

THE ODDFELLOWS – INSURANCE COMMITTEE TERMS OF REFERENCE

References within this Section to “the Committee” means the Insurance Committee and “BoD” mean the Board of Directors.

1. Scope

- 1.1 The Committee is a standing Sub-Committee of the BoD of The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited (the ‘Society’).
- 1.2 The Committee is accountable to the BoD for monitoring, controlling and directing the business affairs of the Society in relation to each of the Long Term Business (LTB) Funds operated by the Society from time to time, subject to matters reserved to the BoD or delegated to the Commercial Board by the BoD, in either case as set out in these Terms of Reference or the BoD Handbook.

2. Membership

- 2.1 Members of the Committee shall be appointed by, and at the first meeting of, the BoD after each Annual Movable Conference (AMC), subject to acceptance by the PRA / FCA as an Approved Person.
- 2.2 The Committee should appoint its own Chairman. In the absence of the appointed Chairman at a quorate meeting of the Committee, the members present should appoint one of their number to chair the meeting
- 2.3 The Committee shall be made up of at least 4 persons. The Chief Executive Officer and Insurance Director shall be members of the Committee but may not be its Chairman, or be appointed to chair a meeting in the absence of the Chairman.
- 2.4 The greater of 2 members or half of the total number of members of the Insurance Committee shall be Non-Executives.
- 2.5 Except as provided in 2.6 below, no person may serve on the Committee for more than 9 years.
- 2.6 The maximum term of membership of the Committee shall not apply to the Chief Executive Officer or the Insurance Director, so long as they hold those offices. If an individual ceases to be Chief Executive Officer or Insurance Director but remains eligible to be appointed a member of the Committee, the maximum term shall apply, having regard to the total number of years he or she has been a member, in any capacity.

3. Secretary

- 3.1 The designated Clerk to the Committee shall act as the Secretary of the Committee. The Clerk to the Committee should be accountable to the Chairman for the performance of his or her duties.

- 3.2 The Clerk to the Committee may with the approval of the Chairman appoint a nominee of appropriate standing and experience.

4. Quorum

- 4.1 A meeting of the Committee shall be quorate if it is attended by not less than 4 members of the Committee.
- 4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions exercisable by or vested in the Committee.

5. Attendance

- 5.1 Only the members of the Committee and the Society's Chief Actuary Function Holder (CAF), With Profits Actuary Holder (WPA) and Chairman of BoD in an ex officio capacity shall have the right to attend Committee meetings.
- 5.2 Other individuals may be required or invited by the Chairman to attend all or part of any meeting of the Committee. Invitees may be permitted to present and discuss the subject matter for which they have been invited to attend but shall not be entitled to vote.

6. Frequency of meetings

- 6.1 The Committee shall meet not less frequently than quarterly, on dates to be agreed by the Committee.
- 6.2 Subject to prior notice given in accordance with 7 below, a meeting may be convened for a date other than a scheduled date, at the request in writing of any member of the Committee, the Compliance & Risk Officer or the Actuary.

7. Notice of meetings and Committee papers

- 7.1 A meeting of the Committee shall be summoned by the Clerk to the Committee issuing written notice not less than 5 business days before the scheduled date of the meeting or, if summoned in accordance with 6.2 above, not less than 3 business days before the date of the meeting.
- 7.2 Notice of each meeting shall be issued to each member of the Committee and each other person invited to attend, stating the venue, time and date together with an agenda of items to be discussed.
- 7.3 Notice of a meeting of the Committee may be issued by hand, surface mail or by electronic means.
- 7.4 Notice of a meeting shall be accompanied by approved reporting papers and such other supporting papers as are appropriate and necessary for the Committee to conduct the business for which it has been convened.
- 7.5 The Committee may consider papers issued later than as set out in 7.4 above or tabled at a meeting, if the Chairman has given consent.

8. Reports of Meetings

- 8.1 The Clerk to the Committee shall report the proceedings, agreed actions and decisions of all meetings of the Committee, including recording the names of those in attendance.
- 8.2 Members of the Committee shall declare the existence of any material conflicts of interest prior to discussions on the subject matter and the Clerk to the Committee will record the conflict of interest in the minutes. If the conflict of interest is material, the Committee member may be asked to leave the meeting for that particular subject matter. For any conflicts of interest other than material ones, the Committee member may remain in the meeting for that particular subject matter and take part in the discussions and decision.
- 8.3 The Report of each meeting of the Committee shall be circulated promptly to all members of the Committee, the Compliance & Risk Officer, Chief Actuary Function Holder and With Profits Actuary Function Holder, and once agreed by the Chairman, will then be circulated to the BoD and any person who attended the meeting and each person responsible for agreed actions recorded in the reports.

9. Duties

On behalf of the BoD, the Committee shall carry out the following:

9.1 Strategy and Management

- 9.1.1 Consider the Society's LTB strategy and business plan (including any material changes) for the purpose of advising the BoD of their appropriateness for the LTB of the Society. The Committee shall advise the BoD of any financial impact or risk relevant to the LTB Funds and any changes in financial, human or other resources, systems or controls required to implement the LTB strategy and business plan;
- 9.1.2 Consider and recommend to the BoD for approval the annual expenditure budget relating to the LTB of the Society;
- 9.1.3 Review on a regular basis the performance of the Society in relation to its LTB in the light of approved strategy, objectives, business plans and budgets and ensure that any corrective action is taken;
- 9.1.4 Consider reports from the Society's Chief Actuary Function Holder and/or With Profits Actuary Function Holder including valuation reports and bonus recommendations. The Committee shall make recommendations to the BoD relating to the retention of reserves and the allocation of free assets, including bonus declarations;
- 9.1.5 Consider the Society's capital and liquidity in relation to such capital adequacy and liquidity requirements and practices as shall apply from time to time, and make recommendations as appropriate and necessary to the BoD;

9.1.6 Consider the Society's Own Risk and Solvency Assessment (ORSA) reports including consideration as to the appropriateness of the assumptions and methodology used, including base assumptions and stress tests; and

9.1.7 Consider the results of the ORSA and approve the ORSA from the aspect of the Society's LTB Funds.

9.2 Operational Management of the Long Term Business Funds

9.2.1 Review the effectiveness of the Society's policies which includes oversight responsibility of the following Risk Management Framework (RMF) policies:

- Data;
- ORSA
- Reinsurance Risk;
- Reserving;
- Underwriting Risk;

and delegated responsibilities within the following RMF policies:

- Asset & Liability Management;
- Business Continuity;
- Concentration Risk;
- Conduct Risk;
- Internal Control;
- Investment Risk;
- Liquidity Risk;
- Market Risk;
- Remuneration.

To ensure clear procedures and adequate internal controls and resources are in place for managing the LTB of the Society;

9.2.2 Receive and consider reports upon changes in the LTB Funds. These reports shall be sufficient to inform the Committee of key movements in the LTB Funds and enable it to identify un-forecast changes, understand the impact upon the finances of the Society and consider the cause and appropriateness of any proposed remedy;

9.2.3 Consider the effectiveness of the Society's arrangements for treating customers fairly; and

9.2.4 Receive and consider reports upon the investment performance of the LTB funds and upon measures taken by the Commercial Board to manage investment risk and investment management and remedy any under-performance.

9.3 Risk Management

9.3.1 Overseeing risk in relation to the particular risk appetite statements relating to the LTB;

- 9.3.2 Review the effectiveness of the Society's policies and procedures for identification, assessment and reporting of risks relating to the conduct of the Society's LTB;
- 9.3.3 Receive reports highlighting strategic, external, operational and finance risk matters relating to the Society's LTB. The report shall inform the Committee of the systems or processes by which these risks are identified and managed, the owner of each risk, the priority attached to it and current actions in place to address it;
- 9.3.4 Review regular reports from internal audit, external audit, compliance & risk and others on the operational effectiveness of measures relating to LTB risks;
- 9.3.5 Review the timeliness of and reports on the effectiveness of corrective action taken by management to mitigate LTB risks;
- 9.3.6 Review risk management activity plans relating to the LTB; and
- 9.3.7 Consider any significant pending regulatory or legal actions against the Society relating to the LTB of the Society.

9.4 Compliance & Prevention of Financial Crime

In relation to the LTB the Committee shall:

- 9.4.1 Receive reports on compliance issues. The reports shall be sufficient to inform the Committee of the LTB systems and processes by which compliance issues are identified and managed, and to identify the owners of issues, the priority attached to them and the measures in place to address them; and
- 9.4.2 Receive reports on prevention, detection and investigation of fraudulent activity, financial crime or misconduct within or against the Society in relation to the Society's LTB.

10. Reporting Responsibilities

10.1 The Committee shall require:

- 10.1.1 the ARC Committee and the Compliance & Risk Officer to provide written or verbal reports on any material weaknesses or significant issues identified, insofar as they relate to the financial and internal controls, risk management, regulatory compliance or operations of the Society's LTB;
- 10.1.2 the Finance and Insurance Departments to provide written reports relating to the financial condition of the Society in relation to the Society's operation of the LTB Funds;
- 10.1.3 the Commercial Board (via the CEO) to provide reports on the investment management, performance and condition of the LTB Funds of the Society; and

- 10.1.4 the Society's Chief Actuary Function Holder and/or With Profits Function Holder to provide reports in fulfilment of his or her reporting obligations as set out in the Terms of Engagement of the Actuary or as otherwise directed by the Society.
- 10.2 The Committee shall make such report and recommendations to the BoD when the ORSA is being presented for approval by the BoD.
- 10.3 The Committee shall make such report and recommendations to the BoD as it shall consider appropriate on any area or subject within its remit.

11. Other

- 11.1 The Committee shall:
 - 11.1.1 have access to sufficient resources in order to carry out its duties;
 - 11.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and development training for all members;
 - 11.1.3 be provided with timely relevant and accurate information and reports, as set out in these Terms of Reference;
 - 11.1.4 give due consideration to laws, regulatory principles, rules and guidance of the PRA & FCA, and the provisions of the Association of Financial Mutuals (AFM) Annotated Corporate Governance Code (ACGC), as appropriate;
 - 11.1.5 oversee the investigation of activities within these Terms of Reference and, except in relation to matters reserved to the BoD, act as the body of last resort for decision, judgement, direction and control;
 - 11.1.6 at least once a year review its own performance, constitution and Terms of Reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the BoD for approval; and
 - 11.1.17 advise the BoD on the suitability of candidates for the proposed appointment of the Chief Actuary Function Holder.

12.0 With Profits Advisory Arrangement

12.1 General

- 12.1.1 The BoD of the Society has appointed the Committee as the Advisory Arrangement for the responsibility of the With Profits governance in accordance with COBS 20.5.1R, having regards to the size, nature and complexity of the Society's With Profits funds;
- 12.1.2 The ultimate responsibility for managing the With Profits funds rests with the Society's BoD. The role of the Committee in acting as the Advisory Arrangement is, in part, to act in an advisory capacity to inform the decision making of the BoD. The Committee, as the Advisory Arrangement, also acts as a means by which the interests of With Profits policyholders are appropriately considered within the Society's governance structures; and
- 12.1.3 The Society has five LTB Funds and all are separately ring-fenced funds. The same advisory arrangement will apply to all four funds.

12.2 Key Actions; the Committee shall:

- 12.2.1 assess whether the LTB with profits funds are managed in accordance with the Principles & Practices of Financial Management ("PPFM") as detailed in the PPFM;
- 12.2.2 assess whether the Society is complying with the principles and practices set out in the PPFM;
- 12.2.3 assess whether the Society is addressing the rights and interests of its With Profits policyholders compared with other stakeholders in a way that is consistent with treating customers fairly;
- 12.2.4 provide advice and guidance on any other issues that With Profits policyholders might reasonably expect the Advisory Arrangement to be involved in;
- 12.2.5 identify surplus and excess surplus and the merits of distribution/retention;
- 12.2.6 consider how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- 12.2.7 consider the relative interests of policyholders with and without guarantees;
- 12.2.8 consider With Profits customer communications, such as annual reports, bonus statements, product literature and reports to With Profits policyholders;
- 12.2.9 consider and assess any significant changes to the risk/investment profile of the funds;

- 12.2.10 assess any future new product developments, supported by the With Profits assets and its impacts on the surplus of the funds;
- 12.2.11 assess the impact of any planned management actions;
- 12.2.12 assess management information, including any policyholder complaints;
- 12.2.13 assess and consider the appropriateness of the costs and expenses incurred in running the funds;
- 12.2.14 advise the BoD on the suitability of candidates for the proposed appointment of the With Profits Actuary Function Holder;
- 13.2.15 review and update the Society's Run-Off Plan; and
- 13.2.16 assess the performance of the With Profits Actuary at least annually.

12.3 Reporting

- 12.3.1 The Committee, acting in its Advisory Arrangement capacity, is required to report formally to the BoD once a year on the Society's compliance with the PPFM documents;
- 12.3.2 When Bonus proposals are presented to the BoD it will be expected that the Committee will confirm that the proposals have been reviewed by the Committee and they are satisfied with them, so that this can be recorded in the BoD minutes;
- 12.3.3 The Committee will also be asked to consider and comment on other documents produced by the Society's Chief Actuary Function Holder and/or the With Profits Actuary Function Holder to ensure the interests of the Society's With Profits policyholders are taken into account in a fair and reasonable manner; and
- 12.3.4 The Committee shall report to the BoD at least annually on the performance of the With Profits Actuary Function Holder.

12.4 Other Matters

- 12.4.1 The Committee, acting in its Advisory Arrangement capacity, will receive guidance, input and advice from the Society's With Profits Actuary and any other individuals as required and any reasonable requests for additional support and/or external resource in order to perform its role effectively will be authorised by the BoD.

13. Authority

- 13.1 The Committee is authorised:
 - 13.1.1 to carry out the duties set out in these Terms of Reference;
 - 13.1.2 to seek any information it requires from any employee of the Society or from its professional advisers in order to perform its duties;

- 13.1.3 to obtain, at the Society's expense, external legal or other professional advice on any matter within its Terms of Reference;
- 13.1.4 to investigate any matter within its Terms of Reference; and
- 13.1.5 to call any employee to be questioned at a meeting of the Insurance Committee as and when required.