



Gareth Thomas, MP
House of Commons
London
SW1A 0AA

30 April 2021

Dear Mr Thomas

Thank you for your letter of 22 April and offering me the opportunity to explain a number of points relating to our proposed transaction with Bain Capital. I have set out the answers to your questions below.

When did you come to the realisation that demutualisation was an option for LV=?

It was not until the Board meeting in June 2020 that we first realised demutualisation was a realistic possible consequence of the strategic review. When presented with the findings of a comprehensive strategic assessment, the Board took the decision to more formally explore and compare the full range of options including those with a third party. This decision was driven by the Board's primary focus which has always been to do what is in the best interests of all members.

What were the instructions given to Fenchurch Advisory?

As Mark Hartigan confirmed in his letter to you of 29 March, we retained the services of Fenchurch Advisory Partners in March 2020, with an initial phase of work planned until the end of June.

During that time, the work LV= undertook leading up to the June Board meeting was focused on an assessment of strategic options - both organic and inorganic - available to LV=, primarily driven by what would be in the best interests of members. This entailed the evaluation of options from remaining 'as is' through to closure or considering third-party external investment.

To support this analysis during April and May, Fenchurch tested the market by contacting a broad range of potentially interested parties including mutuals, proprietary companies and financial investors that could potentially partner with LV= for any of the inorganic options under consideration. Of these, twelve expressed an interest. Fenchurch then presented their findings of the external market testing to the June Board meeting.

Whether you will publish your full terms of engagement with Fenchurch Advisory?

Our work with advisers and the nature of their engagements are commercially sensitive and therefore confidential.

What would your remuneration be as Chairman of the new Bain owned business including pay, share options and other benefits?

Discussions regarding the position of Chairperson are at a very early stage. No agreement on the appointment or the terms has been reached.

Given Bain's previous practice of replacing much of the senior leadership of the businesses that they take over and given the evidence received by the inquiry that Bain do not intend to retain most of the current directors of the board, have you entered into a written agreement to secure your continued involvement in the business?



No. Discussions regarding the position of Chairperson are at a very early stage with no agreement on the appointment having been reached.

When in 2019 did you instruct advisors to find a new CEO?

A key part of a Board's role is to manage effective succession planning and as you would expect, we had ongoing discussions with Richard Rowney about his career particularly as the completion of the sale of the General Insurance business approached. As a result of these conversations we began a search for a new CEO in the last three months of 2019.

When did you first meet Mark Hartigan?

As part of the search for a new CEO in the last three months of 2019, I met Mark Hartigan for the first time on 16 October 2019.

Did Mark Hartigan know at the time of his appointment that demutualisation was an option?

At the time of his appointment Mark was given two clear priorities; to develop the commercial focus of the business and to lead the strategic review with the long-term interests of members at its heart. The strategic review was to consider a range of options – remain 'as is', close to new business or seek third party investment - and from the outset had no fixed outcome in mind, other than delivering in the best interests of our members. It was only at the June board meeting when third party investment became a realistic option and as a consequence the possibility of demutualisation.

Why did Richard Rowney leave?

After 13 years with LV= and having led the process to convert to a company limited by guarantee and the completion of the sale of our General Insurance business to Allianz, resulting in a smaller life and pensions business, Richard Rowney and the Board agreed that the time was right for him step down as chief executive.

Did Richard Rowney leave voluntarily?

As per above.

Why was Richard Rowney paid a year's salary on his departure?

Richard Rowney was paid his contractual benefits in line with our stated remuneration policy. No payments were made in excess of his contractual entitlement. Full details were disclosed in our annual report and accounts for 2019.

Why did you not think it prudent to hold an Annual General Meeting open to members (even virtually) in 2020?

Due to Covid-19, we weren't able to hold our 2020 Annual General Meeting in the normal way. In line with government guidance, the Meeting was held virtually at 3pm on Wednesday 30 September and the results of the votes of 50,249 members were presented to the meeting. This approach is consistent with that taken by at least one other significant mutual in our sector. LV= has always held AGMs in person, and virtual hosting technology was untested in LV= at that time.

The transaction with Bain Capital represents an excellent financial outcome for our members and an unrivalled commitment to LV='s future prospects, business and people.

I thank you for your interest in LV=.

Yours sincerely,



Alan Cook CBE
Chairman - Liverpool Victoria Financial Services Limited