

# **Legal & General Assurance Society Limited**

**Annual FSA Insurance Returns for the year ended**

**31 December 2012**

**IPRU(INS) Appendices 9.1, 9.2, 9.3, 9.4, 9.5, 9.6**



## Contents

### Balance Sheet and Profit and Loss Account

Form 1	Statement of solvency - general insurance business	1
Form 2	Statement of solvency - long-term insurance business	3
Form 3	Components of capital resources	4
Form 11	Calculation of general insurance capital requirement - premiums amount and brought forward amount	7
Form 12	Calculation of general insurance capital requirement - claims amount and result	9
Form 13	Analysis of admissible assets	11
Form 14	Long term insurance business liabilities and margins	23
Form 15	Liabilities (other than long term insurance business)	26
Form 16	Profit and loss account (non-technical account)	27
Form 17	Analysis of derivative contracts	28
Form 18	With-profits insurance capital component for the fund	32
Form 19	Realistic balance sheet	33

### General Insurance Business: Revenue Account and Additional Information

Form 20A	Summary of business carried on	35
Form 20	Technical account (excluding equalisation provisions)	38
Form 22	Accident year accounting: Analysis of claims, expenses and technical provisions	39
Form 23	Accident year accounting: Analysis of net claims and premiums	40
Form 24	Underwriting year accounting: Analysis of premiums, claims and expenses	41
Form 25	Underwriting year accounting: Analysis of technical provisions	42
Form 37	Equalisation provisions	43
Form 39	Equalisation provisions technical account: Underwriting year accounting	44

### Long Term Insurance Business: Revenue Account and Additional Information

Form 40	Revenue account	45
Form 41	Analysis of premiums	48
Form 42	Analysis of claims	51
Form 43	Analysis of expenses	54
Form 44	Linked funds balance sheet	57
Form 45	Revenue account for internal linked funds	58
Form 46	Summary of new business	59
Form 47	Analysis of new business	60
Form 48	Assets not held to match linked liabilities	68
Form 49	Fixed and variable interest assets	71
Form 50	Summary of mathematical reserves	74
Form 51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	77
Form 52	Valuation summary of accumulating with-profits contracts	93
Form 53	Valuation summary of property linked contracts	98
Form 54	Valuation summary of index linked contracts	111
Form 55	Unit prices for internal linked funds	117
Form 56	Index linked business	119
Form 57	Analysis of valuation interest rate	120
Form 58	Distribution of surplus	122
Form 59A/B	With-profits payouts on maturity / surrender	125

Form 60	Long-term insurance capital requirement	127
<b>Supplementary notes to the return</b>		129
<b>Additional information on reinsurance business</b>		153
<b>Additional information on derivative contracts</b>		155
<b>Additional information on controllers</b>		157
<b>Abstract of the Valuation Report</b>		159
<b>Abstract of the Realistic Report</b>		237
<b>Directors' Certificate</b>		257
<b>Auditor's Report</b>		259
<b>Statement of information on the with-profits actuary</b>		261

**Statement of solvency - general insurance business**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R1</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
			<b>As at end of this financial year</b>			<b>As at end of the previous year</b>
			<b>1</b>			<b>2</b>

**Capital resources**

Capital resources arising outside the long-term insurance fund	<b>11</b>	2957065	2998653
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2897065	2945653
Capital resources available to cover general insurance business capital resources requirement (11-12)	<b>13</b>	60000	53000

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	57536	50518
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	2464	2482

**Minimum capital requirement (MCR)**

General insurance capital requirement	<b>31</b>	731	630
Base capital resources requirement	<b>33</b>	2984	3056
Individual minimum capital requirement	<b>34</b>	2984	3056
Capital requirements of regulated related undertakings	<b>35</b>	56541	49499
Minimum capital requirement (34+35)	<b>36</b>	59525	52555
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	30238	26723
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	15356	13584

**Capital resources requirement (CRR)**

Capital resources requirement	<b>41</b>	59525	52555
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	<b>42</b>	475	445

**Contingent liabilities**

Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	<b>51</b>		
---	-----------	--	--

**Covering Sheet to Form 1**

Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

**N D Wilson**

**Director**

---

**J B Pollock**

**Director**

---

**M J Gregory**

**Director**

---

Date **25 March 2013**

---

**Statement of solvency - long-term insurance business**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R2</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	2628838	2738666
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2897065	2945653
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	5525903	5684319

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	1054585	985136
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	4471317	4699183

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	2575599	2371901
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	2984	3056
Individual minimum capital requirement	<b>34</b>	2575599	2371901
Capital requirements of regulated related undertakings	<b>35</b>	196812	196271
Minimum capital requirement (34+35)	<b>36</b>	2772411	2568172
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	4139698	4400233
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	3446595	3758190

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	60167	381780
Enhanced capital requirement	<b>40</b>	2832578	2949952

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	2832578	2949952
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	2693325	2734367

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
--	-----------	--	--

**Components of capital resources**

Name of insurer

**Legal & General Assurance Society Limited**

Global business

Financial year ended

**31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		General insurance business	Long-term insurance business		Total as at the end of this financial year	Total as at the end of the previous year
		<b>1</b>	<b>2</b>		<b>3</b>	<b>4</b>

**Core tier one capital**

Permanent share capital	<b>11</b>		201430	201430	201430
Profit and loss account and other reserves	<b>12</b>	60000	2655993	2715993	2722981
Share premium account	<b>13</b>		1048914	1048914	1048914
Positive valuation differences	<b>14</b>		1125309	1125309	951933
Fund for future appropriations	<b>15</b>		1007397	1007397	1091434
Core tier one capital in related undertakings	<b>16</b>				216501
Core tier one capital (sum of 11 to 16)	<b>19</b>	60000	6039043	6099043	6233193

**Tier one waivers**

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	<b>21</b>				
Implicit Items	<b>22</b>				
Tier one waivers in related undertakings	<b>23</b>				
Total tier one waivers as restricted (21+22+23)	<b>24</b>				

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>				
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>				
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>	60000	6039043	6099043	6233193
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		233572	233572	193885
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>		12	12	428
Deductions from tier one (32 to 36)	<b>37</b>		233584	233584	194313
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	60000	5805459	5865459	6038880



**Components of capital resources**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Tier two capital**

Implicit items, (tier two waivers and amounts excluded from line 22)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>				
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>				

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>				

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>				
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>				

**Components of capital resources**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>	60000	5805459	5865459	6038880
Inadmissible assets other than intangibles and own shares	<b>73</b>		279556	279556	301561
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>	60000	5525903	5585903	5737319

**Available capital resources for GENPRU/INSRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>	60000	5525903	5585903	5737319
Available capital resources for 50% MCR requirement	<b>82</b>	60000	5525903	5585903	5737319
Available capital resources for 75% MCR requirement	<b>83</b>	60000	5525903	5585903	5737319

**Financial engineering adjustments**

Implicit items	<b>91</b>				
Financial reinsurance - ceded	<b>92</b>				
Financial reinsurance - accepted	<b>93</b>				
Outstanding contingent loans	<b>94</b>				
Any other charges on future profits	<b>95</b>				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>				

**Calculation of general insurance capital requirement - premiums amount and brought forward amount**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

General insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	166055	GL	31	12	2012	£000
				This financial year 1		Previous year 2	
Gross premiums written			11			8118	6020
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			8118	6020
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			8118	6020
Gross premiums earned			21			7138	5302
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			7138	5302
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			7138	5302
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			8118	6020
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			1461	1084
	Excess (if any) over 61.3M EURO x 0.02		33				
<b>Sub-total J (32-33)</b>			34			1461	1084
Claims paid in period of 3 financial years			41			5	15
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			65	71
	For insurance business accounted for on an accident year basis		43			457	618
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			113	299
	For insurance business accounted for on an accident year basis		45			580	2046
<b>Sub-total C (41+42+43-44-45)</b>			46			(166)	(1641)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			(833)	(930)
<b>Sub-total D (46-47)</b>			48			667	(711)
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.50	0.50
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			731	542
Provision for claims outstanding (before discounting and net of reinsurance)			51			522	689
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53			477	630
Greater of lines 50 and 53			54			731	630

**Calculation of general insurance capital requirement - premiums amount and brought forward amount**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	166055	GL	31	12	2012	£000
				This financial year 1		Previous year 2	
Gross premiums written			11			270372	173535
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			270372	173535
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			90230	65677
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			210218	129751
Gross premiums earned			21			270372	173535
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			270372	173535
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			90230	65677
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			210218	129751
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			210218	129751
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			37839	23355
	Excess (if any) over 61.3M EURO x 0.02		33			3216	1591
<b>Sub-total J (32-33)</b>			34			34624	21764
Claims paid in period of 3 financial years			41			233019	210558
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43			435730	421197
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45			359656	337925
<b>Sub-total C (41+42+43-44-45)</b>			46			309093	293830
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			92672	82271
<b>Sub-total D (46-47)</b>			48			216421	211559
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.70	0.72
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			24243	15670
Provision for claims outstanding (before discounting and net of reinsurance)			51			357763	352732
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53			20941	20941
Greater of lines 50 and 53			54			24243	20941

**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2012	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	5			15
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	65			71
	For insurance business accounted for on an accident year basis			23	457			618
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	113			299
	For insurance business accounted for on an accident year basis			25	580			2046
Claims incurred in reference period (21+22+23-24-25)				26	(166)			(1641)
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29	(166)			(1641)
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31	(55)			(547)
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	(14)			(142)
	Excess (if any) over 42.9M EURO x 0.03			33				
<b>Sub-total G (32-33)</b>				39	(14)			(142)
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41	(7)			(71)
Higher of premiums amount and brought forward amount (11.54)				42	731			630
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	731			630

**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2012	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	233019			210558
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	435730			421197
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	359656			337925
Claims incurred in reference period (21+22+23-24-25)				26	309093			293830
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	211215			226114
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29	168284			143087
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31	56095			47696
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	14585			12401
	Excess (if any) over 42.9M EURO x 0.03			33	645			375
<b>Sub-total G (32-33)</b>				39	13940			12026
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41	9760			8658
Higher of premiums amount and brought forward amount (11.54)				42	24243			20941
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	24243			20941

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	166055	GL	31	12	2012	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings							159	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21	119128	132902
	Debts and loans	22		
Other insurance dependants	Shares	23	265294	146117
	Debts and loans	24		
Non-insurance dependants	Shares	25	2125860	2330636
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	404273	504485	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1434240	928386	
Rights under derivative contracts	44	3351	2167	
Fixed interest securities	Approved	45	21815	133265
	Other	46	332	94296
Variable interest securities	Approved	47	85083	85589
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53	1757		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	955	
	More than one month withdrawal	55	770	770
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
						<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	3798	2766
Dependants	due in 12 months or less	<b>76</b>	1919	
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	223495	414774
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>	6217	8508
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	22793	31502
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	539	4834
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	22195	14095

Deductions from the aggregate value of assets	<b>87</b>		
---	-----------	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	4743973	4835092
---	-----------	---------	---------



**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2012	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4743973	4835092
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	119550	119516
Capital resources requirement deduction of regulated related undertakings	94	253353	245770
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	39349	429
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(781942)	(587345)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(629371)	(856495)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	3744912	3756967
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	295145	470269



**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	58660	43163
	Intermediaries	<b>72</b>	54	13
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	254785	134663
	Ceded	<b>75</b>	6745	7545
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	79293	447692
	due in more than 12 months	<b>79</b>		6097

**Other assets**

Tangible assets	<b>80</b>	19	27672
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	107962	86302
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>	123789	79562
Accrued interest and rent	<b>84</b>	161546	209803
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	143	48

Deductions from the aggregate value of assets	<b>87</b>		
---	-----------	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	43077941	42694566
---	-----------	----------	----------

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2012	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	43077941	42694566
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	141508	185948
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	969	1412
Deferred acquisition costs excluded from line 89	99	760248	749493
Reinsurers' share of technical provisions excluded from line 89	100	35487004	29896807
Other asset adjustments (may be negative)	101	261782	84203
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	79729452	73612429
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	18649	104679

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **With Profits Part of Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	166055	GL	31	12	2012	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings							102856	121953

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	932516	935070
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	3903317	3800610	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	1594904	1100182	
Rights under derivative contracts	44	45774	164817	
Fixed interest securities	Approved	45	4107031	4058665
	Other	46	5159880	5676949
Variable interest securities	Approved	47	12387	20736
	Other	48	27770	50026
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	99	100	
Other loans	53	5083	5154	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	473035	460663
	More than one month withdrawal	55		161385
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	40601	41129
	Property linked	59	8516835	8299958

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **With Profits Part of Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2012	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	2062	2696
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		63
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	38728	518443
	due in more than 12 months	79		5622

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	78621	51853
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	156334	204451
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	132	46

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	25197965	25680571
---	----	----------	----------

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **With Profits Part of Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2012	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	25197965	25680571
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	2861	47463
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	116035	122206
Reinsurers' share of technical provisions excluded from line 89	100	203116	247942
Other asset adjustments (may be negative)	101	43997	(469305)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	25563974	25628877
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit & balancing items**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	166055	GL	31	12	2012	£000	12
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings							34987	10301

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	23293	62170
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares		41	18153	17572
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	51696	49427
Rights under derivative contracts		44	10534	1970
Fixed interest securities	Approved	45	42488	41242
	Other	46	526566	470561
Variable interest securities	Approved	47		
	Other	48	17582	13356
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	79	145
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	22837	28554
	More than one month withdrawal	55		14655
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	96162	100385
	Property linked	59	16518480	15944271



**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit & balancing items**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2012	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	56598	40467
	Intermediaries	72	54	13
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	254785	134600
	Ceded	75	6745	7545
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	40565	(70751)
	due in more than 12 months	79		475

**Other assets**

Tangible assets	80	19	27672
Deposits not subject to time restriction on withdrawal with approved institutions	81	29341	34449
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	123789	79562
Accrued interest and rent	84	5212	5352
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	11	2

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	17879976	17013995
---	----	----------	----------

**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit & balancing items**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2012	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	17879976	17013995
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	138647	138485
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	969	1412
Deferred acquisition costs excluded from line 89	99	644213	627287
Reinsurers' share of technical provisions excluded from line 89	100	35283888	29648865
Other asset adjustments (may be negative)	101	217785	553508
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	54165478	47983552
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	18649	104679

**Long term insurance business liabilities and margins**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus		<b>11</b>	39154667	38519083
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>	1094448	942332
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	40249115	39461415
Claims outstanding	Gross	<b>15</b>	322024	329076
	Reinsurers' share	<b>16</b>	101516	116197
	Net (15-16)	<b>17</b>	220508	212879
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	152662	159680
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	137071	38202
	Reinsurance accepted	<b>32</b>	110	1543
	Reinsurance ceded	<b>33</b>	10010	15048
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	1312	62
Creditors	Taxation	<b>37</b>	24924	191640
	Other	<b>38</b>	747195	816953
Accruals and deferred income		<b>39</b>	644	810
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	1294436	1436817
Excess of the value of net admissible assets		<b>51</b>	1534390	1796334
Total liabilities and margins		<b>59</b>	43077941	42694566

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	53516	9974
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	24996260	24201268

Total liabilities (11+12+49)		<b>71</b>	40449103	39955900
Increase to liabilities - DAC related		<b>72</b>		
Reinsurers' share of technical provisions		<b>73</b>	35487004	29896807
Other adjustments to liabilities (may be negative)		<b>74</b>	1156464	1228155
Capital and reserves and fund for future appropriations		<b>75</b>	2636881	2531567
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		<b>76</b>	79729452	73612429

**Long term insurance business liabilities and margins**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **With Profits Part of Fund**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	<b>11</b>	22859716	22756131	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	3478	3478	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	22863194	22759609	
Claims outstanding	Gross	<b>15</b>	103292	99929
	Reinsurers' share	<b>16</b>		639
	Net (15-16)	<b>17</b>	103292	99290
Provisions	Taxation	<b>21</b>	71558	7104
	Other risks and charges	<b>22</b>	76200	79700
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	2658	2959
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	12	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	341	62	
Creditors	Taxation	<b>37</b>	28283	476910
	Other	<b>38</b>	517444	457857
Accruals and deferred income	<b>39</b>	593	746	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	800381	1124628	
Excess of the value of net admissible assets	<b>51</b>	1534390	1796334	
Total liabilities and margins	<b>59</b>	25197965	25680571	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	688	733
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	8500740	8282485

Total liabilities (11+12+49)	<b>71</b>	23660097	23880759
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Non Profit & balancing items**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus		<b>11</b>	16294951	15762952
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>	1090970	938854
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	17385921	16701806
Claims outstanding	Gross	<b>15</b>	218732	229147
	Reinsurers' share	<b>16</b>	101516	115558
	Net (15-16)	<b>17</b>	117216	113589
Provisions	Taxation	<b>21</b>	(71558)	(7104)
	Other risks and charges	<b>22</b>	76462	79980
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	134413	35243
	Reinsurance accepted	<b>32</b>	110	1543
	Reinsurance ceded	<b>33</b>	9998	15048
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	971	
Creditors	Taxation	<b>37</b>	(3359)	(285270)
	Other	<b>38</b>	229751	359096
Accruals and deferred income		<b>39</b>	51	64
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	494055	312189
Excess of the value of net admissible assets		<b>51</b>		
Total liabilities and margins		<b>59</b>	17879976	17013995

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	52828	9241
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	16495520	15918783

Total liabilities (11+12+49)		<b>71</b>	16789006	16075141
Increase to liabilities - DAC related		<b>72</b>		
Reinsurers' share of technical provisions		<b>73</b>		
Other adjustments to liabilities (may be negative)		<b>74</b>		
Capital and reserves and fund for future appropriations		<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		<b>76</b>		

**Liabilities (other than long term insurance business)**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R15</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
					<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>

**Technical provisions (gross amount)**

Provisions for unearned premiums	<b>11</b>	3608	2628
Claims outstanding	<b>12</b>	522	689
Provision for unexpired risks	<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>	
	Other than credit business	<b>15</b>	1939
Other technical provisions	<b>16</b>		
Total gross technical provisions (11 to 16)	<b>19</b>	6962	5256

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	433764	423591
Deposits received from reinsurers	<b>31</b>			
Creditors	Direct insurance business	<b>41</b>		316
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>	37	92
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions	<b>46</b>			
Creditors	Taxation	<b>47</b>		15814
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	1497600	1527380
Accruals and deferred income	<b>51</b>	101898	109760	
Total (19 to 51)	<b>59</b>	2040261	2082209	
Provision for "reasonably foreseeable adverse variations"	<b>61</b>			
Cumulative preference share capital	<b>62</b>			
Subordinated loan capital	<b>63</b>			
Total (59 to 63)	<b>69</b>	2040261	2082209	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>	1451352	1480863
---	-----------	---------	---------

Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(632203)	(858434)
Capital and reserves	<b>84</b>	2336854	2533192
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>	3744912	3756967

**Profit and loss account (non-technical account)**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
				<b>This financial year</b>		<b>Previous year</b>		
				<b>1</b>		<b>2</b>		
Transfer (to)/from the general insurance business technical account	From Form 20	<b>11</b>				7123	5405	
	Equalisation provisions	<b>12</b>				(893)	(662)	
Transfer from the long term insurance business revenue account		<b>13</b>				102253	240976	
Investment income	Income	<b>14</b>				219549	95389	
	Value re-adjustments on investments	<b>15</b>				22959		
	Gains on the realisation of investments	<b>16</b>				32956		
Investment charges	Investment management charges, including interest	<b>17</b>				3346	2560	
	Value re-adjustments on investments	<b>18</b>					49241	
	Loss on the realisation of investments	<b>19</b>					5403	
Allocated investment return transferred to the general insurance business technical account		<b>20</b>						
Other income and charges (particulars to be specified by way of supplementary note)		<b>21</b>				(39826)	(65233)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		<b>29</b>				340775	218671	
Tax on profit or loss on ordinary activities		<b>31</b>				13002	10017	
Profit or loss on ordinary activities after tax (29-31)		<b>39</b>				327773	208654	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		<b>41</b>						
Tax on extraordinary profit or loss		<b>42</b>						
Other taxes not shown under the preceding items		<b>43</b>						
Profit or loss for the financial year (39+41-(42+43))		<b>49</b>				327773	208654	
Dividends (paid or foreseeable)		<b>51</b>				525000	500000	
Profit or loss retained for the financial year (49-51)		<b>59</b>				(197227)	(291346)	

**Analysis of derivative contracts**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>1</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>				
Futures and contracts for differences	Fixed-interest securities	<b>11</b>	54	53	14783	9214			
	Interest rates	<b>12</b>	223	158	31000	50000			
	Inflation	<b>13</b>	4	56	2000	3000			
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>		47	4562				
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>		407	33	153979			
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	3064			3242			
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>	6		26				
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>		635		1940			
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>		665	1265				
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	3351	2021	53669	221375			
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	3351	2021					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.



**Analysis of derivative contracts**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>	3045	3882	176477	1277132			
	Interest rates	<b>12</b>	9384	314	969233				
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>	3995	1515	276900				
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	61	145	13801				
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	21436	3215	97256	1609630			
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	18126			257615			
	Equity stock puts	<b>35</b>	87			86963			
	Other	<b>36</b>	174			335			
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>				9850			
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	56308	9071	1534002	3241190			
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	56308	9071					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**Analysis of derivative contracts**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **With Profits Part of Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>11</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>				
Futures and contracts for differences	Fixed-interest securities	<b>11</b>	2872	3868	176477	847875			
	Interest rates	<b>12</b>	9384	314	969233				
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>	3995	1515	276900				
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	61	145	13801				
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	11162	3215	97256	1047815			
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	18126			257615			
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>	174		335				
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>				9850			
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	45774	9057	1534002	2163155			
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	45774	9057					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**Analysis of derivative contracts**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Non Profit & balancing items**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>12</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>				
Futures and contracts for differences	Fixed-interest securities	<b>11</b>	173	14			429257		
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>							
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	10274				561815		
	Mortality	<b>20</b>							
Other	<b>21</b>								
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>	87				86963		
Other	<b>36</b>								
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
Other	<b>46</b>								
Total (11 to 46)		<b>51</b>	10534	14			1078035		
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	10534	14					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**With-profits insurance capital component for the fund**Name of insurer **Legal & General Assurance Society Limited**With-profits fund **With Profits Part of Fund**Financial year ended **31 December 2012**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
--	--

**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	25197965	25680571
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	11085531	10653061
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	130817	121871
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	13981617	14905639
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	11774185	12103070
	Regulatory current liabilities of the fund	<b>22</b>	800381	1124628
	Total (21+22)	<b>29</b>	12574566	13227698
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	481631	499545
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	13056197	13727243
Regulatory excess capital (19-39)		<b>49</b>	925420	1178396

**Realistic excess capital**

Realistic excess capital	<b>51</b>	592501	618058
--------------------------	-----------	--------	--------

**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	332919	560338
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	272752	178558
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	60167	381780

**Realistic balance sheet**Name of insurer **Legal & General Assurance Society Limited**With-profits fund **With Profits Part of Fund**Financial year ended **31 December 2012**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
--	--

**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	13981617	14905639
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	406458	397317
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	14388075	15302956
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	14388075	15302956

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	11590076	11857265	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>	20305	20445
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	(13851)	36543
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	31507	33913
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	706576	918429
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	212027	234227
	Future costs of smoothing (possibly negative)	<b>44</b>	104720	150367
	Financing costs	<b>45</b>		
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	274931	270412
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1300903	1523424	
Realistic current liabilities of the fund	<b>51</b>	820541	1175533	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	13711520	14556222	

**Realistic balance sheet**

Name of insurer      **Legal & General Assurance Society Limited**  
 With-profits fund    **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units                    **£000**

As at end of this financial year 1	As at end of the previous year 2
--	--

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	13795574	14684898
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	13795574	14684898
Risk capital margin for fund (62-59)	<b>65</b>	84054	128676
Realistic excess capital for fund (26-(59+65))	<b>66</b>	592501	618058
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	592501	618058
Working capital for fund (29-59)	<b>68</b>	676555	746734
Working capital ratio for fund (68/29)	<b>69</b>	4.70	4.88

**Other assets potentially available if required to cover the fund's risk capital margin**

Additional amount potentially available for inclusion in line 62	<b>81</b>	250000	300000
Additional amount potentially available for inclusion in line 63	<b>82</b>		

**General insurance business : Summary of business carried on**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

R20A	Company registration number	GL/UK/CM	day month year			units
			31	12	2012	
	166055	GL				£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year	
			Reported	Incurred but not reported		
		1	2	3	4	
001	Total business	1	8118	430	92	3608
002	Total primary (direct) and facultative business	2		417	92	
003	Total treaty reinsurance accepted business	3	8118	13		3608
110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4				
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5				
160	Primary (direct) and facultative household and domestic all risks	6				
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7				
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8		64		
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		155		
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		146	92	
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11				
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12				
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13		52		
350	Total primary (direct) and facultative goods in transit	14				
400	Miscellaneous primary (direct) and facultative business	15				
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16	8118	13		3608
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17				
700	Miscellaneous treaty reinsurance accepted business	18				
	Total (lines 4 to 18)	20	8118	430	92	3608

**General insurance business : Summary of business carried on**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2012	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year			
			Reported	Incurred but not reported				
		1	2	3	4			

**Primary (direct) and facultative personal lines business**

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23				
114	Personal accident or sickness	24				
121	Private motor - comprehensive	25				
122	Private motor - non-comprehensive	26				
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28				
181	Assistance	29				
182	Creditor	30				
183	Extended warranty	31				
184	Legal expenses	32				
185	Mortgage indemnity	33				
186	Pet insurance	34				
187	Other personal financial loss	35				

**Primary (direct) and facultative commercial lines business**

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42		64		
223	Motor other	43				
261	Commercial property	44		155		
262	Consequential loss	45				
263	Contractors or engineering all risks	46				
271	Employers liability	47		146	92	
272	Professional indemnity	48				
273	Public and products liability	49				
274	Mixed commercial package	50				
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

**Primary (direct) and facultative aviation**

331	Aviation liability	61				
332	Aviation hull	62				
333	Space and satellite	63				



## General insurance business : Summary of business carried on

Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year
			Reported	Incurred but not reported		
		1	2	3	4	

Company registration number

GL/  
UK/  
CM

day month year

units

R20A

166055

GL

31

12

2012

£000

**Primary (direct) and facultative marine and transport**

341	Marine liability	64			
342	Marine hull	65		26	
343	Energy (on and off-shore)	66			
344	Protection and indemnity	67			
345	Freight demurrage and defence	68		26	
346	War risks	69			
347	Yacht	70			
350	Total primary (direct) and facultative goods in transit (equals line 14)	71			

**Primary (direct) and facultative miscellaneous**

400	Miscellaneous primary (direct) and facultative business (equals line 15)	72			
-----	--	----	--	--	--

**Non-proportional treaty**

510	Non-proportional accident and health	81			
520	Non-proportional motor	82			
530	Non-proportional aviation	83			
540	Non-proportional marine	84			
550	Non-proportional transport	85			
560	Non-proportional property	86	8118	13	3608
570	Non-proportional liability (non-motor)	87			
580	Non-proportional financial lines	88			
590	Non-proportional aggregate cover	89			

**Proportional treaty**

610	Proportional accident and health	91			
620	Proportional motor	92			
630	Proportional aviation	93			
640	Proportional marine	94			
650	Proportional transport	95			
660	Proportional property	96			
670	Proportional liability (non-motor)	97			
680	Proportional financial lines	98			
690	Proportional aggregate cover	99			

**Treaty Reinsurance Miscellaneous**

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101			
-----	---	-----	--	--	--

	<b>Total (lines 21 to 101)</b>	<b>111</b>	<b>8118</b>	<b>430</b>	<b>92</b>	<b>3608</b>
--	--------------------------------	------------	-------------	------------	-----------	-------------

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>001</b>
<b>Items to be shown net of reinsurance</b>				<b>This financial year</b>			<b>Previous year</b>		
				<b>1</b>			<b>2</b>		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		<b>11</b>						
	Claims incurred (22.17.4)		<b>12</b>						
	Claims management costs (22.18.4)		<b>13</b>						
	Adjustment for discounting (22.52.4)		<b>14</b>						
	Increase in provision for unexpired risks (22.19.4)		<b>15</b>						
	Other technical income or charges (particulars to be specified by way of supplementary note)		<b>16</b>						
	Net operating expenses (22.42.4)		<b>17</b>						
	Balance of year's underwriting (11-12-13+14-15+16-17)		<b>19</b>						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		<b>21</b>						
	Claims incurred (22.13.4)		<b>22</b>				(144)	276	
	Claims management costs (22.14.4)		<b>23</b>						
	Adjustment for discounting (22.51.4)		<b>24</b>						
	Other technical income or charges (particulars to be specified by way of supplementary note)		<b>25</b>						
	Net operating expenses (22.41.4)		<b>26</b>				154	(330)	
	Balance (21-22-23+24+25-26)		<b>29</b>				(10)	54	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		<b>31</b>				7133	5351	
	Other technical income or charges (particulars to be specified by way of supplementary note)		<b>32</b>						
	Total		<b>39</b>				7133	5351	
Balance of all years' underwriting (19+29+39)			<b>49</b>				7123	5405	
Allocated investment income			<b>51</b>						
Transfer to non-technical account (49+51)			<b>59</b>				7123	5405	

**General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions**Name of company **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	166055	GL	31	12	2012	£000	001
			Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2	Amount carried forward to next financial year 3	Amount attributable to this financial year 4			
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	618	(16)	457	(177)			
	Reinsurers' share	12		(33)		(33)			
	Net (11-12)	13	618	17	457	(144)			
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			154				
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			154				
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41			154				
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

**General insurance business (accident year accounting) : Analysis of net claims and premiums**

Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

**Total business**

Company registration number	GL/UK/CM	day month year			Units	Category number	
<b>R23</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>	<b>001</b>

Accident year ended			Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
Month	Year						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
12	2012	<b>11</b>													
12	2011	<b>12</b>													
12	2010	<b>13</b>													
12	2009	<b>14</b>													
12	2008	<b>15</b>													
12	2007	<b>16</b>													
12	2006	<b>17</b>													
12	2005	<b>18</b>													
12	2004	<b>19</b>													
12	2003	<b>20</b>													
Prior accident years		<b>21</b>				17	365	92	618		(144)				
Reconciliation		<b>22</b>													
Total (11 to 22)		<b>29</b>				17	365	92	618		(144)				

**General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses**

Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

**Total business**

			Company registration number		GL/UK/CM		day month year			Units		Category number																				
			R24		166055		GL		31 12 2012			£000		001																		
Underwriting year ended	Prior underwriting years		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns															
	29	29	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	12	12	99	99								
Premiums written	Gross amount	11																							8118	8118						
	Reinsurers' share	12																														
	Net (11-12)	19																								8118	8118					
Claims paid	Gross amount	21		11																							11					
	Reinsurers' share	22																														
	Net (21-22)	29		11																							11					
Claims management costs		39																														
Net operating expenses	Commissions	41																														
	Other acquisition expenses	42																														
	Administrative expenses	43																														
	Reinsurers' commissions and profit participations	44																														
	Payable net (41+42+43-44)	49																														
Technical provisions	Brought forward	Undiscounted	51		71																							2628		2699		
		Adjustment for discounting	52																													
	Carried forward	Undiscounted	53		65																										3608	3673
		Adjustment for discounting	54																													
	Increase (decrease) in the financial year (53-54-51+52)		59		(6)																								(2628)	3608	974	
Balance on each underwriting year (19-29-39-49-59)		69		(5)																								2628	4510	7133		

**General insurance business (underwriting year accounting) : Analysis of technical provisions**

Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

**Total business**

Company registration number: **166055** GL/UK/CM: **GL** day month year: **31 12 2012** Units: **£000** Category number: **001**

Underwriting year ended		Prior underwriting years		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		Total all previous columns					
		29	29	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	12	12	99	99
Reported claims outstanding	Gross amount	11	65																						65
	Reinsurers' share	12																							
Claims incurred but not reported	Gross amount	13																							
	Reinsurers' share	14																							
Claims management costs		15																							
Adjustment for discounting	Gross amount	16																							
	Reinsurers' share	17																							
	Claims management costs	18																							
Allocation to/(from) another risk category of anticipated surplus		19																							
Balance of the fund		20																							
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	65																						65
Provision for unearned premiums		22																							3608
Provision for unexpired risks		23																							
Deferred acquisition costs		24																							
Other technical provisions (particulars to be specified by way of supplementary note)		25																							
Total (21+22+23-24+25)		29	65																						3608
																									3673

**Equalisation provisions**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

						Company registration number			GL/UK/CM	day month year			Units
						R37	166055	GL	31	12	2012	£000	
<b>Calculation of the maximum provision</b>	Business grouping A (property)	Business grouping B (business interruption)	Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non-proportional treaty)	All business groupings				Credit insurance business			
	1	2	3	4	5	6				7			
Total net premiums written in the previous 4 years	11				17636								
Net premiums written in the current year	12				8118								
Maximum provision	13				3863	3863							

**Calculation of the transfer to/from the provision**

Equalisation provision brought forward	21				1939	1939				
Transfers in	22				893	893				
Total abnormal loss	23									
Provisional transfers out	24									
Excess of provisional transfer out over fund available	25									
Provisional amount carried forward (21+22-24+25)	26					2832				
Excess, if any, of 26 over 13	27									
Equalisation provision carried forward (26-27)	28					2832				
Transfer in/(out) for financial year (28-21)	29					893				

**Equalisation provisions technical account : Underwriting year accounting**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day month year			Units
	<b>R39</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
	Business grouping A (property) <b>1</b>	Business grouping B (business interruption) <b>2</b>	Business grouping C (marine and aviation) <b>3</b>	Business grouping D (nuclear) <b>4</b>		Business grouping E (non-proportional treaty) <b>5</b>	
<b>Other than credit business</b>							
Net premiums written	<b>11</b>						8118
Claims net of reinsurance	<b>12</b>						
Trigger claims value	<b>13</b>						8118
Abnormal loss	<b>19</b>						
Trigger claims ratio		72.5%	72.5%	95%	25%		100%

**Credit business**

Net premiums written	<b>21</b>	
Claims net of reinsurance	<b>22</b>	
Claims management costs	<b>23</b>	
Net operating expenditure	<b>24</b>	
Technical surplus/ (deficit) (21-22-23-24)	<b>29</b>	



**Long-term insurance business : Revenue account**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Earned premiums	11	2449643	2423487
Investment income receivable before deduction of tax	12	1484049	1502229
Increase (decrease) in the value of non-linked assets brought into account	13	1035214	236637
Increase (decrease) in the value of linked assets	14	1621042	(1249696)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>6589948</b>	<b>2912657</b>

**Expenditure**

Claims incurred	21	4976696	4255388
Expenses payable	22	583768	563874
Interest payable before the deduction of tax	23	18430	20732
Taxation	24	77347	(121950)
Other expenditure	25	43754	
Transfer to (from) non technical account	26	102253	240976
<b>Total expenditure</b>	<b>29</b>	<b>5802248</b>	<b>4959020</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	787700	(2046363)
Fund brought forward	49	39461415	41507778
Fund carried forward (39+49)	59	40249115	39461415

**Long-term insurance business : Revenue account**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Earned premiums	11	1011471	1041918
Investment income receivable before deduction of tax	12	860699	865272
Increase (decrease) in the value of non-linked assets brought into account	13	1073451	295859
Increase (decrease) in the value of linked assets	14	554966	(506624)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>3500587</b>	<b>1696425</b>

**Expenditure**

Claims incurred	21	3089154	2820286
Expenses payable	22	117955	139623
Interest payable before the deduction of tax	23	1611	1603
Taxation	24	136029	46455
Other expenditure	25		
Transfer to (from) non technical account	26	52253	50976
<b>Total expenditure</b>	<b>29</b>	<b>3397002</b>	<b>3058943</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	103585	(1362518)
Fund brought forward	49	22759609	24122127
Fund carried forward (39+49)	59	22863194	22759609

**Long-term insurance business : Revenue account**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Earned premiums	11	1438172	1381569
Investment income receivable before deduction of tax	12	623350	636957
Increase (decrease) in the value of non-linked assets brought into account	13	(38237)	(59222)
Increase (decrease) in the value of linked assets	14	1066076	(743072)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>3089361</b>	<b>1216232</b>

**Expenditure**

Claims incurred	21	1887542	1435102
Expenses payable	22	465813	424251
Interest payable before the deduction of tax	23	16819	19129
Taxation	24	(58682)	(168405)
Other expenditure	25	43754	
Transfer to (from) non technical account	26	50000	190000
<b>Total expenditure</b>	<b>29</b>	<b>2405246</b>	<b>1900077</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	684115	(683845)
Fund brought forward	49	16701806	17385651
Fund carried forward (39+49)	59	17385921	16701806

**Long-term insurance business : Analysis of premiums**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Regular premiums	11	1362231	1564262	6779	2933272	2570384
Single premiums	12	715918	4254003	125	4970046	4616372

**Reinsurance - external**

Regular premiums	13	466159	134773	215	601147	446128
Single premiums	14	4			4	2

**Reinsurance - intra-group**

Regular premiums	15	181658	1277914	5455	1465027	739465
Single premiums	16	1957	3388169	(2629)	3387497	3577674

**Net of reinsurance**

Regular premiums	17	714414	151575	1109	867098	1384791
Single premiums	18	713957	865834	2754	1582545	1038696

**Total**

Gross	19	2078149	5818265	6904	7903318	7186756
Reinsurance	20	649778	4800856	3041	5453675	4763269
Net	21	1428371	1017409	3863	2449643	2423487

**Long-term insurance business : Analysis of premiums**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Regular premiums	11	118339	325692		444031	496558
Single premiums	12	196833	167135		363968	558541

**Reinsurance - external**

Regular premiums	13	1796	(1414286)		(1412490)	(650067)
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		1209018		1209018	663248
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	116543	530960		647503	483377
Single premiums	18	196833	167135		363968	558541

**Total**

Gross	19	315172	492827		807999	1055099
Reinsurance	20	1796	(205268)		(203472)	13181
Net	21	313376	698095		1011471	1041918

**Long-term insurance business : Analysis of premiums**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Regular premiums	11	1243892	1238570	6779	2489241	2073826
Single premiums	12	519085	4086868	125	4606078	4057831

**Reinsurance - external**

Regular premiums	13	464363	1549059	215	2013637	1096195
Single premiums	14	4			4	2

**Reinsurance - intra-group**

Regular premiums	15	181658	68896	5455	256009	76217
Single premiums	16	1957	3388169	(2629)	3387497	3577674

**Net of reinsurance**

Regular premiums	17	597871	(379385)	1109	219595	901414
Single premiums	18	517124	698699	2754	1218577	480155

**Total**

Gross	19	1762977	5325438	6904	7095319	6131657
Reinsurance	20	647982	5006124	3041	5657147	4750088
Net	21	1114995	319314	3863	1438172	1381569

**Long-term insurance business : Analysis of claims**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	804774	207668	300	1012742	935718
Disability periodic payments	12	43636			43636	39676
Surrender or partial surrender	13	1666003	1939022	2460	3607485	3144656
Annuity payments	14	3095	1713887		1716982	1517746
Lump sums on maturity	15	818428	788759		1607187	1387805
<b>Total</b>	<b>16</b>	<b>3335936</b>	<b>4649336</b>	<b>2760</b>	<b>7988032</b>	<b>7025601</b>

**Reinsurance - external**

Death or disability lump sums	21	364988	6369	73	371430	347374
Disability periodic payments	22	1344			1344	1257
Surrender or partial surrender	23	151	(146797)		(146646)	(142225)
Annuity payments	24					(32)
Lump sums on maturity	25	(639)			(639)	(184)
<b>Total</b>	<b>26</b>	<b>365844</b>	<b>(140428)</b>	<b>73</b>	<b>225489</b>	<b>206190</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	42504	169299	227	212030	200760
Disability periodic payments	32					
Surrender or partial surrender	33	2010	685196	555	687761	780484
Annuity payments	34		1556369		1556369	1358895
Lump sums on maturity	35		329687		329687	223884
<b>Total</b>	<b>36</b>	<b>44514</b>	<b>2740551</b>	<b>782</b>	<b>2785847</b>	<b>2564023</b>

**Net of reinsurance**

Death or disability lump sums	41	397282	32000		429282	387584
Disability periodic payments	42	42292			42292	38419
Surrender or partial surrender	43	1663842	1400623	1905	3066370	2506397
Annuity payments	44	3095	157518		160613	158883
Lump sums on maturity	45	819067	459072		1278139	1164105
<b>Total</b>	<b>46</b>	<b>2925578</b>	<b>2049213</b>	<b>1905</b>	<b>4976696</b>	<b>4255388</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	163875	32000		195875	183852
Disability periodic payments	12					
Surrender or partial surrender	13	455240	847359		1302599	1273238
Annuity payments	14	1225	157515		158740	156533
Lump sums on maturity	15	798358	498002		1296360	1184727
<b>Total</b>	<b>16</b>	<b>1418698</b>	<b>1534876</b>		<b>2953574</b>	<b>2798350</b>

**Reinsurance - external**

Death or disability lump sums	21	1225			1225	2123
Disability periodic payments	22					
Surrender or partial surrender	23		(344083)		(344083)	(197375)
Annuity payments	24					
Lump sums on maturity	25	(639)			(639)	(184)
<b>Total</b>	<b>26</b>	<b>586</b>	<b>(344083)</b>		<b>(343497)</b>	<b>(195436)</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		207917		207917	173500
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>207917</b>		<b>207917</b>	<b>173500</b>

**Net of reinsurance**

Death or disability lump sums	41	162650	32000		194650	181729
Disability periodic payments	42					
Surrender or partial surrender	43	455240	983525		1438765	1297113
Annuity payments	44	1225	157515		158740	156533
Lump sums on maturity	45	798997	498002		1296999	1184911
<b>Total</b>	<b>46</b>	<b>1418112</b>	<b>1671042</b>		<b>3089154</b>	<b>2820286</b>



**Long-term insurance business : Analysis of claims**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	640899	175668	300	816867	751866
Disability periodic payments	12	43636			43636	39676
Surrender or partial surrender	13	1210763	1091663	2460	2304886	1871418
Annuity payments	14	1870	1556372		1558242	1361213
Lump sums on maturity	15	20070	290757		310827	203078
<b>Total</b>	<b>16</b>	<b>1917238</b>	<b>3114460</b>	<b>2760</b>	<b>5034458</b>	<b>4227251</b>

**Reinsurance - external**

Death or disability lump sums	21	363763	6369	73	370205	345251
Disability periodic payments	22	1344			1344	1257
Surrender or partial surrender	23	151	197286		197437	55150
Annuity payments	24					(32)
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>365258</b>	<b>203655</b>	<b>73</b>	<b>568986</b>	<b>401626</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	42504	169299	227	212030	200760
Disability periodic payments	32					
Surrender or partial surrender	33	2010	477279	555	479844	606984
Annuity payments	34		1556369		1556369	1358895
Lump sums on maturity	35		329687		329687	223884
<b>Total</b>	<b>36</b>	<b>44514</b>	<b>2532634</b>	<b>782</b>	<b>2577930</b>	<b>2390523</b>

**Net of reinsurance**

Death or disability lump sums	41	234632			234632	205855
Disability periodic payments	42	42292			42292	38419
Surrender or partial surrender	43	1208602	417098	1905	1627605	1209284
Annuity payments	44	1870	3		1873	2350
Lump sums on maturity	45	20070	(38930)		(18860)	(20806)
<b>Total</b>	<b>46</b>	<b>1507466</b>	<b>378171</b>	<b>1905</b>	<b>1887542</b>	<b>1435102</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11	264883	26136	2	291021	254268
Commission - other	12	33810	14669		48479	48638
Management - acquisition	13	136010	91347		227357	230053
Management - maintenance	14	98501	100664	253	199418	204544
Management - other	15	27231	23688		50919	36170
<b>Total</b>	<b>16</b>	<b>560435</b>	<b>256504</b>	<b>255</b>	<b>817194</b>	<b>773673</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					1
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					<b>1</b>

**Reinsurance - intra-group**

Commission - acquisition	31	43	133702	20	133765	102247
Commission - other	32	21290	77621	750	99661	107551
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>21333</b>	<b>211323</b>	<b>770</b>	<b>233426</b>	<b>209798</b>

**Net of reinsurance**

Commission - acquisition	41	264840	(107566)	(18)	157256	152021
Commission - other	42	12520	(62952)	(750)	(51182)	(58914)
Management - acquisition	43	136010	91347		227357	230053
Management - maintenance	44	98501	100664	253	199418	204544
Management - other	45	27231	23688		50919	36170
<b>Total</b>	<b>46</b>	<b>539102</b>	<b>45181</b>	<b>(515)</b>	<b>583768</b>	<b>563874</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11	8979	1788		10767	16441
Commission - other	12	4662	2979		7641	8619
Management - acquisition	13	7292	7165		14457	16903
Management - maintenance	14	24923	45435		70358	77624
Management - other	15	6159	8573		14732	20036
<b>Total</b>	<b>16</b>	<b>52015</b>	<b>65940</b>		<b>117955</b>	<b>139623</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	8979	1788		10767	16441
Commission - other	42	4662	2979		7641	8619
Management - acquisition	43	7292	7165		14457	16903
Management - maintenance	44	24923	45435		70358	77624
Management - other	45	6159	8573		14732	20036
<b>Total</b>	<b>46</b>	<b>52015</b>	<b>65940</b>		<b>117955</b>	<b>139623</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11	255904	24348	2	280254	237827
Commission - other	12	29148	11690		40838	40019
Management - acquisition	13	128718	84182		212900	213150
Management - maintenance	14	73578	55229	253	129060	126920
Management - other	15	21072	15115		36187	16134
<b>Total</b>	<b>16</b>	<b>508420</b>	<b>190564</b>	<b>255</b>	<b>699239</b>	<b>634050</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					1
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					<b>1</b>

**Reinsurance - intra-group**

Commission - acquisition	31	43	133702	20	133765	102247
Commission - other	32	21290	77621	750	99661	107551
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>21333</b>	<b>211323</b>	<b>770</b>	<b>233426</b>	<b>209798</b>

**Net of reinsurance**

Commission - acquisition	41	255861	(109354)	(18)	146489	135580
Commission - other	42	7858	(65931)	(750)	(58823)	(67533)
Management - acquisition	43	128718	84182		212900	213150
Management - maintenance	44	73578	55229	253	129060	126920
Management - other	45	21072	15115		36187	16134
<b>Total</b>	<b>46</b>	<b>487087</b>	<b>(20759)</b>	<b>(515)</b>	<b>465813</b>	<b>424251</b>

**Long-term insurance business : Linked funds balance sheet**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year	Previous year
1	2

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11	15161024	15280476
Directly held assets in collective investment schemes of connected companies	12	5953379	5466198
Directly held assets in other collective investment schemes	13	4019541	3575034
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>25133944</b>	<b>24321708</b>
Provision for tax on unrealised capital gains	15	(39816)	(73097)
Secured and unsecured loans	16		
Other liabilities	17	112672	96785
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>25061088</b>	<b>24298020</b>

**Directly held linked assets**

Value of directly held linked assets	21	7265	7356
--------------------------------------	----	------	------

**Total**

Value of directly held linked assets and units held (18+21)	31	25068353	24305376
Surplus units	32	46000	64115
Deficit units	33	13881	31403
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>25036234</b>	<b>24272664</b>

**Long-term insurance business : Revenue account for internal linked funds**Name of insurer **Legal & General Assurance Society Limited**

Total business

Financial year ended **31 December 2012**Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

**Income**

Value of total creation of units	11	3931271	4576441
Investment income attributable to the funds before deduction of tax	12	890312	888905
Increase (decrease) in the value of investments in the financial year	13	1620302	(1248995)
Other income	14		
<b>Total income</b>	<b>19</b>	<b>6441885</b>	<b>4216351</b>

**Expenditure**

Value of total cancellation of units	21	5315916	5405669
Charges for management	22	214691	214047
Charges in respect of tax on investment income	23	81469	54967
Taxation on realised capital gains	24	31621	(7269)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	33281	(38493)
Other expenditure	26	1839	1921
<b>Total expenditure</b>	<b>29</b>	<b>5678817</b>	<b>5630842</b>

Increase (decrease) in funds in financial year (19-29)	39	763068	(1414491)
Internal linked fund brought forward	49	24298020	25712511
Internal linked funds carried forward (39+49)	59	25061088	24298020

**Long-term insurance business : Summary of new business**Name of insurer **Legal & General Assurance Society Limited**

Total business

Financial year ended **31 December 2012**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/  
scheme members for direct  
insurance business**

Regular premium business	<b>11</b>	514814	219351		734165	565530
Single premium business	<b>12</b>	9785	166965		176750	110931
<b>Total</b>	<b>13</b>	524599	386317		910916	676461

**Amount of new regular  
premiums**

Direct insurance business	<b>21</b>	173215	593859		767075	568491
External reinsurance	<b>22</b>	129430			129430	
Intra-group reinsurance	<b>23</b>	30742			30742	68742
<b>Total</b>	<b>24</b>	333388	593859		927247	637233

**Amount of new single  
premiums**

Direct insurance business	<b>25</b>	713424	3852072		4565497	4543568
External reinsurance	<b>26</b>					
Intra-group reinsurance	<b>27</b>	3939			3939	7730
<b>Total</b>	<b>28</b>	717363	3852072		4569435	4551299

**Long-term insurance business : Analysis of new business**

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
175	Group Conventional Deferred Annuity With-Profits		73		
300	Regular Premium Non-Profit WL/EA	17147	5887		
325	Level Term Assurance	193444	58225		
330	Decreasing Term Assurance	91598	22357		
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	53198	24074		
340	Other Accelerated Critical Illness (Guaranteed Premiums)	46542	22271		
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	13643	6676		
345	Other Accelerated Critical Illness (Reviewable Premiums)	12180	5480		
350	Stand-alone Critical Illness (Guaranteed Premiums)		1		
360	Income Protection Non-Profit (Guaranteed Premiums)	8654	3821		
410	Group Life	1696	1434		
420	Group Income Protection	74510	19350		
430	Group Critical Illness	1865	2020		
435	Miscellaneous Non-Profit		40		
500	With-Profit Bond			3042	198368



**Long-term insurance business : Analysis of new business**

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
700	Investment Bond			40	3705
700	Portfolio Bond			6543	496777
700	Select Portfolio Bond			160	14574
710	Life Property Linked Whole Life Regular Premium	291	1484		
795	Miscellaneous Property Linked	46	23		

**Long-term insurance business : Analysis of new business**

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Life / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
300	Universal Life Assurance - US Universal Life Assurance		79262		
325	Level Term Assurance - US Term business		50168		

**Long-term insurance business : Analysis of new business**

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
300	Universal Life Assurance - US Universal Life Assurance		26848		
325	Level Term Assurance - US Term business		3895		
700	International Portfolio Bond				3939

## Long-term insurance business : Analysis of new business

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2012

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
165	Personal Retirement Plan		129		114
200	With-Profit Immediate Annuities In Payment			272	12090
325	Level Term Assurance	3	2		
390	Deferred Annuities - Group - Bulk Purchase			407	18893
400	Annuities In Payment - Group - Other			4857	71539
400	Annuities In Payment - Individual - Compulsory Purchase			28564	819100
400	Annuities In Payment - Individual - Other			9270	226403
401	Annuities In Payment - Group - Bulk Purchase			3846	552917
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life			1069	33109
405	Annuities In Payment - Individual - Compulsory Purchase - Annuity Plus			3547	122140
410	Group Life	114441	34036		
435	Miscellaneous Non-Profit	11424	12745		
525	Executive Pension Plan				261
525	Pension Savings Plan				51
525	Personal Pension Plan	75	402		38502

**Long-term insurance business : Analysis of new business**

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
525	Section 32 Buy-Out				125
530	Self Employed Plan	1	26		195
530	Executive Pension Plan		34		24
530	Pension Savings Plan		30		74
530	Personal Pension Plan		970		1950
530	Section 32 Buy-Out				125
535	Group Money Purchase Pensions UWP	13	26	1	222
540	Group Money Purchase Pensions UWP - Increments		44		112
555	Other Group Deposit Administration With-Profits		1		
560	1980 Bonus System - Group		2913		
565	DWP National Insurance Rebates UWP				34000
725	Personal Pension Plan	6408	32167		31955
725	Section 32 Buy-Out				820
725	Stakeholder	26005	58651		64880
725	Group SIPP	17745	74397		67176

## Long-term insurance business : Analysis of new business

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2012

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
725	Portfolio Plus SIPP	484	2035		23375
730	Executive Investment Retirement Plan				32
730	Executive Pension Plan		38		205
730	Pension Savings Plan		38		121
730	Personal Investment Pension Plan		11		121
730	Personal Pension Plan		17614		37858
730	Section 32 Buy-Out				221
730	Self Employed Plan		35		233
730	Stakeholder		23653		60705
730	Group SIPP		5519		170706
730	Portfolio Plus SIPP		1829		59399
735	Group Money Purchase Pensions Property Linked	42526	323757	106046	841479
740	Group Money Purchase Pensions Property Linked - Increments		2473		6382
745	DWP National Insurance Rebates Property Linked				50905
750	Income Drawdown Property Linked	227	283	542	17869

**Long-term insurance business : Analysis of new business**

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
755	Trustee Investment Plan				2091
905	Annuities In Payment - Group - RPI-linked - Other			30	1219
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase			1004	22793
905	Other RPI-linked Annuity - Individual			574	12095
906	Annuities In Payment - Group - RPI-linked - Bulk Purchase			5724	310515
906	Annuities In Payment - Group - CPI-linked - Bulk Purchase			438	39210
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase			774	97760

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Legal & General Assurance Society Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2012**  
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11	34987	36536	419	1.15	
Approved fixed interest securities	12	441285	441285	15745	1.71	
Other fixed interest securities	13	2444207	2444207	103406	3.23	
Variable interest securities	14	34681	34854	1044	1.50	
UK listed equity shares	15	67833	68385	2305	5.36	
Non-UK listed equity shares	16	3115	3115	146	7.78	
Unlisted equity shares	17	36796	36796			
Other assets	18	877438	875164	950	0.10	
<b>Total</b>	<b>19</b>	<b>3940342</b>	<b>3940342</b>	<b>124015</b>	<b>2.34</b>	

**Assets backing with-profits liabilities and with-profits capital requirements**

Land and buildings	21	102856	1640317	71763	4.37	2.53
Approved fixed interest securities	22	3754308	3754308	142805	1.94	5.41
Other fixed interest securities	23	3333341	3333341	150039	3.39	13.76
Variable interest securities	24	23200	35455	273	3.44	3.66
UK listed equity shares	25	1351156	1369517	44786	5.36	10.94
Non-UK listed equity shares	26	2266208	2266208	70444	4.82	14.42
Unlisted equity shares	27	1152171	427596			9.06
Other assets	28	1982281	1138779	(7526)	(0.66)	0.84
<b>Total</b>	<b>29</b>	<b>13965521</b>	<b>13965521</b>	<b>472584</b>	<b>3.11</b>	<b>10.68</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					10.52
Return allocated to non taxable 'asset shares'	32					11.64
Return allocated to taxable 'asset shares'	33					9.68



**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Legal & General Assurance Society Limited**  
 Category of assets **11 With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12	398019	398019	13897	1.72	
Other fixed interest securities	13	1913799	1913799	89543	3.91	
Variable interest securities	14	17027	17027	183	0.22	
UK listed equity shares	15	63183	63183	2231	5.69	
Non-UK listed equity shares	16	3115	3115	146	7.78	
Unlisted equity shares	17					
Other assets	18	279865	279865	711	0.25	
<b>Total</b>	<b>19</b>	<b>2675008</b>	<b>2675008</b>	<b>106711</b>	<b>3.22</b>	

**Assets backing with-profits liabilities and with-profits capital requirements**

Land and buildings	21	102856	1640317	71763	4.37	2.53
Approved fixed interest securities	22	3754308	3754308	142805	1.94	5.41
Other fixed interest securities	23	3333341	3333341	150039	3.39	13.76
Variable interest securities	24	23200	35455	273	3.44	3.66
UK listed equity shares	25	1351156	1369517	44786	5.36	10.94
Non-UK listed equity shares	26	2266208	2266208	70444	4.82	14.42
Unlisted equity shares	27	1152171	427596			9.06
Other assets	28	1982281	1138779	(7526)	(0.66)	0.84
<b>Total</b>	<b>29</b>	<b>13965521</b>	<b>13965521</b>	<b>472584</b>	<b>3.11</b>	<b>10.68</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					10.52
Return allocated to non taxable 'asset shares'	32					11.64
Return allocated to taxable 'asset shares'	33					9.68

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Legal & General Assurance Society Limited**  
 Category of assets **12 Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11	34987	36536	419	1.15	
Approved fixed interest securities	12	43266	43266	1848	1.59	
Other fixed interest securities	13	530408	530408	13863	0.79	
Variable interest securities	14	17654	17827	861	2.72	
UK listed equity shares	15	4650	5202	74	1.41	
Non-UK listed equity shares	16					
Unlisted equity shares	17	36796	36796			
Other assets	18	597573	595299	239	0.04	
<b>Total</b>	<b>19</b>	<b>1265334</b>	<b>1265334</b>	<b>17304</b>	<b>0.48</b>	

**Assets backing with-profits liabilities and with-profits capital requirements**

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
<b>Total</b>	<b>29</b>					

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Legal & General Assurance Society Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2012**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	2764392	10.36	1.91	1.88

<b>Other approved fixed interest securities</b>	<b>21</b>	1431201	7.09	1.92	1.89
---	-----------	---------	------	------	------

**Other fixed interest securities**

AAA/Aaa	<b>31</b>	493520	8.43	3.01	2.97
AA/Aa	<b>32</b>	442528	9.52	3.10	2.99
A/A	<b>33</b>	1740453	8.84	3.26	3.01
BBB/Baa	<b>34</b>	1711847	7.92	4.02	3.53
BB/Ba	<b>35</b>	126627	3.17	6.80	4.81
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	1262573	4.49	2.32	1.99
<b>Total other fixed interest securities</b>	<b>39</b>	5777548	7.51	3.32	2.98

<b>Approved variable interest securities</b>	<b>41</b>	12419	20.84	(0.12)	(0.15)
--	-----------	-------	-------	--------	--------

<b>Other variable interest securities</b>	<b>51</b>	57890	6.32	3.03	2.74
---	-----------	-------	------	------	------

<b>Total (11+21+39+41+51)</b>	<b>61</b>	10043450	8.24	2.73	2.52
-------------------------------	-----------	----------	------	------	------

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Legal & General Assurance Society Limited**  
 Category of assets **11 With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	2745561	10.41	1.92	1.89

<b>Other approved fixed interest securities</b>	<b>21</b>	1406766	7.06	1.90	1.87
---	-----------	---------	------	------	------

**Other fixed interest securities**

AAA/Aaa	<b>31</b>	475052	8.63	3.07	3.04
AA/Aa	<b>32</b>	379675	10.65	3.47	3.37
A/A	<b>33</b>	1509431	9.76	3.61	3.37
BBB/Baa	<b>34</b>	1646925	8.13	4.13	3.65
BB/Ba	<b>35</b>	126627	3.17	6.80	4.88
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	1109430	4.87	2.61	2.28
<b>Total other fixed interest securities</b>	<b>39</b>	5247140	8.01	3.58	3.23

<b>Approved variable interest securities</b>	<b>41</b>	12419	20.84	(0.12)	(0.15)
--	-----------	-------	-------	--------	--------

<b>Other variable interest securities</b>	<b>51</b>	40063	5.63	3.17	2.93
---	-----------	-------	------	------	------

<b>Total (11+21+39+41+51)</b>	<b>61</b>	9451949	8.57	2.84	2.63
-------------------------------	-----------	---------	------	------	------

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Legal & General Assurance Society Limited**  
 Category of assets **12 Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	18831	2.85	0.48	0.45

<b>Other approved fixed interest securities</b>	<b>21</b>	24435	8.90	2.46	2.43
---	-----------	-------	------	------	------

**Other fixed interest securities**

AAA/Aaa	<b>31</b>	18468	3.33	1.31	1.25
AA/Aa	<b>32</b>	62853	2.66	0.83	0.72
A/A	<b>33</b>	231022	2.87	0.94	0.67
BBB/Baa	<b>34</b>	64922	2.68	1.38	0.48
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	153143	1.73	0.22	
<b>Total other fixed interest securities</b>	<b>39</b>	530408	2.51	0.79	0.48

<b>Approved variable interest securities</b>	<b>41</b>				
--	-----------	--	--	--	--

<b>Other variable interest securities</b>	<b>51</b>	17827	7.88	2.72	2.33
---	-----------	-------	------	------	------

<b>Total (11+21+39+41+51)</b>	<b>61</b>	591501	2.95	0.91	0.62
-------------------------------	-----------	--------	------	------	------

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Legal & General Assurance Society Limited**Total business / subfund **Summary**Financial year ended **31 December 2012**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11	1796358	1041340		2837698	3226953
Form 51 - non-profit	12	1839740	24342922	6177	26188839	22393623
Form 52	13	4329348	4424795		8754144	8685393
Form 53 - linked	14	9883854	18234189	72266	28190309	25878531
Form 53 - non-linked	15	90416	280111	3606	374132	386110
Form 54 - linked	16	109985	8033616		8143602	7658511
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>18049701</b>	<b>56356974</b>	<b>82048</b>	<b>74488724</b>	<b>68229122</b>

**Reinsurance - external**

Form 51 - with-profits	21	897			897	848
Form 51 - non-profit	22	1801737	45653		1847389	1664452
Form 52	23	83	138		221	348
Form 53 - linked	24		214055		214055	163878
Form 53 - non-linked	25	373	138		511	596
Form 54 - linked	26	13824	215		14039	7918
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1816914</b>	<b>260199</b>		<b>2077113</b>	<b>1838039</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	331470	22071459	6177	22409106	18970160
Form 52	33		2352		2352	10790
Form 53 - linked	34	10883	2925124	43986	2979993	1513386
Form 53 - non-linked	35	2053	52850	3606	58509	71294
Form 54 - linked	36		7992800		7992800	7509079
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>344406</b>	<b>33044586</b>	<b>53768</b>	<b>33442760</b>	<b>28074709</b>

**Net of reinsurance**

Form 51 - with-profits	41	1795461	1041340		2836801	3226106
Form 51 - non-profit	42	(293467)	2225810		1932344	1759011
Form 52	43	4329265	4422305		8751570	8674255
Form 53 - linked	44	9872971	15095009	28280	24996260	24201268
Form 53 - non-linked	45	87990	227123		315113	314221
Form 54 - linked	46	96161	40601		136763	141514
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>15888381</b>	<b>23052189</b>	<b>28280</b>	<b>38968851</b>	<b>38316374</b>

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Legal & General Assurance Society Limited**Total business / subfund **With Profits Part of Fund**Financial year ended **31 December 2012**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11	1796358	1041340		2837698	3226953
Form 51 - non-profit	12	65194	2225810		2291004	2070485
Form 52	13	4329348	4424795		8754144	8685393
Form 53 - linked	14	981421	7718902		8700323	8517658
Form 53 - non-linked	15	26122	227123		253245	259105
Form 54 - linked	16		40601		40601	41129
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>7198444</b>	<b>15678572</b>		<b>22877016</b>	<b>22800724</b>

**Reinsurance - external**

Form 51 - with-profits	21	897			897	848
Form 51 - non-profit	22					
Form 52	23	83	138		221	348
Form 53 - linked	24		51596		51596	46291
Form 53 - non-linked	25	62			62	144
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1043</b>	<b>51733</b>		<b>52776</b>	<b>47631</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		2352		2352	10790
Form 53 - linked	34		147987		147987	188882
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>		<b>150340</b>		<b>150340</b>	<b>199672</b>

**Net of reinsurance**

Form 51 - with-profits	41	1795461	1041340		2836801	3226106
Form 51 - non-profit	42	65194	2225810		2291004	2070485
Form 52	43	4329265	4422305		8751570	8674255
Form 53 - linked	44	981421	7519319		8500740	8282485
Form 53 - non-linked	45	26060	227123		253183	258962
Form 54 - linked	46		40601		40601	41129
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>7197401</b>	<b>15476499</b>		<b>22673900</b>	<b>22553421</b>

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Legal & General Assurance Society Limited**Total business / subfund **Non Profit & balancing items**Financial year ended **31 December 2012**Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11					
Form 51 - non-profit	12	1774546	22117112	6177	23897835	20323138
Form 52	13					
Form 53 - linked	14	8902432	10515287	72266	19489985	17360873
Form 53 - non-linked	15	64293	52988	3606	120888	127005
Form 54 - linked	16	109985	7993015		8103000	7617382
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>10851258</b>	<b>40678402</b>	<b>82048</b>	<b>51611708</b>	<b>45428398</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	1801737	45653		1847389	1664452
Form 52	23					
Form 53 - linked	24		162460		162460	117587
Form 53 - non-linked	25	311	138		449	452
Form 54 - linked	26	13824	215		14039	7918
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1815871</b>	<b>208466</b>		<b>2024337</b>	<b>1790408</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	331470	22071459	6177	22409106	18970160
Form 52	33					
Form 53 - linked	34	10883	2777137	43986	2832006	1324503
Form 53 - non-linked	35	2053	52850	3606	58509	71294
Form 54 - linked	36		7992800		7992800	7509079
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>344406</b>	<b>32894246</b>	<b>53768</b>	<b>33292420</b>	<b>27875037</b>

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	(358661)			(358661)	(311474)
Form 52	43					
Form 53 - linked	44	8891549	7575691	28280	16495520	15918783
Form 53 - non-linked	45	61930			61930	55259
Form 54 - linked	46	96161			96161	100385
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>8690980</b>	<b>7575691</b>	<b>28280</b>	<b>16294951</b>	<b>15762953</b>



**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional Whole Life With-Profits	2637	44426	263				37935
120	New Cashbuilder	40703	107552	1433				96801
120	Other Conventional Endowment With-Profits Savings	1944	21241	239				19428
125	Build Up	100359	3244628	58035				1611123
165	Conventional Deferred Annuity With-Profits	65	13	0				292
175	Group Conventional Deferred Annuity With-Profits	137	2238	108				2980
210	Additional Reserves With-Profits							27799
300	Regular Premium Non-Profit WL/EA	237	505					1495
320	Group Deposit Administration Non-Profit	46	33					600
390	Deferred Annuity Non-Profit	545	124	1				2999
395	Annuity Non-Profit (PLA)	1262	1392					13969
440	Additional Reserves Non-Profit							46130

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional Whole Life With-Profits		954					889
120	Conventional Endowment With-Profits Savings		616					8

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
Total business / subfund **With Profits Part of Fund**  
Financial year ended **31 December 2012**  
Units **£000**  
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional Pensions Endowment With-Profits	37	165					209
165	Personal Retirement Plan	19045	51675	3309				704849
165	Other Conventional Deferred Annuity With-Profits	96	45					920
175	Group Conventional Deferred Annuity With-Profits		4					
185	Group Conventional Pensions Endowment With-Profits	73	322	0				393
200	With-Profit Immediate Annuities In Payment	8799	21759					318275
200	Other Annuity With-Profits (CPA)	35	128					645
210	Additional Reserves With-Profits							16048
300	Regular Premium Non-Profit WL/EA	61	152					417
315	Individual Deposit Administration Non-Profit	696	23092					47524
320	1980 Bonus System - Group		53608					194848
320	Other Group Deposit Administration Non-Profit	52	394					549
390	Deferred Annuities - Group	43294	13796					238775
390	Other Deferred Annuity Non-Profit	59	27					1220
400	Annuities In Payment - Group	26645	82150					855309

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuities In Payment - Individual - Personal Retirement Plan	17551	43018					581739
400	Annuities In Payment - Individual - Other	7339	9330					138289
400	Contingent Annuities - Group	6385	32277					148365
400	Contingent Annuities - Individual	1101	2816					11982
440	Additional Reserves Non-Profit							6793

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA	96006	714778	29884				158843
300	Regular Premium Non-Profit WL/EA - US universal life business	6778	1163062	106110				131207
325	Level Term Assurance	1402505	202741193	436524				482557
325	Level Term Assurance - US Term business	508786	112910983	122805				200250
330	Decreasing Term Assurance	729834	87327207	189304				(31860)
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	225594	17422470	94115				(7602)
340	Other Accelerated Critical Illness (Guaranteed Premiums)	208770	16694594	92681				122634
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	121422	9835976	53150				(10918)
345	Other Accelerated Critical Illness (Reviewable Premiums)	100398	7319453	40983				13442
350	Stand-alone Critical Illness (Guaranteed Premiums)	26721	1528088	8099				47578
355	Stand-alone Critical Illness (Reviewable Premiums)	27203	1516259	6670				66181
360	Income Protection Non-Profit (Guaranteed Premiums)	27110	350243	11425				20650
365	Income Protection Non-Profit (Reviewable Premiums)	35391	273581	7159				69202
385	Income Protection Claims In Payment							24537
390	Deferred Annuity Non-Profit	1968	337	2				7134

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity Non-Profit (PLA)	2566	864					7743
410	Group Life	25162	9174089	12415				7716
420	Group Income Protection	248997	12942987	65528				88041
425	Group Income Protection Claims In Payment	1653	26457					229431
430	Group Critical Illness	54552	1749385	3991				2272
435	Miscellaneous Non-Profit	376	4102	113				100
440	Additional Reserves Non-Profit							145409

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA		390300	4658				110578
325	Level Term Assurance		185474959	249651				901151
330	Decreasing Term Assurance		79712841	105879				195615
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)		12562069	36049				86225
340	Other Accelerated Critical Illness (Guaranteed Premiums)		12396024	38217				174471
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)		8789136	24713				54218
345	Other Accelerated Critical Illness (Reviewable Premiums)		6574473	16593				59888
350	Stand-alone Critical Illness (Guaranteed Premiums)		1370493	5850				44732
355	Stand-alone Critical Illness (Reviewable Premiums)		1208372	3594				60941
360	Income Protection Non-Profit (Guaranteed Premiums)		294963	7443				27371
365	Income Protection Non-Profit (Reviewable Premiums)		217810	1943				57702
385	Income Protection Claims In Payment							19171
390	Deferred Annuity Non-Profit		2					39
395	Annuity Non-Profit (PLA)		0					1
410	Group Life		6719	9				5

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
420	Group Income Protection		447455	2262				2911
425	Group Income Protection Claims In Payment		795					6717



**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA		12	0				6
300	Regular Premium Non-Profit WL/EA - US universal life business		1163062	106110				131207
325	Level Term Assurance - US Term business		112910983	122805				200250
330	Decreasing Term Assurance		27					0
390	Deferred Annuity Non-Profit		0					6

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
Total business / subfund **Non Profit & balancing items**  
Financial year ended **31 December 2012**  
Units **£000**  
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA	444	208	3				703
305	Single Premium Non-Profit WL/EA		13					
325	Level Term Assurance	37292	7204162	17614				33454
330	Decreasing Term Assurance	9189	1322606	2610				1282
390	Deferred Annuities - Group - Bulk Purchase	70248	156633					2484685
390	Deferred Annuities - Group - Other	6984	5830					87915
390	Other Deferred Annuity Non-Profit	119	103					1969
400	Annuities In Payment - Group - Bulk Purchase	112578	572307					7141294
400	Annuities In Payment - Group - Bulk Purchase - Longevity	8549	52361	55117				
400	Annuities In Payment - Group - Other	25774	120085					1629257
400	Annuities In Payment - Individual - Compulsory Purchase	220226	391920					6606782
400	Annuities In Payment - Individual - Other	92887	135873					2045292
400	Contingent Annuities - Group - Bulk Purchase	54156	254795					1080861
400	Contingent Annuities - Group - Other	6206	51924					176947
400	Contingent Annuities - Individual	22437	35860					139405

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life	12039	31068					502363
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life	18	75					364
410	Group Life	1753145	162729694	196184				95595
435	Miscellaneous Non-Profit	198877	2200477	61149				39180
440	Additional Reserves Non-Profit							49763

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA		11					42
325	Level Term Assurance		6324600	8473				36702
330	Decreasing Term Assurance		1193196	1446				4938
400	Annuities In Payment - Individual - Other		80					1264
410	Group Life		3168354	3687				1687
435	Miscellaneous Non-Profit		59976	1591				1020

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
Total business / subfund **Non Profit & balancing items**  
Financial year ended **31 December 2012**  
Units **£000**  
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA		197	3				662
305	Single Premium Non-Profit WL/EA		13					
325	Level Term Assurance		879562	9141				(3248)
330	Decreasing Term Assurance		129410	1164				(3657)
390	Deferred Annuities - Group - Bulk Purchase		156633					2484685
390	Deferred Annuities - Group - Other		5830					87915
390	Other Deferred Annuity Non-Profit		103					1969
400	Annuities In Payment - Group - Bulk Purchase		572307					7141294
400	Annuities In Payment - Group - Bulk Purchase - Longevity		52361	55117				
400	Annuities In Payment - Group - Other		120085					1629257
400	Annuities In Payment - Individual - Compulsory Purchase		391920					6606782
400	Annuities In Payment - Individual - Other		135793					2044028
400	Contingent Annuities - Group - Bulk Purchase		254795					1080861
400	Contingent Annuities - Group - Other		51924					176947
400	Contingent Annuities - Individual		35860					139405

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		31068					502363
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life		75					364
410	Group Life		159561340	192497				93908
435	Miscellaneous Non-Profit		2140501	59558				38160
440	Additional Reserves Non-Profit							49763

06

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level Term Assurance	1496	211724	412				5652
440	Additional Reserves Non-Profit							525

**Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level Term Assurance		211724	412				5652
440	Additional Reserves Non-Profit							525



**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Capital Investment Portfolio	21616	483813		479989	458429	191	458620
500	With-Profit Bond	111377	3651530		3651530	3478095	16238	3494334
505	Life UWP Whole Life Regular Premium	2250	68014	812	12947	12947	366	13313
510	Life UWP Endowment Regular Premium - Savings	182	1835	97	1848	1848		1848
515	Flexible Mortgage Plan	34804	984382	22540	339560	339560	1990	341550
555	Group Deposit Administration With-Profits	1525	16462	814	16462	15891	3792	19684

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP Whole Life Regular Premium		1476	12			1	1
515	Flexible Mortgage Plan		172825	992			83	83

**Long-term insurance business : Valuation summary of accumulating with-profits contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Executive Pension Plan	1353	48118	1049	46863	46417	24395	70812
525	Pension Savings Plan	5960	56538	1064	55052	53680	5	53684
525	Personal Pension Plan	228985	2892988	20458	2779159	2997786	110909	3108695
525	Section 32 Buy-Out	24676	219304		210531	208663	134887	343551
525	Self Employed Plan	7441	81605	1543	79520	80501	12	80512
535	Group Money Purchase Pensions UWP	4211	48175	1012	45532	46486	1963	48449
545	Buy-Out Plan	7284	160918		160918	509745	12173	521918
545	Other Individual Deposit Administration With-Profits	56	2572	1	2572	2572	2235	4807
555	1980 Bonus System - Group	686	36928	3631	36928	38119	72250	110369
555	Other Group Deposit Administration With-Profits	2682	43895	1090	43895	45241	34573	79814
571	Trustee Investment Plan UWP				396	382	1	383
610	Additional Reserves						1802	1802





**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Capital Investment Portfolio	12606	502901		480447	480447	18856	499304
700	Other Life Property Linked Single Premium	704	24061		23887	23887	8	23895
710	Life Property Linked Whole Life Regular Premium	10421	315527	3327	55475	55475	5314	60788
715	Life Property Linked Endowment Regular Premium - Savings	46	815	22	815	815		815
720	Flexible Mortgage Plan	21101	978879	18799	421560	421560	1444	423005
800	Additional Reserves Property Linked					(763)	500	(263)



**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Executive Pension Plan	2721	154354	2348	154354	154354	17726	172080
725	Pension Savings Plan	7578	119592	2710	119592	119592	9642	129234
725	Personal Pension Plan	318892	6538226	229368	6538226	6538226	141989	6680215
725	Section 32 Buy-Out	32020	425232		425232	425232	38564	463796
725	Self Employed Plan	9438	126438	1954	126438	126438	9722	136160
735	Group Money Purchase Pensions Property Linked	18465	335975	28994	335975	335975	8825	344800
755	Trustee Investment Plan		19085		19085	19085	655	19739







**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Capital Investment Portfolio	13310	417420		411623	411623	4423	416046
700	Capital Preservation Plan	2083	119757		119702	119702	50	119753
700	Investment Bond	72835	2713821		2680999	2680999	29406	2710404
700	Portfolio Bond	52151	5383551		5234878	5234878	13822	5248700
700	Discounted Gift Portfolio Bond	1181	161781		158507	158507	276	158784
700	International Portfolio Bond		18818		18818	18818		18818
700	Select Portfolio Bond	356	26489		26226	26226	988	27215
700	Other Life Property Linked Single Premium	29	521		1523	1523	11	1534
710	Life Property Linked Whole Life Regular Premium	33363	1628166	18351	124047	124047	5693	129741
715	Life Property Linked Endowment Regular Premium - Savings	399	18202	138	25614	25614	214	25828
720	Flexible Mortgage Plan	8669	329135	7536	134194	134194	745	134939
795	Miscellaneous Property Linked	36929	1251504	4595	3696	3696	5858	9554
800	Additional Reserves Property Linked				1	(37396)	2806	(34590)

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life Property Linked Whole Life Regular Premium		285277	1350			139	139
720	Flexible Mortgage Plan		62455	304			171	171
795	Miscellaneous Property Linked		411722	1754			0	0

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life Property Linked Whole Life Regular Premium		21889	151	10882	10882	156	11038
800	Additional Reserves Property Linked				1	1	1896	1897

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
Total business / subfund **Non Profit & balancing items**  
Financial year ended **31 December 2012**  
Units **£000**  
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Executive Investment Retirement Plan	464	46263	72	46263	46263	437	46700
725	Personal Investment Pension Plan	3640	79716	577	79716	79716	86	79801
725	Section 32 Buy-Out	5	322		322	322		322
725	Stakeholder	249383	5448820	394905	5448820	5448820	3503	5452322
725	Individual Pensions Property Linked		68159		68159	68159	13632	81791
725	Portfolio Plus SIPP	11831	1353369	36583	1353369	1353369	6506	1359875
725	Group SIPP	63219	1530891	279034	1530891	1530891	18875	1549766
735	Group Money Purchase Pensions Property Linked	119152	1465628	589665	1465628	1465628	5279	1470907
750	Income Drawdown Property Linked	2939	377920		377920	377920	4561	382482
755	Trustee Investment Plan		144199	12	144199	144199	110	144309



**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Executive Investment Retirement Plan		46263	72			437	437
725	Personal Investment Pension Plan		79716	577			86	86
725	Section 32 Buy-Out		322					
725	Stakeholder		5448820	394905			3503	3503
725	Individual Pensions Property Linked		68159		2777137	2777137	13632	2790769
725	Portfolio Plus SIPP		1353369	36583			6506	6506
725	Group SIPP		1530891	279034			18875	18875
735	Group Money Purchase Pensions Property Linked		1465628	589665			5279	5279
750	Income Drawdown Property Linked		377920				4561	4561
755	Trustee Investment Plan		144199	12			110	110
795	Miscellaneous Property Linked						(138)	(138)







**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Annuities In Payment - Group - RPI-linked - Other	148	1353		14825	14825		14825
905	Other RPI-linked Annuity - Group	58	608		3146	3146		3146
905	Other RPI-linked Annuity - Individual	575	1246		22197	22197		22197
915	Additional Reserves Index Linked				434	434		434

**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index Linked Income Protection Claims In Payment				13994	13994		13994
902	Group Index Linked Income Protection Claims In Payment	388	7059		65576	65576		65576
905	Index Linked Annuity	183	1635		24268	24268		24268
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	15	86		4994	4994		4994
915	Additional Reserves Index Linked				1152	1152		1152

**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index Linked Income Protection Claims In Payment				10235	10235		10235
902	Group index linked income protection claims in payment				3590	3590		3590

**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
Total business / subfund **Non Profit & balancing items**  
Financial year ended **31 December 2012**  
Units **£000**  
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Annuities In Payment - Group - RPI-linked - Bulk Purchase	33365	283976		3809769	3809769		3809769
905	Annuities In Payment - Group - CPI-linked - Bulk Purchase - Longevity	2137	13090	13779				
905	Annuities In Payment - Group - RPI-linked - Other	2092	13709		323053	323053		323053
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase	14585	14213		322465	322465		322465
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase	19039	155273		697668	697668		697668
905	Other RPI-linked Annuity - Group	596	2413		13460	13460		13460
905	Other RPI-linked Annuity - Individual	3732	4770		71271	71271		71271
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	34969	104564		2367864	2367864		2367864
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	8684	16426		295079	295079		295079
915	Additional Reserves Index Linked				92386	92386		92386



**Long-term insurance business : Valuation summary of index linked contracts**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Annuities In Payment - Group - RPI-linked - Bulk Purchase		283976		3809769	3809769		3809769
905	Annuities In Payment - Group - CPI-linked - Bulk Purchase - Longevity		13090	13779				
905	Annuities In Payment - Group - RPI-linked - Other		13709		323053	323053		323053
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase		14213		322465	322465		322465
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase		155273		697668	697668		697668
905	Other RPI-linked Annuity - Group		2413		13460	13460		13460
905	Other RPI-linked Annuity - Individual		4760		71056	71056		71056
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase		104564		2367864	2367864		2367864
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase		16426		295079	295079		295079
915	Additional Reserves Index Linked				92386	92386		92386



## Long-term insurance business : Unit prices for internal linked funds

Name of insurer **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended **31 December 2012**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Money Builder (Investec) Fund	04 - life - other managed fund	108894	Gen 3	2.20	11.6229	12.3581	6.33
Managed	02 - life - balanced managed fund	948406	Gen2 A	1.00	17.6287	19.0478	8.05
Property	07 - life - property	470463	Gen2 A	1.00	8.5221	8.5720	0.59
Distributor	04 - life - other managed fund	666418	Gen2 A	1.00	1.2494	1.3141	5.18
Accumulator	04 - life - other managed fund	3737221	Gen2 A	1.00	2.9329	3.2185	9.74
Cautious Managed	04 - life - other managed fund	191899	Gen 3	1.30	1.8049	1.9098	5.81
Rising Income Accumulation	04 - life - other managed fund	132672	Gen 3	1.30	1.4684	1.6095	9.61
Growth Accumulation	04 - life - other managed fund	556455	Gen2 A	1.00	1.4872	1.6233	9.16
L&G Life Investec Cautious Managed Fund	02 - life - balanced managed fund	107535	Gen U	1.90	1.2928	1.4018	8.43
L&G Life Jupiter Merlin Income Portfolio Fund	02 - life - balanced managed fund	173672	Gen U	3.20	1.3587	1.4774	8.74
L&G Life M&G Strategic Corporate Bond Fund	04 - life - other managed fund	141803	Gen U	1.94	1.3696	1.4769	7.83
L&G Life Invesco Perpetual High Income Fund	04 - life - other managed fund	109798	Gen U	2.17	1.4640	1.5754	7.61
Exempt Equity	15 - individual pension - UK equity	378261	GenF A	0.50	54.0632	59.5865	10.22
Exempt Managed	12 - individual pension - balanced managed fund	5710455	GenF A	0.50	37.2758	40.9061	9.74
Exempt Property	17 - individual pension - property	521158	GenQ A		2.0713	2.1208	2.39
Exempt International	16 - individual pension - overseas equity	106794	GenQ A		1.4286	1.6185	13.29
Exempt Far Eastern	16 - individual pension - overseas equity	150699	GenQ A		1.7020	1.9555	14.89
Exempt European	16 - individual pension - overseas equity	103100	GenF A	0.50	6.3335	7.5472	19.16

**Long-term insurance business : Unit prices for internal linked funds**

Name of insurer                      **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended                **31 December 2012**  
 Units                                      **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Exempt Consensus	11 - individual pension - stock market managed fund	363246	GenQ A		1.6542	1.8231	10.21
Exempt Distribution	14 - individual pension - other managed fund	1113904	GenQ A		1.8164	2.0265	11.57
Exempt UK Smaller Companies	15 - individual pension - UK equity	119755	GenQ A		2.4105	3.0106	24.89
Newton Higher Income	15 - individual pension - UK equity	123760	GenQ A		2.1648	2.3903	10.42
Newton Balanced	12 - individual pension - balanced managed fund	172546	GenQ A		1.9388	2.0767	7.11

**Long-term insurance business : Index linked business**Name of insurer **Legal & General Assurance Society Limited**

Total business

Financial year ended **31 December 2012**Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	40167	20.84
Other variable interest securities	12	4091	6.49
Approved fixed interest securities	13	333	2.85
Other fixed interest securities	14	434	4.87
Cash and deposits	15	91738	
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	136763	

**Credit rating of other fixed interest and other variable interest securities**

AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>		

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer                   **Legal & General Assurance Society Limited**

Subfund                               **With Profits Part of Fund**

Financial year ended           **31 December 2012**

Units                                   **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL non participating WP F51 & 53 assurances	27057	1.50	1.82	3.66
UKL participating WP F51, 52 & 53 assurances	6202911	1.50	1.76	2.97
UKP non participating WP F51 & 53 assurances	252465	1.75	1.75	3.66
UKP participating WP F51 Product Code 165 Personal Retirement Plan	694466	2.75	2.75	3.12
UKP participating WP Other F51, 52 & 53 assurances	4448269	1.75	1.75	2.97
UKP non participating WP F51 annuities in payment	1787629	3.22	3.22	3.44
Miscellaneous	905578			
<b>Total</b>	14318375			

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer                   **Legal & General Assurance Society Limited**

Subfund                           **Non Profit & balancing items**

Financial year ended           **31 December 2012**

Units                               **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL NP F51 & 53 temporary assurances	(869648)	6.60	6.60	
UKL NP F51 & 53 temporary assurances	41823			
UKL NP F51 & 53 assurances	114368	2.00	2.50	
UKL NP F51 & 53 assurances	4533	1.00	1.25	
UKL NP F51 & 53 assurances	79997			
UK NP Forms 51 & 53 PHI	337253	2.50	2.50	
UK NP Forms 51 & 53 PHI	2300			
UK NP Forms 51 & 53 PHI	(7356)	6.60	6.60	
Miscellaneous				
<b>Total</b>	(296730)			

**Long-term insurance business : Distribution of surplus**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	40249115	39461415
Bonus payments in anticipation of a surplus	12	284754	256075
Transfer to non-technical account	13	102253	240976
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	40636122	39958466
Mathematical reserves	21	38968851	38316374
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1667272	1642092

**Composition of surplus**

Balance brought forward	31	942332	848316
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	724940	793776
Total	39	1667272	1642092

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	284754	256075
Cash bonuses	42		
Reversionary bonuses	43	185816	202709
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	470570	458784
Net transfer out of fund / part of fund	47	102253	240976
Total distributed surplus (46+47)	48	572824	699760
Surplus carried forward	49	1094448	942332
Total (48+49)	59	1667272	1642092

**Percentage of distributed surplus allocated to policyholders**

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

**Long-term insurance business : Distribution of surplus**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	22863194	22759609
Bonus payments in anticipation of a surplus	12	284754	256075
Transfer to non-technical account	13	52253	50976
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	23200202	23066660
Mathematical reserves	21	22673900	22553421
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	526302	513238

**Composition of surplus**

Balance brought forward	31	3478	3478
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	522824	509760
Total	39	526302	513238

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	284754	256075
Cash bonuses	42		
Reversionary bonuses	43	185816	202709
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	470570	458784
Net transfer out of fund / part of fund	47	52253	50976
Total distributed surplus (46+47)	48	522824	509760
Surplus carried forward	49	3478	3478
Total (48+49)	59	526302	513238

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.01	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

**Long-term insurance business : Distribution of surplus**

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	17385921	16701807
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	50000	190000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	17435921	16891807
Mathematical reserves	21	16294951	15762953
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1140970	1128854

**Composition of surplus**

Balance brought forward	31	938854	844838
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	202116	284016
Total	39	1140970	1128854

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	50000	190000
Total distributed surplus (46+47)	48	50000	190000
Surplus carried forward	49	1090970	938854
Total (48+49)	59	1140970	1128854

**Percentage of distributed surplus allocated to policyholders**

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		



**Long-term insurance business : With-profits payouts on maturity (normal retirement)**

Name of insurer **Legal & General Assurance Society Limited**  
 Original insurer **Legal & General Assurance Society Limited**  
 Date of maturity value / open market option **01 March 2013**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6962	423		UWP	N	4500
Endowment assurance	15	11003	1074		UWP	N	6750
Endowment assurance	20	17459	2508		UWP	N	9000
Endowment assurance	25	30789	8267	0	CWP	N	40247
Regular premium pension	5	13606	731	0	UWP	N	
Regular premium pension	10	30449	2393	0	UWP	N	
Regular premium pension	15	48242	5348	0	UWP	N	
Regular premium pension	20	73052	10227	0	UWP	N	
Single premium pension	5	12145	885	0	UWP	N	
Single premium pension	10	18394	3245	0	UWP	N	
Single premium pension	15	19465	3778	0	UWP	N	
Single premium pension	20	32800	5177	0	UWP	N	

**Long-term insurance business : With-profits payouts on surrender**

Name of insurer **Legal & General Assurance Society Limited**  
 Original insurer **Legal & General Assurance Society Limited**  
 Date of surrender value **01 March 2013**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	2983	45		UWP	Y	11250
Endowment assurance	10	6838	337		UWP	Y	11250
Endowment assurance	15	10323	803		UWP	Y	11250
Endowment assurance	20	16370	1883		UWP	Y	11250
With-profits bond	2	10044	148	0	UWP	Y	
With-profits bond	3	10994	605	0	UWP	Y	
With-profits bond	5	11024	243	0	UWP	Y	
With-profits bond	10	17196	2746	0	UWP	Y	
Single premium pension	2	10811	293	0	UWP	Y	
Single premium pension	3	11490	568	0	UWP	Y	
Single premium pension	5	12145	885	0	UWP	Y	
Single premium pension	10	18394	3245	0	UWP	Y	

**Long-term insurance capital requirement**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2012**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%	109827164	109827164		
Classes I (other), II and IX	12	0.1%	254378284	248517880		127189
Classes I (other), II and IX	13	0.15%	4973788	421520	0.50	3730
Classes I (other), II and IX	14	0.3%	349049083	42370831		523574
Classes III, VII and VIII	15	0.3%	6355009	5339959	0.84	16020
<b>Total</b>	<b>16</b>		<b>724583329</b>	<b>406477354</b>		<b>670513</b>

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					24243
						20941

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	29123622	27492112	0.94	274921
Classes III, VII and VIII (investment risk)	33	1%	16648724	16639721	1.00	166397
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	8170911	7747288	0.95	77473
Classes III, VII and VIII (other)	35	25%				16604
Class IV (other)	36	1%	632131	398763	0.85	5373
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>540769</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	200250	200250		
Classes I (other), II and IX	42	3%	29123622	27492112	0.94	824763
Classes III, VII and VIII (investment risk)	43	3%	16648724	16639721	1.00	499192
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	8170911	7747288		
Classes III, VII and VIII (other)	45	0%	19898901	17136730		
Class IV (other)	46	3%	632131	398763	0.85	16119
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>74674540</b>	<b>69614864</b>		<b>1340074</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>2575599</b>
						<b>2371901</b>



**Supplementary notes****Legal & General Assurance Society Limited****Financial year ended 31 December 2012****\*0101\* Modification of the return**

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in June 2008. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

The Financial Services Authority, on the application of the firm, made a direction in October 2012, under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to allow the firm to:

- (i) take full credit when calculating its mathematical reserves in accordance with INSPRU 1.2 for its reinsurance with the intra-group ISPV, Legal & General Pensions Limited, under two reinsurance agreements dated 7 December 2006 (as amended);
- (ii) to allow the reinsurance debts owed to the firm by the ISPV to be admissible; and
- (iii) to require the firm, when calculating its capital resources, to value the contingent loan to Legal & General Pensions Limited under the contract with the firm, dated 7 December 2006 (as amended), at zero.

**\*0301\* Reconciliation of net admissible assets to capital resources**

	<b>Other than LT business £'000</b>	<b>LT business £'000</b>	<b>Total £'000</b>
Admissible assets per Form 13	4,743,974	43,077,941	47,821,915
Liabilities per Forms 14 & 15	(2,040,261)	(40,449,103)	(42,489,364)
Net admissible assets	2,703,713	2,628,838	5,332,551
Solvency margin for dependants	253,352		253,352
Total capital resources after deductions	2,957,065	2,628,838	5,585,903

**\*0310\* Net valuation differences**

	<b>£'000</b>
Positive valuation differences – assets	856,395
Positive valuation differences – liabilities	688,707
Negative valuation differences – assets	(78,624)
Negative valuation differences – liabilities	(341,169)
Total	<u>1,125,309</u>

Positive valuation differences for assets arise mainly from the difference between the UK statutory valuation and the FSA valuation for the subsidiaries owned by the Company. Additionally positive valuation differences for assets arise from the difference between the FSA valuation and the local solvency valuation for some overseas subsidiaries owned by the Company.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

Positive valuation differences for liabilities arise mainly from the difference between the assessment of with profits fund liabilities on a Peak 1 basis and the assessment in the Company's published IFRS accounts.

Negative valuation differences for assets arise mainly from the difference between the FSA valuation and the local solvency valuation for other overseas subsidiaries owned by the Company.

Negative valuation differences for liabilities arise mainly as a result of reserves to meet the costs of closure to new business, together with additional margins in respect of reserves for reinsurer default which are required to be calculated on a prudential rather than a true and fair basis. Additionally negative valuation differences for liabilities arise as a result of the recognition of the Company's share of pension deficit relating to the Group's defined benefits pension schemes.

#### **\*0313\* Reconciliation of Profit and loss account and other reserves**

	<b>2012</b>
	<b>£'000</b>
Form 3 L12 as at 1 January	2,722,981
Profit or loss retained per Form 16 L59	(197,227)
Change in value of shareholders' retained capital	189,351
Change in value of exchange reserves in revaluation reserve	(5)
Change in equalisation provisions not allowable under IFRS	893
Form 3 L12 as at 31 December	<u>2,715,993</u>

#### **\*1301\* Aggregate value of certain investments (other than long term business)**

- (i) There are no unlisted investments.
- (ii) There are no listed investments that are not readily realisable.
- (iii) There are no units or beneficial interests in collective investment schemes that are:
  - (a) not schemes falling within the UCITS directive;
  - (b) not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act;
  - (c) do not employ derivative contracts unless they meet the criteria in INSPRU 3.2.5R;
  - (d) do not employ contracts or assets having the effect of derivative contracts unless they have the effect of derivative contracts that meet the criteria in INSPRU 3.2.5R; and
  - (e) do not include assets other than admissible assets among their property;
- (iv) There are no reversionary interests.

#### **\*1302\* Aggregate value of hybrid securities (other than long term business)**

The Company has no hybrid securities.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*1303\* Amount of non-debtor salvage or subrogation recoveries (other than long term business)**

The Company has no non-debtor salvage or subrogation recoveries.

**\*1304\* Debtors and creditors (other than long term business)**

Certain amounts shown in Forms 13 and 15 have been offset to the extent permitted by generally accepted accounting principles.

**\*1305\* Maximum permitted counterparty limits (other than long term business)**

The investment managers of the shareholders' and general insurance funds of UK companies in the Legal & General Group have been given counterparty limits as authorised by the Executive Risk Committee of the Group. These global limits for cash deposits, money market investments, foreign exchange and interest rate management transactions (including exposures related to derivatives, stock lending and cash balances with custodian banks) apply to group wide shareholders' funds in all UK companies of the Group.

- (a) These limits are for approved external counterparties and are graded by counterparty and duration, but the maximum individual counterparty exposure was £1,500m on at the end of 2012.
- (b) Limits are also established for unapproved external counterparties for the purpose of investing in Commercial Paper issued by such counterparties. The maximum limit for such counterparties is £45m at the end of 2012.

These limits were not exceeded during the financial year.

**\*1306\* Exposure to large counterparties (other than long term business)**

As at 31 December 2012, there is no counterparty exposure in excess of 5% of the sum of the Company's base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

**\*1307\* Aggregate value of certain fully secured rights (other than long term business)**

The aggregate value of these assets is nil.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*1308\* Aggregate values of certain investments (long term business)**

		<b>£'000</b>
(i)	Unlisted investments falling within:	
	Line 41	233,157
	Line 46	15,230
		<u>248,387</u>

Line 41 includes UK venture capital of £233.157m.

Line 46 includes unquoted UK debentures of £15.230m.

(ii) There are no listed investments that are not readily realisable.

(iii) There are no units or beneficial interests in collective investment schemes that are:

- (a) not schemes falling within the UCITS directive;
- (b) not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act;
- (c) do not employ derivative contracts unless they meet the criteria in INSPRU 3.2.5R;
- (d) do not employ contracts or assets having the effect of derivative contracts unless they have the effect of derivative contracts that meet the criteria in INSPRU 3.2.5R; and
- (e) do not include assets other than admissible assets among their property.

(iv) There are no reversionary interests.

**\*1309\* Aggregate value of hybrid securities (long term business)**

Line 46 includes hybrid securities of £3.436m that have a redemption period in excess of 75 years. Fixed interest securities with embedded options, with a total value of £2,245.162m were included in Lines 46 and 48.

**\*1310\* Debtors and creditors (long term business)**

Certain amounts shown in Forms 13 and 14 have been offset to the extent permitted by generally accepted accounting principles.

**\*1312\* Exposure to large counterparties (long term business)**

As at 31 December 2012, there is no counterparty exposure in excess of 5% of the sum of the Company's base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

**\*1313\* Aggregate value of certain fully secured rights (long term business)**

The aggregate value of these assets is nil.



**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*1314\* Amount of tangible leased assets (other than long term business)**

The Company has no tangible leased assets included in the amount of tangible assets (Line 80).

**\*1316\* Amount of tangible leased assets (long term business)**

The Company has no tangible leased assets included in the amount of tangible assets (Line 80).

**\*1317\* Other assets (long term business)**

Cash has been placed with Wells Fargo Advantage Heritage Money Market in connection with reinsurance business accepted from the USA. The holding has been reinvested shortly after the valuation date.

	<b>£'000</b>
Short term cash deposit	123,789

**\*1318\* Other asset adjustments**

<b>Long Term Fund</b>	<b>£'000</b>
Elimination of negative assets	(9,344)
Presentation of tax recoverable assets	(1,568)
Deferred expenses	17,483
Cumulative deferred taxation on insurance contracts DAC	(77,260)
Deferred taxation	169,194
Presentation of sundry linked assets and liabilities	91,889
Presentation of other sundry assets	57
Presentation of amounts owed by/to group undertakings	71,331
	<u>261,782</u>

<b>Other than Long Term Fund</b>	<b>£'000</b>
Deficits in related undertakings	(433,764)
Presentation of tax recoverable assets	(3,209)
Presentation of amounts owed by/to group undertakings	(192,398)
	<u>(629,371)</u>

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

#### **\*1319\* Maximum permitted counterparty limits (long term business)**

The investment managers of the UK authorised insurance companies in the Legal & General Group have been given counterparty limits as authorised by the Executive Risk Committee of the Group. These limits for cash deposits, money market investments, foreign exchange and interest rate management transactions (including exposures related to derivatives, stock lending and cash balances with custodial banks) are limited to approved external counterparties and graded by counterparty and duration, and the maximum aggregate counterparty exposure is £708.m.

The investment guidelines restrict any further counterparty exposure to 5% of the value of the Long term Fund at any one time. There have been no occasions in 2012 when these limits were exceeded.

#### **\*1321\* Life Fund Limited Partnership**

The Company has an English limited partnership agreement with Legal & General Property Partners (Life Fund) Limited relating to the Legal & General Life Fund Limited Partnership. The Company owns 99.99% of the equity shares in this Limited Partnership, the value of which (£1,010.933m) (2011: £1,014.371m) has been presented within Line 25.

The Company's other English limited partnerships have been presented within Line 43.

#### **\*1401\* Provision for reasonably foreseeable adverse variations (long term business)**

No provision has been made for reasonably foreseeable adverse variations as defined in GENPRU 1.3.30R to GENPRU 1.3.33R or INSPRU 3.2.17R to INSPRU 3.2.18R.

This nil provision has been determined by considering the Company's obligations under derivatives and quasi-derivatives contracts, which are mostly covered by matching assets. Where the matching is less strict, any monetary amounts due following reasonably adverse variations could be paid in the right currency, so no provision for reasonably foreseeable adverse variations is required.

The Company does not hold any non-approved derivatives or quasi-derivatives.

#### **\*1402\* Details of charges over assets, contingent liabilities, etc. (long term business)**

(i) Charges over assets

No charge has been made on the assets of the Company to secure the liabilities of any other person (other than liabilities arising under a contract of insurance).

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

(ii) Potential deferred tax liability on capital gains

In providing their certificate, the directors have had regard to a potential deferred tax liability of £114.08m in respect of net capital gains on long-term non-linked capital assets. This liability would crystallise on the disposal of these assets. However, no provision has been set up in respect of this liability, as it has been fully offset by a deferred tax asset in respect of other timing differences, which have been calculated in accordance with International Accounting Standard 12, Income Taxes.

(iii) Contingent liabilities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the FSA, ombudsman rulings, industry compensation schemes and court judgments.

The Company receives claims and becomes involved in actual or threatened litigation and regulatory issues from time to time. The Company ensures that it makes prudent provision as and when circumstances calling for such provision become clear, and that it has adequate capital and reserves to meet reasonably foreseeable eventualities. The provisions made are regularly reviewed. It is not possible to predict, with certainty, the extent and the timing of the financial impact of these claims, litigation or issues.

(iv) Guarantees, indemnities, commitments other than in the course of insurance business

Commitments in respect of investments, relating to property development and Private Equity of £110.915m (2011: £191.168m) have not been included in Form 14.

The Company has no other guarantees, indemnities or commitments other than in the ordinary course of insurance business and in respect of related companies.

(v) Fundamental uncertainties affecting the business

In the opinion of the directors, there are no other fundamental uncertainties necessary for a proper understanding of the financial position of the Company.

#### **\*1403\* Provision for deficits in related undertakings (long term business)**

A provision of £0.262m has been made in respect of a deficit in Insurebeam Limited, a subsidiary of Legal & General Assurance Society Limited.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*1405\* Other adjustments to liabilities (long term business)**

	<b>£'000</b>
Differences in provisions between FSA & IFRS	668,819
Pension deficit	(152,400)
Negative assets reported within Form 14	(9,344)
Deferred income	487,737
Presentation of tax recoverable assets	(1,568)
Presentation of sundry linked assets and liabilities	91,889
Presentation of amounts owed by/to group undertakings	71,331
	<hr/> <b>1,156,464</b>

**\*1406\* Increase or decrease in the value of non-linked assets (long term business)**

The value of with-profits non-linked assets has decreased by £698.956m.

**\*1501\* Provision for reasonably foreseeable adverse variations (other than long term business)**

No provision has been made for reasonably foreseeable adverse variations as defined in GENPRU 1.3.30R to GENPRU 1.3.33R or INSPRU 3.2.17R to INSPRU 3.2.18R.

This nil provision has been determined by considering the Company's obligations under derivative and quasi-derivatives contracts, which are mostly covered by matching assets. Where the matching is less strict, any monetary amounts due following reasonably adverse variations could be paid in the right currency, so no provision for reasonably foreseeable adverse variations is required.

The Company does not hold any non-approved derivatives.

**\*1502\* Details of charges over assets, contingent liabilities etc. (other than long term business)**

(i) Charges over assets

No charge has been made on the assets of the Company to secure the liabilities of any other person (other than liabilities arising under a contract of insurance).

(ii) Potential deferred tax liability on capital gains

There is no potential deferred tax liability as the Company has net realised allowable losses in excess of the net unrealised gains, which might arise if the Company disposed of its assets (excluding investments in group undertakings).

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

(iii) Contingent liabilities

In 1975, Legal & General Assurance Society Limited was required by the Institute of London Underwriters (ILU) to execute the ILU form of guarantee in respect of policies issued through the ILU's Policy Signing Office on behalf of NRG Victory Reinsurance Company Ltd (Victory), a company which was then a subsidiary of the Company. In 1990, Nederlandse Reassurantie Groep Holding NV (the assets and liabilities of which have since been assumed by Nederlandse Reassurantie Groep NV under a statutory merger in the Netherlands) acquired Victory and provided an indemnity to the Company against any liability the Company may have as a result of the ILU's requirement, and the ILU agreed that its requirement of the Company would not apply to policies written or renewed after the acquisition. Nederlandse Reassurantie Groep NV is now owned by Columbia Insurance Company, a subsidiary of Berkshire Hathaway Inc. Whether the Company has any liability as a result of the ILU's requirement and, if so, the amount of its potential liability is uncertain. The Company has made no payment or provision in respect of this matter.

(iv) Guarantees, indemnities, commitments other than in the course of insurance business

Commitments in respect of investments, relating to property development of £0.178m (2011: £2.189m) have not been included in Form 15.

The Company has no other guarantees, indemnities or commitments other than in the ordinary course of insurance business and in respect of related companies.

(v) Fundamental uncertainties affecting the business

In the opinion of the directors, there are no other fundamental uncertainties necessary for a proper understanding of the financial position of the Company.

**\*1504\* Provision for deficits in related undertakings (other than long term business)**

The provision of £433.764m has been made in respect of deficits in related undertakings; Legal & General Overseas Holdings BV, Legal & General International Limited and Legal & General International (Holdings) Limited, all subsidiaries of Legal & General Assurance Society Limited.

**\*1507\* Other adjustments to liabilities (other than long term business)**

	<b>£'000</b>
Deficits in related undertakings	(433,764)
Presentation of tax recoverable assets	(3,209)
Presentation of amounts owed by/to group undertakings	(192,398)
Equalisation provisions not allowable under IFRS	(2,832)
	<u>(632,203)</u>

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*1601\* Bases of conversion of foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the Company's foreign operations is the currency of the primary economic environment in which these entities operate. Foreign exchange gains and losses are recognised in the income statement, except when recognised in equity as qualifying cash flow or net investment hedges.

**\*1602\* Restatement of amounts arising from currency conversion**

Some of the brought forward amounts shown in the Forms 11 to 39 have been restated from the corresponding carried forward amounts included in the previous year's return due to the reconversion of foreign currency amounts at a different rate of exchange.

**\*1603\* Other income and charges**

	<b>£'000</b>
Solvency II development costs	21,895
Prior year Solvency II costs transferred to Form 40 L25	(32,077)
Reduction in carrying value of investment in subsidiaries	40,724
Miscellaneous charges	9,734
	<u>39,826</u>

Form 16 Line 21 includes a reallocation of £32.077m to Form 40 Line 25 in respect of Solvency II development costs for 2010 and 2011, previously included as charges to the profit & loss account in those years.

**\*1611\* Restatement of comparative amounts not arising from currency conversion**

The prior year comparatives for Form 16 have been adjusted to correct a misallocation error between Line 18 and Line 19. It should be noted that the unrealised losses that were reported in error on Line 19 instead of Line 18 and visa versa.

	<b>2011 Published £'000</b>	<b>2011 Restated £'000</b>
Line 18	5,403	49,241
Line 19	49,241	5,403

**\*1701\* Variation margin (other than long term business)**

- (i) There was no excess variation margin received by the Other than Long term Business Fund of the Company as at 31 December 2012;
- (ii) No variation margin was shown in Form 13;

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

(iii) No amount recorded in Form 13 had been reduced to reflect a liability to repay excess variation margin received by the Company.

**\*1701\* Variation margin (long term business)**

- (i) There was no excess variation margin received by the Long term Business Fund of the Company as at 31 December 2012;
- (ii) No variation margin was shown in Form 13;
- (iii) No amount recorded in Form 13 had been reduced to reflect a liability to repay excess variation margin received by the Company.

**\*1702\* Assets which have the effect of derivatives (other long term business)**

There are no contracts which have the effect of derivative contracts that were excluded from Form 17, but were included in Form 13.

**\*1702\* Assets which have the effect of derivatives (long term business)**

Contracts which have the effect of derivative contracts, were excluded from Form 17, but were included in Form 13 as follows:

Fixed interest securities with embedded options with a total value of £2,345.394m were included in Form 13 Lines 45, 46 and 48.

Under certain conditions these may be redeemable by the issuer prior to maturity for at least the then current market value.

No partly paid securities were reported in Line 41 and Line 46.  
Convertible stocks of £0.676m were reported on Line 41.

Assets, excluding approved securities, with variable redemption dates with total value £2,245.162m were reported in Lines 46 and Line 48.

**\*20Ag\* UK and overseas premium analysis**

All premiums written are attributable to UK business and relate to risk category non-proportional property (560).

There were no premiums written attributable to overseas business during the year.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*20Aj\* Date of last new contract**

For authorisation classes where no new contract was effected during the year, the following are the dates on which the last new contract for each class was effected.

Authorisation class		Date of last new contract
1	Accident	30-Sept-00
2	Sickness	30-Sept-00
3	Land vehicles	31-Dec-95
4	Railway rolling stock	Not applicable
5	Aircraft	01-Jan-88
6	Ships	23-Oct-91
7	Goods in transit	22-Dec-96
8	Fire and natural forces	31-Oct-96
10	Motor vehicles liability	31-Dec-95
11	Aircraft liability	01-Jan-88
12	Liability for ships	14-Oct-91
13	General liability	31-Dec-95
14	Credit	01-Jan-95
15	Suretyship	01-Jan-95
16	Miscellaneous financial loss	31-Dec-95
17	Legal expenses	01-Jan-95

**\*2007\* Material connected-party transactions**

During 2012, Legal & General Assurance Society Limited accepted non-proportional household reinsurance business from a wholly owned subsidiary Legal & General Insurance Limited.

The transaction relates to property catastrophe excess of loss reinsurance cover for the period 1 July 2012 to 30 June 2013, which was brokered by Aon Limited.

A premium of £8.118m was accepted for a 70 % share of the GBP £34m excess £36m layer, a 50% share of the GBP £90m excess £70m layer and a 20% share of the GBP £200m excess £160m layer.

**\*2008\* Accounting one quarter in arrears: overseas business**

All overseas business is now in run off, but the reporting reflects the previous practice of accounting one quarter in arrears except for Malta and the Netherlands one year in arrear.

**\*2102\* Basis of calculation of provision for unearned premiums**

The general insurance overseas business is in run off, therefore no unearned premium provision for this business is calculated.



## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

##### **\*2202\* Basis for determining the claims management expenses**

All general insurance overseas business is now in run off, but claims management expenses payable are generally determined by estimating the amount of time, and hence associated costs, attributable to the handling of claims. Claims management expenses carried forward are estimated after taking into account the potential amount of time that will be required to handle the claims outstanding, and have been included within accruals.

No claims management expenses have been incurred in respect of the non-proportional property business on the basis that no claims have been incurred during the year.

##### **\*2204\* Basis for determining acquisition expenses**

The Company did not incur acquisition expenses on the class of new business written.

##### **\*2402\* Underwriting year accounting**

Risk category non-proportional property (560):

- (i) Is accounted for on an underwriting basis as it relates to a catastrophe cover treaty for the period 1 July 2012 to 30 June 2013 and claim liabilities would only arise if there was a catastrophe event during this period.
- (ii) There is no other business within this risk category during 2012.
- (iii) The provision for outstanding claims has not been calculated as no claims have been incurred during the year. Claim liabilities would only arise if a catastrophe event occurred during the period 1 July 2012 to 30 June 2013.

##### **\*2404\* Basis for determining the claims management expenses**

No claims management expenses have been incurred in respect of non-proportional property business as no claims have been incurred during the year.

##### **\*2406\* Basis for determining acquisition expenses**

The Company did not incur acquisition expenses on the new business written during the year.

##### **\*2501\* Basis for calculation for unearned premiums**

The unearned premium provision for the non-proportional property business has been calculated using the three hundred and sixty fifths method, which is believed to be an appropriate method for annual renewal business accounted for an underwriting year basis.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*3000\* Form 30 has been omitted as all entries would be blank**

**\*3100\* Form 31 has been omitted because of the operation of a de minimis limit and all entries, including comparatives would be blank**

**\*3200\* Form 32 has been omitted because of the operation of a de minimis limit and all entries, including comparatives would be blank**

**\*3400\* Form 34 has been omitted because of the operation of a de minimis limit and all entries, including comparatives would be blank**

**\*3800\* Form 38 has been omitted as all entries would be blank**

**\*4002\* Other expenditure**

	<b>£'000</b>
Prior year Solvency II costs transferred from Form 16 L21	32,077
Solvency II development costs	11,678
	<u>43,755</u>

Form 40 Line 25 includes a reallocation of £32.077m from Form 16 L21 in respect of Solvency II development costs for 2010 and 2011, previously included as charges to the profit & loss account in those years.

**\*4005\* Basis of conversion of foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. The functional currency of the Company's foreign operations is the currency of the primary economic environment in which these entities operate. Foreign exchange gains and losses are recognised in the income statement, except when recognised in equity as qualifying cash flow or net investment hedges.

**\*4006\* Allocation of income**

Investment income and realised and unrealised investment appreciation arising within the internal linked funds are allocated directly to those funds. The balance of investment income is apportioned between the with-profit part of the fund and the remainder of that fund based on ownership values, and excluding the internal linked funds from the calculation. The increase or decrease in the value of non-linked assets brought into account in each part of the fund has regard to the nature of the changes in the long term liabilities of that part of the fund.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

Commission is charged to each part as incurred. Other expenses are apportioned on the basis of an assessment of the costs incurred in acquiring and administering the business of each part. Taxation in respect of the realised investment appreciation of each internal linked fund is charged to that fund. Taxation in respect of the realised investment appreciation of each other fund is charged to investment reserve. Other taxation is charged to the long term business revenue account and is determined by reference to the income, expenses and surplus of each fund.

#### **\*4008\* Provision of management services**

Legal & General Portfolio Management Services Limited, a connected company, is the regulatory investment principal for the distribution of designated investment products manufactured by Legal & General Assurance Society Limited.

Legal & General Resources Limited, a connected company, provides business services to Legal & General Assurance Society Limited.

Legal & General Partnership Services Limited, a connected company, is the principle (regulatory host) in respect of life protection, general insurance and mortgage sales for Legal & General Assurance Society Limited.

None of these connected parties provides services that constitute the level of materiality as defined in IPRU (INS) Rule 9.39.

Irish Progressive Services International (IPSI) provides business services to Legal & General Assurance Society Limited in respect of Legal & General Deutschland products.

Xafinity (formerly Hazel Carr) provides technical services to Legal & General Assurance Society Limited in respect of final salary documentation.

The costs of these services are charged to the companies concerned.

#### **\*4009\* Material connected-party transactions**

The Company has an intra group reinsurance arrangement with a wholly owned subsidiary Legal & General Pensions Limited to reassure the non linked liabilities in respect of its Non Profit Pensions, Overseas Life Assurance and Life Reinsurance business.

During 2012, under this arrangement, premium of £3.638bn (2011: £3.651bn) was paid to Legal & General Pensions Limited by the Company and Legal & General Pensions Limited paid £2.477bn (2011: 2.357bn) claims and £233.426m (2011: £209.798m) expenses to the Company.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

There was a contingent loan from the Company to Legal & General Pensions Limited. The amount of loan outstanding at the 31 December 2011 was £216.500m. This loan plus £5.631m arrears of interest, was paid off in March 2012.

On 30<sup>th</sup> March 2012 Legal & General Pensions Limited paid a £125.000m dividend to the Company.

#### **\*4010\* Linked assets share of investment income in the with-profits fund**

The investment income reported on Line 12 includes £261.556m relating to linked assets.

#### **\*4401\* Basis of valuation of assets**

For the purpose of this return the assets have been valued in accordance with the Valuation of Assets Rules within GENPRU 1.3.

#### **\*4402\* Rights and liabilities under derivative contracts**

Rights in relation to derivative contracts held as assets by the internal linked funds as follows:

<b>Fund Name</b>	<b>£'m</b>
Exempt Aggressive Growth Fund	0.001
Cautious Managed Fund	0.064
Equity Fund	0.039
Exempt International Fund	0.048
Managed Fund	0.177
Exempt Managed Fund	1.072
Growth (Distribution) Fund	0.012
Exempt Smaller Cos Fund	0.050
Exempt Pacific Growth Active Fund	0.057
Exempt Japan Fund	0.001
Distribution Fund	0.878
UK Small Cos HY Fund	0.001
Credit Opportunities Fund	1.457
Rising Income (Distribution) Fund	0.068
Exempt Distribution Fund	0.427

Liabilities in relation to derivative contracts are held by the internal linked funds as follows:

<b>Fund Name</b>	<b>£'m</b>
Exempt Aggressive Growth Fund	0.001
Cautious Managed Fund	0.003
Credit Opportunities Fund	2.141
Managed Fund	0.008

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

Exempt Managed Fund	0.193
UK100 IDX (D) Fund	0.005
EM H Yield Corp Bond Fund	0.042
Distribution Fund	0.168
Exempt Index Fund	0.376
UK Index Fund	0.017
Exempt International Fund	0.005
Exempt Distribution Fund	0.286

Rights under contracts, which have the effect of derivative contracts, are held as assets by the internal linked funds as follows:

<b>Fund Name</b>	<b>£'m</b>
Distribution Fund	16.278
Credit Opportunities Fund	18.149
UK Fixed Income Distribution Fund	13.857

No Rights or liabilities in relation to contracts, which have the effect of derivative contracts, are held by the internal linked funds.

**\*4403\* Netting of variation margin**

- (a) There was no excess variation margin received as at 31 December 2012.
- (b) No amount recorded in Form 44 had been reduced to reflect a liability to repay excess variation margin received by the Company.

**\*4405\* Negative liquidity**

Internal linked funds whose net asset value are greater than £10m, and have a negative liquidity ratio exceeding 0.05 in magnitude as follows:

<b>Fund Name</b>	<b>Net Asset Value £'m</b>	<b>Liquidity Ratio</b>
UK Equity Growth Dist Fund	163.252	0.43
Equity Fund	414.852	0.54
Brit Opportunities Fund	14.558	1.32
Dynamic Bond Fund	20.082	0.50
Far East Fund	10.228	0.47
Japan Fund	13.176	0.52
L&G Money Builder (Investec) Fund	109.064	0.21
L&G Life Aberdeen Emerging Markets Fund	12.604	0.11
Exempt Soc Gen Balanced Fund	12.833	0.35
Exempt Soc Gen European Equity Fund	16.467	0.46
Exempt Soc Gen Global Equity Fund	19.701	0.41

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

Exempt Newton UK Equity Fund	50.053	0.45
Exempt Investec Global Free Enterprise Fund	55.725	0.70

Internal linked funds whose net asset value are greater than £500,000, and have a negative liquidity ratio exceeding 0.5 in magnitude as follows:

<b>Fund Name</b>	<b>Net Asset Value £'m</b>	<b>Liquidity Ratio</b>
Equity Fund	414.852	0.54
Britt Opportunities Fund	14.558	1.32
Dynamic Bond Fund	20.082	0.50
Japan Fund	13.176	0.52
Exempt Investec Global Free Enterprise Fund	55.725	0.70

**\*4502\* Other income and expenditure**

Other expenditure incurred by internal linked funds includes custodian fees of £0.651 and professional valuation fees of £0.242m.

**\*4701\* Group schemes where no member records are available**

The number of new group schemes where no member records are available is as follows:

<b>Product code</b>	<b>Number of new group schemes</b>
410	10
525	5
725	52
755	37

**\*4702\* Details of approximations used to apportion between product codes**

No approximations were used to apportion between product codes.

**\*4703\* Details of approximations made in determining counts in columns 3 and 5**

For product code numbers where a split of the number of policyholders between regular premium business and single premium business is not available, the total number of policyholders has been allocated to regular premium business.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

This affects the following product code numbers and product descriptions:

<b>Product code</b>	<b>Product Description</b>
535	Group Money Purchase Pensions UWP
725	Stakeholder
725	Personal Pension Plan

#### **\*4704\* Income Protection Benefit**

Where the policyholder has chosen for the level of benefit to be increased once the claim has been in payment for a specified period of time, the sum assured shown is at the increased level.

#### **\*4801\* With-profits business**

- (a) The 'asset share' philosophy does not include any variation of asset mix by duration of policy.
- (b) The block of business included here is the total with-profits business (excluding non-profit business in the with-profits part of the fund). The asset mix for this block of business is: Land and buildings 16%, Approved fixed interest securities 4%, Other fixed interest securities 30%, UK listed equity shares 15%, Non-UK listed equity shares 23%, Unlisted equity shares 4% and Other assets 8%.

#### **\*4802\* Treatment of expected income**

The expected income has been included in column 3 on assets where the payment of interest is in default. The amount of such income included is £2.220m.

#### **\*4803\* Securities redeemed over a period**

£0.465bn of callable bonds are assumed to be redeemed, in line with market expectation, on the date the coupon becomes variable. For £0.226bn of fixed interest bonds, with a choice of redemption dates, for each bond a comparison of the coupon and the current gross redemption yield was made to determine the most likely redemption date. For £0.028bn of floating rate notes which can be redeemed over a period, the average term to redemption expected by the market was used. For a further £0.011bn of bonds not covered above, the redemption date was chosen in line with market expectation.

#### **\*4804\* Significant yield differences**

The yields on £0.551m of assets in Lines 18 and 28 differ from the weighted average yield by type of asset by more than 1.5%.

Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

#### **\*4806\* Assets used to calculate with-profits investment returns**

The returns shown in Lines 21-29 column 5 have been calculated on the assets backing the asset shares.

#### **\*4807\* Life Fund Limited Partnership**

The Company has an English limited partnership agreement with Legal & General Property Partners (Life Fund) Limited relating to the Legal & General Life Fund Limited Partnership. The Company owns 99.99% of the equity shares in this Limited Partnership, the value of which in the Long Term Fund (£927.885m) (2011: (£930.439m) has been presented within Lines 17 and 27.

The Company's other English limited partnerships have been presented within Lines 18 and 28.

#### **\*4901\* Disclosure of rating agency used**

Moody's rating agency has been used to provide the split by credit rating on Form 49.

#### **\*5101\* Group schemes where no member records are available**

The number of group schemes where no member records are available is as follows:

Product code	Number of group schemes
320	72
410	524
420	104
435	50

#### **\*5102\* Details of approximations made in determining counts**

No approximations were made in determining counts.

#### **\*5103\* Details of miscellaneous business**

Business which has been categorised under the miscellaneous product code and exceeds the £10m threshold is as follows:

Product code	Type of business	Gross mathematical reserves (£000)
435	Widows' and Orphans' Pensions – Group - Approved	39,180

#### **\*5104\* Details of approximations used to apportion between product codes**

No approximations were used to apportion between product codes.



## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

##### **\*5105\* Deferred annuities**

In relation to each category of deferred annuity, where it is appropriate, the amount of deferred annuity shown is the aggregate amount to be secured at the date of vesting of the annuity.

##### **\*5106\* Decreasing Term Assurances, Decreasing Term Assurance with Critical Illness Insurance, Decreasing Critical Illness Insurance**

The sums assured for these contracts are shown on an approximate basis. For Mortgage Payment Insurance the sum assured is the annual benefit on the stabilised interest rate at the valuation date (or the stabilised interest rate at inception if this is higher), plus the annual premium.

##### **\*5107\* Low start and progressive contracts**

For these contracts the premium shown is the annualised premium in force at the valuation date.

##### **\*5108\* Income Protection Benefit**

Where the policyholder has chosen for the level of benefit to be increased once the claim has been in payment for a specified period of time, the sum assured shown is at the increased level.

##### **\*5109\* Personal Retirement Plan**

Under this product the benefits purchased are one quarter annuity (or cash option if this is higher) and the three quarters tax free cash. Only the annuity benefit is shown in Form 51. The tax-free cash benefit is £178.382m.

##### **\*5201\* Group schemes where no member records are available**

The number of group schemes where no member records are available is as follows:

<b>Product code</b>	<b>Number of group schemes</b>
571	33

##### **\*5202\* Details of approximations made in determining counts**

No approximations were made in determining counts.

##### **\*5203\* Details of miscellaneous business**

Business which has been categorised under the miscellaneous product code is described explicitly on Form 52.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*5204\* Details of approximations used to apportion between product codes**

No approximations were used to apportion between product codes.

**\*5205\* Accumulating with-profits contracts with property linked benefits**

- (a) The premium on the Form is in accordance with the policyholders' instructions for unit investment.
- (b) The sums assured are split in proportion to the unit values.
- (c) The unit reserves are on the appropriate Forms.
- (d) For contracts with both accumulating with-profits and property linked benefits the count is shown on Form 52.
- (e) For Pensions Business the waiver reserves are split in the same proportion as the premiums.
- (f) For Pensions Business the sterling reserves are split in proportion to the unit reserves.
- (g) For Pensions Business the reserves relating to:
  - (i) Guaranteed Minimum Pension liability on Buy-Out Plan;
  - (ii) Cost of additional bonus on Guaranteed Minimum Pension;
  - (iii) Additional Death Benefit on converted business;
  - (iv) High Performance Plan and Private Income Plan conversions with a guarantee of no Market Value Adjustment Factor;are all included on Form 52.
- (h) Life Business policies are valued as if there were two separate contracts, one accumulating with-profits and one property linked. Premiums, sums assured, risk premiums and plan charges are split as in (a) and (b) above. Sterling reserves are calculated with apportioned expenses and reported on the appropriate form. Waiver in payment follows (a) above.
- (i) All other reserves, being small, are treated as property linked.

**\*5206\* Risk premium reinsurance**

Where risk premium reinsurance applies to a contract split between the Forms, the risk premium is reported on the same Form as the benefits to which it applies, except for life policies with both Accumulating With-Profits and linked benefits where the reinsurance risk premiums are split in proportion to the unit values.

Returns under the Accounts and Statements Rules

## Supplementary notes

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

### **\*5207\* Low start and progressive contracts**

The treatment is as shown in note 5107.

### **\*5301\* Group schemes where no member records are available**

The number of group schemes where no member records are available is as follows:

<b>Product code</b>	<b>Number of group schemes</b>
755	1,018

### **\*5302\* Details of approximations made in determining counts**

No approximations were made in determining counts.

### **\*5303\* Details of miscellaneous business**

No business which has been categorised under the miscellaneous product code exceeds the £10m threshold.

### **\*5304\* Details of approximations used to apportion between product codes**

No approximations were used to apportion between product codes.

### **\*5305\* Property linked contracts with accumulating with-profits benefits**

The treatment is as shown in note 5205.

### **\*5306\* Risk premium reinsurance**

The treatment is as shown in note 5206.

### **\*5307\* Low start and progressive contracts**

The treatment is as shown in note 5107.

### **\*5401\* Group schemes where no member records are available**

There are no group schemes where member records are not available.

### **\*5402\* Details of approximations made in determining counts**

No approximations were made in determining counts.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**\*5403\* Details of miscellaneous business**

There are no lines of business which has been categorised under the miscellaneous product code that exceed the £10m threshold.

**\*5404\* Details of approximations used to apportion between product codes**

No approximations were used to apportion between product codes.

**\*5405\* Risk premium reinsurance**

The treatment is as shown in note 5206.

**\*5601\* Disclosure of rating agency used**

No split by credit rating has been performed as the amount is below the de minimis.

**\*5701\* Negative mathematical reserves**

The total mathematical reserve shown on Form 57 for the "Non Profit & Balancing items" sub fund is negative. As such, no assets have been hypothecated to cover these products. The details of the amounts and products involved are as shown on Form 57.

Negative reserves in the "Non Profit & Balancing items" sub fund are offset by positive reserves on contracts in the With-Profits part of the fund. The negative reserves are not assumed to back with-profits contracts for the purpose of determining the assumed discount rate for those contracts.

**\*5702\* Yields to which a risk adjustment was applied**

For business reassured to Legal & General Pensions Limited the net mathematical reserves are zero. The yield risk adjustments applied in calculating gross reserves are shown in section 4(3) of the Abstract of Valuation Report.

Returns under the Accounts and Statements Rules

## **Supplementary notes**

### **Legal & General Assurance Society Limited**

#### **Financial year ended 31 December 2012**

##### **Rule 9.25: Major treaty reinsurers**

During 2012, the Company received a premium of £8.118m from a wholly owned subsidiary, Legal & General Insurance Limited of One Coleman Street, London EC2R 5AA.

No other premiums were received from major treaty reinsurers in any of the five preceding financial years.

##### **Rule 9.26: Major facultative reinsurers**

The Company has no major facultative reinsurers.

##### **Rule 9.27: Major cedants**

The Company has no major general business reinsurance cedants.

##### **Rule 9.32: Additional information on business ceded**

###### **Non-facultative reinsurance contracts entered into or modified during the year**

The Company did not enter into or modify any non-facultative reinsurance contract during the year.

###### **Maximum net probable loss to the Company**

For each class of business, the maximum net probable loss for any one contract of insurance is £Nil.

For each class of business the maximum net probable loss for all such contracts of insurance is £Nil.

###### **Reinsurers share of gross premiums**

The Company did not cede any reinsurance premiums during the year.

##### **Rule 9.32A: Additional information on financial reinsurance and financing arrangements: general insurers**

There are no financial reinsurance agreements of similar financing arrangements relating to our general insurance business.



**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**Rule 9.29: Additional information on derivative contracts**

- (a) Investment objectives and guidelines are set for each fund, which reflect the specific objectives of the fund in terms of its asset structure, permitted holdings and performance targets. Compliance with the relevant regulations in respect of derivatives is taken full account of during drafting. The overriding principles are to have adequate controls in place to ensure that long term funds are not exposed excessively to risks related to derivative contracts. Specific guidelines are set and reviewed at least annually, which are summarised below:
- (i) The use of derivatives must be appropriately justified as efficient portfolio management or as a reduction of investment risk.
  - (ii) Adequate cover must be maintained to enable obligations to be met and rights to be exercised.
  - (iii) The use of derivatives must be regularly monitored to ensure compliance with guidelines and that the effects on economic exposure and counterparty exposure are within limits
  - (iv) Monitoring and valuation procedures must enable all reporting of derivative contracts to be completed satisfactorily.
- (b) The guidelines contain details on when use of derivative contracts may be made.
- (c) The Company has not used any derivative contracts during the last year which were not, at the time the contracts were entered into, reasonably likely to be exercised.
- (d) The Company has not at any time during the financial year used any derivative contract that does not fall within the definition of a permitted derivative.
- (e) The Company received £0.160m of underwriting commission.





Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2012**

**Rule 9.30: Additional information on shareholder controllers**

Legal & General Group Plc ('the Group') was, throughout the year, a shareholder controller of the Company. The Group holds all the ordinary share capital and voting rights in Legal & General Insurance Holdings Limited of which the Company is a 100% subsidiary undertaking.



**Returns under Chapter 9, Appendix 9.4 of the Interim Prudential Sourcebook for Insurers**  
**Abstract of Valuation Report**  
**Legal & General Assurance Society Limited**  
**Financial year ended 31 December 2012**

**1. Introduction**

- 1(1) This investigation was made as at 31 December 2012.
- 1(2) The previous investigation was made as at 31 December 2011.
- 1(3) No interim valuations (for the purposes of rule 9.4) have been carried out since 31 December 2011.

**2. Product range**

**2(1) New products**

**Worksave Pension Trust (Relief at Source)**

This is a unit-linked occupational pension plan (included in product code 735) that gives trust based employer sponsored defined contribution pension schemes access to an investment and administration platform.

Eligibility of the scheme is for those aged between 16 and one day short of their 75<sup>th</sup> birthday. The Scheme Retirement Age is 55 and above. Contributions can be regular or single. Transfers in and contribution offsets are also allowed.

Protected rights contributions are only available through protected rights transfer.

Investment options for the member are a subset of over 150 internal and external unit linked funds.

The key charges applied to the product are:

Annual Management Charge	Tiered or level basis, determined by scheme characteristics. This can be paid as a separate fee by the Trustee(s), or a mixture of fee and reduced Annual Management Charge.
Fund Management Charge	The Fund Management Charge is the combined total of the investment management charge and other charges for overheads.

Benefit at retirement is not exclusively in the form of an annuity through an open market option. Benefit can be taken as Income Withdrawal (With 2 types: capped and flexible). The capped withdrawal applies where the maximum benefit that can be withdrawn is that prescribed by the Government Actuary's Department. The flexible benefit withdrawal applies where the individual has a guaranteed pension of at least £20,000 pa from other arrangements and can therefore withdraw unlimited amounts from their fund.

Full, partial and phased income withdrawal can be taken under capped drawdown. The income must be at least £500pa or £50pm. There are charges for initial set up of income withdrawal, an annual fee and a charge for any variation in payment.

These contributions received are net of tax, and L&G will reclaim basic tax relief.

This product was released in October 2012.

### **US Universal Life Business (Reassurance Accepted)**

On 30 September 2012, Legal & General Assurance Society reinsured a block of universal life business written by William Penn Life Insurance Company of New York, and a block of universal life business written by Banner Life Insurance Company via Reinsurance Group of America.

The business is reinsured to Legal & General Pensions Limited (LGPL).

### **US Term Business (Reassurance Accepted)**

On 31 December 2012, Legal & General Assurance Society reinsured a block of conventional level term assurance business written by William Penn Life Insurance Company of New York, and a block of conventional level term assurance business written by Banner Life Insurance Company via RGA Americas Re.

The business is reinsured to LGPL.

## **2(2) Changes to existing products.**

### **Select Portfolio Bond**

In November 2012 a post Retail Distribution Review (post-RDR) compliant version of this product was launched. Key changes are that ongoing adviser charges are facilitated and the death benefit has changed from 101.0% to 100.1% of the unit value.

### **International Portfolio Bond**

The key changes are to make the product compliant post-RDR and to facilitate adviser charging.

### **Portfolio Plus Pension**

The key change has been to make the product compliant post-RDR.

### **Personal Retirement Plan**

On 1 January 2012 premium rates and Cash Option Factors have been revised for the Personal Retirement Plan. The new premium rates will apply to premiums paid on or after 1 January 2012 by existing policies to purchase additional guaranteed pension benefits. The new Cash Option Factors will apply to contributions made from 1 January 2012 for policyholders who are retiring on or after 1 January 2012 and are taking an Open Market Option (OMO).

### **Unitised With Profit**

For business written after 1 July 2012 the percentage of the distributed surplus allocated to policyholders will change from 90% to 95%.

### **With Profit Annuity**

For business written after 1 July 2012 the percentage of the distributed surplus allocated to policyholders will change from 90% to 93%.

## **2(3) Products withdrawn**

### **Portfolio Plus SIPP**

This closed to true new business at the end of 2012 (incremental new business will be allowed).

### **Portfolio Bond**

This closed to true new business at the end of 2012 (incremental new business will be allowed).

### **Capital Control Bond**

The Capital Control Bond was suspended to new business on 1 April 2012.

## 2(4) New bonus series

Recurrent single premiums paid in 2012 under the Personal Retirement Plan are deemed to be a new bonus series. New bonus pools created for contributions received in 2012 on other existing products are not deemed to be new bonus series.

Full details of reversionary bonus rates are provided in section 10.

## 2(5) Changes to options or guarantees.

There is no change to existing options or guarantees during 2012 except those mentioned in 2(2).

## 2(6) Changes to charging methods

### Unitised Pension

For contracts that received a Stakeholder Charge Cap, the cap was removed from contracts with a fund value of less than £15,000 at March 2011, with effect from August 2012.

## 2(7) With-profits Business

The with-profits part of the long term fund is open to new with-profits business.

## 3. Discretionary charges and benefits

### 3(1) Market Value Reductions

Market Value Reduction factors have been reviewed frequently. They have been set so that discontinuance proceeds reflect underlying asset values. Some smoothing of factors has been applied, for example when volumes of switches, surrenders or early retirements have been low. Factors are set by type of policy and calendar year or quarter of investment, rather than individually by policy.

An investment year (“pool year”) cohort approach is used when calculating market value reduction factors, rather than a policy year cohort approach. This approach is consistent with the way in which bonus rates are declared. In the following table the investment year cohorts to which market value reductions applied are given in the final column of the table.

	<b>Product</b>	<b>Period during 2012 when a market value reduction was applied</b>	<b>Investment years to which a market value reduction was applied</b>
1	Flexible Protection Plan (Series 3 to 5)	01/01/2012-15/02/2012	2006 - 2007 pools
		16/02/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	2006, 2007, 2011 pools
		13/07/2012-29/11/2012	2007 pools
2	Regular Premium Life – Flexible Mortgage Plan (Series 2, 4, 5, 6, 8, 10 and 12); Prospects (Series 1 & 2); Regular Savings Plan (Series 2); New Savings Plan (Series 1)	01/01/2012-15/02/2012	2006 - 2007 pools
		16/02/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	2006 - 2008, 2011 pools
		13/07/2012-29/11/2012	2007 pools
3	Capital Investment Portfolio (Series 1, 5 & 6)	01/01/2012-15/02/2012	2006 - 2007, 2010 pools
		16/02/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	1993 - 1995, 1997, 1999 - 2001, 2006, 2007, 2010, 2011 pools
		13/07/2012-31/12/2012	2007 pools
4	Capital Investment Portfolio (Series 7)	01/01/2012-03/06/2012	1997 - 2008 pools
		04/06/2012-12/07/2012	1997 - 2008, 2010, 2011 pools
		13/07/2012-29/11/2012	1997 - 2008, 2011 pools
		30/11/2012-31/12/2012	1997 - 2008 pools

5	Company Pension Plan; Company Pension Plan 1990; Company Pension Plan 250; Trustee Investment Plan; Trustee Investment Plan 1995; Personal Pension Plan; Personal Pension Plan 1990; Pension Savings Plan; Pension Savings Plan 1988; Pension Savings Plan 1990; Group Pension Savings Plan; Group Pension Savings Plan 1988; Group Pension Savings Plan 1990; Personal Pension Plan 1995; Executive Pension Plan 1995; Pension Savings Plan 1995; Group Pension Savings Plan 1995	01/01/2012-15/02/2012	2006 - 2007 pools
		16/02/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	1990, 1994, 2006, 2007, 2011 pools
6	With Profit Bond (Series 2, 3, and 5)	01/01/2012-15/02/2012	2006 Q1 - 2008 Q2, 2009 Q4 - 2010 Q4 pools
		16/02/2012-03/06/2012	2006 Q4 - 2008 Q1 pools
		04/06/2012-12/07/2012	1999 Q1, 2001 Q1 - 2008 Q3, 2009 Q4 - 2012 Q1 pools
		13/07/2012-29/11/2012	2006 Q4 - 2007 Q4, 2011 Q1 - 2011 Q3 pools
		30/11/2012-31/12/2012	2007 Q4 pools
7	With Profit Bond (Series 1 and 4)	01/01/2012-15/02/2012	1999 Q1 - 2008 Q3, 2010 Q4 pools
		16/02/2012-03/06/2012	1999 Q1 - 2008 Q3, 2010 Q4 - 2011 Q2 pools
		04/06/2012-12/07/2012	1999 Q1 - 2008 Q3, 2010 Q2 - 2011 Q3 pools
		13/07/2012-29/11/2012	1999 Q1 - 2008 Q3, 2010 Q2, 2010 Q4 - 2011 Q3 pools
		30/11/2012-31/12/2012	2000 Q1 - 2008 Q3, 2010 Q4 - 2011 Q2 pools
8	With Profit Bond (Series 6)	01/01/2012-31/12/2012	2003 Q4 - 2005 Q3 pools
9	With Profit Bond (Series 7)	01/01/2012-15/02/2012	2003 Q4 - 2004 Q2, 2005 Q2 - 2005 Q3 pools
		16/02/2012-03/06/2012	2003 Q4 pools, 2004 Q2 pools, 2005 Q2 - 2005 Q3 pools
		04/06/2012-12/07/2012	2003 Q4 - 2005 Q3 pools
		13/07/2012-29/11/2012	2003 Q4 - 2004 Q2, 2005 Q2 - 2005 Q3 pools
		30/11/2012-31/12/2012	2003 Q4, 2004 Q2, 2005 Q2 - 2005 Q3 pools
10	With Profit Bond (Series 8 and 9)	01/01/2012-03/06/2012	2008 Q2 - 2008 Q3 pools
		04/06/2012-12/07/2012	2008 Q2 - 2008 Q3, 2010 Q2 pools
		13/07/2012-31/12/2012	2008 Q2 - 2008 Q3 pools
11	With Profit Bond (Series 10 and 11)	01/01/2012-15/02/2012	2008 Q2, 2010 Q1 - 2010 Q2 pools
		04/06/2012-12/07/2012	2008 Q2 - 2008 Q3, 2010 Q1 - 2010 Q2 pools
12	With Profit Bond (Capital Control Series 1)	01/01/2012-15/02/2012	2010 Q4 pools
		16/02/2012-03/06/2012	2010 Q4 - 2011 Q2 pools
		04/06/2012-12/07/2012	2010 Q2, 2010 Q4 - 2011 Q3 pools
		13/07/2012-29/11/2012	2010 Q4 - 2011 Q3 pools
		30/11/2012-31/12/2012	2011 Q1 - 2011 Q2 pools
13	With Profit Bond (Capital Control Series 2)	01/01/2012-15/02/2012	2010 Q1 - 2010 Q4 pools
		04/06/2012-12/07/2012	2010 Q1 - 2012 Q1 pools
		13/07/2012-29/11/2012	2011 Q2 - 2011 Q3 pools
14	With Profit Bond (Capital Control Series 3)	01/01/2012-03/06/2012	2011 Q1 - 2011 Q2 pools
		04/06/2012-29/11/2012	2010 Q4 - 2011 Q3 pools
		30/11/2012-31/12/2012	2011 Q1 - 2011 Q2 pools
15	With Profit Bond (Capital Control Series 4)	01/01/2012-15/02/2012	2010 Q4 - 2011 Q2 pools
		04/06/2012-12/07/2012	2010 Q4 - 2012 Q1 pools
		13/07/2012-29/11/2012	2011 Q2 - 2011 Q3 pools
16	Group AVC 2002 (Series 1)	01/01/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	2003, 2006, 2007, 2011 pools
17	Company Pension Scheme 2002	01/01/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	2007, 2011 pools

18	Personal Pension Plan 2000	01/01/2012-15/02/2012	2006 - 2007 pools
		16/02/2012-03/06/2012	2007 pools
		04/06/2012-12/07/2012	2006, 2007, 2011 pools
19	Trustee Investment Plan 1999 (Series 1 and 2)	01/01/2012-03/06/2012	2006 Q1 - 2008 Q1 pools
		04/06/2012-12/07/2012	2006 Q1 - 2008 Q2, 2010 Q4 - 2011 Q3, 2012 Q1 pools
		13/07/2012-29/11/2012	2006 Q4 - 2007 Q4 pools
20	With Profit Bond (With Profit Bond Series 18)	01/01/2012-15/02/2012	2010 Q4 - 2011 Q2 pools
		04/06/2012-12/07/2012	2010 Q4 - 2012 Q1 pools
		13/07/2012-29/11/2012	2011 Q1 - 2011 Q3 pools
21	With Profit Bond (With Profit Bond Series 19)	01/01/2012-03/06/2012	2010 Q4 - 2011 Q2 pools
		04/06/2012-29/11/2012	2010 Q4 - 2011 Q3 pools
		30/11/2012-31/12/2012	2011 Q1 - 2011 Q2 pools

For 1980 Bonus System contracts adjustment factors are applied on an investment year cohort approach. Factors are applied to all cohorts at all times and may be greater or less than 100%.

### 3(2) Changes to premiums on Reviewable Non Linked Protection Policies

The following table shows the range of conventional reviewable protection products on which changes to premiums were implemented in 2012 as a result of reviewing the cost of risk:

Product	Gross Annual Premium Prior To Review (£000)	Range of Premium Changes	Maximum Benefit Reduction
Level Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	0	n/a	0%
- Premium Change	77	-21% to 15%	n/a
- No change implemented	4,677	n/a	n/a
Decreasing Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	0	n/a	0%
- Premium Change	117	-14% to 8%	n/a
- No change implemented	6,226	n/a	n/a
Family and Personal Income Plan with Critical Illness Insurance:			
- Benefit Reduction	0	n/a	0%
- Premium Change	1	0% to 6%	n/a
- No change implemented	102	n/a	n/a

Policies that lapsed at review have been included within the 'no change implemented' category. The 'Benefit Reduction' category relates to cases where the policyholder has declined an increase in premium and as such a reduction to the benefit has been applied.

Reviews on the above product lines occur every 5 years, so in 2012 reviews were undertaken on policies with contract dates in 2007.

The following table shows the in force premium as at 31 December 2012 on all conventional reviewable protection products:

Product	Gross Annual Premium at 31.12.2012 (£000)
Mortgage Payment Insurance	7,159
Term Assurance with Critical Illness Insurance	40,322
Decreasing Term Assurance with Critical Illness Insurance	50,273
Family and Personal Income Plan with Critical Illness Insurance	1,057
Level Critical Illness Insurance	344
Decreasing Critical Illness Insurance	98

### 3(3) Interest Rate on Non-Profit Deposit Administration Benefits

The interest credited to the Exempt and Non-Exempt Building Society Funds and the Exempt Special Deposit Funds during 2012 in respect of investments held throughout the year are shown in the table below:

<b>Fund and Generation</b>	<b><u>Initial Units</u></b>	<b><u>Accumulation Units</u></b>
	%	%
<b>Non-Exempt Building Society Fund:</b>		
Generation 1	Not applicable	0.05
Generation 2	Not applicable	0.05
Generation 3	Not applicable	0.05
Generation 21	Not applicable	0.05
Generation 27	Not applicable	0.1
<b>Exempt Building Society Fund:</b>		
Generation 1	0.05	0.05
Generation 2	0.05	0.05
Generation 5	0.05	0.05
Generation 6	0.05	0.05
Generation J	Not applicable	0.05
Generation K	Not applicable	0.05
Generations N and Q	Not applicable	Not applicable
Generation Y	Not applicable	0.3
<b>Exempt Special Deposit Fund:</b>		
Generation 1	0.05	0.5
Generation 2	0.05	0.5
Generation 5	0.05	0.5
Generation 6	0.05	0.5
Generation J	Not applicable	0.5
Generation K	Not applicable	0.5
Generations N and Q	Not applicable	Not applicable
Generation Y	Not applicable	0.5
<b>Cash (Euro) Fund:</b>		
	Not applicable	0.02

### 3(4) Changes to service charges on linked policies.

Service charges for Corporate Pensions increased during 2012. Increases in charges are based on the Office for National Statistics' *Average Weekly Earnings: Whole Economy (seasonally adjusted)* which showed an increase of 1.51% for the period July 2011 to July 2012.

The monthly administration charges per member were increased during 2012 as follows:

- Company Pension Plan and Company Pension Plan 1990 for schemes set up between 1 January 1990 and 31 December 1991 increased from £5.96 per month to £6.05 per month,
- Company Pension Plan 250 (premium paying members) increased from £6.50 per month to £6.60 per month.

The initial charge for new members joining a Company Pension Plan 1990 scheme (set up between 1 January 1990 and 31 December 1991) increased from £57.78 to £58.66.

### 3(5) Changes to benefit charges on linked policies

There have been no changes to unit-linked benefit charges during 2012.

### 3(6) Changes to unit management charges or notional charges to accumulating with-profits policies



For a variety of savings and pension policies the management charges can vary from one policy to the next as, for example, different generations of funds may be charged under a different product structure. Also, as a tiered charging structure is being used, charges can vary from one year to the next because of an increase in fund size.

Allowance is made for the actual past and expected future expenses when setting bonus rates for all participating with-profits business other than Personal Pension Plan 2000. Should actual expenses be different from those expected previously or future expense assumptions change, bonus rates will also be affected. As bonus rates are smoothed, the effect of any such changes will be spread over a period, together with contributions from other sources of profit or loss, of which investment returns are by far the most important.

The maximum Annual Management Charges have changed on the following internal linked life funds during 2012:

<b>Life Fund name</b>	<b>End 12 AMC</b>	<b>End 11 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life AXA Framlington Health Fund	2.18%	2.28%	(0.10%)	741
L&G Life Barclays Balanced Portfolio	1.94%	2.56%	(0.62%)	0
L&G Life Barclays Cautious Portfolio	2.06%	2.71%	(0.65%)	0
L&G Life Barclays Growth Portfolio	1.98%	2.68%	(0.70%)	0
L&G Life Close Bond Income Portfolio	0.72%	0.69%	0.03%	315
L&G Life Close Conservative Portfolio	1.21%	1.18%	0.03%	645
L&G Life Close Diversified Income Portfolio	1.10%	0.96%	0.14%	578
L&G Life Fidelity MultiManager Growth Portfolio	2.89%	2.99%	(0.10%)	584
L&G Life Fidelity UK Aggressive Fund	2.15%	2.04%	0.11%	370
L&G Life First State Asian Property Sec Fund	2.82%	2.63%	0.19%	188
L&G Life First State Indian Subcontinent Fund	2.77%	2.90%	(0.13%)	2,049
L&G Life Henderson Asia Pacific Capital Gwth Fund	2.15%	2.27%	(0.12%)	286
L&G Life Henderson MM Active Fund	3.24%	3.52%	(0.28%)	1,634
L&G Life Henderson MM Distribution Fund	3.20%	3.42%	(0.22%)	6,998
L&G Life Henderson UK Property Fund	2.66%	2.36%	0.30%	7,839
L&G Life IFDS Chartwell Balanced Income Fund	2.81%	2.66%	0.15%	0
L&G Life IFDS Chartwell Cautious Fund	3.07%	2.59%	0.48%	0
L&G Life IFDS Chartwell Strategic Growth Fund	3.19%	3.36%	(0.17%)	0
L&G Life Ignis UK Property Fund	2.46%	2.72%	(0.26%)	6,036
L&G Life IM Verbatim Portfolio 3	2.68%	2.55%	0.13%	4,623
L&G Life IM Verbatim Portfolio 6	2.70%	2.81%	(0.11%)	579
L&G Life IM Verbatim Portfolio 7	2.79%	2.65%	0.14%	176
L&G Life Insight Sterling Corporate Bond Fund	2.29%	2.16%	0.13%	210
L&G Life Insight Wealth Builder Balanced Fund	2.54%	2.79%	(0.25%)	295
L&G Life Kames Capital High Yield Bond Fund	2.10%	2.03%	0.07%	8,824
L&G Life New Star Monthly Income Fund	2.26%	2.46%	(0.20%)	0
L&G Life Schroder Dynamic Multi Asset Fund	2.44%	2.66%	(0.22%)	203
L&G Life Skandia European Equity Blend Fund	2.52%	N/A	N/A	0
L&G Life Skandia UK Equity Blend Fund	2.34%	N/A	N/A	0
L&G Life Standard Life UK Smaller Companies Fund	2.02%	2.00%	0.02%	3,801
L&G Life SWIP MM Diversity Fund	3.22%	2.91%	0.31%	1,480

<b>Life Fund name</b>	<b>End 12 AMC</b>	<b>End 11 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life SWIP MM Select Boutiques Fund	3.23%	3.39%	(0.16%)	427
L&G Life Thames River Balanced Managed Fund	3.10%	3.56%	(0.46%)	1,575
L&G Life Thames River Cautious Managed Fund	3.28%	3.45%	(0.17%)	11,641
L&G Life Thames River Distribution Fund	2.91%	3.17%	(0.26%)	16,393
L&G Life Thames River Global Boutiques Fund	3.58%	3.80%	(0.22%)	232
L&G Life Thames River MC Equity Managed	3.48%	4.05%	(0.57%)	753

Annual Management Charges have changed on the following internal linked pension funds during 2012:

<b>Pension Fund name</b>	<b>End 12 AMC</b>	<b>End 11 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
Company 1 Property	1.04%	N/A	N/A	1,314
Company 2 Diversified Growth	0.92%	N/A	N/A	0
Company 2 Lifestyle Growth	0.51%	N/A	N/A	2,833
Company 3 Diversified Application	0.57%	N/A	N/A	9
L&G Pension AXA Framlington Health Fund	1.23%	1.33%	(0.10%)	769
L&G Pension Close Balanced Portfolio	1.26%	1.39%	(0.13%)	515
L&G Pension Close Diversified Income Portfolio	1.24%	1.10%	0.14%	49
L&G Pension Close Growth Portfolio	1.21%	1.50%	(0.29%)	244
L&G Pension Fidelity Mmanager Growth Portfolio	1.94%	2.04%	(0.10%)	336
L&G Pension Fidelity UK Aggressive	1.08%	0.97%	0.11%	638
L&G Pension First State Asian Property Securities	1.79%	1.60%	0.19%	274
L&G Pension First State Indian Subcontinent Fund	1.82%	1.95%	(0.13%)	6,939
L&G Pension Gartmore UK Alpha Fund	1.37%	1.51%	(0.14%)	0
L&G Pension Henderson Asia Pacific Capital Growth	1.20%	1.32%	(0.12%)	394
L&G Pension Henderson MM Active Fund	2.34%	2.62%	(0.28%)	849
L&G Pension Henderson MM Distribution Fund	2.21%	2.43%	(0.22%)	79
L&G Pension Henderson UK Property Fund	1.62%	1.32%	0.30%	1,995
L&G Pension IFDS Chartwell Balanced Income Fund	1.93%	1.68%	0.25%	0
L&G Pension IFDS Chartwell Cautious Fund	1.98%	1.50%	0.48%	0
L&G Pension IFDS Chartwell Strategic Growth Fund	2.08%	2.25%	(0.17%)	0
L&G Pension Ignis UK Property Fund	1.64%	1.90%	(0.26%)	2,063
L&G Pension IM Verbatim Portfolio 3	1.69%	1.56%	0.13%	512
L&G Pension IM Verbatim Portfolio 6	1.71%	1.82%	(0.11%)	125
L&G Pension IM Verbatim Portfolio 7	1.80%	1.66%	0.14%	68
L&G Pension Insight Sterling Corporate Bond Fund	1.24%	1.11%	0.13%	235
L&G Pension Insight Wealth Builder Balanced Fund	1.65%	1.90%	(0.25%)	299
L&G Pension Kames Capital High Yield Bond Fund	1.05%	0.98%	0.07%	2,532

<b>Pension Fund name</b>	<b>End 12 AMC</b>	<b>End 11 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Pension Schroder Dynamic Multi Asset Fund	1.30%	1.52%	(0.22%)	321
L&G Pension Standard Life UK Smaller Companies	1.07%	1.05%	0.02%	5,012
L&G Pension SWIP MM Diversity Fund	2.14%	1.83%	0.31%	141
L&G Pension SWIP MM Select Boutiques Fund	2.25%	2.41%	(0.16%)	16
L&G Pension Thames River Balanced Managed Fund	2.25%	2.50%	(0.25%)	519
L&G Pension Thames River Cautious Managed Fund	2.08%	2.25%	(0.17%)	911
L&G Pension Thames River Distribution Fund	1.97%	2.23%	(0.26%)	626
L&G Pension Thames River Global Boutiques Fund	2.59%	2.81%	(0.22%)	81
L&G Pension Thames River MC Equity Managed	2.39%	2.96%	(0.57%)	635
L&G Pension Threadneedle European Fund	1.54%	1.44%	0.10%	582

### 3(7) Unit Pricing of Internal Linked Funds

#### (a) Unit Pricing Methods

The valuation price of a unit is calculated by dividing the market value (independent valuation in the case of property), after adjustment to allow for the accrued liability to tax on income and on realised and unrealised capital gains and losses, of that portion of the fund represented by units of a particular type by the number of units of that type.

#### (i) Prices for the Creation and Cancellation of units in Internal Linked Funds

Creation of units always takes place at the creation price, and cancellation of units at the cancellation price.

The creation price of a unit is obtained in the same way as the valuation price, but having regard to market offer values of investments, increased by an allowance for the costs of acquiring investments.

The cancellation price of a unit is obtained in the same way as the valuation price, but having regard to market bid values of investments, reduced by an allowance for the costs of disposing of investments.

For units secured under the Finanzmarkt-Lebenspolice, Vermoegenschutzplan or Finanzmarkt-Rentenpolice, a single price is used for the creation or cancellation of units in any fund on any day. This price will be the Creation Price or the Cancellation Price according to whether that fund expects a net inflow or outflow that day.

#### (ii) Prices for the Allocation of units to and Deallocation of units from policies

The price of a unit for deallocating from policies (the published bid price) is based on either the creation or cancellation price described in (i) above, but rounded down by not more than 0.1p. The choice of basis follows the principles set out in (iii) below.

For policies allocated to Generation 3, 21 or 27 units (non-exempt funds) or Generation J, L, N, Q or Y units (exempt funds), and any other policies where the policy conditions state that allocations take place on the bid price, the price of a unit for allocating to policies (the published offer price) is equal to the published bid price, as described above.

For policies not covered by the previous paragraph, the price of a unit for allocating to policies (the published offer price) is the bid price, multiplied by 100/95 and rounded to the nearer 0.1p.

For units secured under the Finanzmarkt-Lebenspolice, Vermoegenschutzplan or Finanzmarkt-Rentenpolice the single price calculated in (i) above is also used for the allocation to and deallocation from policies of units in that fund on that day.

**(iii) Basis for Valuation of Assets**

If a fund is expected to be in a net inflow position over the short to medium term, the creation price described in (i) above is used for both allocations of units to and deallocations of units from policies.

If a fund is expected to be in a net outflow position over the short to medium term, the cancellation price described in (i) above is used for both allocations of units to and deallocations of units from policies.

The choice of basis on a given valuation day will take account of any large individual or bulk inter-fund switches to be processed on that day's prices.

For non-exempt externally invested funds (invested outside the Legal & General Group) and Sterling denominated exempt externally invested funds, the choice of basis on a given valuation day is determined by the relevant external provider, depending on the inflow or outflow of investments over all their clients.

**(iv) Timing of Asset Valuations**

Valuations are normally carried out each working day at 12 noon. Policyholder actions notified prior to 12 noon are processed overnight using the prices calculated that day. Policyholder actions notified after 12 noon are processed the following night using the prices calculated the next day. For funds invested in the North American markets the valuations are normally carried out at 3 p.m.

There is an exception to the above for Portfolio Bond contracts where policyholder actions are processed using the prices on the next but one working day following the date of notification.

Non-exempt externally invested funds and Sterling denominated exempt externally invested funds are wholly invested in external collective investment schemes. Therefore the timing of the valuation in these funds is as described in I(ii) below.

**(b) Different Pricing Bases Applying to Different Policies**

Not applicable. On any valuation day the same pricing basis applies to all transactions in any given fund.

**(c) Assets in Collective Investment Schemes**

**(i) Internal Collective Investment Schemes**

The valuation of any authorised unit trust units held by any fund is carried out at 12 noon (3 p.m. for trusts invested in North American markets). The price calculated on any valuation day is used in the valuation of the parent fund for the same valuation day.

**(ii) External Collective Investment Schemes**

For exempt externally invested funds for Stakeholder business, the valuations of the underlying collective investment schemes are carried out at 12 noon, based on the portfolio valuation at that time. Policyholder actions notified prior to 12 noon are processed overnight using the prices calculated that day. Policyholder actions notified after 12 noon are processed the following night using the prices calculated the next day.

For non-exempt externally invested funds, and exempt externally invested funds (other than for Stakeholder business), the valuations of the underlying collective investment schemes are carried out each working day at 12 noon, based on the portfolio valuation at a fixed time on the previous working day. This fixed time varies between different funds. Policyholder actions are processed using the prices on the next but one working day following the date of notification.

**3(8) Tax Deductions**

Tax is deducted quarterly from non-exempt internal linked funds, on 14 January, 14 April, 14 July and 14 October. The amount deducted on these dates relates to the tax due on those dates, calculated on a stand-alone basis for each fund. The above applies to tax on realised gains, unrealised gains on gilts and bonds and relating to the deemed disposal of holdings of unit trusts. The calculation for the last two of these is based on the market value of the assets on the previous month end. For deemed disposals of unit trusts the tax deducted allows for the spreading of tax payments according to current tax regulations – tax is only deducted when payment is due.

In the calculation of the tax due the unadjusted tax rate is used, as set by tax legislation. This is currently 20% for both capital gains tax and gilts and bonds tax.

Tax provisions in the daily pricing are adjusted to coincide with the payment of tax, so that any effect on the unit price is negligible.

### 3(9) Tax Provisions

On the disposal of any investment of a non-exempt internal linked fund, a provision is made in the pricing of that fund equal to the capital gains tax that would be charged/credited in respect of that disposal if that internal linked fund had constituted the whole of the Society's long term linked business.

The provision in respect of any unrealised gains on investments (except authorised unit trust holdings) of any non-exempt internal linked fund is as above but at a reduced tax rate to allow for a delay before the realisation of the assets.

The provision in respect of any unrealised losses on investments (except authorised unit trust holdings) of any non-exempt internal linked fund is calculated as above as if the assets were disposed of on the valuation date. The provision is reduced to allow for the expected period before the resultant tax credit can be offset against gains on other assets.

For some funds there is a further reduction to allow for the possibility of future gains never being sufficient to fully offset these losses. For these funds, in the event of gains arising in a year following significant losses, the provision for tax on the gains is reduced to recognise the earlier losses.

The provision in respect of any unrealised gains/losses on authorised unit trust holdings is calculated by reference to the future tax charge on the deemed disposal of the assets on the penultimate valuation date of the financial year, assuming no change to asset values during the interim period, allowing for the spreading of the tax charge according to the deemed disposal rules. The provision is reduced for any unrealised losses which are carried forward under the deemed disposal rules in a similar way to unrealised losses on other investments, as indicated in the previous paragraph.

An appropriate provision is also held in respect of past years' deemed disposals to cover the future tax liability thereon.

The table below shows the percentages of indexed gains held as provisions in the valuation of non-exempt internal linked funds during 2012.

<b>Realised Capital Gains</b>	
Authorised Unit Trust Holdings (deemed disposal on 31 December 2012)	
All Internal Funds	18.90% on gains
All Internal Funds	18.17% to 18.79% on losses, subject to restriction and discounting of any tax credits carried forward
UK Fixed Interest Stocks	20.00%

Other Assets	20.00% on gains less any tax credits brought forward 20.00% on losses, subject to restriction and discounting of any tax credits carried forward
--------------	---

<b>Unrealised Capital Gains</b>	
Authorised Unit Trust Holdings Gains up to 28 December 2012:	
All Internal Funds	17.44% to 18.64% on gains
All Internal Funds	15.72% to 19.35% on losses, subject to restriction and discounting of any tax credits carried forward
Authorised Unit Trust Holdings Gains after 28 December 2012:	
All Internal Funds	18.90% on gains
All Internal Funds	18.17% to 19.21% on losses, subject to restriction and discounting of any tax credits carried forward
UK Fixed Interest Stocks	20.00% on gains 20.00% on losses
Other Assets	18.00% on gains less any tax credits brought forward; 15.72% on losses, subject to restriction and discounting of any tax credits carried forward

Policies affected by the Society under German law are treated for tax purposes as belonging to an exempt internal linked fund.

For non-exempt externally invested funds, provisions for future tax liabilities on unrealised gains are currently held at the rate of 20% of taxable gains, discounted at an appropriate rate, to the date of payment. For most of these funds no credit is given where unrealised losses have occurred, unless these can be offset or carried back against other gains.

### **3(10) Allowances in respect of Holdings in Internal Linked Funds**

No allowances are received by the company in respect of purchases, sales or holdings of units in authorised unit trusts. Any double charging of management charges is eliminated, by crediting to the internal linked fund any such charges levied on the unit trusts, to the benefit of policyholders.

## **4. Valuation Methods and Bases**

## 4(1) Valuation Methods

### (a) General

A prospective method of valuation has been used for all classes of business, other than for a few minor classes on Forms 51, 52 or 53 where approximate methods have been adopted.

**With-profits business** has been valued using a gross premium method.

The future premiums valued in the calculation of the mathematical reserves for with-profits insurance contracts are no greater than the gross premiums payable by the policyholder in accordance with INSPRU 1.2.46R. INSPRU 1.2.38R is not applicable to the Society.

With the exception of a few minor classes, **non-profit business** has been valued using a gross premium method. For those minor classes the pure net premium was limited to 95% of the office premium less any policy fee.

### (b) Unit Liabilities for Property-Linked Contracts

The liability for units in internal linked funds is the value, at the valuation prices calculated at the date of this investigation, of:

- i the Initial Units credited under each policy multiplied by an endowment assurance factor relating to the age of the life assured and the unexpired term to the maturity date or, if earlier, the date at which the full nominal value of Initial Units is available to provide early retirement benefits; and
- ii the Accumulation Units credited under policies subject to the following adjustments:
  - (a) increased in the case of units credited in respect of regular premiums paid under Personal Investment Pension Plans by 2% to allow for the Maturity Bonuses potentially payable;
  - (b) increased in respect of regular premiums paid under Self Employed Plans, Directors Plans, Prospects and Flexible Mortgage Plans by the amount of the guaranteed addition to the unit value at the date of this investigation;
  - (c) reduced in the case of units credited in respect of single premiums paid under Investment Bonds (Series 1 and 2), Portfolio Bonds (Series 1 to 4) and Discounted Gift Bonds by 5% at policy inception, reducing in monthly steps to 0% at the end of 5 years;
  - (d) reduced in the case of units credited in respect of single premiums paid under Portfolio Bonds (Series 8, 9 and 10) by 14% at policy inception, reducing in monthly steps to 0% at the end of 7 years

Where units have been credited in respect of new business not yet completed at the date of this investigation, the liability is taken as the unit liability calculated as set out above except that the deduction described in ii (c) and ii (d) above is not applied.

### (c) Non-Unit Liabilities for Property-Linked Contracts

The non-unit liability in respect of property-linked contracts has been determined using a discounted cash flow projection with parameters as disclosed below in sections 4(2) – 4(12). The cash flows include an allowance for future unit allocations for loyalty bonus and guaranteed additions to unit value. For contracts where monthly deductions from unit funds are made for the expected cost of life assurance cover, the non-unit liability in respect of the mortality risk is the greater of an appropriate multiple of the monthly risk premium and the liability disclosed by the discounted cash flow projection.

For contracts with a guaranteed death benefit (namely Capital Investment Portfolio (Series 8 and 10), Investment Bond (Series 2) and Unit-Linked Guaranteed Term Assurance), unit values have been reduced to 75% of their values at the valuation date when calculating sterling reserves.

For contracts with a guaranteed investment return subject to policy conditions being met (namely the Moneybuilder (Investec) Fund and With Profits Bonds (Series 8 to 19)) an additional sterling reserve is held for the intrinsic and time value of the option.

For ex-Nationwide Life pensions business an approximate sterling reserve method has been used. The sterling reserve is assumed to be 20% of the unit reserve.

The non-unit liabilities for the Worksave Pension Trust (Relief at Source) (see section 2(1)) have been calculated using a similar method to that for other linked contracts. However, for these pension policies the non-unit liabilities have been calculated at a scheme level rather than for each individual member.

For Pensions OLAB business, an additional reserve is being held for the guaranteed annuity option.



#### **(d) Treatment of negative values and surrender values**

For certain term assurances and income protection products, negative liabilities were not eliminated, in accordance with INSPRU 1.2.24R. However, for all other contracts, negative values, where these occurred, were eliminated. In addition, for individual conventional policies the valuation liabilities were increased so as to ensure that those liabilities were not less than the current surrender values, exclusive of any allowance for future reversionary bonus or terminal bonus. For accumulating with-profits business, the valuation liabilities were increased so as to ensure that those liabilities were not less than the lower of the surrender value allowing for all discretionary adjustments that the policyholder might reasonably expect (i.e. interim bonus, final bonus and market value reductions) and the surrender value disregarding all discretionary adjustments.

#### **(e) Expense reserves**

For contracts valued using a gross premium method, or for contracts where premiums have ceased or where no future premiums are payable or where the method of valuation does not take credit for future premiums as an asset, provision for expenses was made having regard to current levels of expense and prudent assumptions as to future levels of expense inflation.

For those non-linked contracts valued using a net premium method for which future premiums are valued as an asset, an additional reserve is held if expenses are not covered by expected future emerging margins.

For property-linked contracts, where an explicit reserve for meeting likely future expenses has not been made, projections allowing for per policy expenses to increase at 3.5% p.a. were carried out and an additional reserve held as necessary. Although the Society has the right to vary the monthly management charge on the unit funds, the monthly charge in respect of life assurance cover and the monthly plan charge deducted from the unit funds, these projections were based on a continuation of such charges at current levels.

For pensions contracts where the policyholder has the option to make the contract paid-up, the provision for future expenses has been based on the maximum of:

- the reserve calculated assuming that regular premiums continue to be paid at the current level and,
- 50% of the reserve calculated assuming that regular premiums continued to be paid at the current level and 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

See section 4(6) for further details of expense assumptions by product code.

The total non-unit reserve consists of a sterling reserve for attributable expenses and a non-attributable expense reserve. Attributable expenses are defined as those that are directly related to a contract and include expenses which vary with the volume of business for a particular contract type. A per policy reserve is calculated. All other expenses are defined as non-attributable expenses and a separate reserve is calculated, at the homogeneous risk group level, taking into account the projected emerging surplus from policy cash flows.

#### **(f) Unit-Linked Charges**

Notwithstanding the Society's right to vary charges under linked contracts at its discretion, the reserves for future expenses under linked contracts have been calculated assuming that this discretion would not be exercised. This approach is deemed more than adequate to ensure that the valuation methodology is consistent with treating customers fairly.

#### **(g) Extra premiums**

For the reinsurance accepted on the US Term Business, where an extra premium is payable on account of health or other special risk under a temporary assurance policy, the claims valued are calculated as those claims had the normal office premium been payable multiplied by the ratio of the total premium to the normal premium.

For other business, where an extra premium is payable on account of health or other special risk under a temporary assurance policy or a non-linked critical illness policy by level premiums, the total liability

was calculated as that applying had the normal office premium been payable, multiplied by the ratio of the total premium payable to the normal office premium.

Where an extra premium is payable on account of health or other special risk under a conventional whole life, endowment, Build Up or Cashbuilder policy, the total liability was calculated as that applying had the normal office premium been payable, plus a multiple of the extra premium.

#### **(h) Waiver of premium benefit**

For waiver of premium benefits under Flexible Protection Plans, Flexible Mortgage Plans, Critical Illness, Unit-Linked Term Assurance Series 3, Self Employed Plans, Personal Pension Plans, and the Personal Investment Pension Plan contract, liabilities on the relevant prospective basis were calculated using approximate methods. These approximate methods were tested by comparing calculations made in respect of samples of the business concerned, and by comparing aggregate results of calculations for the business concerned with the results calculated directly in accordance with the stated valuation basis for similar classes of business.

The liability for the waiver provision under Permanent Health Insurance and Critical Illness Insurance (Series 1 and 2) is taken to be an appropriate multiple of the current rate of the monthly deduction for these benefits.

The liability for the waiver provision under certain other policies is taken as an appropriate proportion of the premium in respect of this option.

#### **(i) Recurrent single premiums**

Policies covering mortality and morbidity risks, including Group Critical Illness contracts, and costed by recurrent single risk premiums were valued by taking an appropriate percentage of the premium. The premiums reflect sickness rates in the insured population and there is an adequate margin in the valuation basis to cover additional risks up to the expiry of the guarantee period.

#### **(j) Accumulating with-profits business**

The liability in respect of accumulating with-profits contracts has been taken as the greater of the surrender value, calculated in accordance with INSPRU 1.2.70R and INSPRU 1.2.71R, and the discounted value of units accumulated to maturity or earlier death, allowing for any guaranteed rate of accumulation on benefits existing at the valuation date.

The non-unit liability in respect of accumulating with-profits fund benefits has been taken as the greater of the surrender value at the valuation date, inclusive of any discretionary additions but subject to a maximum of the face value of units, and the discounted value of units accumulated to maturity with any contractual interest or Contractual Minimum Addition. For this purpose the number of units is increased to allow for the contractual interest and Contractual Minimum Addition to be allocated on the 1 January immediately following the valuation date and the valuation price is taken to be 100p.

#### **(k) Specific Non Property-Linked Contracts**

##### **RPI-Linked Term Assurance and Whole of Life**

A small amount of term assurance business is RPI-linked where benefits increase at one times RPI and premiums increase at either one or one and a half times RPI. Some whole of life business is also RPI-linked where benefits increase at one times RPI and premiums increase at either one and a half or two times RPI.

##### **RPI-Linked Annuities**

Mathematical reserves have been calculated using an appropriate nominal discount rate, allowing for benefit increases at an assumed future inflation rate.

Under certain contracts the increase in the benefits is principally linked to the RPI but is additionally constrained by certain narrow ranges of maximum and minimum rates of increase. All these contracts have been treated as fixed contracts. For these contracts treated as fixed contracts, increases in annuity amount after the valuation date have been valued with the maximum rate of increase as defined in the contract, although at the first benefit increase date after the valuation date a combination of known RPI

at the valuation date and the maximum rate of increase will be used. These contracts are reported on Form 51.

### **CPI-Linked Annuities**

Mathematical reserves have been calculated using an appropriate nominal discount rate, allowing for benefit increases at an assumed future inflation rate. For CPI linked annuities assumed future increases are equal to the rate of increase in the assumed RPI less 0.4% p.a.

Under certain contracts the increase in the benefits is principally linked to the CPI but is additionally constrained by certain narrow ranges of maximum and minimum rates of increase. All these contracts have been treated as fixed contracts. For these contracts treated as fixed contracts, increases in annuity amount after the valuation date have been valued with the maximum rate of increase as defined in the contract, although at the first benefit increase date after the valuation date a combination of known CPI at the valuation date and the maximum rate of increase will be used. These contracts are reported on Form 51.

### **Deferred Annuities**

For these contracts the basis has been determined by reference to asset-liability matching models, and using a range of interest rates for reinvestment no greater than those specified in the regulations.

The Society has a small exposure to GMP benefits linked to earnings (so called Section 148 orders). Section 148 liabilities generally occur in respect of GMP benefits accrued pre-1997 to pension scheme leavers post-1997 where the benefit is revalued from date of leaving service to State Pension Date in line with national average earnings. An assumption regarding the rate of earnings growth in excess of inflation is therefore required. This assumption has been set with reference to the historically observed excess of earnings inflation over RPI.

### **Group Deferred Annuities**

Where the Trustees of a pension scheme are committed to secure members' benefits by means of a group deferred annuity contract, either as a result of the discontinuance of a group accumulating with-profits contract or as the result of the acceptance of a quotation for new business, but where full data is not available at the valuation date (for example because the apportionment and allocation of benefits has not been finalised) the liability has been ascertained using estimates of the benefits to be secured. Such estimates are calculated with reference to the premiums received, and claims paid on such schemes, and the liabilities in respect of comparable policies where full data is available.

### **Deferred Retirements**

For deferred retirements, the liability was calculated by reference to the accrued benefits and was at least sufficient to provide the benefits which would have arisen, had retirement taken place at the valuation date.

### **1980 Bonus System**

Under 1980 Bonus System contracts, the guaranteed sum assured was taken to be the nominal cash amount accrued at the valuation date. These contracts were valued by taking the greater of the discounted value of these sums assured accumulated with any contractual interest to the expiry of the guarantee period, and the value of the discontinuance options available. For those contracts where discontinuance had previously been selected the outstanding benefits were valued and additional reserves were held for capital and interest guarantees associated with the outstanding payments yet to be made. Group deferred annuities (1980 Bonus System) were valued in a corresponding manner. No explicit provision was made for future investment performance guarantees in respect of benefits to be secured by future premiums, as such guarantees will vary with investment conditions in the year of payment of those premiums.

### **High Performance Pension Plan and Money Purchase Plan**

For High Performance Pension and Money Purchase Plan contracts, the basic liability was taken as the discounted value of the nominal cash amount accrued to the valuation date accumulated to the maturity date with any contractual interest, together with the value of any contractual guarantees on premiums expected to be received in the future. An additional provision for capital and other guarantees was made.

### **Buy-Out Plan**

For Buy-Out Plan the liability for each contract was taken as the present value of the nominal cash amount accrued at death or maturity with due allowance for any contractual interest, contractual minimum addition and the cost of providing for any underlying guaranteed minimum pension and guaranteed annuity benefits.

### **Private Income Plan**

Private Income Plan policies were valued by discounting the maturity benefits secured by premiums payable prior to the valuation date, increased to allow for annuity option guarantees. Where necessary explicit provision was made for future investment performance guarantees in respect of benefits to be secured by future premiums.

### **Personal Retirement Plan**

The liabilities under Personal Retirement Plan policies were obtained by deducting from the present value of the retirement benefits secured by premiums payable up to the renewal date next following the valuation date, the present value of 85% of the premiums payable up to the next renewal date, allowing for prudent rates of early retirement and transfer, with additional provision, where appropriate, for waiver of premium guarantees. The discontinuance rates were set with reference to actual recent experience.

On retirement, benefits are expressed in terms of an annuity plus three times this amount as tax-free cash. The annuity benefits may be converted to a lump sum on guaranteed terms and, in calculating the liabilities, the most onerous course of action is assumed. A proportion of the tax-free cash may be used to purchase additional annuity benefits on terms applicable at the time of retirement. In calculating the liabilities, it is assumed that 20% of tax-free cash will be used to purchase additional annuity benefits, increasing to 100% over 20 years.

### **Group Risk (Life Assurance, Widows' & Orphans' Pensions and Permanent Health Insurance)**

For Group Risk business, the liabilities for benefits not yet in payment were valued prospectively up to the expiry date of the rate guarantee using a gross premium method of valuation. Claims in payment were valued separately.

### **Mortgage Payment Insurance**

For Mortgage Payment Insurance the liability is the greater of the reserve calculated assuming that benefits either remain at their current level, or increase to those payable at the maximum permitted mortgage interest rate. In both cases the future premiums assumed payable after any contractual reviews are consistent with the assumed rate of benefit.

### **Segregated Fund Policies**

No financial benefits exist and expenses have ceased to be charged to the fund. No liability has therefore been held.

### **Income Protection Benefit Online**

Income Protection Benefit policies sold after 31 December 2009 are now valued using a discounted cash flow projection. At 31 December 2011, they were valued by taking an appropriate multiple of the annual premium.

### **(I) Specific Property-Linked Contracts**

#### **Capital Preservation Plan**

The liability for units in internal linked funds in respect of the Pure Endowment policies is the value, as a pure endowment at age 105, of the units credited under the policies at the date of the investigation. The liability for Term Assurance policies is the value, as a term assurance to age 105, of the units credited under the corresponding Pure Endowment policies at the date of the investigation. In each case, the valuation prices calculated at the date of this investigation were used. No account was taken of the withdrawal option; this option has the effect of increasing the liability under each Pure

Endowment policy and reducing the liability under the corresponding Term Assurance policy by equal amounts.

The non-unit liabilities in respect of Building Society Fund benefits are calculated in a similar manner. For this purpose, the valuation price of the units is taken as the published bid price calculated at the date of this investigation.

The sum of the unit and non-unit liabilities for each pair of policies is equal to the full value of units credited under the Pure Endowment policy plus any additional reserve for future expenses.

### Critical Illness

The liability for the critical illness benefit under Critical Illness Insurance (Series 3 and 4) is taken to be an appropriate multiple of the current rate of the monthly deduction for this benefit.

### 4(2) Interest Rates

Valuation rates of interest for each product code are given in the table below. Some product codes contain minor lines of business with different bases to those shown below. Such bases have not been declared on grounds of immateriality.

For accumulating with-profits (UWP) and property-linked contracts the interest rate shown is the rate used in the calculation of the unit liability; the interest rates used for the calculation of non-unit liabilities are shown at the end of this section.

Product Code	Product Type	31.12.2012	31.12.2011
		%	%
100	WP conventional whole life	1.50	2.25
120	Cashbuilder	1.50	2.25
120	Other WP savings endowments	1.50	2.25
125	Build Up	1.50	2.25
165	Personal Retirement Plan	2.75/2.75 <sup>(3)</sup>	3.75/3.75 <sup>(3)</sup>
200	WP Annuity	1.75	2.75
300	NP regular premium endowments and whole life	2.00	2.25
300	Universal Life - US business - Adams II Banner	2.25	n/a
300	Universal Life - US business - Adams II Penn	2.25	n/a
315	WP Non Participating Buy-Out Plan	1.75/1.75 <sup>(3)</sup>	2.75/2.75 <sup>(3)</sup>
315	WP Non Participating Private Income Plan	1.75	2.75
320	WP Non Participating 1980 Bonus System – Group	1.75	2.75
325	Pension Term Assurance	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
325	Term Assurance	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
325	Level Term Assurance - US Term business Washington & Adams I Banner	1.25	1.75
325	Level Term Assurance - US Term business Washington & Adams I Penn	2.25	1.75
325	Level Term Assurance - US Term business Adams III Banner	2.25	n/a
325	Level Term Assurance - US Term business Adams III Penn	2.25	n/a
325	Level Term Assurance - US Term business Adams IV Banner	2.25	n/a
330	Decreasing Term Assurance	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
330	Pension Decreasing Term Assurance	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
330	Family Income Benefit	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
340	Accelerated Critical Illness - guaranteed premiums	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
345	Accelerated Critical Illness - reviewable premiums	2.00/6.60 <sup>(4)</sup>	2.25/6.60 <sup>(4)</sup>
350	Stand-alone Critical Illness - guaranteed premiums	2.50	2.75
355	Stand-alone Critical Illness - reviewable premiums	2.50	2.75
360	Permanent Health Insurance - Individual - Non-Linked	2.50	2.75
365	Permanent Health Insurance - Individual - Linked	2.50	2.75
385	PHI Claims in Payment - Individual - Non-Linked	2.50	2.75

Product	Product Type	31.12.2012	31.12.2011
Code		%	%
385	PHI Claims in Payment - Individual - Linked	2.50	2.75
390	Non Profit Deferred Annuities - Group - Bulk Purchase	3.750	4.601
390	Non Profit Deferred Annuities - Group - Other	3.750	4.601
390	WP Non Participating Deferred Annuities - Group	3.22	4.35
390	Non Profit Deferred Retirements	3.750	4.601
390	WP Non Participating Deferred Retirements	3.22	4.35
395	Non Profit Post-1991 Annuities - Group	1.00	1.75
395	Non Profit Pre-1992 Annuities - Group	2.00	2.75
395	WP Non Participating Post-1991 Annuities - Group	1.58	3.35
395	WP Non Participating Pre-1992 Annuities - Group	2.58	4.35
400	Personal Retirement Plan Annuities	3.22	4.35
400	Other WP Non Participating Annuities	3.22	4.35
400	Non Profit Annuities - Individual - Compulsory Purchase	3.750	4.601
400	Non Profit Annuities - Group - Bulk Purchase	3.750	4.601
400	Other Non Profit Annuities	3.750	4.601
400	Non Profit Annuities - Group - Bulk Purchase - Longevity	3.750	4.601
405	Non Profit Annuities - Impaired Life	3.750	4.601
405	Non Profit Annuities - Enhanced & Lifestyle Life	3.750	4.601
410	Group Life Assurance - Unapproved	2.00	2.25
410	Group Life Assurance - Approved	2.00	2.25
420	Permanent Health Insurance - Group	2.50	2.75
425	Permanent Health Insurance - Group - Claims in Payment	2.50	2.75
435	Widows' and Orphans' Pensions - Group - Approved	2.00	2.25
500	Capital Investment Portfolio	2.00	2.25
500	With-Profit Bond	1.50	2.25
505	Flexible Protection Plan	2.00	2.25
505	Prospects	1.50	2.25
510	Regular Savings Plan, New Savings Plan	2.00	2.25
515	Flexible Mortgage Plan	2.00	2.25
525	Individual UWP pensions - Accumulation units	1.75	2.75
525	Individual UWP pensions - Initial units	1.00 - 1.25 <sup>(1)</sup>	2.00 - 2.25 <sup>(1)</sup>
535	Individual UWP pensions - Accumulation units	1.75	2.75
535	Individual UWP pensions - Initial units	1.00 - 1.25 <sup>(1)</sup>	2.00 - 2.25 <sup>(1)</sup>
545	Buy-Out Plan	1.75 / 1.75 <sup>(3)</sup>	2.75 / 2.75 <sup>(3)</sup>
545	Private Income Plan - Individual	1.75	2.75
555	Money Purchase Plan	1.75	2.75
555	High Performance Pension Plan	1.75	2.75
555	Private Income Plan - Group	1.75	2.75
555	1980 Bonus System - Group	1.75	2.75
571	Trustee Investment Plan	1.75	2.75
700	Portfolio Bond, Investment Bond	- <sup>(2)</sup>	- <sup>(2)</sup>
700	Other Life Property-Linked Single Premium	-	-
710	Life Property-Linked Whole of Life Regular Premium	-	-
710	Other Life Property-Linked Whole of Life Regular Premium	-	-
715	Life Property-Linked Endowment Regular Premium - savings	-	-
720	Life Property-Linked Endowment Regular Premium - cash	-	-
725	Overseas Pensions	-	-
725	Individual Property-Linked pensions - Accumulation units	-	-
725	Individual Property-Linked pensions - Generation 2 initial units	3.75	3.75 <sup>(5)</sup>
725	Individual Property-Linked pensions - Generation 5 initial units	3.25	3.25 <sup>(5)</sup>

Product Code	Product Type	31.12.2012	31.12.2011
		%	%
725	Individual Property-Linked pensions - Generation 6 initial units	4.00	4.00 <sup>(5)</sup>
735	Group Property-Linked pensions - Accumulation units	-	-
735	Group Property-Linked pensions - Generation 2 initial units	3.75	3.75 <sup>(5)</sup>
735	Group Property-Linked pensions - Generation 5 initial units	3.25	3.25 <sup>(5)</sup>
735	Group Property-Linked pensions - Generation 6 initial units	4.00	4.00 <sup>(5)</sup>
750	Income Drawdown - Property Linked - Accumulation units	-	-
755	Trustee Investment Plan	-	-
795	Unit-Linked Term Assurance	-	-
901	PHI Claims in payment - RPI Linked	-0.50	-0.40
902	PHI Claims in payment - Group - RPI Linked	-0.50	-0.40
905	Index Linked Annuities in payment - Pensions	0.75	0.868
905	Index Linked Annuities in payment - Non Pensions	-0.50	-0.40
905	Index Linked Annuities in payment - Group - CPI Linked - Bulk Purchase - Longevity	0.75	0.868
905	Index Linked Annuities in payment - Group - CPI Linked - Bulk Purchase	0.75	0.868
905	Index Linked Contingent Annuities - Group - CPI Linked - Bulk Purchase	0.75	0.868
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	0.75	0.868
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	0.75	0.868

- (1) Generation 2 units 1.00% (2.00% at 31.12.2011)  
 Generation 5 units 1986 - 1991 1.25% (2.25% at 31.12.2011)  
 Generation 5 units 1992 + 1.00% (2.00% at 31.12.2011)  
 Generation 6 units 1990 - 1994 1.00% (2.00% at 31.12.2011)  
 Generation 6 units 1995 + 1.25% (2.25% at 31.12.2011)
- (2) Accumulation units that are credited in respect of single premiums paid under Investment Bonds (Series 1 and 2), Portfolio Bonds (Series 1 to 4) and Discounted Gift Bonds are actuarially funded for the first 5 policy years. The units are reduced by 5% at policy inception, reducing in monthly steps to 0% at the end of 5 years.  
 Accumulation units that are credited in respect of single premiums paid under Portfolio Bonds (Series 8 and 10) are actuarially funded for the first 7 policy years. The units are reduced by 14% at policy inception, reducing in monthly steps to 0% at the end of 7 years.  
 There is no actuarial funding for the Select Portfolio Bonds.
- (3) First rate is in-deferment, second rate is in-possession.
- (4) First rate is used if the product group is treated as a liability, second rate if the product group is treated as an asset.
- (5) Amendment to the interest rate as published in the 31 December 2011 Return.

For unit-linked contracts, the rates at which future cash flows are discounted when calculating sterling reserves are:

	Non-Profit		With-Profits	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Life	2.00%	2.25%	1.50%	2.25%
Pensions	2.00%	2.25%	1.75%	2.75%
Overseas	2.00%	2.25%	n/a	n/a

#### 4(3) Yield Risk Adjustments

Using historic published information for corporate debt defaults by original credit rating and outstanding term to maturity, nominal weighted average long term allowances for default are calculated. These allowances are then applied as a deduction from the yields on the company's fixed

and variable interest portfolios. The default allowances allow for the possible recovery (or partial recovery) of capital in the event of a default. The recovery rate is based on the security level of the underlying assets.

The default assumption for approved securities is based on the Moody's default assumption for the appropriate credit rating and a 50% recovery rate. A single weighted assumption is then calculated based on the mix of assets. Where different assumptions have been made depending upon the mix of assets in the Society or its intra-group reinsurer Legal & General Pensions Ltd (LGPL), the deductions have been denoted (a) and (b) respectively.

Type of security	Yield Deduction		Yield deduction	
	31.12.12		31.12.11	
	(a)	(b)	(a)	(b)
Approved fixed and variable	3 bps p.a	5 bps p.a	3 bps p.a	3 bps p.a
Unapproved fixed and variable:	35 bps p.a	40 bps p.a	35 bps p.a	40 bps p.a

The table below shows an indicative breakdown by credit rating for nominal weighted average unapproved fixed and variable corporate bonds:

#### Adjustments by credit rating

Credit rating	Yield Deduction		Yield Deduction	
	31.12.12		31.12.11	
	(a)	(b)	(a)	(b)
AAA	4 bps p.a	5 bps p.a	4 bps p.a	6 bps p.a
AA	10 bps p.a	12 bps p.a	9 bps p.a	12 bps p.a
A	25 bps p.a	28 bps p.a	25 bps p.a	31 bps p.a
BBB	50 bps p.a	58 bps p.a	59 bps p.a	68 bps p.a
Lower rated (BB to CCC)	199 bps p.a	261 bps p.a	206 bps p.a	312 bps p.a
Unrated	33 bps p.a	40 bps p.a	36 bps p.a	48 bps p.a
Other		26 bps p.a.		18 bps p.a.

Other includes RPI linked bonds (approved and unapproved), CDOs and floating rate notes.

Given the protracted impact of current economic uncertainty in the credit markets, an additional allowance for an increase in defaults above historical averages has been included in the liabilities. For annuity business an additional reserve of £501m (£546m at 31 December 2011) gross of reinsurance (£31m (£33m at 31 December 2011) net of reinsurance) has been held. For annuity business reassured to LGPL the total allowance for default is equivalent to approximately 60bps p.a. over the lifetime of the credit assets held (61bps p.a. as at 31 December 2011). For participating business the allowance has been made by a further reduction in the risk adjusted yield of 35bps p.a. to 70bps p.a. in total (unchanged from 31 December 2011).

Dividend yields have been reduced by 3.75% of the yield to reflect uncertainty over future dividends (unchanged from 31 December 2011).

Land investments were segmented by category of tenant, and default rates were applied according to the status of the tenant to arrive at an overall risk adjustment of 2% of the available yield (6.75% at 31 December 2011).

For property sale and leaseback assets, when calculating the yield on the property, prudent deductions from income have been made in accordance with the credit rating of the tenant, in line with Legal & General's standard default probabilities. Furthermore a prudent residual value upon default of the tenant is assumed by taking the current vacant possession value less depreciation costs with no allowance for future property price inflation.

For other assets judgement was used in setting risk adjustments according to the category of asset and security of income.

#### 4(4) Mortality and Morbidity Bases.

Valuation rates of mortality and morbidity for each product code are given in the table below. Some



product codes contain minor lines of business with different bases to those shown below. Such bases have not been declared on grounds of immateriality. In addition, some product codes contain an immaterial amount of business and have also been excluded from the table below.

The table refers to mortality and morbidity codes rather than bases. A description of the basis for each of the codes is given after the table at both the current and previous investigation dates.

Where two bases are given, the first applies to the period in-deferment and the second to the period in-possession.

For policies using basis A or basis P at 31 December 2012, an additional allowance for scheme specific mortality has been applied where deemed appropriate.

<b>Product Code</b>	<b>Product Type</b>	<b>31.12.2012</b>	<b>31.12.2011</b>
100	WP conventional whole life	Nn	Nn
120	Cashbuilder	K	K
120	Other WP savings endowments	K	K
125	Build Up	K	K
165	Personal Retirement Plan	H/D	H/D
200	WP Annuity	C	C
300	Whole of Life Protection Plan	Ff	Ff
300	Universal Life - US business	Qq	-
300	NP regular premium endowments and other whole life	R	R
315	WP Non Participating Buy-Out Plan	Q/B	Q/B
320	WP Non Participating 1980 Bonus System - Group	-	-
325	Pension Term Assurance	I	I
325	Term Assurance	J	J
325	Overseas Term Assurance	Ll	Ll
325	Term Assurance - US	Qq	Qq
330	Decreasing Term Assurance	J	J
340	Accelerated Critical Illness - guaranteed premiums	T	T
345	Accelerated Critical Illness - reviewable premiums	T	T
350	Stand-alone Critical Illness - guaranteed premiums	U	U
355	Stand-alone Critical Illness - reviewable premiums	U	U
360	Income Protection Benefit	W/li	W/li
360	Other Permanent Health Insurance - Individual - Non-Linked	W/Gg	W/Gg
365	Mortgage Payment Insurance	W/Hh	W/Hh
365	Other Permanent Health Insurance - Individual - Linked	X/Jj	X/Jj
385	Claims in Payment - Individual - Non-Linked	M	M
385	Claims in Payment - Individual - Linked	L	L
390	Non Profit Deferred Annuities - Group - Bulk Purchase	P/A	P/A
390	Non Profit Deferred Annuities - Group - Other	P/B	P/B
390	WP Non Participating Deferred Annuities - Group	P/B	P/B
390	Non Profit Deferred Retirements - Group - Bulk Purchase	A	A
390	Non Profit Deferred Retirements - Other	B	B
390	WP Non Participating Deferred Retirements	B	B
395	Non Profit Annuities (PLA)	B	B
395	WP Non Participating Annuities (PLA)	B	B
400	Personal Retirement Plan Annuities	D	D
400	Other WP Non Participating Annuities	B	B
400	Non Profit Annuities - Individual - Compulsory Purchase	C	C
400	Non Profit Annuities - Group - Bulk Purchase	A	A
400	Other Non Profit Annuities	B	B
405	Non Profit Annuities - Lifestyle Life	Rr	Rr
405	Non Profit Annuities - Enhanced Life	Tt	Tt
410	Group Life Assurance	Mm	Mm

Product Code	Product Type	31.12.2012	31.12.2011
420	Permanent Health Insurance - Group	Mm	Mm
425	Permanent Health Insurance - Group - Claims in Payment	N	N
435	Widows' and Orphans' Pensions - Group	Mm	Mm
500	Capital Investment Portfolio	Pp	Pp
500	With-Profit Bond	Y	Y
505	Flexible Protection Plan	Bb	Bb
505	Prospects	Z	Z
510	Regular Savings Plan, New Savings Plan	Z	Z
515	Flexible Mortgage Plan	Aa	Aa
525	Individual UWP pensions	F	F
535	Group Money Purchase Pensions UWP	F	F
545	Buy-Out Plan	Q/B	Q/B
545	Private Income Plan - Individual	G	G
555	Money Purchase Plan	-	-
555	High Performance Pension Plan	-	-
555	Private Income Plan - Group	G	G
555	1980 Bonus System - Group	-	-
571	Trustee Investment Plan UWP	F	F
700	With Profit Bond	Y	Y
700	Capital Investment Portfolio and Capital Preservation Plan	Pp	Pp
700	Investment Bond and Portfolio Bond	Oo	Oo
710	Flexible Protection Plan	Bb	Bb
710	Prospects	Z	Z
710	Property-Linked Permanent Health Insurance	X	X
710	Property-Linked Critical Illness	Dd	Dd
710	Other Life Property-Linked Whole of Life Regular Premium	I	I
715	Regular Savings Plan, New Savings Plan	Z	Z
715	Capital Accumulation Plan	Z	Z
720	Flexible Mortgage Plan	Aa	Aa
725	Overseas Pensions	Kk	Kk
725	Other Individual Property-Linked pensions	F	F
735	Group Property-Linked pensions	F	F
750	Income Drawdown - Property-Linked	F	F
755	Trustee Investment Plan	F	F
795	Unit-Linked Term Assurance (Series 1 and 2)	Cc	Cc
795	Unit-Linked Term Assurance (Series 3)	Aa	Aa
901	PHI Claims in payment - RPI-Linked - Individual	L	L
902	PHI Claims in payment - RPI-Linked - Group	N	N
905	Annuities - Individual - RPI-linked - Personal Retirement Plan	D	D
905	Annuities - Individual - RPI-linked - Compulsory Purchase	C	C
905	Annuities - Individual - RPI-linked - Other	B	B
905	Annuities - Group - RPI-linked - Bulk Purchase	A	A
905	Annuities - Group - RPI-linked - Other	B	B
905	Annuities - Group - CPI-linked - Bulk Purchase	A	A
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	P/A	P/A
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	P/A	P/A

#### Code Letters used for the 2012 Mortality / Morbidity Basis

- A** 85.3% of PCMA00 for males and 89.5% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement

commencing 1.1.2009 as per CMIB's mortality improvement model (CMI 2011) with the following parameters:

Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;

Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.

Future improvements are generally assumed to converge to the long term rate in 2026.

- B** 79.0% of PCMA00 for males and 86.2% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2009 as per CMIB's mortality improvement model (CMI 2011) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- C** 67.4% of PCMA00 for males and 73.5% of PCFA00 for females (with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females) for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2009 as per CMIB's mortality improvement model (CMI 2011) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- D** 75.0% of PCMA00 for males and 68.7% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2009 as per CMIB's mortality improvement model (CMI 2011) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** A1967-70 Ultimate with no age adjustment
- J** If a life has no terminal illness cover and:  
(i) has been coded as a smoker 83% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
(ii) has been coded as a non-smoker 89% TMN00 or TFN00 Select 5 for males and females respectively is applied;  
(iii) is un-coded 96% TM00 or TF00 Select 5 for males and females respectively is applied.
- If a life has terminal illness cover and:  
(i) has been coded as a smoker TMS00 or TFS00 Select 5 for males and females respectively is applied;  
(ii) has been coded as a non-smoker TMN00 or TFN00 Select 5 for males and females respectively is applied.  
The percentage of table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	86%	89%
1	91%	101%
2	108%	114%

3	88%	88%
4	107%	86%
5+	86%	85%

- K** 125% of AM92 or AF92 Ultimate for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- L** 30% CMI Report No. 12 termination rates.
- M** A1967-70 Ultimate rated up 5 years.
- N** 63% CMI Report No. 12 termination rates.
- P** 83.5% of modified PCMA00 and PNMA00 for males and 88.6% of PCFA00 and PNFA00 for females in deferment.
- Q** 49% of A1967 / 70 Ultimate rated down 3 years for males and 48% of A1967 / 70 Ultimate rated down 6 years for females in deferment.
- R** A1967-70 Ultimate rated down 2 years. In joint life cases the second life is assumed to be 3 years younger than the first life.
- T** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and including death decrements. The percentage of the table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	85%	60%
1	85%	66%
2+	102%	67%

Rates are assumed to deteriorate (increase) from a base year of 2010 at 0.5% p.a. for males and 0.75% p.a. for females. For guaranteed contracts, the rates are assumed to deteriorate by a further 1% p.a. for policy durations of 6 years and above.

- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 114% of the table is applied; if a life has been coded as a non-smoker 77% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2010 at 1% p.a. for males and 1.75% p.a. for females.
- W** 40% AM80 select 5.
- X** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker a loading of 75% is used; if a life has been coded as a non-smoker a loading of 30% is used.
- Y** 110% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 50% of AM92 or AF92 Ultimate for males and females respectively.
- Aa** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 145% of this table is used; if a life has been coded as a non-smoker 75% of this table is used; if a life is un-coded 115% of this table is used. If the contract provides additional critical illness benefits an additional loading of 250% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 205% of this table is used; if a life has been coded as a non-smoker 90% of this table is used; if a life is un-coded 75% of this table is used. If the contract provides additional critical illness benefits an additional loading of 225% is applied.
- Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 220% of this table is used; if a life has been coded as a non-smoker 125% of this table is used.

**Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 510% of this table is used; if a life has been coded as a non-smoker 275% of this table is used.

**Ff** If a life has been coded as a smoker, TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, TMN00 or TFN00 Select 5 for males and females respectively is applied. The percentage of table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	86%	89%
1	91%	101%
2	108%	114%
3	88%	88%
4	107%	86%
5+	86%	85%

**Gg** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception:  $x\%$  of CMIR12 Method B (select 5) rates, where  $x=a.b.c.d.100$  and  
 $a=1+$ loading to standard premium rates (e.g. for occupation, female, medical)  
 $b=0.8$   
 $c=1.7$  if the deferred period is 26 weeks, 1 for all other deferred periods  
 $d=1$  for occupation classes I and II, 2.4 for occupation classes III, IV and uncoded  
 Termination: 35% of CMIR12 rates

**Hh** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception:  $x\%$  CMIR 12 Method B (select 5) where  $x = a.b.c.d.100$  and

$a = 0.8$  loading if the deferred period is 0-4 weeks  
 $0.9$  loading if the deferred period is 5-8 weeks  
 $1.0$  loading if the deferred period is 9-13 weeks  
 $1.4$  loading if the deferred period is 14-26 weeks  
 $1.6$  loading if the deferred period is 27-52 weeks

$b = 1.0$  loading for Males  
 $1.5$  loading for Females

$c = 1.0$  loading for occupation class I  
 $1.5$  loading for occupation class II  
 $1.8$  loading for occupation class III  
 $2.8$  loading for occupation class IV

$d = 1.2$  loading for Smokers  
 $0.9$  loading for Non Smokers

Termination: 35% of CMIR12 rates

**Ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception: 40% of  $x\%$  of CMIR 12 Method B (select 5) where  $x = a.b.c.d.100$  and

$a = 1.0$  loading if the deferred period is 4 weeks  
 $1.03$  loading if the deferred period is 13 weeks  
 $1.95$  loading if the deferred period is 26 weeks  
 $3.52$  loading if the deferred period is 52 weeks

$b = 1.0$  loading for Males  
 $1.75$  loading for Females

$c = 1.0$  loading for occupation class I  
 $1.5$  loading for occupation class II  
 $1.4$  loading for occupation class III

1.85 loading for occupation class IV

d = 1.37 loading for Smokers

1.0 loading for Non Smokers

Terminations: x% CMIR 12 (SM75-78 graduations), with x varying by claim duration and deferred period as follows:

Claim Duration (Months)	Deferred Period (weeks)			
	4	13	26	52
1-2	30%			
3	43%			
4	63%	31%		
5-6	52%	30%		
7	50%	47%	46%	
8-9	59%	56%	36%	
10-12	79%	81%	77%	
13-24	71%	83%	77%	60%
25-60	68%	77%	54%	56%
61-132	68%	63%	49%	57%
133+	51%	45%	67%	42%

- Jj** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.100 and a=0.40  
 b=1.0 if the deferred period is 4 weeks, 1.5 if the deferred period is 13 weeks, 4.0 if the deferred period is 26 weeks and 5.3 if the deferred period is 52 weeks.  
 c=1 for occupation class I, 1.5 for occupation class II, 2.7 for occupation class III and 4.5 for occupation class IV.  
 d=0.9 for non-smokers, 1.2 for smokers  
 e=1 for males, 3 for females  
 Termination: 35% of CMIR12 rates
- Kk** 40% Sterbetafel DAV 1994, Germany, for males and females.
- Ll** Sterbetafel DAV 1994, Germany, for males and females. If a life has been coded as a smoker 65% of this table is used; if a life has been coded as a non-smoker 35% of this table is used; if a life is coded as a preferred life 28% of this table is used.
- Mm** Group Life, Group PHI and Group Widows and Orphans Pension business is valued using a claims ratio approach rather than an explicit mortality/morbidity table and assumption. The long term claims ratio assumption is set in line with the long term target profitability of the business, with an additional margin for prudence. However, claims ratios are actively monitored to ensure that observed claims ratios are within the required range to maintain this profitability target, and the long term assumption used in the valuation is compared against experience to assess credibility.
- Nn** 125% of AM92 or AF92 Ultimate rated down 2 years for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- Oo** 100% of AM92 or AF92 Ultimate for males and females respectively.
- Pp** 70% of AM92 or AF92 Ultimate for males and females respectively.
- Qq** Mortality rates are based upon percentages of the Society of Actuaries (“SOA”) 1985-90 experience tables, with percentages varying by policy issuance date, age, sex and underwriting type. The percentages vary from 28.91% to 70.03% for males and 33.09% to 73.20% for females.

The aggregate male and female tables are split into smoker and non-smoker status by applying a range of factors depending on age. For males the factors vary between 0.80 and 1.00 for non-

smokers and between 1.00 and 2.13 for smokers. For females the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.07 for smokers.

Further adjustment factors are applied to change the slope of SOA 1985-90 table by duration and to adjust for different risk factors based on Sum Assured, policy year and term. Adjustments are also made to reflect differences in mortality for substandard policies.

An additional mortality adjustment is used to increase the slope of mortality at older ages. The adjustment consists of a multiplier that increases each year depending on sex, band and class.

- Rr** 74.9% of PCMA00 for males and 81.6% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2009 as per CMIB's mortality improvement model (CMI 2011) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- Tt** 104.8% of PCMA00 for males and 114.3% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2009 as per CMIB's mortality improvement model (CMI 2011) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.

#### **Code Letters used for the 2011 Mortality / Morbidity Basis**

- A** 84.3% of PCMA00 for males and 90.4% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- B** 81.5% of PCMA00 for males and 87% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- C** 69.5% of PCMA00 for males and 74.2% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- D** 76.2% of PCMA00 for males and 62.2% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.

**I** A1967-70 Ultimate with no age adjustment

**J** If a life has no terminal illness cover and:

- (i) has been coded as a smoker 78% TMS00 or TFS00 Select 5 for males and females respectively is applied;
- (ii) has been coded as a non-smoker 90% TMN00 or TFN00 Select 5 for males and females respectively is applied;
- (iii) is un-coded 83% TM00 or TF00 Select 5 for males and females respectively is applied.

If a life has terminal illness cover and:

- (i) has been coded as a smoker TMS00 or TFS00 Select 5 for males and females respectively is applied;
- (ii) has been coded as a non-smoker TMN00 or TFN00 Select 5 for males and females respectively is applied.

The percentage of table applied varies by duration and smoker status as follows:

<b>Duration (yrs)</b>	<b>Smoker</b>	<b>Non-Smoker</b>
0	96%	85%
1	96%	108%
2	95%	115%
3	100%	100%
4	112%	86%
5+	90%	86%

**K** 125% of AM92 or AF92 Ultimate for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.

**L** 30% CMI Report No. 12 termination rates.

**M** A1967-70 Ultimate rated up 5 years.

**N** 61.5% CMI Report No. 12 termination rates.

**P** 82.5% of modified PCMA00 and PNMA00 for males and 89.4% of PCFA00 and PNFA00 for females in deferment.

**Q** 51.45% of A1967 / 70 Ultimate rated down 3 years for males and 49.49% of A1967 / 70 Ultimate rated down 6 years for females in deferment.

**R** A1967-70 Ultimate rated down 2 years. In joint life cases the second life is assumed to be 3 years younger than the first life.

**T** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and including death decrements. The percentage of the table applied varies by duration and smoker status as follows:

<b>Duration (yrs)</b>	<b>Smoker</b>	<b>Non-Smoker</b>
0	91%	57%
1	94%	63%
2+	101%	67%

Rates are assumed to deteriorate (increase) from a base year of 2009 at 0.5% p.a. for males and 0.75% p.a. for females. For guaranteed contracts, the rates are assumed to deteriorate by a further 1% p.a. for policy durations of 6 years and above.

**U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 114% of the table is applied; if a life has been coded as a non-smoker 77% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2009 at 1% p.a. for males and 1.75% p.a. for females.

**W** 40% AM80 select 5.



- X** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker a loading of 75% is used; if a life has been coded as a non-smoker a loading of 30% is used.
- Y** 110% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 50% of AM92 or AF92 Ultimate for males and females respectively.
- Aa** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 160% of this table is used; if a life has been coded as a non-smoker 85% of this table is used; if a life is un-coded 115% of this table is used. If the contract provides additional critical illness benefits an additional loading of 250% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 185% of this table is used; if a life has been coded as a non-smoker 85% of this table is used; if a life is un-coded 95% of this table is used. If the contract provides additional critical illness benefits an additional loading of 225% is applied.
- Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 220% of this table is used; if a life has been coded as a non-smoker 125% of this table is used.
- Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 510% of this table is used; if a life has been coded as a non-smoker 275% of this table is used.
- Ff** If a life has been coded as a smoker, TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, TMN00 or TFN00 Select 5 for males and females respectively is applied. The percentage of table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	96%	85%
1	96%	108%
2	95%	115%
3	100%	100%
4	112%	86%
5+	90%	86%

- Gg** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception:  $x\%$  of CMIR12 Method B (select 5) rates, where  $x=a.b.c.d.100$  and  
 $a=1$ +loading to standard premium rates (e.g. for occupation, female, medical)  
 $b=0.8$   
 $c=1.7$  if the deferred period is 26 weeks, 1 for all other deferred periods  
 $d=1$  for occupation classes I and II, 2.4 for occupation classes III, IV and uncoded  
 Termination: 35% of CMIR12 rates

- Hh** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
Inception: x% CMIR 12 Method B (select 5) where x = a.b.c.d.100 and
- a = 0.8 loading if the deferred period is 0-4 weeks
  - 0.9 loading if the deferred period is 5-8 weeks
  - 1.0 loading if the deferred period is 9-13 weeks
  - 1.4 loading if the deferred period is 14-26 weeks
  - 1.6 loading if the deferred period is 27-52 weeks
- b = 1.0 loading for Males
  - 1.5 loading for Females
- c = 1.0 loading for occupation class I
  - 1.5 loading for occupation class II
  - 1.8 loading for occupation class III
  - 2.8 loading for occupation class IV
- d = 1.2 loading for Smokers
  - 0.9 loading for Non Smokers
- Termination: 35% of CMIR12 rates
- ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.f.100 and  
a=1.21 for policies where additional incapacity benefits are selected, 1.1 otherwise.  
b=0.8 if the deferred period is 4 weeks, 1.3 if the deferred period is 13 weeks, 1.4 if the deferred period is 26 weeks and 1.6 if the deferred period is 52 weeks.  
c=1 for occupation class I, 1.5 for occupation class II, 2.25 for occupation class III and 3 for occupation class IV.  
d=1 for non-smokers, 1.3 for smokers  
e=1 for males, 1.75 for females  
f=1+medical loading (where appropriate)  
Termination: 35% of CMIR12 rates
- Jj** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.100 and  
a=0.40  
b=1.0 if the deferred period is 4 weeks, 1.5 if the deferred period is 13 weeks, 4.0 if the deferred period is 26 weeks and 5.3 if the deferred period is 52 weeks.  
c=1 for occupation class I, 1.5 for occupation class II, 2.7 for occupation class III and 4.5 for occupation class IV.  
d=0.9 for non-smokers, 1.2 for smokers  
e=1 for males, 3 for females  
Termination: 35% of CMIR12 rates
- Kk** 40% Sterbetafel DAV 1994, Germany, for males and females.
- Ll** Sterbetafel DAV 1994, Germany, for males and females. If a life has been coded as a smoker 65% of this table is used; if a life has been coded as a non-smoker 35% of this table is used; if a life is coded as a preferred life 28% of this table is used.
- Mm** Group Life, Group PHI and Group Widows and Orphans Pension business is valued using a claims ratio approach rather than an explicit mortality/morbidity table and assumption. The long term claims ratio assumption is set in line with the long term target profitability of the business, with an additional margin for prudence. However, claims ratios are actively monitored to ensure that observed claims ratios are within the required range to maintain this profitability target, and the long term assumption used in the valuation is compared against experience to assess credibility.
- Nn** 125% of AM92 or AF92 Ultimate rated down 2 years for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- Oo** 105% of AM92 or AF92 Ultimate for males and females respectively.

**Pp** 75% of AM92 or AF92 Ultimate for males and females respectively.

**Qq** Mortality rates are based upon percentages of the Society of Actuaries (“SOA”) 1985-90 experience tables, with percentages varying by policy issuance date, age, sex and underwriting type. The percentages vary from 29.70% to 52.93% for males and 33.99% to 55.32% for females.

The aggregate male and female tables are split into smoker and non-smoker status by applying a range of factors depending on age. For males the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.13 for smokers. For females the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.07 for smokers.

Further adjustment factors are applied to change the slope of SOA 1985-90 table by duration and to adjust for different risk factors based on Sum Assured, policy year and term. Adjustments are also made to reflect differences in mortality for substandard policies.

An additional mortality adjustment is used to increase the slope of mortality at older ages. The adjustment consists of a multiplier that increases each year depending on sex, band and class.

**Rr** 75.0% of PCMA00 for males and 81.0% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB’s mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.

**Tt** 101.8% of PCMA00 for males and 109.0% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB’s mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.

#### Expectations of life – Immediate Annuities

For immediate annuities in payment the expectations of life at age 65 and 75 for the bases specified above are set out in the tables below.

31.12.2012												
Code letter												
Age	A		B		C		D		Rr		Tt	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
65	23.2	24.7	23.7	25.0	25.7	27.2	24.2	26.6	24.2	25.4	21.6	23.0
75	14.1	15.4	14.6	15.6	16.7	18.5	15.0	17.0	15.0	16.0	12.8	14.0

31.12.2011												
Code letter												
Age	A		B		C		D		Rr		Tt	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
65	23.3	24.4	23.6	24.7	25.8	27.3	24.2	27.7	24.4	25.4	21.6	22.8
75	14.2	15.2	14.4	15.4	16.9	18.6	15.0	18.1	15.1	16.0	12.8	13.8

## Expectations of life – Deferred Annuities

For deferred annuity contracts the expectations of life at age 65 for lives currently aged 45 and 55 for the bases specified above are set out in the tables below.

31.12.2012				
Code letter				
Age	A		B	
	Male	Female	Male	Female
45	26.1	27.0	26.6	27.2
55	24.5	25.8	25.1	26.1

31.12.2011				
Code letter				
Age	A		B	
	Male	Female	Male	Female
45	26.4	26.7	26.8	27.1
55	24.8	25.6	25.1	25.9

### Allowance made for future changes in mortality

Generally, an allowance for future improvement, based on the projection model CMI 2011 Working Paper 41 has been made in the valuation of annuities in payment, including, in the case of deferred annuities, allowance for such improvement prior to vesting, as described in the codes above.

#### 4(5) Table of morbidity bases

See the table in section 4(4).

### Allowance made for future changes in morbidity

For term assurance contracts with a critical illness accelerator, the valuation reserves allow for future deterioration in morbidity experience of 0.50% p.a. for males and 0.75% p.a. for females. There is an additional loading for guaranteed contracts of 1.0% for policy durations greater than 5 years. For non-unitised standalone critical illness contracts, the valuation reserves allow for future deterioration in morbidity experience of 1.00% p.a. for males and 1.75% p.a. for females. There is no additional loading for guaranteed contracts.

#### 4(6) Table of expense bases

The following annual per policy maintenance expenses have been assumed in the calculation of mathematical reserves at 31 December 2012. Equivalent figures for 31 December 2011 are also provided. The valuation methodology for sterling reserve calculations for unit-linked business considers attributable and non attributable expenses separately. As such the annual per policy maintenance expense for the relevant product codes shows attributable expenses only.

Where appropriate, tax relief on maintenance expenses has been allowed for at a rate of 20%.

In cases where the Society has the right to vary the monthly management charge on unit funds and the administration charge on linked contracts, no such increases have been taken into account. They have been assumed to remain constant at their current level.

Product Code	Product Type	31.12.2012		31.12.2011	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
120	Cashbuilder	£69.51	£69.51	£67.06	£67.06
120	Other WP savings endowments	£68.97	£68.97	£66.54	£66.54
125	Build Up	£64.51	£64.51	£62.24	£62.24
165	Personal Retirement Plan	£107.43		£92.80	

Product Code	Product Type	31.12.2012		31.12.2011	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
325	Pension Term Assurance	£8.33		£8.05	
325	Term Assurance	£8.95		£8.65	
330	Decreasing Term Assurance	£8.95		£8.65	
340	Accelerated Critical Illness - guaranteed premiums	£12.26		£11.84	
345	Accelerated Critical Illness - reviewable premiums	£12.26		£11.84	
350	Stand-alone Critical Illness - guaranteed premiums	£12.80		£12.36	
355	Stand-alone Critical Illness - reviewable premiums	£12.80		£12.36	
360	Income Protection Benefit <sup>(2)</sup>	£18.84		£11.16	
365	Mortgage Payment Insurance <sup>(2)</sup>	£11.58		£11.16	
365	Other Permanent Health Insurance - Individual - Linked <sup>(2)</sup>	-		-	
385	Claims in Payment - Individual - Non-Linked <sup>(2)</sup>	-		-	
385	Claims in Payment - Individual - Linked <sup>(2)</sup>	-		-	
400	Immediate Annuities - Non Profit and WP Non Participating		£19.30		£18.65
500	Life UWP single premium bonds		£12.02		£17.68
510	Regular Savings Plan, New Savings Plan	£19.15	£9.57	£44.83	£14.54
515	Flexible Mortgage Plan	£24.64	£12.32	£23.77	£11.89
525	UWP Individual Personal Pension and Self Employed Plan <sup>(3)</sup>				
525	UWP Executive Pension Plan and Directors Plan	£77.72	£39.37	£46.10	£23.05
525	UWP Free Standing Pension Savings Plan	£16.66	£8.76	£19.23	£9.62
525	UWP Buy-Out Plan		£31.96	-	£38.00
535	UWP Group Personal Pension Plan <sup>(4)</sup>				
535	UWP Company Pension Plan	£45.04	£23.42	£52.56	£26.28
535	UWP Company Sponsored Pension Savings Plan	£43.39	£22.98	£40.67	£20.34
545	Buy-Out Plan		£114.68		£108.22
545	Private Income Plan - Individual <sup>(1)</sup>				
700	Life Property-Linked single premium		£17.28		£18.30
715	Regular Savings Plan, New Savings Plan	£19.15	£9.57	£44.83	£14.54
715	Capital Accumulation Plan	£17.28	£8.64	£18.30	£9.15
720	Flexible Mortgage Plan	£24.64	£12.32	£23.77	£11.89
725	Property-Linked Individual Personal Pension and Self Employed Plan <sup>(3)</sup>				
725	Property-Linked Personal Investment Pensions Plan	£13.43	£7.07	£19.03	£9.52
725	Property-Linked Executive Pension Plan and Directors Plan	£77.72	£39.37	£46.10	£23.05
725	Property-Linked Executive Investment Retirement Plan	£93.63	£47.46	£90.50	£45.25
725	Property-Linked Free Standing Pension Savings Plan	£16.66	£8.76	£19.23	£9.62
735	Property-Linked Group Personal Pension Plan <sup>(4)</sup>				
735	Property-Linked Company Pension Plan	£45.04	£23.42	£52.56	£26.28
735	Property-Linked Company Sponsored Pension Savings Plan	£43.39	£22.98	£40.67	£20.34
735	Group Pension Savings Plan	£43.39	£22.98	£40.67	£20.34

Product Code	Product Type	31.12.2012		31.12.2011	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
755	Trustee Investment Plan	194.07	£80.31		£74.50

- (1) In this case, an aggregate expense reserve is held so no per policy expense assumption is required. The aggregate reserves are as follows.

	31 December 2012	31 December 2011
Private Income Plan - Individual	£58,063	£77,678

- (2) For policies currently paying premiums an additional reserve is held in respect of maintenance expenses which would arise on any future claims. For claims currently in payment a reserve is held in respect of future maintenance expenses arising from the current claim. In both cases, claims expenses are assumed to be 6.14% (6.14% at 31 December 2011) of the claim amount for Income Protection Benefit and non-linked Permanent Health Insurance and 3.03% (3.03% at 31 December 2011) of the claim amount for Mortgage Payment Insurance. The claims expenses are 6.75% (6.75% at 31 December 2011) of the claim amount for other Permanent Health Insurance.
- (3) The expense basis varies according to the underlying administration system and by sub-product. The expense basis is either £34.09 premium paying and £17.94 paid up, £26.79 premium paying and £14.10 paid up (£7.84 for GPP leavers) or £96.66 premium paying and £50.88 paid up as appropriate.
- (4) The expense basis varies according to the type of administration and by sub-product. The expense basis is either £2.29 premium paying and £1.20 paid up, £2.34 premium paying and £1.23 paid up or £18.06 premium paying and £9.50 paid up as appropriate.

#### 4(7) Unit Growth Rates

Below are the assumptions used, in conjunction with the expenses, to calculate any sterling reserve requirement.

	Percentage
Unit Growth – Gross	4.00% p.a
Unit Growth – Net	3.90% p.a
Future Expense Inflation	3.50% p.a
Future Increase in policy charges	0.00% p.a

#### 4(8) Future bonus rates

With the exception of assessing surrender values on accumulating with-profits contracts, the mathematical reserves make no allowance for future annual reversionary bonus or terminal bonus in accordance with INSPRU 1.2.9R. The realistic (Peak 2) assessment of liabilities described in Appendix 9.4A provides for future annual reversionary and terminal bonus rates at rates consistent with the various investment scenarios and hence ensures that policyholders are treated fairly, either by validating the prudence of the (Peak 1) mathematical reserves or requiring a With-Profits Insurance Capital Component.

The liability in respect of accumulating with-profits contracts has been taken as the greater of the surrender value, calculated in accordance with INSPRU 1.2.70R and INSPRU 1.2.71R, and the discounted value of units accumulated to maturity or earlier death, allowing for any guaranteed rate of accumulation on benefits existing at the valuation date.

#### 4(9) Lapse, Surrender and Paid-up assumptions

With the exception of those contracts and bases described below and in section 4(10), the valuation has not allowed for any form of discontinuance.

## Non-Linked Contracts

For the majority of protection business, a valuation persistency basis has been set by applying a prudential margin over the best estimate assumptions. The margin acts to increase the best estimate lapse rate in the early part of a policy's lifetime (when it is being treated as an asset) but to reduce the best estimate lapse rate later in the policy's lifetime (when it is treated as a liability). The crossover point at which the margin changes direction is assessed for broad product groups but applied at a policy by policy level.

Any liability to reinsurers on discontinuance within the first four years from inception is allowed for explicitly in the cashflows using the valuation lapse basis, together with a prudent allowance for clawback of commission from agents upon lapse.

A summary of the lapse basis for major classes of business is given below. A summary of the lapse basis for ex-Nationwide Life (ex-NWL) is shown separately.

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 - 5	6 - 10	11 - 15	16 - 20
Level term	lapse	13.2%	9.0%	6.6%	4.7%
Level term (ex-NWL)	lapse	15.7%	10.7%	8.1%	7.7%
Decreasing term	lapse	13.3%	9.1%	6.9%	6.8%
Decreasing term (ex-NWL)	lapse	15.7%	10.7%	8.1%	8.1%
Accelerated critical illness	lapse	20.8%	11.7%	5.7%	5.7%
Term with critical illness (ex-NWL)	lapse	22.7%	12.5%	4.0%	4.0%
Pension Term (level and decreasing)	lapse	11.8%	8.0%	6.1%	6.1%
Whole of Life (conventional Non Profit)	lapse	7.4%	2.2%	0.0%	0.0%

## US Term Business

Product	Policy Year	Average Lapse Rates			
		1-5 Average	6-10 Average	11-15 Average	16-20 Average
Ten Year Term Plan	Preferred Plus Nonsmoker	3.98%	3.90%	100.00%	100.00%
	Preferred Nonsmoker	4.80%	4.05%	100.00%	100.00%
	Standard Plus Nonsmoker	5.63%	3.94%	100.00%	100.00%
	Standard Nonsmoker	7.05%	4.73%	100.00%	100.00%
	Preferred Tobacco	6.45%	4.50%	100.00%	100.00%
	Standard Tobacco	9.11%	4.80%	100.00%	100.00%
Fifteen Year Term Plan	Preferred Plus Nonsmoker	2.44%	1.80%	1.50%	100.00%
	Preferred Nonsmoker	3.04%	2.10%	1.88%	100.00%
	Standard Plus Nonsmoker	3.94%	2.51%	2.25%	100.00%
	Standard Nonsmoker	5.14%	3.23%	3.00%	100.00%
	Preferred Tobacco	6.49%	3.90%	3.75%	100.00%
	Standard Tobacco	7.35%	4.35%	3.75%	100.00%
Twenty and Thirty Year Term Plan	Preferred Plus Nonsmoker	2.33%	1.65%	1.50%	1.50%
	Preferred Nonsmoker	2.93%	1.73%	1.50%	1.50%
	Standard Plus Nonsmoker	4.13%	2.21%	1.88%	1.88%
	Standard Nonsmoker	4.88%	2.55%	2.25%	2.25%
	Preferred Tobacco	6.60%	3.45%	3.00%	3.00%
	Standard Tobacco	9.08%	4.35%	3.00%	3.00%

## US Universal Life Business

Product		Average Lapse Rates			
		1-5 Average	6-10 Average	11-15 Average	16-20 Average
Banner & Penn Advantra	Nonsmoker	3.75%	3.75%	3.75%	3.75%
	Smoker	5.25%	5.25%	5.25%	4.95%
Banner Continuity & Penn Longevity / UL products		2.25%	3.90%	4.50%	4.50%
Banner Continuity & Penn Longevity 100 & 115 products		3.75%	3.75%	3.00%	2.25%
Banner & Penn Life Umbrella 120		3.75%	1.95%	1.50%	1.50%

### Unit-Linked Contracts

The valuation methodology for linked contracts includes a prudent lapse assumption. Investigations have identified that lighter surrenders are prudent and therefore the valuation assumptions for both linked pensions and linked life business are derived by reducing the long term best estimate assumptions by a prudential margin.

A summary of the assumptions for major classes of business is given below.

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 – 5	6 – 10	11 – 15	16 – 20
UWP savings endowment	surrender	0.00%	0.80%	2.40%	3.90%
UWP target cash endowment	surrender	0.00%	4.70%	3.00%	2.30%
UL savings endowment	surrender	0.00%	0.80%	2.40%	3.90%
UL target cash endowment	surrender	0.00%	4.70%	3.00%	2.30%
UWP Bond	surrender	0.90%	2.20%	2.40%	1.70%
UL Bond	surrender	2.40%	6.10%	3.80%	3.30%
UWP individual pension regular premium	surrender	1.20%	1.20%	1.20%	1.20%
UWP individual pension single premium	surrender	3.30%	3.30%	3.10%	3.10%
UL individual pension regular premium	surrender	1.80%	1.80%	1.20%	1.20%
UL individual pension single premium	surrender	4.70%	4.20%	2.90%	2.80%
UWP group pension regular premium	surrender	2.10%	2.10%	2.00%	2.00%
UWP group pension single premium	surrender	12.30%	12.30%	12.30%	12.30%
UL group pension regular premium	surrender	1.00%	1.20%	1.10%	1.00%
UL group pension single premium	surrender	5.60%	5.60%	5.60%	5.60%
UWP Trustee Investment Plan single premium	surrender	3.60%	7.80%	4.50%	4.30%
UL Trustee Investment Plan single premium	surrender	3.80%	7.70%	4.70%	4.40%

For regular premium unit-linked life contracts, sterling reserves assume that policies lapse once unit holdings have been exhausted by deductions, provided the policy is at least 10 years from inception. This is consistent with policy administration processes.

For unit-linked life bonds where the policyholder is taking automatic income withdrawals at the valuation date, sterling reserves are calculated assuming that that level of withdrawal continues indefinitely.

On some unitised pension contracts, income withdrawals may be taken. For those policies taking income at the valuation date, it is assumed that that rate of withdrawal continues throughout the life of the contract, subject to limits specified by the Government Actuary's Department. For contracts not taking income withdrawal at the valuation date, it is assumed that a proportion will elect to do so in future, at a rate in line with the Government Actuary's Department limits.

In addition, for linked pensions contracts where the policyholder has the option to make the contract paid-up, the provision for future expenses has been based on the maximum of:



- the reserve calculated assuming that regular premiums continue to be paid at the current level and,
- 50% of the reserve calculated assuming that regular premiums continued to be paid at the current level and 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

#### 4(10) Any other material basis assumptions

##### (i) Early Retirement and Transfers

For Personal Retirement Pension contracts, valuation provisions are calculated allowing for prudent rates of transfer and early retirement. All policyholders are assumed to retire by age 70.

The assumed annual rates of future discontinuance are derived from recent office experience with a suitable margin for prudence and are detailed below.

Age	Early Retirement (over the year)	Early Retirement (during birth month)	Transfer
Less than 60	0.0%	0.0%	0.0%
60	6.2%	4.9%	1.2%
61 – 64	3.0%	0.4%	0.3%
65	8.5%	8.7%	0.6%
66 – 69	4.1%	0.9%	0.1%
70*	100.0%	100.0%	1.6%

\* Any policies remaining in force at age 70 (after allowance for transfers out in the year prior to age 70), are assumed to retire in the month of their 70<sup>th</sup> birthday.

Any policies remaining in force after age 70, are assumed to retire in the month of their 75th birthday.

##### (ii) Proportions Married

For contingent benefits under deferred annuities and under bulk purchase and managed fund immediate annuities with an “any spouse” benefit, the proportion married assumption is set at the valuation date and is dependent on the age and sex of the first life at the valuation date. For contingent benefits under deferred annuities the proportion married assumption is set at the normal retirement age for the first life and is dependant on the age and sex of the first life at normal retirement age.

The rates of proportions married are set with reference to the ONS 2008 tables with a prudential margin.

For other contingent immediate annuities, the proportion married assumption assumes 100% of members are married at the inception of the policy, which is then decremented by the spouse's mortality thereafter (pre the valuation date using best estimate mortality, post the valuation date using prudent mortality).

#### 4(11) Allowance for derivatives

Society (and its reinsurer Legal & General Pensions Ltd) hold interest rate derivatives (in sterling and in overseas currencies), inflation derivatives, credit default swaps and property total return swaps which affect the overall portfolio yield. These impacts are considered in setting the valuation interest rate.

#### 4(12) Effect of INSPRU changes effective from 31 December 2006

The table below provides an estimate of the effect on mathematical reserves (net of reinsurance) as at the valuation date of the changes in valuation methodology as at the valuation date arising from changes in INSPRU valuation rules effective from 31 December 2006. These changes are in addition to those made at previous valuation dates.

<b>Category</b>	<b>£m</b>
Lapses on valuation of protection business	(8.9)
Negative reserves on valuation of protection business	(18.8)
Lapses on valuation of unit-linked business	0
Attributable expenses on valuation of unit-linked business	0

## **5. Options and guarantees**

### **5. (1)(a) Guaranteed annuity rate options**

Provision for guaranteed annuity options has been made by holding a reserve for the excess cost of providing an annuity on the guaranteed basis. This excess cost is calculated on both a deterministic basis and a stochastic basis (using both a real world and market consistent calibration). The reserve held is the higher of the three results.

For the deterministic basis, the assumed rates of option take-up in the year following the reporting date have been set by reference to the Society's current experience together with a margin for prudence. The rate of take-up increases linearly such that after 15 years it is assumed that 95% of policyholders elect to take the guaranteed benefits (100% for some products). The guaranteed value has been compared with an annuity calculated using a 2.75% interest rate and the mortality basis defined by mortality code B in Section 4(4). Under certain contracts policyholders may select the rate at which the annuity is guaranteed to escalate; when calculating the annuity value in these cases an assumption has been made for the proportion of policyholders selecting different rates of escalation in each year following the valuation.

### 5.(1)(b) Guaranteed annuity rate options

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed annuity rate <sup>1</sup>	(vi) Increments	(vii) Form of annuity <sup>2</sup>	(viii) Retirement ages
Money Purchase Plan	25.7	0 to 44 years	3.1	Currently £6.29 annuity for each £100 cash. The guaranteed basis may be revised at any time and the revised terms applied to all funds following that date.	Yes	As selected by the policyholder and permitted by legislation	55 to 65
Private Income Plan	39.8	0 to 33 years	31.0	£9.60 annuity for each £100 cash secured on the terms existing up to 31.12.1999 £8.12 annuity for each £100 cash secured on the terms from 1.1.2000 £6.22 annuity for each £100 cash secured on the terms from 1.1.2005. The guaranteed basis may be revised at any annual renewal date and the revised terms applied to new entrants, single premiums and premium increments from existing members following that date.	Yes	As selected by the policyholder and permitted by legislation	55 to 75
1980 Bonus System – Group	36.4	0 to 44 years	1.7	£9.60 annuity for each £100 cash for annuities purchased prior to the tenth 1st January following the commencement of the policy. Currently £5.65 annuity for each £100 cash for annuities purchased after the tenth 1st January following the commencement of the policy.	No	As selected by the policyholder and permitted by legislation	60 to 66

<sup>1</sup> for a level, single life annuity payable for a minimum of 5 years, male aged 65.

<sup>2</sup> Annuity rates are quoted in the form shown in (v) but, subject to the annuity being of equal value, the policyholder can elect to take their benefits at a different escalation rate, as a joint life annuity rather than single life and with a different guarantee period.

## 5.(2) Guaranteed surrender values

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
New Cashbuilder	100.4	0 to 28 years	0.0	Guaranteed cash sum on surrender after 10 years. The policyholder has the option to continue paying premiums after 10 years in which case the guaranteed cash sum will increase usually by 10% (simple) per annum.	Death and maturity	1.5	No	Guaranteed cash sum is valued using an increase of 10.5% (simple) per annum. No credit is taken for future premiums after 10 years.
Investment Bond (Series 1 and 2)	2,711.6	Whole of life	Implicit in the Basic reserve	For those policies invested in the Protected UK Growth Fund, a minimum of 80% of the highest fund value ever reached (subject to an absolute minimum of 80% of the initial amount invested in units) less any early surrender charge, will be paid on surrender provided there have been no previous withdrawals. The protection is reduced proportionately upon partial withdrawal of funds and, in all cases, depends upon a third party honouring contracts they have made with the Society and only remains in force whilst the policy is invested in the Protected UK Growth fund, the protection being removed upon switch to another internal linked fund.	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	Implicit in unit price of close matching assets.
With-Profit Bond (Series 1, 2 and 3)	167.9	Whole of life	Implicit in the Basic reserve	From the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	No specific additional reserve held. The valuation method values the guaranteed benefits.

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
With-Profit Bond (Series 4, 5, 6 and 7)	2,680.1	Whole of life	Implicit in the Basic reserve	For contracts sold prior to 1 April 2002, from the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of the With-Profits Fund or any partial surrenders are taken. For Series 6 and 7 policies there is a Fixed Date, which is ten years after the initial date of allocation, when the surrender value of the contract is guaranteed to be no less than the original premium reduced by the amount of any regular withdrawals.	Death and regular encashments not exceeding the current rate of interim bonus	Single premium contract	Yes – but no guarantee attaches.	No specific additional reserve held. The valuation method values the guaranteed benefits.
Portfolio Bond (Series 1 to 10)	5,248.7	Whole of life	Implicit in the Basic reserve	For those policies invested in the Protected UK Growth Fund, a minimum of 80% of the highest fund value ever reached (subject to an absolute minimum of 80% of the initial amount invested in units) less any early surrender charge, will be paid on surrender provided there have been no previous withdrawals. The protection is reduced proportionately upon partial withdrawal of funds and, in all cases, depends upon a third party honouring contracts they have made with the Society and only remains in force whilst the policy is invested in the Protected UK Growth fund, the protection being removed upon switch to another internal linked fund.	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	Implicit in unit price of close matching assets.
Build Up, Other Endowment, Whole of Life	1,700.2	0 to 24 years; 0 to 30 years; Whole of Life	Implicit in the Basic reserve	Under certain Build Up, Endowment and Whole of Life contracts there is a guaranteed cash sum payable on surrender	Death and maturity	59.0	No	Reserves are calculated with an underpin being the greater of the guaranteed surrender value and the non-guaranteed surrender value (the latter being subject to the prevailing market conditions).

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
Portfolio bonds - MoneyBuilder	109.6	Whole of life	0.1	For those monies invested in the Money Builder (Investec) Fund continuously for 5 years, the Society guarantees that on surrender (at certain dates) an amount of at least that originally invested (reduced in proportion to the amount of units cashed in for regular withdrawals, surrenders or switches out of the fund) will be payable. Note that £123.4m basic reserve covered by this guarantee forms part of the £5,139.6m basic reserve for Portfolio Bond (Series 1 to 10).	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	The guarantee reserve covers the time-value of the guarantee. The intrinsic cost after five years is included in the basic reserve.
With-Profit bonds series 8-15 – 5 & 10 year guarantees	447.3	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases when investments are switched out of With-Profits Fund units. On Series 8, 9, 12 & 13 bonds there is an additional guarantee at five years. For series 12-15 bonds the guarantee at ten years is for 120% of the original investment less withdrawals, and 110% at five years (where applicable)	Death and regular encashments not exceeding the current rate of interim bonus	Single premium contract	Yes	The intrinsic cost at five and ten years is included in the basic reserve
With-Profit bonds series 16-19 – 5 & 10 year guarantees	199.0	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken. There is a capital guarantee of 100% and income guarantee of 110% after 10 years. There is also an option of 100% capital and income guarantee of 100% at duration 5. When the fund value falls below the guarantee amount, the fund value is increased to the guarantee amount.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	The intrinsic cost at five and ten years is included in the basic reserve

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
Level term assurance reinsured from William Penn Life Insurance of New York (US Term Business)	66.3	0 to 13 years	Implicit in the basic reserve	Under one of the tranches of US Term business there is a guaranteed cash sum payable on surrender	n/a	26.5	No	No specific additional reserve held. The valuation method values the guaranteed benefits, such that for policies where this applies, the Peak 1 reserve held will be equal or greater than the Guaranteed Cash Surrender Value at the reported date.
Non-Profit Bulk Purchase Annuity – Turner & Newall Pension Scheme	1,183.3	Whole of life	Implicit in the basic reserve	Value of the required asset transfer if the scheme is transferred back to the PPF. This would require the lodging of a successful complaint by a member to have their PPF compensation increased. The surrender value option has been extended to 20 December 2013.	n/a	Single premium contract	No	The surrender value basis agreed with the PPF and Trustees is derived using the projected, Peak 1, benefit cashflows discounted on a predetermined basis dependent on the economic conditions at the valuation date. Deductions have been made to cover an estimate of L&G's cost of capital, initial expenses, maintenance expenses and additional expenses incurred in facilitating the surrender option. A further adjustment has been made to the surrender value equal to the rolled up difference between the value of actual benefits paid out and the value that was expected to have been paid out based on the initial cashflow projection. The Peak 1 reserve held is equal to or greater than the guaranteed surrender value.
Non-Profit Longevity Swap - Pilkington scheme	0	Whole of Life	0	Value of the best estimate of the liability minus all future premiums.	n/a	Single premium contract	No	The surrender value basis agreed with the Trustees is derived using the projected, best estimate benefit cashflows and future premium amounts discounted on a predetermined basis dependent on the economic conditions at the valuation date. L&G would then be covered for each of (i) L&G's embedded value, (ii) maintenance expense allowance within the premium and (iii) cost of capital allowance within the premium. As such this would typically be a payment from the Trustees to L&G. Further, should this occur prior to December 2016 an additional charge is levied against the Trustees. The Peak 1 reserve held will at all times be equal to or greater than the guaranteed surrender value.

There are no guaranteed unit-linked maturity values.

**5.(3) Guaranteed insurability options – conversion and renewal**

The value of a conversion option under a convertible term assurance is taken as the liability that would be incurred by issuing on the latest option date a whole life contract with regular premiums calculated on the select equivalent of the valuation mortality basis together with an additional margin.

Under New Savings Plan and Capital Accumulation Plan, where there is an option to extend the policy term, there is no change to the sum assured which is typically less than the unit value at the option date. Given the low rates of take up and the projected nil cost at the option date, no guarantee reserve is held.

Under Unit Term Assurance, the historic take up rates have been zero.

For With Profits Immediate Annuities in Payment, the annuitant has the option to convert the asset share to a non-profit annuity on then current terms. No additional guarantee reserve is deemed necessary as, any excess of the asset share over the basic liability represents a reserve for future bonus for which no allowance has been made in accordance with INSPRU 1.2.70R (see Section 4(8)).

Under US Term Business after the level premium term, there is an option to renew the policy annually up to a specified age at a yearly reviewable rate. No guarantee reserve is deemed necessary as Society retains the right to change the premium level if this option is selected.

Other than the above, it is generally the case that the historic rates of conversion and renewal have been negligible and margins in the valuation are therefore considered sufficient to cover any cost of the options.

**Guaranteed insurability options – increases in cover**

For Cashbuilder, Build-up, Whole of Life and Endowments a reserve is held of 1 year's extra premium, where charged, for increasing cover options. Otherwise, no explicit provision is made for future increases in cover as the take-up rates are historically negligible; additionally, there is an element of self-selection as generally only healthy lives will take up the options. Margins in the valuation are therefore considered sufficient to cover any future cost.



<b>(i) Product name</b>	<b>(ii) In force premiums (£m)</b>	<b>(iii) Sum assured (£m)</b>	<b>(iv) Description of option</b>	<b>(v) Guarantee reserve (£m)</b>
Term Assurance, Term Assurance with Critical Illness, Standalone Critical Illness Cover and Tax Efficient Life Insurance Plan	437.1	34,811.7	<p>Under certain contracts there is the option to increase the level of cover without the need to provide further evidence of health, upon the occurrence of certain events. These include marriage, birth or adoption of a child, or increasing a mortgage if the policyholder is moving or improving an existing property. This option can only be exercised 3 times, with a maximum increase of £50,000 each time. For ex-NWL policies, there is no limit to the number of increases, but the sum of all increases cannot exceed £200,000.</p> <p>The policyholder is eligible for this option if the Life Assured is younger than 45 upon entry. For ex-NWL policies, this age limit is 75. It can only be exercised before age 50 (older life for joint life policies) for most policies (55 for ex-NWL policies).</p> <p>The option cannot be exercised if the policy is subject to a terminal illness or a critical illness claim, or the policyholder has been diagnosed as having such an illness as described in the policy conditions. The option cannot be exercised whilst subject to a waiver claim or if suffering from a disability as described in the policy conditions.</p>	Implicit in the Basic reserve
Flexible Mortgage Plan (Series 1 to 8, 10 to 12)	48.9	2,292.4	If the life assured's mortgage changes while the policy is in full force, a further policy may be effected without medical evidence, subject to limits imposed by the Society.	Implicit in the Basic reserve
Family and Personal Income Plan and Family and Personal Income Plan Standalone Critical Illness Cover	10.5	2,257.2	<p>Under certain contracts there is the option to increase the level of cover without the need to provide further evidence of health, upon the occurrence of certain events. These include marriage, birth or adoption of a child, or increasing a mortgage if the policyholder is moving or improving an existing property. An increase in cover is also allowed if there is an increase in the salary of the Life Assured. The maximum increase allowed is the lesser of (a) £350 per month and (b) a maximum percentage which is the percentage increase in the monthly salary and 10% of the original benefit. The maximum total increase permitted is the lesser of £1,050 per month and 30% of the original benefit amount.</p> <p>The policyholder is eligible for this option if the Life Assured is younger than 45 upon entry. It can only be exercised before age 50 (older life for joint life policies). The option cannot be exercised if the policy is subject to a terminal illness or a critical illness claim, or the policyholder has been diagnosed as having such an illness as described in the policy conditions. The option cannot be exercised whilst subject to a waiver claim or if suffering from a disability as described in the policy conditions.</p>	Implicit in the Basic reserve
Mortgage Payment Insurance	5.2	40.2 pa	There is an option to increase the level of benefit without medical evidence in the event of an increase in the mortgage amount due to moving house or extending an existing property.	Implicit in the Basic reserve
Income Protection benefit	9.8	51.5 pa	There is an option to increase the level of benefit without medical evidence in the event of an increase in the insured's salary following a promotion or change of employment.	Implicit in the Basic reserve
Flexible Protection Plan (Series 3 to 6)	15.9	1770.0	For Series 3 policies issued after 31 March 1990 and all Series 4, 5 and 6 policies, a further policy may also be effected without evidence of health on the marriage of the life assured or on the birth or legal adoption of a child. The sum assured on such a policy must not exceed one third of the initial sum assured for the original policy, and this option is only exercisable three times. This option is available only if the policy was accepted on standard terms.	Implicit in the Basic reserve

(i) Product name	(ii) In force premiums (£m)	(iii) Sum assured (£m)	(iv) Description of option	(v) Guarantee reserve (£m)
Permanent Health Insurance (Series 1, 2 and 3)	1.0	46.1pa	<p>Every three years, or otherwise at the Society's discretion, a review will take place to monitor the relationship between premium and benefit levels. Should the Society consider the premium to be insufficient the level of income benefit will be reduced, though the policyholder may effect an additional policy, on the then current terms, without medical evidence for a benefit equal to the amount of the reduction.</p> <p>For Series 1 and 2 policies, at the first policy review there is an option, subject to certain restrictions, to increase the income benefit without further medical evidence. Any increase must give a total benefit which is not more than twice the initial income benefit and which is no higher proportion of the life assured's total annual earnings than applied at outset.</p>	Implicit in the Basic reserve
Unit-Linked Term Assurance (Series 3)	3.5	1,066.4	Plans have a further mortgage option to take out an additional plan with no evidence of health on moving house or on extending the home. There is no limit on the number of times that this option may be exercised, but the total increase in sum assured must not exceed the original sum assured. The option is only available on policies accepted on standard terms and is subject to age limits.	Implicit in the Basic reserve
Whole of Life, Build Up, New Cashbuilder, Endowment	60.2	3,414.4	<p>Under certain policies, an option is available which allows the life assured, during each consecutive two-year period from the policy date for a maximum period of ten years, to effect, without evidence of health, new Whole of Life, Endowment, Build Up or Cashbuilder policies. The total death sum assured of the new policy or policies during each two year period must not exceed the lower of £37,500 and 75% of the death sum assured of the original policy (75% of the substantive element if the option is added to a combination policy).</p> <p>Under Build Up there is a special option on a policy anniversary, provided the remaining term to the maturity date is not less than 10 years, whereby the basic sum assured may be increased without further evidence of health subject to payment of the appropriate increased premium. The increase in the sum assured must not be less than the minimum amount for which the Society would issue a new policy at the date of exercise of the option, but may not be greater than the difference between the guaranteed death sum assured and the basic sum together with the bonuses attaching at the time.</p>	Implicit in the Basic reserve

## 5. (4) Other guarantees and options

Under contracts where there is an option as to the form in which benefits may be taken, the general principle adopted (unless otherwise described below) is to assume 100% take up of the benefit which gives rise to the greater valuation liability on the stated valuation basis.

### Paid-up options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Flexible Protection Plan (Series 1 to 6), Prospects (Series 1 and 2)	Annual premium: 16.9	On conversion to a paid-up policy, the guaranteed sum assured may either be maintained at the same level or reduced to zero. In the former case the monthly deductions of the cost of life cover continue.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Flexible Mortgage Plan (Series 1 to 12)	Annual premium: 49.0	On conversion to a paid-up policy, the guaranteed sum assured may either be maintained at the same level or reduced to zero. In the former case the monthly deductions of the cost of life cover (and critical illness cover, where elected) continue.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Permanent Health Insurance (Series 1), Critical Illness Insurance (Series 1 to 4)	Annual premium: 1.8	The policy may be surrendered or converted to a paid-up policy. On conversion to a paid-up policy the guaranteed sum assured is reduced to zero.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Build Up	Annual premium: 58.0	A paid-up value and surrender value are available. On conversion to paid-up, the special guarantee on death is cancelled. Bonuses cannot be surrendered for cash except when the entire policy is surrendered.	Zero	No additional reserve is held in respect of future paid-up policies. Reserves are underpinned by the non-guaranteed surrender value. Theoretically this would be the actuarially equivalent to the paid-up value. Release of any reserve on the cancellation of the special guarantee on death should offset any unlikely strain in the paid-up value basis due to approximations made.
Money Purchase Plan, High Performance Plan, Private Income Plan.	Annual premium: 1.9	The policyholder has the option to discontinue contributions. In this event, the amount of the member's retirement fund at that time will remain subject to the terms of the policy until the member retires, dies or leaves service.	This option does not require an additional reserve	

## Early retirement/discontinuance options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
1980 Bonus System – Group (In force)	Basic reserve: 36.4	The policy may either be surrendered for a lump sum or a "10 Year Discontinuance Option" selected. Under the 10 Year Discontinuance Option the policy will remain in force for a further 10 years from the date of discontinuance during which time any contractual annual interest and annual bonuses will continue to be added; any extractions during this period will be subject to the usual policy discontinuance terms. At the end of the 10 years the policy will terminate and the nominal value paid to the trustees. The lump sum surrender value proceeds may be applied to purchase deferred annuity benefits with the Society on enhanced terms.	Implicit in the Basic reserve	The guaranteed sum assured was taken to be the nominal cash amount accrued at the valuation date. These contracts were valued by taking the greater of the discounted value of these sums assured accumulated with any contractual interest to the expiry of the guarantee period, and the value of the discontinuance options available.
1980 Bonus System – Group (Discontinuance)	Basic reserve: 209.6	The lump sum surrender value proceeds may be applied to purchase deferred annuity benefits with the Society on enhanced terms. For schemes which discontinued after 1 January 1999, the deferred annuities will be purchased on current terms as at the purchase date. For all other discontinued schemes, the deferred annuities will be purchased on the basis agreed as at the discontinuance date, regardless of purchase date.	Implicit in the Basic reserve	For schemes which discontinued after 1 January 1999, no additional reserve has been calculated because the deferred annuity will be based on current terms. For all other schemes, the deferred annuity reserve is calculated based on the cash value of the discontinued scheme multiplied by a factor depending on the guaranteed terms for the scheme.
Personal Retirement Plan	Basic reserve: 704.8	Policyholders have the option to retire early between ages 60 and 70 when the benefits payable will be recalculated on the guaranteed terms applicable to each premium paid at the date of premium payment as if the contract was written to the modified retirement age. Prior to age 60 a transfer value may be taken on non-guaranteed terms.	Implicit in the Basic reserve	See Section 4(1)(k).
Pension Savings Plan and Company Pension Plan	Basic reserve: 5.6	For certain schemes that have converted to linked contracts, for any discontinuance before maturity we guarantee to pay at least the value of the units i.e. no market value reduction factor will be applied to With-Profits units on early discontinuance.	1.9	To meet this guarantee an additional reserve equal to any excess of the face value of the units over the mathematical reserve is held.
Group deferred annuity	Basic reserve: 5,490.5	Certain contracts include a cash option on guaranteed terms. These vary by scheme and are expressed as a cash amount for £1 p.a. annuity. For retirements other than normal retirement age the factors are no more or less generous than those at normal retirement age.	Zero	The calculation for this option assumes neutral cost and the company incurs no financial loss if the policyholder exercises this option.
	556.9	Certain contracts include an option to retire early on generous terms. These vary by scheme and are calculated as re-valued benefits at date of early retirement discounted by a rate from NRD to date of early retirement.	29.1	The reserve for this option is the excess of the reserve assuming the option is taken up over the reserve assuming the option is not exercised.
	200.8	Certain contracts contain an option to retire due to ill-health. These vary by scheme and are calculated as the re-valued benefits at date of ill-health retirement.	1.0	The reserve for this option is calculated as 0.5% of the reserve for the basic liability.

## Index-linking options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Flexible Protection Plan (Series 1 to 6)	Basic reserve: 107.7	On each third policy anniversary, a further policy may be effected on the then current terms and conditions without evidence of health for a sum assured not exceeding the current sum assured multiplied by the proportionate increase in the Index of Retail Prices over the preceding three years. This option is available only if the policy was accepted on standard terms and if the option has been exercised on each previous occasion.	Implicit in the Basic reserve	None calculated as premiums increased in line with increments in sum assured.
Group deferred annuity, Immediate Annuities in Payment, PHI Claims in Payment	Basic reserve: 7,933.7	Certain contracts include a guarantee where the index linked increases in deferment and in possession cannot fall below, or increase above, a specified rate.	94.0	Two thousand market consistent stochastic simulations of future changes in the RPI Index are produced. For sample policies the discounted value of benefits payable under each simulation is expressed as a percentage loading to the discounted value of benefits that match the RPI Index. The mean percentage is then calculated for each sample benefit type and then a weighted average loading for the portfolio is derived. These loadings are then applied to the relevant basic reserves. This resulted in a total gross reserve of £94.0m (almost all of which is reassured to LGPL).

## Withdrawal options

Current rates of withdrawal are allowed for in sterling reserve calculations. For policies invested in property-linked units where the withdrawal option is considered to be broadly neutral no provision is required for future withdrawals.

For Capital Investment Portfolio (Series 1, 5 and 6) policies invested in With-Profits Fund units, in the gross premium valuation the maximum rate of withdrawal is assumed to be payable on all contracts in future as a MVR is guaranteed not to apply to regular encashments not exceeding 7.5%pa.

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)
Capital Investment Portfolio (Series 1, 5, 6 and 7)	Basic reserve: 959.1	Regular withdrawals may be taken by encashment of units at their bid value. Policies invested in the Distributor Fund have the 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising within that fund paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Alternatively, if the policy is invested in the With-Profits Fund, the amount of withdrawal can be related to interim bonus rates.	Zero
Capital Investment Portfolio (Series 2, 3, and 4)	Basic reserve: 77.7	Policies have the option to make regular partial withdrawals by encashment of units at their bid value. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units.	Zero

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)
Capital Investment Portfolio (Series 8, 9, and 10)	Basic reserve: 338.3	Under Series 9 policies regular withdrawals may be taken by encashment of units at their bid value. Policies invested in the Distributor Fund have the 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising within that fund paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Regular withdrawals may not be taken under Series 8 policies although policies invested in the Distributor Fund may take the 'natural' income referred to above. Under Series 10 contracts, in addition to the 'natural' income the policyholder may take regular withdrawals of 3% of either the single premium or the bid value of units.	Zero
Investment Bond (Series 1 and 2) Portfolio Bond (Series 1, 2, 3 and 4)	Basic reserve: 2,711.6  Basic reserve: 4,954.4	Under Investment Bond Series 1 and Portfolio Bond policies regular withdrawals may be taken by encashment of units at their bid value subject to a maximum of 7.5% of either the amount invested or the fund value. Under Series 2 contracts policyholders may elect to take a 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units, subject to a maximum of 4%.	Zero
Portfolio Bond (Series 5 to 10)	Basic reserve: 294.3	Under Portfolio Bond policies regular withdrawals may be taken by encashment of units at their bid value subject to a maximum of 7.5% p.a. of either the amount invested or the fund value. Policyholders may elect to take a 'natural' income (which depends on the dividend, rents, etc. payable on the underlying investments) paid to them at regular intervals.	Zero
With-Profit Bond (Series 1 to 7)	Basic reserve: 2,871.9	Regular withdrawals may be taken by encashment of units at their bid value. Policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Additionally for Series 1, 4 and 6, if the policy is invested in the With-Profits Fund units, the amount of withdrawal can be related to interim bonus rates.	Zero
With-Profit Bond (Series 8 to 15)	Basic reserve: 447.3	Regular withdrawals may be taken by encashment of units at their bid value. Policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Additionally for Series 1, 4 and 6, if the policy is invested in the With-Profits Fund units, the amount of withdrawal can be related to interim bonus rates.	Zero
Self Invested Personal Pension (Group and Individual), Trustee Investment Plan, Trustee Buyout Plan and Portfolio Plus Pensions	Basic Reserve: 3,779.1	At retirement there is the option to elect to take income withdrawals instead of purchasing an annuity. The income withdrawal payments are taken by encashment of units at their bid value. The amount taken must be in line with limits specified by the GAD and are subject to review every 3 years.	Zero

## Commutation options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Personal Retirement Plan	Basic reserve: 704.8	Each premium secures a guaranteed amount of annuity plus a cash sum upon retirement at age 70. The amount of benefit secured by each single premium is not guaranteed at inception. At maturity the total proceeds of a policy may be taken in cash form, on terms that are guaranteed, to purchase similar benefits from another insurer.	Implicit in the Basic reserve	See Section 4(1)(k)
Individual Permanent Health Insurance, Mortgage Payment Insurance, Income Protection benefit	Basic reserve: 6.0	Under certain conditions an option to take commuted benefits is offered on non-guaranteed terms.	Zero	The regular income benefit is valued. The commutation option is assumed to be cost neutral.
Buy-Out Plan, Money Purchase Plan, High Performance Plan, Private Income Plan.	Basic reserve: 261.0	The policyholder, subject to policy terms, has a choice regarding the proportion of policy proceeds taken as Tax Free Cash or annuity and with regard to the form of the annuity.	Implicit in the Basic reserve	This option is cost neutral.

## Other options and guarantees

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Capital Investment Portfolio (Series 8 and 10), Investment Bond (Series 2)	Basic reserve: 495.5	The sum assured is guaranteed to be no less than the initial premium.	Implicit in the Basic reserve	Unit values have been reduced to 75% of their values at the valuation date.
Flexible Protection Plan (Series 1)	Basic reserve: 15.5	At the tenth or any subsequent policy anniversary, the policyholder may reduce the premium to £1 pa, the guaranteed sum assured to £50 and may then take a series of partial surrender values at regular intervals. The policy's share of the plan charge is reduced to zero.	Zero	No explicit provision is made as there is limited take-up of this option and the sum assured reduces to £50.
Build Up, New Cashbuilder, Other Endowment		<p>A loan option is available for up to 95% of the Surrender Value. The minimum loan, which can be taken, is £1000 initially, with further loans being a minimum of £500. Interest is charged 6 monthly in arrears, with repayment being made either throughout the term or at the end of the term.</p> <p>Under certain Build Up contracts a guaranteed maturity value has been granted after the endowment review process.</p>	<p>Zero</p> <p>3.5</p>	<p>No mathematical reserves are held – accounting provision is made instead.</p> <p>The maturity guarantee reserve is the difference between the maturity guarantee and the current basic sum assured plus bonuses declared at valuation date, discounted at the valuation rate of interest over the remaining term.</p>

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Buy-Out Plan	Basic reserve: 202.1	A minimum annuity on vesting of the Guaranteed Minimum Pension (or Widow/er's Guaranteed Minimum Pension on earlier death) as secured under the contract is guaranteed.	350.7	For the With Profit Buy Out Plan, the cost on the appropriate annuity valuation basis of providing any statutory Guaranteed Minimum Pension liability at Normal Retirement Date or earlier death is calculated and compared to the projected policy proceeds at the time of the claim. A reserve is held for any shortfall.  For the Non Profit Buy Out Plan (where the policy benefits are in terms of an annuity per annum at Normal Retirement Date as opposed to an accumulated fund as under the With Profit policy), the statutory Guaranteed Minimum Pension liability is purchased at outset and so no additional reserve is required.
Group Life, Group PHI, Group CIC	Premium: 339.4	Premium rates are guaranteed for a given period (usually 2 years)	Zero for CIC  Implicit in the Basic reserve for all others	A loading is applied where appropriate to the office premium to allow for any expected variation in the scheme's age profile over the rate guarantee period.
Mortgage Payment Insurance	Basic reserve: 10.4	Option to increase mortgage commitments by up to £500 per month within 6 months after specified events. This option can be exercised up to 3 times but is subject to age restrictions.	Zero	No explicit provision is made. Changes in reserves are included in prudence margins.
Worksave Pension Trust	Premium: 25.8	The AMC is guaranteed until the member retires or transfers to another scheme.	Zero	No explicit provision is made. Changes in reserves are included in prudence margins.
US Universal Life Business - Banner	Basic reserve: 86.1	The US Universal Life Business tranche contains an interest rate guarantee which is contractually not less than 2%, 3% or 4% p.a. depending on the product type and vintage. The guarantee applies to future premiums via the Flexible Premium Option.	15.5	The expected cost of these guarantees is calculated using a stochastic model in which a number of scenarios are run. The provision included in the Peak 1 reserve is the most onerous expected investment cost less the intrinsic value of the guarantee. A prudent allowance is included for the risks inherent in the Flexible Premium Option.
US Universal Life Business - Penn	Basic reserve: 27.2	The US Universal Life Business tranche contains an interest rate guarantee which is contractually not less than 2%, 3% or 4% p.a. depending on the product type and vintage. The guarantee applies to future premiums via the Flexible Premium Option.	2.3	The expected cost of these guarantees is calculated using a stochastic model in which a number of scenarios are run. The provision included in the Peak 1 reserve is the most onerous expected investment cost less the intrinsic value of the guarantee. A prudent allowance is included for the risks inherent in the Flexible Premium Option.

### Switching

Additionally, almost all of the Society's unit-linked and unitised with-profits contracts are written with options to switch between funds. In some cases the option may be exercised a specified number of times each year without charge.



## 6. Expense Reserves

- 6(1) The valuation methodology for sterling reserve calculations on unit-linked business considers attributable expenses and non-attributable expenses separately (INSPRU 1.2.54 AG).

The total non-unit reserve consists of a sterling reserve for attributable expenses and a non-attributable expense reserve. The attributable expenses are defined as those that are directly related to a contract and include expenses which vary with the volume of business for a particular contract type; here a per policy reserve is calculated. All other expenses are defined as non-attributable expenses and a separate reserve is calculated, at the homogeneous risk group level, taking into account the emerging surplus from policy cash flows.

The aggregate amount, gross of any eligible tax relief, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date, was:

Homogeneous Risk Group	Implicit Allowances £m	Explicit allowances £m	Non-attributable Expenses £m	Total £m
Unitised Pension business:				
Group Products 1	0.1	3.5	2.6	6.2
Individual Products 1	1.2	47.1	0	48.2
Group Products 2	0.5	6.5	0	6.9
Individual Products 2	0.0	9.1	0	9.1
Unitised Life business:				
Non Profit Products 1	1.3	9.3	0	10.6
Non Profit products 2	4.7	32.2	0	36.9
With Profit Products 1	0	18.0	0	18.0
With Profit Products 2	0	35.1	0	35.1
Non-unitised business:				
All expenses attributable	36.4	68.5	n/a	104.9
Total	44.1	229.2	2.6	275.9

Note: Due to the rounding of figures to one decimal place, totals may appear not to sum correctly.

The pension business homogeneous risk groups are defined as Group business and Individual business, further split between type of administration system (denoted 1 or 2 above). The Group business is included in product codes 525, 535, 725, 735 and 755 and the Individual business in product codes 525 and 725.

The life business homogeneous risk groups are defined as non-profit business and with-profit business, further split between type of administration system (denoted 1 or 2 above). The non-profit business is included in product codes 365, 385, 700, 710, 715, 720, 795, 901 and 915 and the with-profit business in product codes 500, 505, 510, 515, 700, 710, 715 and 720.

- 6(2) Implicit allowances arise on non-linked and unit-linked contracts. For non-linked contracts, an implicit margin for future investment expenses is made when setting the valuation interest rate. For unit-linked contracts, the implicit margin is deemed to be the increase in the sterling reserve over the next 12 months. There is a small amount of business valued using a net premium approach, for which the margin between the net premium and gross premium has been ignored for the calculation of the amount given in 6(1) because it is immaterial.
- 6(3) The amount of maintenance expense at line 14 of Form 43 is £190.2m. The aggregate amount of expense loadings expected to arise in 2013 as calculated in 6(1) above exceeds this amount for the following reasons:
- the effect of one year's inflation on 2012 expenses;
  - the inclusion of prudential margins in the valuation expense assumptions;
  - the inclusion of amounts required to cover 2013 investment expenses in the figure calculated in 6(1) above of approximately £78.6m.

- 6(4) A projection has been made of new business volumes for the year following the valuation date, using the Society's internal plans. A calculation was performed of the total embedded value of this business at the point of sale, allowing for realistic budgeted expenses and other margins in the products at the same levels as those applying at the end of the reporting period. Since this calculation gave a positive result, no reserve under this requirement was held.
- 6(5) For the majority of business an explicit expense reserve has been held, calculated using expected per policy costs derived with reference to actual office expenses in the 12 months prior to the valuation date, allowing for any expected increases, including the effect of assumed inflation and a margin for prudence. In addition, where necessary, allowance has been made for any exceptional expenses.

For the closed conventional life endowment book, an additional expense reserve has been held to allow for the slower run off of certain expenses compared to projected contract counts. These expenses are the element of financial reporting costs expected to be fixed in the short term, and costs associated with processing policy claims, which are expected to peak in the short term.

An additional reserve has been held to allow for unavoidable exceptional expenses.

For those minor classes of business where an explicit expense reserve has not been made, the adequacy of the margin between the net premium and office premium has been tested. Further details are provided in Sections 4(1)a and 4(1)e.

In addition, estimates were made of anticipated expenses arising from cessation of writing new business. These included costs of branch closure, redundancy costs, write-off costs, costs associated with terminating management agreements and the need to fund, in the short term, fixed costs currently apportioned as acquisition costs. The expenses were allocated to products using current expense apportionment methods. A reserve was held if the additional expenses could not be supported by margins emerging in the period over which they are expected to be incurred. A reserve of £60.9m was held in this respect.

- 6(6) For unit linked business, the non-attributable expense reserve at the valuation date is set as the reserve required to meet any such expenses over the lifetime of the policies that are not deemed to be offset by emerging surpluses from that homogenous risk group.

The non attributable expense reserves at the valuation date were:

<b>Homogeneous Risk Group</b>	<b>£m</b>
Unitised Pension business:	
Group Products 1	7.3
Individual Products 1	0.0
Group Products 2	0.0
Individual Products 2	0.0
Unitised Life business:	
Non Profit Products 1	0.0
Non Profit products 2	0.0
With Profit Products 1	0.0
With Profit Products 2	0.0
<b>Total</b>	<b>7.3</b>

## **7. Mismatching reserves**

- 7(1) The sum of the mathematical reserves (other than liabilities for property linked benefits) and the liabilities in respect of deposits received from reinsurers as shown in Form 14, analysed by reference to the currencies in which the liabilities are expressed to become payable, together with the value of the assets, analysed by reference to currency, which match such liabilities are as follows:

<b>Currency</b>	<b>Liabilities (£m)</b>	<b>Assets (£m)</b>	<b>Proportion</b>
Sterling	14,158	12,345	87.1%
Euro		442	3.1%
US \$		300	2.1%
Japanese Yen		198	1.4%
HK \$		141	1.0%
Swiss Franc		122	0.9%
Australian \$		111	0.8%
South Korean Won		81	0.6%
Taiwanese \$		52	0.4%
Indian Rupee		43	0.3%
Canadian \$		26	0.2%
Danish Krone		17	0.1%
Norwegian Krone		13	0.1%
Other		267	1.9%
Total	14,158	14,158	100.0%

The above analysis allows for the investment strategy of removing currency risk via hedging on the non sterling denominated bond portfolio.

- 7(3) No explicit reserve is held in respect of currency mismatching as there is a margin in the valuation interest rate to cover the currency mismatch risk.
- 7(4)–(6) No Resilience Capital Requirement has been determined, in accordance with INSPRU 3.1.7G as the Society is a “realistic basis” life firm.
- 7(7) In the event of surrender of a policy the Society generally has the ability to control cashflow by adjusting the surrender value.

For non-participating contracts, the results of projections of the cashflows (net of reinsurance) emerging on the valuation basis are used to determine investment guidelines for the corresponding attributed invested assets. Although the fund is thereby substantially immunised against changes in interest rates, an interest rate margin is retained.

For participating contracts, having considered projected cashflows on a variety of bases, the reserves established as described elsewhere in this report are sufficient to meet liabilities.

No additional reserve has therefore been held.

## **8. Other Special Reserves**

### **(i) Unrealised capital gains tax**

For the purposes of Form 58, having regard to margins elsewhere in the valuation, no additional provision, other than as stated in Section 3(9) above, is generally considered necessary for the prospective liability to tax on unrealised gains. Any additional reserve, as calculated according to 3(9), is included in Form 53, net of any provisions for tax on deemed disposals already included as an accounting provision. At end 2012, the Form 53 liabilities included a deferred tax asset of £39.7m in relation to unrealised losses.

## **(ii) Converted policies reserve**

A reserve is held in respect of certain High Performance Pension Plan, Private Income Plan and Money Purchase Plan policies that have converted to Section 32 Buy Out 1995, Executive Pension Plan 1995, Personal Pension Plan 1995 and Group Pension Savings Plan 1995 contracts. The Society currently operates a procedure to ensure that on death, or at retirement, the benefits paid to outgoing policyholders will have a value that is no less than that which would have been available if the conversion had not taken place. A reserve of £52.0m is held to cover this concession.

## **(iii) Reinsurance Default risk**

An additional reserve of £42.6m has been held to cover the costs to be met by Society in respect of the potential default of the Society's external reinsurance counterparties. The reserve has been calculated prospectively, by applying an annual default rate for each counterparty, to the estimated exposure to that counterparty in each year.

The projection of the estimated future exposure has been obtained by considering the amount of additional reserve that the Society would have to set up following reinsurer default. The rate used to discount future exposure is 1.75% – 2.50% except for classes of business where mathematical reserves are negative, where 6.60% is used.

In respect of the internal reinsurance of certain business to Legal & General Pensions Limited, no additional reinsurer default risk reserve is deemed necessary.

## **(iv) Potential Policyholder Compensation**

Provision has been made for the cost of compensation arising from sales of mortgage endowment policies. The reserve has been calculated by applying an average uphold rate to the average cost of compensation for all open and projected complaints. Appropriate allowance for projected expenses has been made along with a prudential margin.

Provision has also been made for the costs of compensation arising from sales of individual pensions contracts in connection with transfers and opt-outs from occupational pension schemes. Where redress has been made by increasing the value of the policyholder's contract with the Society, provision has been made by an increase in unit reserves. In cases where it is certain that the policyholders affected will be reinstated in their original occupational pension scheme a reserve equivalent to the cost of reinstatement on the basis prescribed is held. For those priority cases, where reinstatement is not yet certain reserves have been calculated as if policy benefits were equivalent to those offered by the occupational scheme. The value of these benefits has been calculated on a basis that is in accordance with the Government Actuary's letter to Appointed Actuaries dated 29 May 1997. The valuation rate of interest will not exceed that which would be determined according to the first method set out in that letter and with reference to the assets underlying the appropriate unit liabilities. An interest rate, net of price inflation, of 1.50% has been used (was 1.75% at 31/12/2011). For Phase 2 contracts, the reserve held has generally been based upon the assumption that existing policy benefits will be enhanced. An additional reserve has also been held for the potential cost of compensation arising from sales of Free Standing Additional Voluntary Contribution contracts. The total provision for the above items at end 2012 is £147.1m.

## **(v) EU Tax reclaims**

Additional reserves totalling £72.3m have been maintained for the expected increase in policyholder liabilities arising from potential tax reclaims. The tax reclaims relate to the application of withholding tax, and to HMRC Foreign Dividend Exemption Claims.

The additional reserves have been calculated by estimating the probability of each claim being successful and then applying that probability to the amount of the claim. The probabilities of success were set based on legal advice.

A tax asset has been created with value equal and opposite to the additional reserves.

## **(vi) Linked Tax Losses**

At the end of 2012 a £25m reserve was set up in respect of Tax Losses on linked products. The purpose of the reserve was to offset a £25m current tax credit arising in the period from utilisation of

NP sub-fund capital losses against WP sub-fund chargeable gains. As the long-term fund has an excess of deferred tax assets over deferred tax liabilities, no offsetting tax charge arose from the reduction in overall capital losses available to reduce chargeable gains in future.

## **9. Reinsurance**

**9.(1)** Apart from treaty 9. (d) AA below, no premiums for reinsurance ceded on a facultative basis were payable during the report period to reinsurers who are not authorised to carry on insurance business in the United Kingdom. For Treaty 9. (d) AA:

(a) The amount of premium paid under the treaty on a facultative basis during the year was £9.267m. There is no deposit back arrangement under this treaty.

(b) Not Applicable

**9.(2)** Below are details of the reinsurance treaties where the Society was the cedant and under which business was in force at the date of the investigation.

**9 (d) A. Swiss Re Europe S.A. UK Branch** (from 11 July 2006 GE Frankona was incorporated into Swiss Re Life and Health, and from 1 January 2008, Swiss Re Life & Health became Swiss Re Europe S.A.)

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
<b>1</b>	<b>Critical Illness Insurance (Series 1 and 2)</b>  50% quota share of sums at risk with a maximum of 50% of £500,000	136	No	22	n/a
<b>2</b>	<b>Life Assurance Business (linked)</b>  Sums at risk in excess of the Society's retention	(100)	Yes	36	Up to £549,999
<b>3</b>	<b>Ordinary Life</b>  50% quota share over the Society's retention with a current maximum of 50% of £2.5m in respect of business from 1 July 1987, plus second surplus over the Society's retention with a maximum of £200,000 in respect of business written prior to that date.	12	No	5	n/a
<b>4</b>	<b>Flexible Mortgage Plan (Series 5 to 10) and Unit-Linked Term Assurance (Series 3)</b>  50% quota share of sums at risk on policies with Critical Illness benefit, with a maximum of 50% of £500,000 plus for business from 2 October 1995 100% of the excess with a maximum ceded of £5m (£3m in respect of business prior to 14 December 1998).	3,859	No	628	n/a
<b>5</b>	<b>Critical Illness Insurance (Series 3 &amp; 4)</b>  75% quota share of the first £500,000 sums at risk plus 100% of the excess with a maximum ceded of £5m (£2m in respect of business prior to 14 December 1998).	455	No	119	n/a
<b>6</b>	<b>Flexible Protection Plan (Series 6)</b>  75% quota share of the first £500,000 sums at risk plus 100% of the excess with a maximum ceded of £5m on policies with critical illness benefit (£3m in respect of business prior to 14 December 1998).	973	No	151	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
7	<b>Term Assurance/ Decreasing Term</b>  75% quota share with a current maximum of 75% of £200,000 in respect of business from 28 July 1997 (previously £250,000 in respect of business from 2 October 1995). In respect of business from 1 January 2000 quota share increased to 90%. This treaty does not cover policies where the sum assured increases annually in line with the Retail Prices Index.	17,826	No	23,671	n/a
8	<b>Term Assurance</b>  Surplus over the Society's retention with a maximum ceded of £5m in respect of business from 1st January 1995. In respect of business from 1 October 2000, and for original sums assured in excess of £200,000, 90% quota share on the first £500,000 plus 100% of the excess. This treaty only covers policies with the option to convert to a whole life or endowment assurance without further medical evidence.	133	No	424	n/a
9	<b>Term Assurance with Critical Illness</b>  80% quota share of first £500,000 sums assured, plus 100% of excess with a maximum ceded of £5m (£3m in respect of business prior to 14 December 1998). In respect of business from 1 January 2000 quota share increased to 90%. This treaty only covers policies with the option to convert to a whole life or endowment assurance without further medical evidence.	788	No	2,664	n/a
10	<b>Critical Illness/ Decreasing Critical Illness</b>  90% quota share of first £500,000, plus 100% of excess with a maximum ceded of £5m (£1m in respect of business prior to 14 December 1998). Prior to 18 March 2001, quota share was 85%.	4,585	No	31,044	n/a
11	<b>Family and Personal Income Plan (Critical Illness)</b>  90% quota share of the first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on an equivalent lump sum basis.	30	No	6	n/a
12	<b>Mortgage Payment Insurance</b>  85% quota share of the first £48,000 p.a. Prior to 20 May 2002 quota share was 75%.	1,993	No	64,057	n/a
13	<b>Term/Decreasing Term Assurance, Term/Decreasing Term Assurance with Critical Illness, Critical Illness/Decreasing Critical Illness.</b>  50% quota share of first £150,000, plus 100% of the excess with a maximum ceded of £3m in respect of Term business and 50% quota share of first £100,000, plus 100% of the excess with a maximum ceded of £1.5m in respect of Critical Illness business. Business transferred in from Alliance & Leicester Life Assurance Company.	750	No	4,631	n/a
14	<b>Term/Decreasing Term Assurance with Critical Illness.</b>  50% quota share of first £250,000 with a maximum ceded of £125,000 in respect of business from 18 January 2004, plus for business from 24 July 2005, 100% of the excess with a maximum ceded of £375,000 for personal cover and £875,000 for business cover.	4,845	No	2,404	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
15	<b>Family and Personal Income Plan with Critical Illness.</b>  50% quota share of first £2,000 per month with a maximum ceded of £1,000 per month in respect of business from 18 January 2004, plus for business from 24 July 2005, 100% of the surplus with a maximum ceded of £3,000 per month.	182	No	117	n/a
16	<b>Whole of Life</b>  Quota Share arrangement set up to accept conversions from a Convertible Term Assurance policy. Surplus over the Society's retention with a maximum ceded of £4,550,000 in respect of business from 22 May 2005.	12	Yes	(847)	Up to £50,000
17	<b>Ordinary Permanent Health Insurance</b>  Surplus over the Society's retention with a maximum of £10,200 p.a.	6	No	3	n/a
18	<b>Group Critical Illness</b>  50% quota share.	4,292	Yes	1,911	Up to £250,000
19	<b>Permanent Health Insurance (linked)</b>  75% quota share of the first £48,000 p.a. plus 100% of the excess, with a maximum ceded of £88,000 p.a.	578	No	14,221	n/a
20	<b>Term/Decreasing Term, with Critical Illness</b>  90% quota share of first £500,000 plus 100% of excess with a maximum ceded of £1m. This treaty does not cover policies with the option to convert to whole life or endowment assurance without further medical evidence.	4,910	No	13,641	n/a
21	<b>Income Protection Benefit</b>  85% quota share of first £12,000 p.a. plus 100% of the excess with a maximum ceded of £118,200 p.a.	1,503	No	20,471	n/a
22	<b>Voluntary Group Life</b>  50% quota share.	665	Yes	303	Up to £75,000
23	<b>Whole of Life</b>  50% quota share of first £20,000 with a maximum ceded of £10,000 in respect of business from August 2004.	348	No	1,832	n/a
24	<b>Whole of Life</b>  Surplus over the Society's retention with a maximum ceded of £4,550,000 in respect of business from 22 May 2005.	61	No	5,354	n/a
25	<b>Term Assurance</b>  90% quota share of the first £200,000 with a maximum ceded of £180,000 in respect of business from 18 March 2007.	18,397	No	45,060	n/a
26	<b>Term Assurance with Critical Illness</b>  50% quota share of first £200,000 with a maximum ceded of £100,000 in respect of business from 18 March 2007.	1,010	No	2,236	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
27	<b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness.</b>  Combination of treaties with varying proportions of reinsurance, some on a surplus only basis and others on a 90% quota share basis.	4,230	No	16,489	n/a
28	<b>Income Protection Business</b>  From January 2010, 85% quota share on the first £12,000 pa, then 100% of the excess with maximum ceded of £198,200 p.a.	1,537	Yes	5,428	Up to £1,800 p.a.
29	<b>Term Assurance with Critical Illness</b>  From 20 June 2011, 90% quota share of the first £500,000 plus 100% of excess for Reviewable CIC with a maximum ceded of £2,950,000. From 19 September 2011, 90% quota share of the first £500,000 plus 100% of excess for Guaranteed CIC.	4,639	Yes	31,559	Up to £50,000
30	<b>Family and Personal Income Plan with Critical Illness</b>  From 20 June 2011, 90% quota share of first £500,000 plus 100% of the excess, with a maximum ceded of £2,950,000 for Reviewable CIC on an equivalent lump sum basis. From 19 September 2011, 90% quota share of first £500,000 plus 100% of the excess, with a maximum ceded of £2,950,000 for Guaranteed CIC on an equivalent lump sum basis.	225	Yes	665	Up to £375 p.m.

#### 9. (d) B. Munich Reinsurance Company (Life)

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
31	<b>Term Assurance/Decreasing Term</b>  Surplus over the Society's retention with a maximum of £5m in respect of business from 1 <sup>st</sup> January 1995. For Level and Decreasing Term from 28 July 1997 where the original sum assured exceeds £200,000, 75% quota share of first £500,000 plus 100% of excess, with a maximum ceded of £5m. In respect of business from 30 July 2000 the quota share for Level and Decreasing Term increased to 90%. From 17 June 2001, this treaty includes Level & Decreasing Term, where the original sum assured is less than £200,000 on 90% quota share. This treaty does not cover policies with the option to convert to a whole life or endowment assurance without further medical evidence.	20,471	No	53,045	n/a
32	<b>Family and Personal Income Plan</b>  90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on an equivalent lump sum basis.	498	No	(810)	n/a



	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
33	<b>Level Term Assurance</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £5m in respect of business from 18 <sup>th</sup> March 2007. Since November 2007 the maximum ceded has increased to £10m	18,120	No	57,732	n/a

#### 9. (d) C. RGA Reinsurance UK Ltd

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
34	<b>Term/ Decreasing Term with Critical Illness</b>  90% quota share of first £500,000 plus 100% excess with a maximum ceded of £2.5m. From 21 January 2001, 90% quota share of first £500,000, plus 100% of excess with a maximum ceded of £5m for business greater than or equal to £200,000. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.	4,021	No	22,444	n/a
35	<b>Family and Personal Income Plan with Critical Illness</b>  90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £2.5m on an equivalent lump sum basis. This treaty does not cover policies where the original benefit is less than £1,500 per month.	90	No	14	n/a
36	<b>Group Life/WOPs</b>  Surplus over the Society's retention with minimum of £1 and maximum of £8.75m	2,722	Yes	1,498	Up to £1.8m

#### 9. (d) D. RGA Americas Reinsurance Co. Ltd

(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
37	<b>Term Assurance/ Decreasing Term with Critical Illness</b>  For contracts where the original sum assured is less than £200,000, 90% quota share with a current maximum of 90% of £200,000. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.	17,801	No	83,377	n/a
38	<b>Family Income Benefit with Critical Illness</b>	199	No	4	n/a

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
For contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.				

**9. (d) E. RGA Reinsurance UK Ltd, RGA Americas Reinsurance Co. Ltd, Sun Life Assurance Co. of Canada (Barbados), Partner Reinsurance Co. (Zurich)**

(l) RGA Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
<p><b>39 Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 1 July 2002, for contracts where the original sum assured is £200,000 or more, 90% quota share of first £500,000 plus 100% excess with a maximum ceded of £2.5m. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%:20%:35%:35% between the reinsurers as listed in (E) above.</p> <p>From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.</p> <p>From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.</p>	2,856	No	14,040	n/a
<p><b>40 Family and Personal Income Plan with Critical Illness</b></p> <p>From 1 July 2002, for contracts where the original monthly benefit is £1,500 or more, 90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £2.5m on an equivalent lump sum basis. This treaty does not cover policies where the original benefit is less than £1,500 per month.</p> <p>The treaty is shared 10%:20%:35%:35% between the reinsurers as listed in (E) above.</p> <p>From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.</p> <p>From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.</p>	101	No	52	n/a

**9. (d) F. RGA Reinsurance UK Ltd, RGA Americas Reinsurance Co. Ltd, Partner Reinsurance Co. (Zurich)**

(l) RGA Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
41	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 1 September 2002, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	15,471	No	49,612	n/a
42	<p><b>Family Income Benefit with Critical Illness</b></p> <p>From 1 September 2002, for contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	103	No	21	n/a
43	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 25 July 2004, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	5,655	No	12,534	n/a
44	<p><b>Family Income Benefit with Critical Illness.</b></p> <p>From 25 July 2004, for contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	52	No	37	n/a
45	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 25 July 2004, for contracts where the original sum assured is £200,000 or more, 90% quota share of first £500,000 plus 100% excess with a maximum ceded of £1m for business and £500,000 for personal. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%: 55%: 35% between the reinsurers as listed in (F) above.</p>	969	No	2,902	n/a
46	<p><b>Family and Personal Income Plan with Critical Illness</b></p> <p>From 25 July 2004, for contracts where the original monthly benefit is £1,500 or more, 90% quota share of first £3,750 per month, with a maximum ceded of £500,000 on an equivalent lump sum basis. This treaty does not cover policies where the original benefit is less than £1,500 per month.</p> <p>The treaty is shared 10%:55%:35% between the reinsurers as listed in (F) above.</p>	61	No	52	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
47	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 20 November 2005, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%: 40%: 50% between the reinsurers as listed in (F) above.</p>	1,938	No	4,082	n/a
48	<p><b>Family and Personal Income Plan with Critical Illness</b></p> <p>From 20 November 2005, for contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p> <p>The treaty is shared 10%:40%:50% between the reinsurers as listed in (F) above.</p>	15	No	13	n/a

#### 9. (d) G. RGA Reinsurance UK Ltd, RGA Americas Reinsurance Co. Ltd

(l) RGA Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
49	<p><b>Family Income Benefit</b></p> <p>From 20 July 2008, 90% quota share of the first £3,750 p.m. plus 100% of the excess, with a maximum ceded of £5m on any one case on an equivalent lump sum basis.</p> <p>The treaty is shared 5%:95% between the reinsurers as listed in (G) above.</p>	1,414	Yes	7,117	Up to £375 p.m.

#### 9. (d) H. Swiss Reinsurance Company, Swiss Re Europe S.A. UK Branch, RGA Americas Reinsurance Co. Ltd, Hannover Life Reassurance (Ireland) Ltd, RGA Reinsurance UK Ltd.

(l) Swiss Re Europe S.A. UK Branch and RGA Reinsurance UK Ltd are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
50	<p><b>Term Assurance/Decreasing Term Assurance</b></p> <p>The Society has five treaties with varying proportions of the business reassured under each treaty. Business ceded to Swiss Reinsurance Company and Swiss Re Europe S.A. UK Branch is reassured under a single</p>	127,637	No	373,100	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
	treaty. From 28 April 2002, the overall effect is to achieve 90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £5m on any one case. No business has been reassured to Swiss Reinsurance Company after 31 December 2002. No business has been reassured to Swiss Re Europe S.A. UK Branch after 9 November 2003. No business was reassured with RGA Reinsurance UK Ltd before 14 September 2003. Business ceded with RGA Reinsurance UK Ltd and RGA Americas Reinsurance is reassured under a single treaty. No business was reassured to RGA UK Ltd or RGA Americas Reinsurance after 17 September 2006.				
51	<b>Family and Personal Income Plan (Term Assurance)</b>  The Society has five treaties with varying proportions of the business reassured under each treaty. Business ceded to Swiss Reinsurance Company and Swiss Re Europe S.A. UK Branch is reassured under a single treaty. From 28 April 2002, the overall effect is to achieve 90% quota share of the first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on any one case on an equivalent lump sum basis. No business has been reassured to Swiss Reinsurance Company after 31 December 2002. No business has been reassured to Swiss Re Europe S.A. UK Branch after 9 November 2003. No business was reassured with RGA Reinsurance UK Ltd before 14 September 2003. Business ceded with RGA Reinsurance UK Ltd and RGA Americas Reinsurance is reassured under a single treaty. No business was reassured to RGA UK Ltd or RGA Americas Reinsurance after 17 September 2006.	4,846	No	2,945	n/a

#### 9. (d) I. Partner Reinsurance Co. (Ireland)

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
52	<b>Term Assurance/ Decreasing Term with Critical Illness</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £1m on any one case in respect of business from 9 April 2006.	10,403	No	24,237	n/a
53	<b>Family and Personal Income Plan with Critical Illness</b>  90% quota share of the first £3,750 p.m. plus 100% of the excess, with a maximum ceded of £1m on any one case on an equivalent lump sum basis in respect of business from 9 April 2006.	137	No	121	n/a
54	<b>Portfolio Regular Investment Plan</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £10m on any one case in respect of business from 24 October 2010.	2	No	0	n/a

**9. (d) J. Pacific Life Re Ltd (formerly Scottish Re Ltd (SRL) and Scottish Annuity & Life Insurance Company (Cayman) Ltd (SALIC))**

(l) Pacific Life Re Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
55	<b>Pension Term Assurance/ Decreasing Term</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £1m on any one case in respect of business from 9 April 2006 and prior to 7 December 2006.	10,122	No	41,616	n/a

**9. (d) K. Pacific Life Re Ltd (formerly Scottish Re Ltd (SRL))**

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
56	<b>Decreasing Term Assurance</b>  From 18 March 2007, for contracts where the original sum assured is less than £200,000, 90% quota share with a maximum ceded of £180,000 on any one case.	9,120	No	13,766	n/a
57	<b>Whole of Life</b>  From 20 April 2009 50% quota share of first £20,000 with a maximum ceded of £10,000.	60	Yes	895	Up to £10,000
58	<b>Guaranteed Acceptance Plan</b>  From 7 June 2009, 50% quota share of first £20,000 with a maximum ceded of £10,000.	1,594	Yes	17,892	Up to £10,000

**9. (d) L. Hannover Life Reassurance (Ireland) Ltd**

(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
59	<b>Decreasing Term Assurance</b>  From 18 March 2007, for contracts where the original sum assured is greater than or equal to £200,000, 90% quota share of the first £500,000 and then 100% of the excess with a maximum ceded of £5m on any one case. From November 2007, the maximum ceded increased to £10m.	3,770	No	9,617	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
60	<b>Family and Personal Income Plan</b>  90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on an equivalent lump sum basis.	1,147	No	2,613	n/a
61	<b>Decreasing Term Assurance Plan with Critical Illness</b>  From 20 June 2011 (Reviewable CIC) and from 19 September 2011 (Guaranteed CIC), 90% quota share of the first £500,000 and 100% of the excess, with a maximum ceded of £50,000 on any one case.	5,446	Yes	38,475	Up to £50,000

#### 9. (d) M. XL Re

- (l) XL Re is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
62	<b>Decreasing Term Assurance with Critical Illness</b>  From 18 March 2007, for contracts where the original sum assured is less than £200,000, 50% quota share of the first £200,000, with a maximum ceded of £100,000 on any one case.	1,695	No	2,594	n/a
63	<b>Term Assurance/Decreasing Term Assurance with Critical Illness</b>  From 18 March 2007, 50% quota share of the first £250,000 and 100% of the excess, with a maximum ceded of £125,000 on any one case.	936	No	2,275	n/a
64	<b>Term Assurance/Decreasing Term Assurance with Critical Illness</b>  From 20 July 2008, for contracts where the original sum assured is greater than £200,000, 50% quota share of the first £250,000 and 100% of the excess, with a maximum ceded of £1m (personal) or £2m (business) on any one case.	717	No	1,712	n/a
65	<b>Term Assurance/Decreasing Term Assurance</b>  90% quota share on the first £1m and then 100% of the excess to £5m /£10m (by age).	5,257	No	6,777	n/a

#### 9. (d) N. Swiss Re Europe S.A. UK Branch, RGA Reinsurance UK Ltd, RGA Americas Reinsurance Co. Ltd, Munich Reinsurance Company (Life), Partner Reinsurance Co. (Zurich)

- (l) Swiss Re Europe S.A. UK Branch, RGA Reinsurance UK Ltd and Munich Reinsurance Company (Life) are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.  
(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
66	<b>Term Assurance/Decreasing Term Assurance</b>  From 20 July 2008, the Society has five treaties with varying proportions of the business reassured under each treaty. The overall effect is to achieve 90% quota share of the first £500,000 plus 100% excess, with a maximum ceded of £10m on any one case.	62,999	No	285,255	n/a

**9. (d) O. Swiss Re Europe S.A. UK Branch, RGA International, Munich Reinsurance Company (Life), Pacific Life Re Ltd, Scor Global Life reinsurance UK Ltd**

(l) Swiss Re Europe S.A. UK Branch, RGA International, Munich Reinsurance Company (Life) and Scor Global Life Reinsurance UK Ltd are authorised to carry on insurance business in the United Kingdom.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
67	<b>Term Assurance/Decreasing Term Assurance</b>  From 20 June 2011, the Society has four treaties with varying proportions of the business reassured under each treaty. The overall effect is to achieve 100% reinsurance with a maximum ceded of £10m on any one case, with the exception of Scor Global Life Reinsurance UK Ltd which is on 90% quota share of the first £500,000 plus 100% of the excess.	16,822	Yes	191,279	Up to £50,000
68	<b>Family and Personal Income Plan</b>  From 20 June 2011, the Society has four treaties with varying proportions of the business reassured under each treaty. The overall effect is to achieve 100% reinsurance with a maximum ceded of £10m on any one case, on an equivalent lump sum basis.	1,167	Yes	6,609	£0

**9. (d) P. Scor Global Life Reinsurance UK Ltd, Scor Global Life Reinsurance Ireland Ltd**

(l) Scor Global Life Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
69	<b>Term Assurance/Decreasing Term Assurance with Critical Illness</b>  From 20 July 2008, for contracts where the original sum assured is less than £200,000, 50% quota share, with a maximum ceded of £100,000 on any one case.	11,406	Yes	23,759	Up to £100,000



	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
70	<b>Family and Personal Income Plan with Critical Illness</b>  From 20 July 2008, 50% quota share of first £2,000 per month plus 100% of the excess, with a maximum ceded of £3,000 per month.	377	Yes	518	Up to £1,000 pm
71	<b>Term Assurance/Decreasing Term Assurance with Critical Illness</b>  From 20 July 2008, 90% quota share on the first £500,000, with a maximum ceded of £2,750,000 on any one case.	9,385	Yes	24,632	Up to £50,000
72	<b>Family and Personal Income Plan with Critical Illness</b>  From 20 July 2008, 90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £1m on any one case on an equivalent lump sum basis.	210	Yes	242	Up to £375pm
73	<b>Portfolio Regular Investment Plan</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £10m on any one case in respect of business from 10 September 2011.	0	Yes	0	Up to £50,000

**9. (d) Q. Scor Global Life Reinsurance UK Ltd, Scor Global Life Reinsurance Ireland Ltd, XL Re, Royal Bank of Canada**

(l) Scor Global Life Reinsurance UK Ltd and XL Re are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
74	<b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness.</b>  Combination of treaties with varying proportions of reinsurance, on a 90% quota share basis to either £500,000 or to £1m with 100% of the excess.	11,319	No	76,922	n/a

**9. (d) R. Cologne Reinsurance Company United Kingdom Branch Ltd**

(l) Cologne Reinsurance Company UK is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
75	<b>Whole of Life</b>  From 20 July 2008, 90% quota share on the first £500,000, plus 100% of the excess, with a maximum ceded of £5m on any one case.	1,011	Yes	85,395	Up to £50,000

#### 9. (d) S. Legal & General Assurance (Pensions Management) Ltd (“L&G (PMC)”)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The reinsurer is a connected company of the insurer.

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
76	<b>Segregated Fund</b>  All business.	0	Yes	0	£0
77	<b>Linked Pensions Unit Liability</b>  All liabilities under the UK L&G (PMC) funds. The value of the reinsurance cover is determined by reference to the prices of certain of the L&G (PMC) internal linked funds.	1,209,018	Yes	2,927,614	£0
78	<b>Overseas Linked Unit Liabilities</b>  All liabilities under the L&G (PMC) European Equity Index and L&G (PMC) World Equity funds. The value of the reinsurance cover is determined by reference to the prices of certain of the L&G (PMC) internal linked funds.	5,455	Yes	43,986	£0

#### 9. (d) T. J P Morgan Life Assurance Ltd (“JPMLAL”)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
79	<b>Linked Pensions Unit Liabilities</b>  All liabilities under the JPMLAL Lifetime Growth, JPMLAL Lifetime Moderate, JPMLAL UK Disciplined Equity, JPMLAL Global (All World ex UK) Equity unit funds together with certain pension business accumulating with-profit liabilities. The value of the reinsurance cover is determined by reference to the prices of certain of JPMLAL’s internal linked funds.	6,393	Yes	84,334	£0

#### 9. (d) U. Deutsche Asset Management Life & Pensions Limited (“Deutsche”)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
80	<b>Linked Pensions Unit Liabilities</b>  All liabilities under the Deutsche Life UK Equity, Deutsche Life Overseas Equity, Deutsche Life Global Growth, Deutsche Life Balanced unit funds together with certain pension business accumulating with-profit liabilities. The value of the reinsurance cover is determined by reference to the prices of certain of Deutsche's internal linked funds.	16,248	Yes	116,215	£0

#### 9. (d) V. Legal & General Pensions Limited

- (l) The reinsurer is authorised, as an Insurance Special Purpose Vehicle (ISPV), to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
81	<b>All liabilities under:</b> <ul style="list-style-type: none"> <li>• Non-Linked non-profit Pension Business</li> <li>• Non-Linked non-profit Overseas Life Assurance Business</li> <li>• Life Reinsurance Business</li> </ul> and <ul style="list-style-type: none"> <li>• Non-Unit Liabilities for Linked Pension Business and Overseas Life Assurance Business.</li> </ul> <p>except any liabilities arising as a result of mis-selling claims. The premiums payable and amounts ceded are net of premiums paid and recoveries received from other (external) reinsurances on this business.</p>	3,638,050	Yes	30,471,297	£0

#### 9. (d) W. A combination of reinsurers, comprising:

Reinsurance Company	Share to 1 September 2012				Share to 1 September 2013			
	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m
Chartis	8.33%	8.33%	8.33%	8.33%	7.95%	7.95%	7.95%	7.95%
Transatlantic Reinsurance Company, New York, USA (London Branch)	5.15%	5.15%	5.15%	5.15%	4.90%	4.90%	4.90%	4.90%
Sirius International Insurance Corporation	0.64%	0.64%	0.64%	0.64%	0.82%	0.82%	0.82%	0.82%
Mapfre Re Compania De Reasegueros	2.58%	2.58%	2.58%	2.58%	2.45%	2.45%	2.45%	2.45%
Arch Insurance Company (Europe) Ltd	6.87%	6.87%	6.87%	6.87%	6.13%	6.13%	6.13%	6.13%
Atrium Syndicate	1.29%	1.29%	1.29%	1.29%	1.23%	1.23%	1.23%	1.23%
AWAC	7.86%	7.86%	7.86%	7.86%	7.36%	7.36%	7.36%	7.36%
Argo Syndicate	2.79%	2.79%	2.79%	2.79%	2.66%	2.66%	2.66%	2.66%
Alterra Syndicate	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%
Partner Re	4.30%	4.30%	4.30%	4.30%	6.13%	6.13%	6.13%	6.13%
Houston Casualty	1.12%	1.12%	1.12%	1.12%	1.06%	1.06%	1.06%	1.06%
Ark Syndicate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Torus Syndicate 1301 (prev. Broadgate Syndicate)	1.29%	1.29%	1.29%	1.29%	2.04%	2.04%	2.04%	2.04%
Beazley Syndicate	7.30%	7.30%	7.30%	7.30%	6.95%	6.95%	6.95%	6.95%
Kiln Syndicate (A.W)	1.07%	1.07%	1.07%	1.07%	1.02%	1.02%	1.02%	1.02%
Advent Syndicate	0.86%	0.86%	0.86%	0.86%	0.82%	0.82%	0.82%	0.82%
Hiscox Syndicate	8.59%	8.59%	8.59%	8.59%	8.17%	8.17%	8.17%	8.17%
Sagicor Syndicate	1.72%	1.72%	1.72%	1.72%	1.63%	1.63%	1.63%	1.63%

Presidio obo Hardy Syndicate	2.58%	2.58%	2.58%	2.58%	2.45%	2.45%	2.45%	2.45%
Amlin Bermuda	1.72%	1.72%	1.72%	1.72%	1.64%	1.64%	1.64%	1.64%
Zon Re obo Chubb & Son	2.15%	2.15%	2.15%	2.15%	2.45%	2.45%	2.45%	2.45%
Langsforsakring	0.86%	0.86%	0.86%	0.86%	0.82%	0.82%	0.82%	0.82%
RMA obo Toa Re	3.01%	3.01%	3.01%	3.01%	2.46%	2.46%	2.46%	2.46%
General Ins Corp of India	3.87%	3.87%	3.87%	3.87%	3.27%	3.27%	3.27%	3.27%
Axis UK	8.59%	8.59%	8.59%	8.59%	10.62%	10.62%	10.62%	10.62%
Pembroke Syndicate	2.86%	2.86%	2.86%	2.86%	2.72%	2.72%	2.72%	2.72%
Sirius Syndicate	2.80%	2.80%	2.80%	2.80%	2.45%	2.45%	2.45%	2.45%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

- (l) The reinsurers are authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
82	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 1 September 2011, renewed on 1 September 2012 and remains in force until 31 August 2013. It covers business written to the Group and Individual Life account and the Group Income Protection Account.</p> <p>The reinsurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £200m with an excess of £50m per event.</li> <li>• A maximum of £1.25m per person for Life.</li> <li>• A maximum of £6.375m per person for Group Income Protection.</li> <li>• A minimum of 8 lives per event.</li> </ul> <p>The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.</p>	1,799	Yes	n/a	n/a

**9. (d) X. A combination of reinsurers, comprising:**

Reinsurance Company	
ARK Syndicate Management Syndicate No. 4020 (ARK)	43.48%
A.F. Beazley & Others Syndicate No. 3623 (AFB)	13.04%
Argo Syndicate No. 1200 (AMA)	13.04%
S.J.O. Catlin & Others Syndicate No. 2003 (SJC)	13.04%
Kiln Syndicate No. 510 (KLN)	8.70%
Pembroke Lloyds' Syndicate No. 4000 (PEM)	8.70%
Total	100.00%

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
83	<p><b>Group Permanent Health Insurance</b></p> <p>Surplus over the Society's retention with a minimum of £20,000 p.a. and a maximum of £382,500 p.a.</p>	650	Yes	1,117	Up to £150,000 p.a.

**9. (d) Y. Marias Falls Insurance Co, Limited of Hamilton, Bermuda**

- (l) The reinsurer is not authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
84	<p><b>Group Permanent Health Insurance, Claims in Payment</b></p> <p>The treaty came to effect December 2012 and remains in-force in perpetuity until expiry of ceded liabilities or cancellation of treaty.</p> <p>The future income benefits of a closed group of claimants (DHL Supply Chain UK) are entirely reinsured.</p>	9,267	No	10,036	n/a

**9. (d) Z. HSBC Life (UK) Limited**

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
85	<p><b>Linked Pensions Unit Liabilities</b></p> <p>All liabilities under the Amanah fund</p>	655	Yes	677	£0

**9. (d) AA. Threadneedle Pensions Ltd**

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
86	<p><b>Linked Pensions Unit Liabilities</b></p> <p>All liabilities under the Cautious Pathway fund, Balanced Pathway fund, Adventurous Pathway fund, UK Equity fund, Property fund, Multi Asset fund, Mixed fund and the Company 1 Property fund</p>	10,680	Yes	12,969	£0

- (g) The Society has not entered into any deposit back arrangements.
- (n) No material legal risk attaches to any of the treaties above. The Society has credit risk exposure to each of the reinsurers above, but none exceeds internal exposure limits such that the reduction in mathematical reserves need be restricted. Additionally an explicit reserve has been set up to cover the cost of potential reinsurer default (see Section 8).
- (o) For all contracts of reinsurance, any repayment of commission in respect of lapse or surrender would be exceeded by an associated repayment of premium, hence no additional provision is necessary.

For certain contracts of reinsurance arranged on a quota share basis, a rebate of premium is received from the reinsurer. Provision has been made for the repayment of any excess of rebate received over the amount earned in the event of policyholder lapse.

- (p) The Society has not entered into any financing arrangements.

## **10. Reversionary (or annual) bonus**

- 10(1)** The rates of annual and reversionary bonus declared for each bonus series are given in the following table. Under some categories lower rates of bonus apply where a policy has been converted to a reduced paid-up contract or where premiums are deemed to have been discontinued and these are shown separately. Unit-linked benefits linked to internal investment funds do not benefit from bonus additions.

Participating with-profits policies share in profits from outset. Bonuses vest when claims are paid.

Except for Group Policies (1980 Bonus System) and With Profit Annuity, the bonus rates shown applied to policies which were in force on 31 December 2012 and which had not become a claim (including attainment of normal retirement age or retirement for High Performance Pension Plan annual bonuses), cancellation or surrender before 21 February 2013.

For With Profit Annuity the reversionary bonus rates shown for 2012 are those which apply to policies for one year from the renewal date of the policy on or after 1 April 2013, and similarly for 2011.

<b>Bonus series</b>	<b>Mathematical Reserves (£000)</b>	<b>% Reversionary Bonus Rate for 2012</b>	<b>% Reversionary Bonus Rate for 2011</b>	<b>% Total Guaranteed Bonus Rate for 2012</b>
<b>INDIVIDUAL NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	4,807	0.00	0.00	4.01
<b>Personal Retirement Plan</b>				
<b>Year of premium payment:</b>				
1972 – 1995	619,968	0.00	0.00	0.00
1996	8,167	0.25	0.50	0.25
1997	7,690	0.25	0.25	0.25
1998	7,320	0.25	0.25	0.25
1999 – 2000	12,594	0.25	0.25	0.25
2001	6,436	0.25	0.50	0.25
2002	6,523	1.75	2.25	1.75
2003	4,852	2.00	2.25	2.00
2004	4,587	1.25	1.50	1.25
2005	4,796	0.25	0.50	0.25
2006 - 2007	7,456	0.25	0.25	0.25
2008	3,322	1.25	1.50	1.25
2009	3,285	2.75	3.00	2.75
2010	3,135	2.50	3.00	2.50
2011	3,012	2.25	2.75	2.25
2012	1,705	2.75	n/a	2.75
<b>Buy Out Plan</b>				
<b>Year of premium payment:</b>				
1985 – 1992	411,808	0.00	0.00	5.00
1993	72,681	0.00	0.00	4.50
1994	28,780	0.50	0.75	0.50
1995	8,649	0.35	0.25	1.50
<b>With Profit Annuity</b>				
03/04/2000-17/03/2002	22,678	0.50	0.50	0.50
28/02/2002-18/04/2003	30,716	0.79	1.04	0.79
01/04/2003-29/11/2003	5,204	0.75	1.75	0.75

<b>Bonus series</b>	<b>Mathematical Reserves (£000)</b>	<b>% Reversionary Bonus Rate for 2012</b>	<b>% Reversionary Bonus Rate for 2011</b>	<b>% Total Guaranteed Bonus Rate for 2012</b>
12/11/2003-18/08/2006	118,747	0.50	0.82	0.50
01/08/2006-05/12/2007	50,239	0.50	0.50	0.50
18/11/2007-02/01/2012	81,072	1.32	2.13	1.32
03/01/2012-29/01/2013	10,260	3.00	n/a	3.00
<b>Pre-1972 Personal Pensions</b>	62			
Premium paying				
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching		0.50	0.50	0.50
Paid up		0.50	0.50	0.50
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching				
<b>Other Assurances and Deferred Annuities</b>	1,769,022			
Premium paying				
- on participating sum assured or annuity		1.25	1.25	1.25
- on bonuses already attaching		1.25	1.25	1.25
Paid up				
- on participating sum assured or annuity		1.00	1.00	1.00
- on bonuses already attaching		1.00	1.00	1.00
<b>UNITISED WITH-PROFITS POLICIES (LIFE):</b>				
<b>ANNUAL PREMIUM POLICIES</b>				
Flexible Mortgage Plan (Series 2, 4 & 5), Prospects	66,745	3.00	3.08	3.00
Flexible Mortgage Plan (Series 10 & 12)	109,299	2.78	2.93	2.78
Flexible Protection Plan (Series 3 & 4)	7,344	3.86	3.92	3.86
New Savings Plan (Series 1)	438	2.38	2.52	2.38
Flexible Mortgage Plan (Series 6 & 8)	171,222	1.49	1.36	2.44
Flexible Protection Plan (Series 5)	170	2.58	2.41	3.53
New Savings Plan (Series 2)	1,008	1.39	1.11	2.34
Regular Savings Plan (Series 1)	402	1.05	0.84	2.00
<b>UNITISED WITH-PROFITS POLICIES (LIFE):</b>				
<b>SINGLE PREMIUM POLICIES</b>				
Capital Investment Portfolio (Series 1)	30,285	2.62	2.65	2.62
Capital Investment Portfolio (Series 5)	68,313	1.75	1.75	1.75
Capital Investment Portfolio (Series 7)	258,023	2.19	2.34	2.19
With-Profit Bond (Series 1 & 4)	1,529,385	2.97	3.10	2.97
With-Profit Bond (Series 2, 3 & 5)	1,276,484	2.02	2.14	2.02
With-Profit Bond (Series 6)	20,816	2.93	3.41	2.93
With-Profit Bond (Series 7)	21,304	2.56	2.70	2.56
Capital Investment Portfolio (Series 6)	101,999	0.74	0.49	1.69
With-Profit Bond (Series 8 & 9)	61,350	4.57	4.55	4.57
With-Profit Bond (Series 10 & 11)	140,283	2.67	2.73	2.67
With-Profit Bond (Series 12 & 13)	27,832	4.96	4.88	4.96
With-Profit Bond (Series 14 & 15)	217,868	3.00	3.00	3.00
With-Profit Bond (Series 16 - 19)	199,011	2.65	2.94	2.65
<b>UNITISED WITH-PROFITS POLICIES (PENSIONS):</b>				
Trustee Investment Plan 1999 (Series 1)	386	0.00	1.50	0.00
Trustee Investment Plan 1999 (Series 2)	0	2.24	2.28	2.24
Personal Pension Plan 2000	44,416	3.02	3.07	3.02
Group AVC 2002 (Series 1)	356	3.01	3.37	3.01
Company Pension Scheme	3,651	2.14	2.35	2.14
Other contracts				

<b>Bonus series</b>	<b>Mathematical Reserves (£000)</b>	<b>% Reversionary Bonus Rate for 2012</b>	<b>% Reversionary Bonus Rate for 2011</b>	<b>% Total Guaranteed Bonus Rate for 2012</b>
- without Contractual Minimum Addition				
Initial Units - Generation 2 & 4	9,074	0.00	0.00	0.35
Initial Units - Generation 5	24,606	0.00	0.00	0.59
Initial Units - Generation 6	32,504	0.00	0.00	0.18
Accumulation units	3,044,474	1.51	1.63	3.17
- with Contractual Minimum Addition				
Initial units	3,340	0.00	0.00	0.00
Accumulation units	434,070	1.06	0.88	2.21
<b>GROUP NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	62,531	0.45	0.45	3.64
<b>High Performance Pension Plan</b>				
Premium Paying	214	0.00	0.00	4.25
Paid up	4,662	0.00	0.00	4.25
<b>Money Purchase Plan</b>				
Approved	11,990	1.60	1.40	3.48
Unapproved	19,684	1.46	1.33	2.68
<b>Money Purchase Pension Plan (In Payment)</b>	879	0.25	0.50	0.25
<b>1971 Bonus System</b>	417	0.00	0.00	4.25
<b>1980 Bonus System</b>				
Approved policies	110,369	0.99	0.90	1.46
Unapproved policies	0	0.00	0.00	0.00

- (2) In the above table, for unitised with-profits business the percentage bonus rates applied to units are shown.
- (3) In the above table both bonus rates in super compound bonus rates are shown separately.
- (4) For unitised with-profits and group non-linked policies, bonus rates vary by pool. The bonus rates shown are weighted averages across the individual pools for each bonus series.

For certain accumulating with-profits contracts, a guaranteed minimum rate of addition to benefits is payable, in addition to bonus. Both of these are included in the column headed “% Total Guaranteed Bonus Rate for 2012”.



**Returns under Chapter 9, Appendix 9.4A of the Interim Prudential Sourcebook for Insurers**  
**Abstract of Valuation Report for Realistic Valuation**  
**Legal & General Assurance Society Limited**  
**Financial Year Ended 31 December 2012**

**Introduction**

- 1(1) The valuation to which this actuarial investigation relates is 31 December 2012.
- 1(2) The previous valuation related to 31 December 2011.
- 1(3) An interim valuation was carried out as at 30 June 2012.

**Assets**

- 2(1) The major economic assumptions used to determine the value of future profits on non-profit contracts written in the With Profits Sub Fund as at 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012		31 December 2011	
	Annuity Business	Other Business	Annuity Business	Other Business
Investment Return	% p.a.	% p.a.	% p.a.	% p.a.
- Fixed Interest:				
Gilts	2.42	2.42	2.58	2.58
Approved securities	2.42	2.42	2.58	2.58
Unapproved securities	2.74	2.42	4.19	2.58
- RPI Linked				
Gilts	2.42	2.42	2.58	2.58
Approved securities	2.42	2.42	2.58	2.58
Unapproved securities	2.74	2.42	4.19	2.58
- Equities and Property	2.42	2.42	2.58	2.58
Risk Discount Rate	4.00	3.67	4.89	3.48
Inflation				
- Expenses / earnings	3.40	3.40	3.50	3.50
- Indexation	2.90	2.90	3.00	3.00

- 2(2) Not applicable
- 2(3) Not applicable
- 2(4) Not applicable
- 2(5) Not applicable

**With-Profits Benefits Reserve Liabilities**

- 3(1) Method 1: A single retrospective method has been used for all significant classes of with-profits insurance contracts. This method is the calculation of an asset share. Asset shares are calculated by assessing the premiums received net of payments to policyholders, expenses and other deductions (for example for the cost of guarantees and options, and transfers to shareholders). These sums are then accumulated with investment returns, allowing for tax (including an allowance for tax in relation to unrealised capital gains or losses).

The level of initial and renewal expenses on certain classes of business has been capped at a level below that borne by the With Profits Sub Fund. The balancing amounts are met from the working capital of the With Profits Sub Fund. Initial expense caps apply to most Unitised Life contracts written since 1995, some conventional life contracts sold in the late 1980s and early 1990s, most Unitised Pensions contracts written since 1995 and With Profits Annuity contracts. Renewal expense caps apply to most Unitised Pensions contracts written since 1997 and to a limited number of Unitised Life savings contracts.

For most business the level of shareholder transfer charged to asset shares has been restricted to a level below 10% of the Distributed Surplus. For most business sold before 1995 the deduction prior to 2005 was calculated as the transfer to shareholders determined assuming a 95:5 article plus tax as a result of the shareholder transfer consistent with the Shareholder Transfer being 10% of Distributed Surplus. For business sold since 1995 the percentage varies according to the type and version of the contract.

From 2005 onwards no charge is made in respect of the tax on the shareholder transfer and the percentage charged in respect of shareholder transfer varies according to the type and version of the contract.

Contractual Annual Interest is not bonus, and so does not generate a transfer to shareholders.

Method 2: For some minor classes of with-profits contracts a prospective method has been used. For these contracts the regulatory reserve has been used as a prudent approximation to the total of the with-profits benefits reserve and the future policy related liabilities. These minor classes are included within the following table under "Other".

The following table shows the amounts of with-profits benefits reserve and the future policy related liabilities for each class of product.

£m	With-profits benefits reserve	Future policy related liabilities
Conventional Life	2,186	71
Unitised Bonds with guaranteed annual increments #	109	2
Unitised Bonds without guaranteed annual increments	3,943	83
Regular Premium unitised life business with guaranteed annual increments #	204	-1
Regular Premium unitised life business without guaranteed annual increments	229	-1
Unitised Pensions with guaranteed annual increments #	3,382	212
Unitised Pensions without guaranteed annual increments	597	32
Personal Retirement Plan	288	367
Buy Out Plan	153	215
Adaptable Funding Contract	72	9
With Profit Annuities	326	49
Other	101	264
Total	11,590	1,301

# These contracts may also contain some monies on which no guaranteed annual increments are credited.

3(2) The amounts shown above equal the amounts shown at lines 31 and 49 of Form 19.

#### **With-Profits Benefits Reserve – Retrospective Method**

4(1) The following table shows the proportions of the with-profits benefits reserve which have been valued on an individual basis and on a grouped basis.

	Proportion valued on an individual basis	Proportion valued on a grouped basis
Method 1	99.6%	0.4%

4(1)(c) Where contracts have been grouped this is achieved by averaging the underlying policy data. The grouping process is designed to ensure that key features relevant to calculation of the with-profits benefits reserve and the future policy related liabilities are retained. Relevant key features include contract type, maturity year, year of investment and the presence and extent of certain guarantees.

The following table shows the relationship between the number of model points and the number of individual policies that they represent:

	Number of individual policies	Number of model points
Conventional Life	141,072	141,072
Unitised Life business	11,077,872	168,276
Unitised Pensions business	216,671	270,131
Personal Retirement Plan	18,860	162,366
Buy Out Plan	7,284	7,284
Adaptable Funding Contracts	71	35
With Profit Annuities	8,799	12,843
Total	11,470,629	762,007

For Unitised Life business, the number of individual policies exceeds the number of model points despite no grouping of data across individual lives. This is due to clustering on some contracts, where, for administrative reasons, each individual sale involves setting up a large number of identical policies.

For Unitised Pensions, the number of model points exceeds the number of individual policies because individual policies can have increments associated with them, for which separate model points are created.

For Personal Retirement Plan the number of model points exceeds the number of policies. This is a consequence of individual policies consisting of multiple premium tranches which are separately identified.

For With Profit Annuities the number of model points exceeds the number of policies. This is a consequence of some individual policies containing multiple benefits which are separately identified.

The grouping process is validated by comparing calculated regulatory reserves, numbers of policies in-force and current level of benefit against the results from ungrouped data. As a further validation the historic accumulation of pool values for accumulating with-profits contracts is compared against current pool values.

4(2)(a) There has been no significant change to the valuation method used to value the with-profits benefits reserve.

4(3)(a) The most recent expense investigation was carried out as at 31 December 2012.

4(3)(b) Expense investigations for the purpose of calculating with-profits benefits reserve are carried out yearly and updated half-yearly.

4(3)(c) Table of total expenses allocated to the with-profits benefits reserve during 2012:

Expenses allocated to with-profits benefits reserve (£m)	Initial expenses	Maintenance expenses	Total expenses
Conventional Life	0.0	12.1	12.1
Unitised Life	22.1	16.3	38.4
Unitised Pensions	1.5	10.1	11.6
Personal Retirement Plan	0.0	3.0	3.0
Buy Out Plan	0.0	1.2	1.2
Adaptable Funding Contracts	0.0	2.6	2.6
With Profit Annuities	0.6	0.4	1.0
Total	24.2	45.7	69.9

4(3)(c)(i) Initial expenses consist of acquisition commission, selling costs, underwriting and setting up costs when processing new business.

4(3)(c)(ii) Maintenance expenses include all other ongoing costs of administering existing policies including an allocation of Society's fixed costs and renewal commission.

4(3)(c)(iii) Expenses are attributed to with-profits policies in accordance with allocation bases determined by the Society to give a fair apportionment of expenses between contract classes. From 1999 commission has been charged as incurred. In earlier years it had been apportioned. The remaining expenses are generally allocated on the basis of an apportionment of the cost incurred in acquiring and administering the policies. The basis of apportionment is regularly reviewed for fairness and varies according to the category of expense. For example, for individual business sales expenses are generally apportioned in accordance with initial commission generated and administration expenses in accordance with numbers of policies processed within broad policy types.

Certain expenses charged to the with-profits benefits reserve for most unitised with-profits life and pensions business written since 1995 and for some conventional life business written in the late 1980s and early 1990s have been capped at a level below that actually incurred. The levels of the expense caps vary by product type and vintage. For business sold from 1 July 2012, no expense cap applies. Where expenses are not capped the same expense deductions are applied to the with-profits benefits reserve as are borne by the With Profits Sub Fund, suitably apportioned. Expenses in excess of the cap are charged to the Working Capital of the With Profits Sub Fund.

4(3)(c)(iv) Expenses in excess of expense caps and certain categories of exceptional expense are not allocated to the with-profits benefits reserve. The amounts of these incurred in 2012 are given in the table below.

Expenses allocated to other than with-profits benefits reserve	Amounts (£m)	Comments
Conventional Life	1.7	Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Life	3.7	Expense Caps; Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Pensions	3.7	Expense Caps; Expenses and compensation arising from Pensions Review and other complaints;
Total	9.1	

4(4) A charge is deducted from the with-profits benefits reserve for Buy Out Plans. This deduction is in respect of the guarantee to pay Guaranteed Minimum Pensions. The amount of the charge was £0.7m (2011: £0.9m).

A charge is deducted from the with-profits benefits reserve for certain Capital Protection Bonds, Capital Protection Plus Bonds and Capital Control Bonds. This deduction is in respect of an optional investment guarantee at their fifth policy anniversary. The amount of the charge was £6.4m (2011: £6.0m).

During 2005 Society introduced a potential charge to the with-profits benefits reserve based on changes in the value of options and guarantees on with-profits participating business. Should the value of options and guarantees, after adjustment for guarantee costs met, new business and for the movement in the value of assets backing guarantee liabilities, increase when compared to the value assessed as at 30 June 2005 then Society has the right to make a charge equal to the value of that increase. Should the value of guarantees and options subsequently fall then, subject to it being prudent to do so, Society expects to refund the value of this reduction. This charge is limited to a maximum of 0.75% p.a. of the with-profits benefit reserve.

A refund of 0.75% was made to the with-profits benefits reserve as at 31 December 2012. This compares against a charge of 0.75% that was taken from the with profits benefits reserve as at 31 December 2011.

4(5) No charges are deducted from the With Profits Sub Fund for non-insurance risk.

4(6) A table showing the average over the preceding three financial years of claims paid out on with-profits insurance contracts compared to the with-profits benefits reserve for those claims:

Ratio of claims to with-profits benefits reserve plus any past miscellaneous surplus less any past miscellaneous deficit	Ratio for claims in 2010	Ratio for claims in 2011	Ratio for claims in 2012
Death claims	126%	125%	126%
Surrender claims	103%	104%	103%
Maturity claims	101%	105%	106%

- 4(7) The mix of assets backing the asset shares during 2012 varies by class of business. As a consequence the investment return varies by class of business, as detailed in the table on the next page.

Investment returns shown are gross of tax and investment expenses.

With-profits insurance contract type	Asset Mix currently applied to determine investment returns	With-Profit Benefit Reserve at 31/12/2012	Investment Return gross of tax, gross of investment expenses 1/1/2012 to 31/12/2012	Average With-Profit Benefit Reserve 1/1/2012 to 31/12/2012**	Weighted Return *
With Profit Annuities (fixed part)	100% invested in fixed interest	78,116	13.86%	77,330	0.0914%
With Profit Annuities (non-fixed part)	100% invested in 'real' assets (equities and property)	248,127	9.70%	237,921	0.1969%
Group Pensions contracts (1980 Bonus Series) eligible for Contractual Annual Interest	50% invested in fixed interest and 50% in 'real assets'	4,360	11.46%	6,090	0.0060%
Group Pensions contracts (1980 Bonus Series) not eligible for Contractual Annual Interest	The asset mix for these contracts is made up of the remainder of the assets, but allocated in such a way that pensions contracts will have 10% more invested in fixed interest securities than life contracts.	68,112	11.44%	66,922	0.0653%
Personal Retirement Pension contracts	Though the percentage invested in fixed interest for two different pensions products or two different life products will be the same, the fixed interest return allocated to each product will take account of the average outstanding duration of liabilities under that product.	293,664	11.86%	292,953	0.2963%
Conventional Section 32 Buy-Out Plans		155,061	9.60%	157,842	0.1293%
Other Conventional Pensions contracts		41,027	11.96%	41,310	0.0421%
Unitised With-Profits Pensions contracts		3,979,574	11.97%	3,894,781	3.9757%
Conventional Life contracts excluding those listed below		2,236,995	8.72%	2,528,301	1.8798%
Unitised With-Profits Life contracts excluding those listed below		2,735,458	10.72%	2,715,686	2.4835%
April 2002 and later With Profit Income Bonds and switches into With-Profits from 2003 on July 1997 and later Investment Bonds		10% more than Unitised With-Profits Life contracts in the row above, in fixed interest, and 5% less in respectively UK equities (including ventures) and overseas equities.	1,088,294	10.29%	1,059,357
October 2003 and later With Profit Bonds which have a ten year money back guarantee	Part of each issue is invested in a derivative in order to provide the guarantee. The remainder of the asset share is invested in the normal asset classes in the same proportions as the similar product without the guarantee would be invested.	20,814	10.11%	20,919	0.0180%
- Income Bonds - Other Bonds		23,851	9.55%	23,959	0.0195%

With-profits insurance contract type	Asset Mix currently applied to determine investment returns	With-Profit Benefit Reserve at 31/12/2012	Investment Return gross of tax, gross of investment expenses 1/1/2012 to 31/12/2012	Average With-Profit Benefit Reserve 1/1/2012 to 31/12/2012**	Weighted Return *
Capital Protection Plus (available from November 2008), Capital Protection Bonds (available post 1/1/09), and Capital Control Bonds (available from March 2010)	The asset mix for the two versions of Capital Protection Plus & Capital Protection Bonds are determined relative to the asset mix for standard income and growth bonds respectively, with differences as follows:				
- Income Bonds	Overseas equities and property – 2.5% more invested in these asset classes than under the standard income and growth bonds;	115,409	10.22%	113,492	0.0989%
- Other Bonds	UK equities – 5% less than the standard income bond version and 10% less than the standard growth bond version;  Fixed interest – the Capital Protection Plus Growth Bond has 5% more invested in fixed interest than the standard growth bond.  The asset mix for Capital Control Bonds and Capital Control Plus Bonds are the same as per those for the equivalents for Capital Protection (& Plus) Bonds.	501,213	10.78%	486,808	0.4477%
Total		11,590,076		11,723,670	10.6797%

\* The weighted return per contract type is calculated as the investment return over the period, multiplied with the average benefit reserve over the period for that contract type, divided by the total average benefit reserve summed across all contract types.

\*\* For new products or products where there were none in-force at the end of the year, the average is calculated over the in-force period.

### **With-Profits Benefits Reserve – Prospective Method**

- 5(1) A prospective method has been used for some minor classes of with-profits contracts amounting to approximately 1% of the total with-profits benefits reserve. None of the assumptions involved are key assumptions.

### **Cost of any guarantees, options and smoothing**

- 6(1) Cost of Guarantees, Options and Smoothing exceeds £50m.
- 6(2)(a) A single valuation method has been used to value the costs of guarantees, options and smoothing for all significant classes of with-profits insurance contracts. The method used is a Monte Carlo projection of the with-profits benefits reserve and the guaranteed amounts allowing for investment returns and bonuses. The investment returns and bonuses used depend on the underlying investment conditions in each scenario and on the asset mix backing each class of business. The values of guarantees, options and smoothing are obtained by averaging the relevant discounted amounts.

Where guarantees, options and smoothing apply simultaneously to a contract the costs have been assessed as follows:

Firstly the guarantee cost defined as the value of the amount by which the guaranteed benefit exceeds the with-profits benefits reserve.

Secondly the cost of smoothing defined as the value of the amount by which the smoothed benefit exceeds the higher of the guaranteed benefit and the with-profits benefits reserve.

Lastly the cost of the option defined as the extra cost associated with the option.

- 6(2)(b)(i) The method above applies to all material classes of with-profits insurance contracts, with the exception of With Profits Annuities where the guarantee cost and cost of smoothing are calculated together.
- 6(2)(b)(ii) All contracts are valued on a grouped basis.
- 6(2)(b)(iii) Contracts are grouped by averaging the underlying policy data. The grouping process is designed to ensure which key features relevant to the guarantees and options to be valued are retained. Relevant key features include contract type, maturity year, year of investment and the presence and extent of certain guarantees.

The number of contracts valued is 11,470,629. These are represented by 1,780 model points.

For each class of with-profits insurance contracts which is grouped, cash-flow projections are carried out on the grouped data on a number of bases. These projections are compared to similar projections carried out on data that has been grouped much more finely to ensure that significant attributes have not been lost. In addition key variables such as numbers of contracts, sums assured and regulatory reserve are compared to the results from ungrouped data.

- 6(3) There are no significant changes to the valuation methods for valuing the costs of guarantees, options and smoothing since the previous valuation.
- 6(4)(a)(i) The following types of guarantees, options and smoothing have been valued using a full stochastic approach.

### **Maturity Guarantees**

These take the form of a minimum amount of benefit, including the addition of annual bonuses, which is guaranteed to be payable on maturity of the contract. In some cases the minimum amount of benefit may be expressed in the form of a guaranteed amount of annuity benefit.



## **Surrender Guarantees**

These take one of the following forms:

A guaranteed amount of the single premium less withdrawals payable on surrender from the tenth anniversary for certain With-Profits Bond contracts sold before April 2002.

A guaranteed amount of the single premium less withdrawals payable on surrender at a fixed date which is ten years after the date of initial allocation for certain With-Profits Bond contracts sold from October 2003.

For Capital Protection Bonds, launched in May 2008, a guaranteed amount of single premium less withdrawals is payable on surrender at a fixed date which is ten years after the date of initial allocation. The same guarantee may also apply five years after the date of initial allocation, if selected by the policyholder at outset. There is a charge for this guarantee if selected.

For Capital Protection Plus Bonds, launched in November 2008, a guaranteed amount is payable on surrender at a fixed date which is ten years after the date of initial allocation. The guaranteed amount is 120% of single premium less withdrawals. An optional guarantee payable at the fifth anniversary date of 110% of single premium less withdrawals may be selected by the policyholder at outset. Charges are payable for both these guarantees.

For Capital Control Bonds, launched in March 2010, a guarantee applies whereby the benefit is topped-up (without requiring the contract to be surrendered) if it is lower than the guaranteed amount. This top-up will occur at fixed dates which are 5 or 10 years after the date of initial allocation. The default guarantee is 100% of single premium less any withdrawals at 10 years, with optional guarantees of 110% (of single premium less withdrawals) at 10 years, or 100% at both 5 and 10 years, or 100% at 5 years and 110% at 10 years. Charges are payable for these guarantees.

This guarantee top-up cost is captured as a reduction to the value of future guarantee charge.

## **Death Guarantees**

These take the form of a minimum amount of benefit which is guaranteed to be payable on death. In some cases the minimum amount of benefit may be expressed in the form of a guaranteed amount of annuity benefit.

## **Annuity Guarantees**

Certain older pensions contracts contain a guaranteed annuity option at retirement.

For Personal Retirement Plan contracts the benefit which is guaranteed to be payable at retirement may be taken as either a guaranteed cash amount or a guaranteed annuity.

## **Smoothing**

Smoothing costs reflect the extent to which maturity, and for some classes of business surrender, payouts are smoothed from year to year. The cost reflects the difference between the amounts paid out and the higher of the guaranteed benefit and the relevant with-profits benefits reserve at the time, and may be positive or negative.

The table below demonstrates the extent to which guarantees are in or out of the money. The values shown are:

- The Intrinsic Guarantee cost. This represents the cost of the relevant guarantee when future investment conditions are assumed to be equal to the risk free rate of return for all asset classes.
- The Intrinsic Headroom. This represents the value of the amount by which the projected with-profits benefits reserve exceeds the projected guarantee amount, for guarantee points where the projected with-profits benefits reserve exceeds the projected guarantee. This figure is calculated on the same basis as the Intrinsic Guarantee cost.

£m	Intrinsic Guarantee cost	Intrinsic Headroom
Maturity Guarantee	410	525
Surrender Guarantee	38	703
Death Guarantee	10	Not applicable
Annuity Guarantees	198	0

Death guarantee costs represent the excess of the amount paid over the amount charged to the with-profits benefits reserve. This amount can never be less than zero.

6(4)(a)(ii) The Barrie & Hibbert Economic Scenario Generator v7.2 was used to generate the stochastic scenarios.

The UK nominal yield curve was calibrated to gilts + 10bps. The Bank of England nominal gilt yield curve was used for terms up to 25 years and thereafter, the tail was fitted to Strips. After 43 years, the yield curve was extrapolated using the Smith-Wilson method. Interest rate volatilities were calibrated, using the Enhanced LIBOR Market Model, to at-the-money swaption market data, again using the fitted curves for later years. Real interest rates were calibrated, using a 2-factor Vasicek model, to the Bank of England real yield curve + 10bps. Inflation was modelled implicitly as the difference between nominal and real interest rates.

Corporate bonds were modelled using a Jarrow, Lando & Turnbull model. Credit spreads were calibrated, by credit rating, to a market portfolio of bonds and transition probabilities were calibrated to historical data.

Equity volatilities were calibrated using the Stochastic Volatility Jump Diffusion model. Volatilities were fit to market option implied volatilities for a range of strike prices and durations up to 10 years and extrapolated thereafter. Property was modelled as a constant volatility equity-type asset. As there are no meaningful property options prices, volatility was calibrated to historic data from the IPD All UK Property Index, with volatility increased to 15% to counteract assumed smoothing bias in the data.

The model was calibrated to produce best estimate correlations between asset classes using market data from 1900 to 2011. The table below shows typical mean values for output correlations between the returns in excess of risk-free for various asset classes:

Asset	Property	Government bonds	Overseas Equities	Nominal Short Rate	Corporate Bonds
UK Equities	0.35	0.15	0.77	-0.06	0.29
Property		0.11	0.16	-0.05	0.16
Government bonds			0.16	-0.40	0.91
Overseas Equities				-0.07	0.27
Nominal Short Rate					-0.37

6(4)(a)(iii)

	Asset type (all UK assets)	K=0.75				K=1				K=1.5			
N		5	15	25	35	5	15	25	35	5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period	0.99%	2.69%	3.48%	3.72%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	951,927	671,594	424,884	278,336	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	100,603	252,151	350,112	443,621	204,190	399,416	519,216	637,283	540,830	748,061	897,403	1,050,527
3	FTSE All Share Index (p=0.8)	98,139	222,248	277,324	322,563	199,391	352,525	412,260	464,070	528,634	663,517	714,854	771,246
4	Property (p=1)	30,546	104,040	180,585	260,839	131,908	237,667	335,909	434,269	522,415	609,050	719,819	828,486
5	Property (p=0.8)	28,809	80,801	120,764	160,128	126,441	192,250	235,776	278,718	509,010	516,032	530,711	558,380
6	15 year risk free zero coupon bonds (p=1)	19,418	26,190	24,047	33,199	86,158	89,730	109,089	151,665	500,749	501,973	520,732	553,726
7	15 year risk free zero coupon bonds (p=0.8)	18,521	19,569	10,966	6,248	81,924	61,904	43,808	41,716	486,099	389,978	307,915	269,747
8	15 year corporate bonds (p=1)	22,519	35,276	42,107	58,051	96,745	116,590	139,190	175,718	500,638	501,661	521,158	561,111
9	15 year corporate bonds (p=0.8)	21,461	25,873	19,938	18,621	92,252	84,171	70,772	67,466	486,085	394,774	318,405	286,210
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	61,745	173,522	259,407	343,581	155,684	306,163	413,666	523,235	517,663	655,261	785,689	921,750
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	59,795	148,181	195,969	235,999	150,954	262,053	315,174	362,214	504,522	568,775	603,355	650,729
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	52,863	150,159	223,444	297,889	143,755	272,836	367,635	463,449	506,634	611,023	719,605	847,062
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	51,056	127,064	165,433	198,852	139,182	232,300	275,295	314,962	492,972	525,423	545,159	583,534
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	27,654	88,320	140,795	202,269	108,851	196,191	270,645	351,407	501,211	546,277	626,455	731,187
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	26,306	70,577	94,708	119,947	104,274	158,271	185,362	217,037	486,838	453,733	446,023	466,811
		L=15				L=20				L=25			
16	Receiver swaptions	17.75%	9.59%	7.98%	6.36%	19.53%	11.65%	9.87%	7.43%	21.10%	13.72%	11.21%	8.20%

6(4)(a)(iv) For UK, the initial equity yield is 3.95% and the initial property rental yield is 4.3%. For US, the initial equity yield is 2.24 % and no property is held in the US.

6(4)(a)(v)

	Asset type (all US assets)	K=1			
N		5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period	0.86%	2.71%	3.15%	3.47%
1	Risk-free zero coupon bond	958,266	669,307	460,650	303,287
2	S&P 500 Index (p=1)	213,009	406,459	552,556	670,294

6(4)(a)(vi) Table of outstanding durations of significant guarantees, by cost, within material types of products:

Outstanding durations (years) of significant guarantees	Guarantees on Death	Guarantees on Surrender	Guarantees on Maturity	Annuity Guarantees
Conventional Life			5	
Unitised Bonds with guaranteed annual increments	39 #			
Unitised Bonds without guaranteed annual increments	38 #	12		
Unitised Life Regular Premium business with guaranteed annual increments			8	
Unitised Life Regular Premium business without guaranteed annual increments			7	
Unitised Pensions business with guaranteed annual increments			10	6
Unitised Pensions business without guaranteed annual increments			10	6
Personal Retirement Plan	6	6	7	6
Buy Out Plan	5		6	6

# Costs relate to the residual negative with-profits benefits reserve at the end of the projection period. This arises as a result of charges to the with-profits benefits reserve relating to earlier death payments.

Table of comparison of the fit of the asset models to relevant market traded instruments.

UK Equity Implied Volatilities (FTSE 100 forward 90% strike European Put Option)						
Term	1	2	3	4	5	10
Market: Total for relevant market option (%)	20.62	21.87	22.97	23.95	24.75	27.21
Model: Values (%)	20.36	21.85	23.07	24.02	24.79	27.00
Model: Excess over relevant market option (%)	-0.26	-0.02	0.10	0.07	0.04	-0.21

[Market prices for UK equity options are not readily available beyond 10 years term.]

The equity model generally exhibited a reasonable fit of the equity volatility surface when compared against relevant market traded instruments across available durations and strikes. Given the current skew in the surface, weighting was applied to centre the fit about the 80-100% strike to reflect the average liability moneyness percentage.

UK Swaption Implied Volatilities (at-the-money 20 year tenor receiver swap)											
Term	1	2	3	4	5	7	10	15	20	25	30
Market: Total for relevant market swaption (%)	23.90	22.90	21.60	20.40	19.40	17.60	16.00	14.20	13.40	13.50	13.40
Model: Values (%)	26.18	23.84	22.16	20.88	19.86	18.30	16.69	15.03	13.86	12.68	11.45
Model: Excess over relevant market swaption (%)	2.28	0.94	0.56	0.48	0.46	0.70	0.69	0.83	0.46	-0.82	-1.95

[Market prices for UK swaptions are not readily available beyond 30 years term.]

In fitting the swaption volatility surface, most weight is placed on the 20 year tenor swaption volatilities, as this is reflective of annuity guarantees.

6(4)(a)(vii) The asset model was validated by projecting future income, gains and losses on asset values and comparing the net present value of these amounts to the current asset values. These tests were performed for different asset classes and across the entire portfolio. The net present values of the projected cashflows are consistent with the current asset values.

6(4)(a)(viii) 2000 projections were made of the assets and liabilities. To ensure reasonable convergence confidence intervals were assessed on the guarantee costs. These tests gave satisfactory results.

6(4)(b) Not applicable

6(4)(c) Not applicable

6(5)(a) Projection of the liabilities includes the setting of future bonus rates. These are set as follows:

#### **Contractual Minimum Addition**

For policies where a Contractual Minimum Addition applies, this is set by reference to the relevant investment conditions using the same approach as that adopted in practice.

#### **Reversionary Bonus**

Conventional Classes: Rates are set by calculating the affordable rate based on the difference between the with-profits benefits reserve and a bonus reserve valuation with allowance for target levels of future terminal bonus.

Unitised Classes: For the majority of Society's unitised contracts distinct reversionary bonus rates are calculated for monies invested with different roll-up guarantees and for major product groups. The rate of reversionary bonus each year is based on an assessment of the supportable rate of reversionary bonus over either five or seven years and incorporates Society's view of investment returns over this period, allowance for sharing of miscellaneous profits and for a target level of terminal bonus. The extent to which the new rate of reversionary bonus moves towards this supportable rate depends on the level of supportable terminal bonus relative to target terminal bonus with a more rapid move to the target level if the current level of supportable terminal bonus is low. The final level of reversionary bonus is limited so that increases do not generate reversionary bonus levels higher than are supportable over the longer term.

For income bonds, where there is no terminal bonus payable, this approach is modified slightly to allow for the fact that the target level of terminal bonus is nil.

Where a Contractual Annual Interest or Guaranteed Minimum Addition applies, the rate of reversionary bonus is reduced by the relevant amount, subject to a minimum of zero.

## Terminal Bonus

For all classes these are set with the intention that payouts will trend to the with-profits benefits reserve over the long-term. Smoothing applies by restricting the amount of investment return variance, compared to the expected long-term rate, which is passed on to policyholders.

When calculating the costs of guarantees, options and smoothing using a stochastic projection approach it is necessary to project the asset mix assumed to back the with-profits benefits reserve. For the majority of Society's business, a mix has been assumed that varies by major product class and also depends on the relationship between the with-profits benefits reserve and the value of guarantees for each product class. Subject to maximum and minimum levels of fixed interest investment a higher level of fixed interest holdings has been assumed when the value of guarantees is greater relative to the with-profits benefits reserve, with this level reducing as the with-profits benefits reserve increases relative to the guarantees. The appropriate mix is reassessed and adjustments made to the mix assumed at the end of each calendar year of the projection and between year-ends the mix changes in line with investment returns.

For one major product class, Unitised Life business, the asset mix is rebalanced at the end of each year to a mix based on that held to back this business at 1 January 2013. Between year-ends the mix changes in line with investment returns.

6(5)(b) Best estimates of the proportion of UK and Overseas Equities backing the with-profits benefits reserve and the future bonus rates on specified bases:

Equity backing ratio of the with-profits benefits reserve	Current financial year	After 5 years	After 10 years
Scenario (i) - Risk free return	42%	42%	42%
Scenario (ii) - High sensitivity	42%	42%	43%
Scenario (iii) - Low sensitivity	41%	41%	42%

Scenario (i) - Risk free return	2012	2017	2022
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.47%	0.43%	0.67%
Unit Life Regular premiums without guaranteed annual increments	2.82%	1.67%	2.07%
Unit Life Growth bonds with guaranteed annual increments	0.74%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.25%	0.12%	0.04%
Unit Life Income bonds without guaranteed annual increments	2.94%	1.12%	0.41%
Unit Life Growth Capital Protection/Protection Plus/Control Bonds	2.58%	0.15%	0.01%
Unit Life Income Capital Protection/Protection Plus/Control Bonds	3.96%	2.07%	0.97%
Unitised Pensions business with guaranteed annual increments	1.42%	0.61%	0.60%
Unitised Pensions business without guaranteed annual increments	2.60%	3.09%	2.46%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	0.95%	1.15%	1.87%
Unit Life Regular premiums with guaranteed annual increments	0.92%	1.12%	0.00%
Unitised Pensions business with guaranteed annual increments	1.73%	1.74%	0.00%

These rates are average rates of bonus declared across all policies and pools. The rates quoted include the impact of new premiums receiving a bonus based on the period since receipt of the premium.

Reversionary bonus is in addition to any guaranteed annual increments added on policies where it is relevant.

No dynamic management actions regarding annual bonuses have been assumed for Section 32 Buyout or Group Adaptable Funding contracts, as the effect of this is immaterial.

<b>Scenario (ii) - High sensitivity</b>	2012	2017	2022
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.47%	0.50%	0.77%
Unit Life Regular premiums without guaranteed annual increments	2.82%	1.89%	2.41%
Unit Life Growth bonds with guaranteed annual increments	0.74%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.25%	0.23%	0.30%
Unit Life Income bonds without guaranteed annual increments	2.94%	1.13%	0.60%
Unit Life Growth Capital Protection/Protection Plus/Control Bonds	2.58%	0.32%	0.31%
Unit Life Income Capital Protection/Protection Plus/Control Bonds	3.96%	2.15%	1.31%
Unitised Pensions business with guaranteed annual increments	1.42%	0.63%	0.86%
Unitised Pensions business without guaranteed annual increments	2.60%	3.11%	2.96%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	0.95%	1.27%	1.52%
Unit Life Regular premiums with guaranteed annual increments	0.92%	1.25%	1.50%
Unitised Pensions business with guaranteed annual increments	1.73%	1.75%	1.87%

<b>Scenario (iii) - Low sensitivity</b>	2012	2017	2022
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.47%	0.38%	0.51%
Unit Life Regular premiums without guaranteed annual increments	2.82%	1.49%	1.78%
Unit Life Growth bonds with guaranteed annual increments	0.74%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.25%	0.06%	0.02%
Unit Life Income bonds without guaranteed annual increments	2.94%	1.11%	0.13%
Unit Life Growth Capital Protection/Protection Plus/Control Bonds	2.58%	0.00%	0.00%
Unit Life Income Capital Protection/Protection Plus/Control Bonds	3.96%	2.03%	0.40%
Unitised Pensions business with guaranteed annual increments	1.42%	0.60%	0.22%
Unitised Pensions business without guaranteed annual increments	2.60%	2.74%	2.35%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	0.95%	1.02%	1.26%
Unit Life Regular premiums with guaranteed annual increments	0.92%	1.00%	1.25%
Unitised Pensions business with guaranteed annual increments	1.73%	1.73%	1.87%

6(6) Summary of the surrender and paid-up assumptions used to determine the costs in 6 (4) (a), (b) and (c)

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	No policies at these durations remain inforce			3.5%
CWP target cash endowment	surrender				3.5%
UWP savings endowment	surrender	0.0%	9.3%	5.9%	4.6%
UWP target cash endowment	surrender	0.0%	9.3%	5.9%	4.6%
UWP bond	surrender	2.1%	6.4%	6.9%	4.8%
UWP bond	automatic withdrawals	100% of current			
CWP pension regular premium	PUP	5.7%	5.7%	5.7%	5.7%
CWP pension regular premium	surrender	0.4%	0.4%	0.6%	0.6%
CWP pension single premium	surrender	3.2%	3.2%	3.2%	3.2%
UWP individual pension regular premium	PUP	12.2%	10.3%	7.0%	6.7%
UWP individual pension regular premium	surrender	2.7%	2.7%	2.7%	2.7%
UWP individual pension single premium	surrender	5.8%	5.7%	5.6%	5.6%

An additional decrement of 3.0% for With-Profits Income Bonds and 7.0% for With-Profits Growth Bonds has been assumed on the fifth policy anniversary to allow for the point at which surrender reductions (other than Market Value Adjustment Factors) cease to be applied.

Assumed take-up rates for guaranteed annuity options:

Annuity Valuation Yield	2.50%	5.00%	7.50%
2017	92%	56%	39%
2021	92%	60%	45%
2025	93%	65%	51%



Rates of annuitant mortality assumed:

	Males	Females
<b>Base Mortality Table</b>		
Personal Retirement Plan	83% PCMA00	76% PCFA00
Buy Out Plan	83% PCMA00	91% PCFA00
Guaranteed Annuity Options	83% PCMA00	See footnote
<b>Mortality improver</b>		
Personal Retirement Plan	CMI 2011, Base date 01/01/09 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2011, Base date 01/01/09 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Buy Out Plan	CMI 2011, Base date 01/01/09 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2011, Base date 01/01/09 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Guaranteed Annuity Options	CMI 2011, Base date 01/01/09 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	See footnote

For Guaranteed Annuity Options on female lives, the reserves are calculated on the same mortality basis as for the male lives. A test is carried out to ensure that the resultant reserve calculated is not less than that which would be calculated on an appropriate female mortality basis.

- 6(7) Assumptions are made regarding the foreseeable actions that would be taken by policyholders in the projection of assets and liabilities.

With-Profits Bonds series 6 and 7, Capital Protection Bonds and Capital Protection Plus Bonds have an investment guarantee at their tenth policy anniversary. Capital Protection Bonds and Capital Protection Plus Bonds also have an optional investment guarantee at their fifth policy anniversary. Policies are assumed to surrender at each date where a guarantee applies if the asset share is less than 95% of the guaranteed benefit. Capital Control Bonds and Capital Control Plus Bonds have the following four types of guarantees, where the last three are optional. A capital guarantee at the tenth policy anniversary; an optional investment guarantee of 10% at the tenth policy anniversary; an optional capital guarantee at the fifth and tenth policy anniversaries; and an optional guarantee which offers a capital guarantee at the fifth policy anniversary and an investment guarantee of 10% at the tenth policy anniversary.

All policies are assumed to mature once they reach the maturity date.

<b>Personal Retirement Plans</b>	<b>Retirement rate p.a.</b>
Age < 40	0.0%
Age 40 - 49	0.0%
Age 50 - 59	0.1%
Age 60	21.1%
Age 61 - 64	7.0%
Age 65	31.5%
Age 66 - 69	10.0%
Age 70 or later	100.0%

Nil early retirement decrements have been assumed on Unitised With-Profits Pensions business. The cost of guarantees, smoothing and options is more onerous at maturity than on early retirement.

Nil early retirement decrements have been assumed for Buy Out Plan business. Early retirement is not allowed under the contract if the fund is insufficient to purchase the Guaranteed Minimum Pension.

The maturity benefit defined under the Personal Retirement Plan is a given annuity benefit plus a cash sum equal to three times the initial level of annuity. All policies are assumed to take this cash benefit at retirement. At the policyholder's discretion the annuity benefit may be taken as a cash transfer payment. We assume that the more onerous of the two benefits will be payable.

## Financing Costs

7 Not applicable

## Other Long Term Insurance Liabilities

8 The following items are included in lines 46 and 47 of Form 19:

- Reserves relating to future costs in respect of regulatory reviews and other compensation: £188m
- Reserves relating to future shareholder transfers and associated tax in excess of the amounts expected to be charged to the with-profits benefits reserve: £87m.

No value is attributed to future tax relief within lines 46 and 47.

## Realistic Current Liabilities

9 Current liabilities comprise:

	£m
Claims outstanding	103
Creditors arising out of Insurance Operations	3
Tax Liabilities	120
Other Creditors	518
Accruals and deferred income	1
Other provisions	76
	821

Tax Liabilities include tax on assets backing future policy related liabilities and reserves relating to the possibility that, in certain situations, tax relief may not be available on losses incurred.

The following table provides a reconciliation:

	£m
Regulatory Current Liabilities	801
Change in Tax Provisions	20
Realistic Current Liabilities	821

## Risk Capital Margin

10(a)(i) The risk capital margin is £84m.

The percentage changes in the market value of equities and real estate for the purpose of the market risk scenario for UK assets were 20.0% and 12.5% respectively. A rise in the market value of UK equities and a fall in the market value of real estate were the most onerous scenarios.

The US was the only significant territory for equities. The percentage changes in the market values derived in accordance with INSPRU 1.3.73G(1) for the purpose of the market risk scenario were 20.0% for US equities. For the purposes of the Risk Capital Margin a 20% movement in overseas equities in significant territories was applied in scenarios where UK equities rose.

There were no other significant territories for the purposes of INSPRU 1.3.62R(1)(a).

10(a)(ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.407%. This represented a change of 17.5% in the level of the annualised 15 year gilt yield from a level of 2.32%. A rise in the level of yields was the more onerous change.

The US was a significant territory for fixed interest securities. The nominal change in yields assumed was 0.407% for US Bonds.

There were no other significant territories for the purposes of INSPRU 1.3.62R(1)(a).

10(a)(iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the With Profits Sub Fund's assets was 53 basis points.

The change in value for the With Profits Sub Fund's assets as a result of applying the credit risk scenario was as follows:

a) Bonds	Reduction of 3.7%
b) Debts	No change
c) Reinsurance	Reduction of 0.2%
d) Analogous non-reinsurance financing arrangements	Not applicable
e) Other assets (by reference to INSPRU 1.3.78R)	Reduction of 2.1%

10(a)(iv) The average annual change in persistency experience (weighted by realistic value of liabilities) that results from applying the persistency risk scenario is a fall of 31.1% and results in an overall increase in the realistic value of liabilities of 0.7%.

10(a)(v) The asset value change in 10(a)(iii) is expected to be independent of the change in liability values in 10(a)(iv).

10(b)(i) When calculating the risk capital margin the management actions assumed were consistent with the management actions that would have applied in the base with-profits benefits reserve calculation.

10(b)(ii) Not applicable as no additional actions or assumption changes have been made.

10(b)(iii) Not applicable as no additional actions or assumption changes have been made.

10(b)(iv) Not applicable as no additional actions or assumption changes have been made.

10(c)(i) All assets held to cover the risk capital margin are held in Society's With Profits Sub Fund. These assets may be analysed as follows:

Type of Asset	£m
Land and Buildings	0
Approved Fixed Interest Securities	3,495
Other Fixed Interest Securities	3,395
Variable Interest Securities	23
UK Listed Equity Shares	1,197
Non-UK Listed Equity Shares	2,266
Unlisted Equity Shares	1,152
All other assets shown in Form 48	1,982
Assets invested in Internal Linked Funds	16
Present value of future profits on non-profit insurance contracts written in the With Profits Sub Fund	269
Total	13,795

10(c)(ii) None of the assets used to cover the risk capital margin are located outside of the With Profits Sub Fund.

## Tax

11 An assessment is made of the value of tax payable on unrealised gains at the balance sheet date. This assessment is based on assumptions about the turnover of the relevant assets. The value of this tax liability has been included in line 51 "Realistic Current Liabilities" in Form 19.

Current year tax is held as a reserve at statutory value within line 51 "Realistic Current Liabilities" in Form 19.

Tax relating to investment income and gains on assets backing the with-profits benefits reserve is charged to the relevant with-profits benefits reserve. Tax relating to unrealised gains is charged at a discounted rate, allowing for an average term to realisation.

When calculating the value of future policy related liabilities, tax relating to projected future investment income and gains on assets backing the with-profits benefits reserve is charged to the relevant with-profits benefits reserve. For the purposes of this calculation each major product line is assumed to be taxed on a stand-alone basis. Allowance has been made for the possibility that, in certain situations, tax relief may not be available on losses incurred.

Tax relating to future income on assets held to back the relevant future policy related liabilities has been allowed for.

### Derivatives

12 The With Profits Sub Fund held the following as at 31 December 2012.

- £14m of bought equity futures
- A £11m asset and a £3m liability in respect of currency forwards selling euros and dollars for sterling with a £97m bought position and a £1,048m sold position
- A £9m asset and a £0.3m liability in respect of interest rate swaps, with a £969m bought position
- A £3m asset and a £4m liability in respect of bond futures, with a £176m bought position and a -£848m sold position.
- A £4m asset and £2m liability in respect of property swaps with a £277m bought position
- A £18m asset in respect of equity index put options with a £267m sold position
- A £0.2m asset in respect of warrants with a £0.3m bought position

There were no derivative positions held outside the With Profits Sub Fund to cover the risk capital margin.

### Analysis of Working Capital

13 A reconciliation of the significant movements in the working capital of the with-profits fund is as follows:

	£m
Opening Working Capital	746
Investment Return on Opening Working Capital	8
Mismatch Profits and Losses on assets backing the future policy related liabilities	194
Modelling changes and opening adjustments	4
Economic Assumption Changes	-8
Non-Economic Assumption Changes	6
Policyholder Action Assumption Changes	-9
Regulatory Change	-38
Management Actions	-135
Impact of New Business	-14
Change in Other Liabilities of lines 47 and 51 of Form 19	-43
Other Economic Variances	-46
Other Non-Economic Variances	12
Closing Working Capital	677

Returns under the Accounts and Statements Rules

## **Directors' Certificate**

### **Legal & General Assurance Society Limited**

#### **Global business**

#### **Financial year ended 31 December 2012**

We certify that:

1. the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
2. we are satisfied that:
  - (a) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future;
3. in our opinion premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
4. the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
5. the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3; and

6. we have, in preparing the return, taken and paid due regard to-
- (a) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (b) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

**N. D. Wilson**

Chairman

**J. B. Pollock**

Director

**M. J. Gregory**

Director

## **Legal & General Assurance Society Limited**

### **Global business**

#### **Financial year ended 31 December 2012**

#### **Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ('the Rules') made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 1 to 3, 11 to 20, 22 to 25, 37, 39 to 45, 48, 49, 56, 58, and 60, (including the supplementary notes) on pages 1 to 58, 68 to 73, 119, 122 to 124 and 127 to 152 ('the Forms');
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on pages 153 to 155 ('the statements'); and
- the valuation reports required by IPRU(INS) rule 9.31(a) and INSPRU 1.3 on pages 159 to 256 ('the valuation reports').

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes) on pages 59 to 67, 74 to 118, 120 to 121 and 125 to 126;
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36 on pages 153, 157 and 261; and
- the certificate required by IPRU(INS) rule 9.34(1) on pages 257 to 258.

#### **Respective responsibilities of the insurer and its auditors**

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports under the provisions of the Rules. The requirements of the Rules have been modified by directions issued under section 148 of the Financial Services and Markets Act 2000 on 6 June 2008 and 25 October 2012. Under IPRU(INS) rule 9.11 the Forms, the statements and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statements and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statements and the valuation reports are not in agreement with the accounting records and returns; or

- we have not received all the information we require for our audit.

This report has been prepared for the directors of the insurer to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

### **Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

### **Opinion**

In our opinion:

- (i) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3

PricewaterhouseCoopers LLP  
Chartered Accountants

25 March 2013



Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2012

#### **Rule 9.36: Information on the actuary who has been appointed to perform the with-profits actuary function**

##### **1. With-Profits Actuary**

###### (a) **Share and Debenture Interests**

No share or debenture interests in the Company. However, the Actuary had the following share interests in the Company's ultimate holding company, Legal & General Group Plc:

<u>As at 1 January 2012</u>	<u>As at 31 December 2012</u>
5,958	13,267

###### (b) **Pecuniary Interest in any Transaction**

Details of interests held by the Actuary with the Company or other subsidiaries of Legal & General Group Plc:

- (i) A with-profits endowment policy with the Company for a sum assured of £32,812 maturing in 2015.

###### (c) **Remuneration as Actuary and Emoluments, Pension or Compensation as Director**

No remuneration or any other benefits receivable under any contract with the Company. However, the total remuneration and value of any other benefits received by the Actuary from Legal & General Resources Limited, a fellow subsidiary of the Company's ultimate holding company, Legal & General Group Plc, during the period ended 31 December 2012 amounted to £164,911.34

###### (d) **Any Other Pecuniary Benefit**

No other pecuniary benefits received or receivable from the Company.

The Company has made a request to the Actuary to furnish to it the particulars pursuant to Paragraph 9.36 of IPRU (INS) Volume 1 and the information requested is set out above.