

ROYAL LIVER ASSURANCE TERMS OF BUSINESS

Royal Liver Assurance Limited (“Royal Liver”) is authorised and regulated by the Financial Services Authority. These Terms of Business (“Terms”) are effective between Royal Liver and the “Intermediary”.

For the purpose of these Terms the “Intermediary” is an Independent Intermediary authorised under the Financial Services and Markets Act 2000 (FSMA) either by the Financial Services Authority (FSA) or a Designated Professional Body, or any other legislation which replaces or amends FSMA.

1. SCOPE

- 1.1. These Terms set out the conditions upon which Royal Liver accepts business from an Intermediary and take precedence over any terms of business of the Intermediary issued to Royal Liver. “Business” means Investments, Investment Business, and non investment insurance contracts (as defined in FSMA).
- 1.2. Royal Liver reserves the right, in its absolute discretion, not to accept business from an Intermediary. Royal Liver will not accept any Business from an Intermediary who is not authorised or ceases to be authorised for the type of Business concerned.
- 1.3. The Intermediary is the agent of the client in relation to all aspects of the Business except insofar as is necessary to give effect to the personal responsibilities of the Intermediary to Royal Liver as set out in these Terms.
- 1.4. The Intermediary will comply with all laws and regulations and Codes of Practice which apply to its business. This includes rules and requirements established by the FSA and the Information Commission and any other body, from time to time, having jurisdiction in connection with the Business. In particular it includes the requirement to observe the Data Protection Principles as set out in data protection legislation (“The DPA”).
- 1.5. The Intermediary warrants that it will:
 - 1.5.1. Deal only in those matters where the Intermediary is competent
 - 1.5.2. Ensure that products are fully and fairly explained to their clients
 - 1.5.3. Ensure that the products are suited to the needs and resources of the client.
 - 1.5.4. Meet all other legal obligations imposed on the Intermediary.
- 1.6. The Intermediary acknowledges that Unemployment Cover, when required, will be provided on behalf of Royal Liver by Pinnacle Insurance PLC (“Pinnacle”) who will also be responsible for the management and administration of claims. Royal Liver reserves the right, in its absolute discretion, to terminate the relationship with Pinnacle and arrange for such cover to be provided by another third party of its choice.

2. COMMISSION

- 2.1. All matters relating to the payment of commission by Royal Liver to the Intermediary shall be governed by the FSA Rules, as amended from time to time, and by these Terms. Changes in commission rates may be published on short notice and in this situation Clause 10.1 does not apply and the commission changes will take effect in accordance with the published notice.
- 2.2. Royal Liver will, if appropriate, credit or pay commission on Business submitted to Royal Liver and accepted by it. When authorised by the Intermediary, Royal Liver may also credit or pay commission on Business accepted from the Intermediary to another intermediary provided that the Intermediary has ceased to be entitled to the commission,

and provided that no other person has any valid claim to such commission. Royal Liver may refuse to accept the transfer of agency where a commission protection agreement is in force for the policies involved or where the proposed intermediary is not authorised, or where a commission debt may arise at any time.

- 2.3 The Intermediary acknowledges that the payment of commission owed to it and repayment of commission already paid to it may (in Royal Liver's absolute discretion) be paid or recovered (as the case may be) by or on behalf of Royal Liver.
- 2.4. The Intermediary may request Royal Liver pay indemnity commission to the Intermediary upon receipt of the first premium by Royal Liver ("Indemnity Terms"). If Royal Liver agrees to the request of the Intermediary the indemnity commission payable to the Intermediary will be calculated according to the prevailing rules of FSA subject to a reduction of 1% per month compound or such other rate as Royal Liver shall determine from time to time. As such payment constitutes a pre-payment of commission Royal Liver and the Intermediary agree to be bound by the following specific items:
 - 2.4.1. The Intermediary will repay Royal Liver any unearned indemnity commission in the event that the contract is terminated by reason of a failure to pay a premium, (other than caused by a successful claim on the policy) in respect of which commission has been paid by Royal Liver to the Intermediary. The repayment shall be based on the indemnity commission payable subject to a reduction of 1% per month compound or such other rate as Royal Liver shall determine from time to time. The difference between the indemnity commission paid and the indemnity commission payable will be the unearned indemnity commission ("clawback") repayable to Royal Liver.
 - 2.4.2. Any such clawback will be due following Royal Liver giving the Intermediary at least 7 days notice that the premium has not been paid.
 - 2.4.3. The Intermediary will be liable to pay interest on any clawback until it is repaid. Interest will be due from the date on which notice was given to the date that Royal Liver receives cleared funds to settle the amount of clawback owed. The rate of interest will be 1.5% per month compound or such other rate determined by the FSA (as at the date of repayment). If the commission is repaid within 3 months of the due date, Royal Liver may waive its right to any interest due.
 - 2.4.4. If the Intermediary fails to pay the whole or any part of the clawback when due Royal Liver may notify the FSA of that failure. Where the outstanding amount is less than £1,000, Royal Liver may, at its discretion, decide not to notify the FSA.
 - 2.4.5. Whilst Royal Liver will make every reasonable effort to notify the Intermediary of non payment of premiums, any failure or delay shall not affect the liability of the Intermediary for repayment of the clawback.
- 2.5. Where Indemnity Terms apply, the first premium must be remitted to Royal Liver without deduction of commission. Royal Liver will pay indemnity commission to the Intermediary in accordance with the Indemnity Terms applicable at that time.
- 2.6. Where a premium, or any part thereof, is refunded to a policyholder for any reason whatsoever then the Intermediary will be liable to repay clawback to Royal Liver the amount to be calculated in accordance with clause 2.4.
- 2.7. Royal Liver may off-set any clawback due from the Intermediary from any monies, including commissions, due to the Intermediary.
- 2.8. In the event of the Intermediary ceasing to be authorised, or where Royal Liver is notified that the Intermediary is no longer the agent of the client, or where the Intermediary is for any other reason no longer able to service the client Royal Liver reserves the right to cease paying commission to the Intermediary.

- 2.9. Royal Liver's statement of account (howsoever it is recorded) shall prima facie set out the commission due to the Intermediary.
- 2.10. Royal Liver will use all reasonable efforts to administer any Business with the Intermediary or clients in an efficient and business-like manner. However should any errors and omissions occur Royal Liver will correct the error or omission but will not otherwise be liable to the Intermediary or client for any losses incurred by the Intermediary or client.
- 2.11. Commission will be paid to the Intermediary weekly in arrears but Royal Liver may defer payment of commission until a total of at least £50.00, or such other amount as Royal Liver may notify from time to time, is due to the Intermediary.
- 2.12. The Intermediary must notify Royal Liver
 - 2.12.1. of any change in any of the business details of the Intermediary;
 - 2.12.2. if there are any material changes to the type of business of the Intermediary;
 - 2.12.3. if the Intermediary or any directors or partners in its business, have been charged with or convicted of any offence involving fraud or dishonesty; or
 - 2.12.4. if the Intermediary or any directors or partners in its business, enter into a voluntary arrangement with creditors or where bankruptcy or liquidation proceedings are brought against the Intermediary or a receiver is appointed.
- 2.13. Where commission is payable pursuant to these Terms Royal Liver may withhold all such commission until all liability for any clawback on any Business has expired. If for any reason the amount of clawback exceeds any commission payable to the Intermediary Royal Liver may deduct any surplus clawback from any other monies due to the Intermediary, including future commission.
- 2.14. If the amount of unearned indemnity commission payable to the Intermediary exceeds such limit as Royal Liver may deem appropriate from time to time then Royal Liver may switch any further payments of commission payable to the Intermediary to non indemnity commission.
- 2.15. Royal Liver reserves the right to treat all indemnity commission of £5,000 or above payable in a single payment or week, or such other amount as Royal Liver may notify from time to time, as non-indemnity commission payable on non-indemnity terms.
- 2.16. Where Business is introduced by an Intermediary and the clients are Principals, Directors, Partners, Staff or Close relatives (as defined by FSA Rules) ("Connected Party") of the Intermediary, or it appears to Royal Liver that the Business was not written for bona-fide reasons Royal Liver may refuse to pay some or any commission to the Intermediary in its absolute discretion. Any commission paid to the Intermediary where the client is subsequently discovered to be a Connected Party or the Business was not bona-fide is immediately repayable to Royal Liver at its sole discretion.

3. DOCUMENTATION

- 3.1. The Intermediary must pass on immediately without amendment any documentation which is either supplied by Royal Liver for the benefit of or completion by the client, or provided by the client in relation to the contract.
- 3.2. For regulated business the Intermediary must show his FSA authorisation number.
- 3.3. Royal Liver reserves the right to send communications direct to the client.
- 3.4. The Intermediary shall be responsible for any personalised literature that he produces in relation to Royal Liver products. The printing or approval by Royal Liver of such literature shall not relieve the Intermediary of such responsibility.

- 3.5. All books and documents and computer software and hardware belonging to Royal Liver and in the possession of the Intermediary must at all times be available to Royal Liver on demand.
 - 3.6. The Intermediary must provide Royal Liver with any information held by the Intermediary which Royal Liver might reasonably require for the purpose of complying with FSA or other legal requirements (e.g. Data Protection Act 1998) or for dealing with complaints made in connection with Royal Liver business.
 - 3.7. Any correspondence sent to the Intermediary at the Intermediary's last known address shall be deemed to have been delivered to the Intermediary within 2 working days of posting.
 - 3.8. The Intermediary will indemnify Royal Liver against any loss howsoever caused and sustained by Royal Liver, arising from the introduction of any Business by the Intermediary including Business which is beyond the Intermediary's authorisation or based upon the incorrect provision of information to Royal Liver..
- 4. PAYMENT OF PREMIUMS THROUGH THE INTERMEDIARY**
- 4.1. If the Intermediary undertakes to the client to pass monies to Royal Liver, he must do so promptly and in any event within 7 days.
 - 4.2. If the Intermediary is expressly authorised by Royal Liver to collect monies on behalf of Royal Liver he must hold them in trust and pay them to Royal Liver within the terms of that express authority and in any event within 7 days.
 - 4.3. In the event that payment is not made to Royal Liver of monies referred to in paragraph 4.2 above within any period specified in the express authority referred to therein, the Intermediary will pay Royal Liver interest at a rate of 1.5% per month compound or such other rate determined by the FSA, from the due date to the date Royal Liver receives cleared funds in respect thereof.
- 5. MONEY LAUNDERING**
- 5.1. The Intermediary, will be responsible for carrying out all identification procedures required in connection with the purchase of any product of, or distributed by, Royal Liver such procedures to be carried out in accordance with the provisions of all relevant legislation, the FSA Handbook and any other relevant industry guidance or rules.
 - 5.2. Notwithstanding clause 5.1 the Intermediary will forward to Royal Liver the documents for the product purchase including a completed form relating to the verification of the identity of the client and an Applicant Introduction Certificate, completed by the Intermediary. Any supporting evidence which satisfies the requirements of the Guidance Notes for the Financial Sector, will be a valid form of verification of client identity.
 - 5.3. The Intermediary will identify all third parties associated with the Business and will identify the immediate and ultimate source of all money payable to Royal Liver other than by the the policyholder or an associated employer.
- 6. DATA PROTECTION**
- 6.1. Royal Liver will act as the data controller in respect of all personal data held by it in connection with Business placed or quotations requested by the Intermediary and will comply with the DPA.
 - 6.2. The Intermediary will also comply with the provisions of the DPA and may be required to notify the Information Commissioner of his use of personal data. Before passing personal data to Royal Liver the Intermediary must ensure that he meets all the requirements of the DPA.
 - 6.3. The Intermediary will indemnify and keep Royal Liver fully indemnified in respect of any breaches by the Intermediary of the DPA.
- 7. CONFIDENTIALITY**

- 7.1. This undertaking is binding upon both parties and all their associated companies and associates (as defined in the Income and Corporation Taxes Act 1988 Sections 416 and 417) or any replacement or modifying legislation from time to time and all officers, employees, servants, agents or professional advisers of such persons (together "Relevant Persons").
- 7.2. This undertaking extends to all information of whatever nature in whatever form relating to the Business obtained from either party including without limitation customer lists, internal marketing information, and information obtained as a result of being allowed access to any premises where either party may carry on business ("Confidential Information") but does not extend to information which at the time it is obtained is in the public domain (other than as a result of any breach of confidence by the Intermediary) or as may be required by a court of competent jurisdiction.
- 7.3. Both parties shall treat all Confidential Information as being strictly private and confidential and shall take all steps necessary to prevent it from being disclosed or made public to any third party by any Relevant Persons or coming by any means into the possession of any third party, but without prejudice to the right of either party to share such information with its parent company.
- 7.4. Neither party shall use or disclose or permit the disclosure or use by any person of the Confidential Information for the benefit or commercial advantage of any third party..
- 7.5. Neither party nor any Relevant Persons shall by any means copy or part with possession of the whole or any part of the Confidential Information without the prior consent of the other party.
- 7.6. The Confidential Information and its circulation by the Intermediary shall be restricted to circulation and disclosure to individuals whose identity has been approved by Royal Liver prior to disclosure in writing.
- 7.7. Both parties shall keep all Confidential Information in a safe and secure place and return Confidential Information promptly on termination of this Agreement or that party's prior request (for which 14 days written notice will be required).
- 7.8. Notwithstanding the above, Royal Liver shall be entitled to use the Confidential information (including providing the Confidential Information to third parties, providing such third parties keep the Confidential Information confidential) for any purpose connected with its business including conducting market research, preparing strategic or other marketing plans, or gauging product sales or performance.
- 7.9. In the event of the Intermediary incurring a debt to Royal Liver which is not repaid when due, Royal Liver reserves the right to share this information with the FSA and with other financial institutions. Royal Liver may also record the debt on the Elixir Database maintained on behalf of insurers

8. TERMINATION

- 8.1. Without prejudice to the accrued rights of either party, either party may terminate this Agreement if the other party breaches this Agreement by material failure, neglect or refusal to comply with any of the material terms and conditions of this Agreement, and where such breach is capable of remedy by the other party, that party has failed to remedy that breach within 30 days of the date of the written notice from the other specifying the breach.
- 8.2. This Agreement may be terminated by either party giving not less than three months notice in writing to the other party such notice to be served upon the registered office of that other party.
- 8.3. This Agreement may be terminated forthwith by either party if the other shall convene a meeting of all its creditors or if a proposal shall be made for a voluntary arrangement or a composition, scheme or arrangement with (or assignment for the benefit of) its creditors or if a party is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or a trustee, receiver, administrative receiver or similar officer is appointed in respect of

all or substantially the whole of the business or assets of the other or if a petition is presented or a meeting is convened for the purpose of considering a resolution or other steps to be taken for the winding up of a party or for the making of an administration order (otherwise than for the purpose of an amalgamation, internal reorganisation or reconstruction).

8.4. This agreement may be terminated by the Intermediary if Royal Liver ceases to be authorised to underwrite new Business by the FSA.

9. LAW

9.1. These Terms shall be interpreted according the Law of England and Wales and any dispute arising out of or in connection therewith shall be subject to the exclusive jurisdiction of the English Courts.

10. VARIATION

10.1. Royal Liver reserves the right to vary the terms of business contained in these Terms subject to one month's notice being given to the Intermediary except in circumstances where changes in legislation or in the rules of the FSA are required to take effect earlier than that date, in which event notice of variation will be given as soon as reasonably practicable.

11. LIABILITY

11.1. Except as otherwise provided in these Terms the total liability of Royal Liver to the Intermediary shall be limited to a sum equivalent in amount to the total commission payable to the Intermediary in the 12 months immediately preceding the event giving rise to the liability. Under no circumstances will Royal Liver be liable to the Intermediary for consequential or indirect losses including loss of business, loss of goodwill or otherwise.

11.2. The Intermediary will be liable to Royal Liver for the full consequences of any breach by the Intermediary of the FSMA or FSA rules, regulations, Guidelines or any other rules or regulations binding on Royal Liver.