



VIEW OF THE WITH PROFITS COMMITTEE

The With Profits Committee uses its independent judgement to advise Royal London's Board on how to achieve the fair treatment of With Profits policyholders.

The Committee firmly believes that With Profits policies provide genuine benefits for policyholders in the form of a discretionary share in the company's profits. Traditionally these policies have also provided the benefits of smoothing over time and of guarantees in some cases. While the company continues to offer these more traditional forms of With Profits policies, over the last decade unit-linked policies have become significantly more popular and now dominate new business across our industry. As a customer-owned company Royal London can only grow and succeed in the long-term if there are enough customers who can share in its success and growth. To ensure that success, Royal London proposes to extend its discretionary profit sharing approach, which has been benefitting existing With Profits policyholders since 2007, to more of its customers.

In early 2014 the Committee commissioned an Independent Expert to review these proposals. The Committee's primary concern was to ensure that it would be likely to have no adverse effect on existing With Profits policyholders as a result of extending the profit sharing approach. I'm pleased to report that the Independent Expert has completed his assessment and has concluded that this is the case. A considerable amount of work has gone into this conclusion and we're extremely grateful for the thorough and professional approach he's taken. In light of his conclusions and our review the Committee is happy to support Royal London's proposals to extend profit sharing to more of its customers.

The 'A guide to the changes to the Principles and Practices of Financial Management (PPFM)' document not only reflects the widening of the profit share approach, but also includes a number of protections for existing With Profits policyholders that the Committee was keen to ensure. In particular, we believe that existing

With Profits policyholders should receive profit share at a rate that is consistent with recent practice, bearing in mind its discretionary nature.

We also believe that the new policyholders should receive around one-eighth of that rate. This will ensure that distributions are fair and equitable to both groups. To protect the interests of existing With Profits policyholders the PPFM wording requires that any material move away from this ratio is subject to review by an Independent Expert.

The Committee will oversee both existing and new With Profits policyholders in future. It will continue to exercise independent judgement to ensure fair treatment of all Royal London's With Profits policyholders.

Yours sincerely,

Duncan Ferguson
Chairman of the Royal London With Profits Committee
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