wishes to draw to the Board's attention as being worthy of further consideration by the company.

The Independent Person will present the main conclusions of the compliance review to the Board. At the same meeting the Independent Person will update the Board on whether the relationship with ZAL is working to his satisfaction. Subject to timely provision by ZAL of the information required by the Independent Person, the Independent Person will provide his report(s) within the timescales agreed with ZAL.

The Independent Person will present to the Board any concerns on bonus and surrender value proposals at the time the Board is considering them.

ZAL may request that the Independent Person attends any meeting of the Board or its Committees when the with-profits funds are being discussed. In addition to his reports to the Board, the Independent Person shall, on request, provide ZAL's Board with a summary of any matters considered.

The Independent Person and the With-Profits Actuary will have a progress meeting at least once each quarter. Further ad hoc meetings will be arranged at the request of either the With-Profits Actuary or the Independent Person subject to at least 14 days notice. The Independent Person will also have such access as he requires to the senior management and Directors of ZAL.

The agenda and any papers required for such a progress meeting should normally be circulated at least 5 working days in advance of the meeting so as to allow participants time to read and consider them beforehand. The Independent Person will be given the opportunity to suggest items for the agenda no fewer than 10 working days prior to the date of the meeting.

ZAL will provide a minute taker for all progress meetings. Draft minutes will be circulated to attendees within 10 working days of the date of the meeting. Final minutes will be agreed at the next meeting and will be made available to the Board and management of ZAL.

ZAL will provide on a timely basis such information and answer such questions as the Independent Person may reasonably require for him to carry out the review. If the Independent Person is unhappy with the quality or timeliness of responses he will raise this firstly with the Chief Actuary, and if this does not resolve the issues then with the CEO.

The Independent Person will, for the purposes of these reviews, rely on analyses and calculations prepared by ZAL without resort to review by any third party. The Independent Person shall be entitled himself to carry out such checking as he thinks necessary for the proper discharge of his responsibilities and, for this purpose, will have access to the With-Profits Actuary and his team and may request further information from them where this is necessary to resolve any queries which he may have about the information, calculations and/or analysis supplied.

The Independent Person may seek external advice if a situation arises which demands it. The cost of obtaining any such external advice may be met by ZAL with the prior consent of the Board.

The ZAL Board will periodically review these Terms of Reference and whether the Independent Person has fulfilled the requirements herein.

These Terms of Reference will be published on the Company's website. Date 20 April 2015.

Please let us know if you would like a copy of this in large print or braille, or on audiotape or CD.

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