

**Supplementary Notes****Legal and General Insurance Limited****Financial Year ended 31 December 2014****\*0301 Reconciliation of net admissible assets to capital resources**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Net admissible assets as per PRA Insurance Return		
Assets: Form 13, Line 89 (OLTB)	584,181	562,053
Liabilities: Form 15, Line 69	(424,662)	(423,415)
	<hr/>	<hr/>
Form 3, Line 79	159,519	138,638

**\*0310 Net valuation differences**

The negative valuation differences for liabilities of £58,613,000 relates to the equalisation provision not allowable under IFRS.

**\*0313 Reconciliation of profit and loss account and other reserves to the profit and loss retained**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Profit and loss account and other reserves as per PRA Insurance Return		
Profit and loss account and other reserves brought forward	94,729	57,172
Retained profit for the financial year: Form 16, Line 59	32,193	27,629
Equalisation provision – add back: Form 16, Line 12	9,773	9,928
	<hr/>	<hr/>
Form 3, Line 12	136,695	94,729

**\*1301 Aggregate value of certain investments**

- (a) The aggregate value of unlisted investments held by the Company amounted to nil
- (b) The Company does not hold any listed investments which are not readily realisable.
- (c) Value of units in collective investment schemes: £310,862,127.
- (d) All of which are investments in authorised unit trust which are managed by Legal & General (Unit Trust Managers) Limited.
- (e) The Company does not hold any reversionary interests or remainders in property.

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.

**\*1302 Aggregate value of hybrid securities**

There are hybrid securities of the value of £2,019,818.

**\*1303 Amount of non-debtor salvage or subrogation recoveries**

The company has no non-debtor salvage or subrogation recoveries other than those at line 73.

## Supplementary Notes

### Legal and General Insurance Limited

#### Financial Year ended 31 December 2014

##### **\*1304 Debtors and creditors**

In accordance with Appendix 9.1.8.2 amounts shown in Forms 13 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.

##### **\*1305 Maximum counterparty limit**

The investment managers of the shareholders' and General Insurance funds of UK companies in the Legal & General Group under the mandate to 20 October 2014, were given counterparty limits as authorised by the Group Credit Risk Committee. These limits for cash deposits, money market investments, foreign exchange and interest rate management transactions (including exposures related to derivatives, stocklending and cash balances with custodial banks) are limited to approved counterparties and are graded by counterparty and duration, but maximum counterparty exposure was limited to 1.5% of the fund value.

This limit was not exceeded during the period to 20 October 2014. Limits on individual bond holdings based upon their credit ratings as defined within the mandate, were also not exceeded during the period to 20 October 2014.

From 20 October 2014 the General Insurance funds changed their investment strategy switching to a multi asset portfolio. No counterparty limits for cash deposits, money market investments, foreign exchange and interest rate management transactions (including exposures related to derivatives, stocklending and cash balances with custodial banks) have since been deemed necessary, although the General Insurance funds are bound by the wider limits set by the Legal and General Group, for which no breach was recorded.

The multi asset portfolio remains subject to limitations as defined within the mandate in which Emerging Market debt exposure to a single issuer (denominated in US Dollars), may not exceed 20% of total assets, and the total weight of issuers with a Moody credit rating below Baa3 may not exceed 15%. Holdings in ETFs are also subject to an aggregate limit of 15% of the overall Fund. The fund remains subject to restrictions to other counterparty limits as defined by the PRA. There were no breaches of these limits during the financial year.

##### **\*1306 Exposure at the year end to large counterparties**

There were no counterparty exposures in excess of £29,208,861 being 5% of the General Business Amount (GBA).

##### **\*1307 Aggregate value of certain fully secured rights**

No rights exist to which INSPRU2.1.35R and INSPRU 2.1.36R apply.

##### **\*1314 Amount of tangible leased assets**

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

##### **\*1320 Insurance Special Purpose Vehicles**

The Company has no insurance special purpose vehicles.

**Supplementary Notes**

**Legal and General Insurance Limited**

**Financial Year ended 31 December 2014**

**\*1321 Investments in subsidiaries**

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Shares in group undertakings:		
As at 1 January 2014	2,000	300
Additional investment in existing subsidiary	-	1,700
As at 31 December 2014	2,000	2,000

**\*1501 Provision for adverse changes**

The nil provision for adverse changes was determined using the following methods and assumptions:

The Company's obligations under contracts are mostly covered by matching assets and so require no provision for reasonably foreseeable adverse variations.

**\*1502 Specific details on potential liabilities**

- (a) No charge has been made on the assets of the Company to secure the liabilities of any other person.
- (b) There is no potential capital gains tax liability.
- (c) Provision for liabilities arising under contracts with policyholders is based on certain assumptions. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of such contracts, or the circumstances in which policyholders have entered into them (together in this paragraph 'liabilities'). The extent of such liabilities is influenced by the actions of the FCA, by ombudsman rulings, by industry compensation schemes and by court judgements. It is not possible to predict, with certainty, the extent and the timing of the financial impact to which these liabilities may give rise. The Company considers that it has made prudent provision for such liabilities, as and when circumstances calling for such provision become clear, and that it has adequate capital and reserves to meet all reasonably foreseeable eventualities.
- (d) No guarantee, indemnity or other contractual commitment, effected other than in the ordinary course of insurance business (including transacting general insurance business through a subsidiary), exists in respect of related companies.
- (e) There is no other fundamental uncertainty, although the establishment of claims and unexpired risk provisions can never be definitive and reassessment takes place regularly.

## Supplementary Notes

### Legal and General Insurance Limited

#### Financial Year ended 31 December 2014

##### **\* 1507 Other adjustments to liabilities**

The Company has prepared the PRA return on the basis of International Financial Reporting Standards (IFRS). The figure of £58,613,000 on line 83 relates to the reversal of the equalisation provision, which is prohibited under IFRS.

##### **\*1701 Variation margin**

- (i) There was no excess variation margin received by the Company as at 31 December 2014;
- (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**

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

- i) Fixed interest & variable securities with embedded options with a total value of £2.020m were included in Form 13 Line 46. Under certain conditions these may be redeemable by the issuer prior to maturity for at least the then current market value.
- ii) Partly paid securities with total value nil were reported in Line 41 and Line 46. There were no convertible stocks reported on Line 41.
- iii) Assets, excluding approved securities, with variable redemption dates with total value £2.020m were reported in Lines 46 and Line 48.

##### **\*20Ae Total primary (direct) and facultative business**

The company does not carry out any facultative business.

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

All premiums written and reinsured are attributable to UK business.

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

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

Class		Date
4	Railway rolling stock	Not applicable
5	Aircraft	Not applicable
6	Ships	Not authorised to transact this class of business
7	Goods in transit	Not authorised to transact this class of business
11	Aircraft liability	Not applicable
12	Liability for ships	Not authorised to transact this class of business
18	Assistance	Not applicable

##### **\*2007 Material connected party transactions**

No transactions were made during the year with any connected party, which were in excess of 5% of the general business amount.

## Supplementary Notes

### Legal and General Insurance Limited

#### Financial Year ended 31 December 2014

##### **\*2102 Unearned premiums**

Unearned premiums, except for mortgage indemnity business, have been calculated using the three hundred and sixty fifths or thirtieths method, which are believed to be appropriate methods for annual and monthly renewal business accounted for on an accident year basis respectively.

##### **\*2202 Claims management expenses**

Claims management expenses are determined by identifying the specific costs and overheads attributable to the handling of claims. Claims management expenses carried forward are calculated as percentages of the notified outstanding claims and IBNR provisions carried forward.

##### **\*2204 Acquisition expenses**

Acquisition expenses payable are determined by identifying the specific costs and overheads attributable to the acquiring of business. Acquisition expenses carried forward are calculated based on the specific costs and overheads identified.

##### **\*2205 Provision for unexpired risks**

Investment return has been taken into account in determining the provision for unexpired risks.

1. the provision before taking investment return into account for Household is Nil and for Accident Sickness and Unemployment (ASU) is Nil.
2. the rates of interest used for Household and ASU is 3.5%.
3. the average interval to the date at which claims are expected to be settled in cash is 1 year for both Household and ASU.

**\*2400** Form 24 has been omitted because all entries would be blank.

**\*2500** Form 25 has been omitted because all entries would be blank.

**\*2600** Form 26 has been omitted because all entries would be blank.

**\*2700** Form 27 has been omitted because all entries would be blank.

**\*2800** Form 28 has been omitted because all entries would be blank.

**\*2900** Form 29 has been omitted because all entries would be blank.

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

**\*3400** Form 34 has been omitted because all entries would be blank.

**\*3500** Form 35 has been omitted because all entries would be blank.

**\*3600** Form 36 has been omitted because all entries would be blank.

**\*3900** Form 39 has been omitted because all entries would be blank.

**Statements Required by Rules**

**Legal and General Insurance Limited**

**Financial Year ended 31 December 2014**

**Rule 9.25: Major treaty reinsurers**

Reinsurer Details:	Proportional Reinsurance Premiums £'000	Non Proportional Reinsurance Premiums £'000	Debts outstanding included at F13 L75 £'000	Deposits received included at F15 L31 £'000	Anticipated Recoveries £'000
Underwriting members of Lloyds, 1 Lime Street, London, United Kingdom	Nil	2,907	Nil	Nil	Nil
Cardif Pinnacle Ltd A1 Barnet Way Borehamwood, Hertfordshire, United Kingdom	1,115	Nil	Nil	Nil	168
Legal & General Assurance Society Limited, 1 Coleman Street, London, United Kingdom	Nil	13,879	Nil	Nil	Nil

**Rule 9.26: Major facultative reinsurers**

The company has no major facultative reinsurers.

**Rule 9.27: Major general business reinsurance cedants**

The company has no major general business reinsurance cedants.

## Statements Required by Rules

### Legal and General Insurance Limited

#### Financial Year ended 31 December 2014

#### **Rule 9.29: Additional information on derivative contracts**

- (a) Investment objectives and guidelines are set for any relevant investment fund. These guidelines reflect the specific objectives of the fund in terms of its asset structure, permitted holdings and performance targets. Compliance with any relevant PRA regulations and published guidance notes in respect of derivatives is taken into account. The overriding principles are to have adequate controls in place to ensure that the funds are not exposed excessively to risks related to derivative contracts. Specific guidelines are set and these 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) Regular monitoring should be performed in order to determine aggregate exposure to each asset and counterparty exposure (for which a limit is set).
  - (iv) Monitoring and valuation procedures must enable the external reporting of derivative contracts to be completed satisfactorily.
  - (v) Derivatives must be based on assets which are themselves admissible or based on an index of such assets or based on an official index of retail prices.
  - (vi) A list of approved derivative brokers is maintained and updated at least annually.
  - (vii) Derivative transactions should only be undertaken in the full knowledge of their treatment for tax purposes to ensure that such transactions are financially appropriate.
- (b) The guidelines for the use of derivative contracts require that these are used only in accordance with the legal requirements of the Criteria for Sound and Prudent Management. The guidelines do not prohibit the use of contracts that are not reasonably likely to be exercised. However, the use of such contracts is relatively rare and restricted to selling options to enhance fund performance. Such transactions are always fully covered, and written on the basis that if the agreed striking price was reached the underlying stock would be bought or sold.
- (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 permitted derivative.
- (e) No fixed consideration was received by the insurance company during the year for granting rights under derivatives or quasi- derivatives.

**Statements Required by Rules****Legal and General Insurance Limited****Financial Year ended 31 December 2014****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 of the ordinary share capital and voting rights in Legal & General Assurance Society Limited, of which the Company is a 100% subsidiary undertaking.

**Rule 9.32: Additional information on business ceded****Non-facultative reinsurance contracts entered into or modified during the year.**

Business Category	Type of Reinsurance Cover	Policy Limitations	Period of Cover
Creditor	75% Quota Share of one scheme		1 May 2014 – 30 April 2015 (loss occurring)
Household & Domestic all risks	Aggregate Excess of Loss Treaty (contract cover xs £0.1m for terrorism)	Unlimited reinstatements	1 Jan 2014 – 31 Dec 2014 (loss occurring)
	Risk Excess of Loss Treaty (contract cover £9m xs £1m)	Two reinstatements	1 July 2014 – 30 June 2015 (risk attaching)
Household & Domestic all risks	Accident Excess of Loss Treaty (contract cover £9.25m xs £0.75m for Employers’ Liability £9.25m xs £0.75m for Public’ Liability)	Unlimited reinstatements	1 July 2014 – 30 June 2015 (loss occurring)
Household & Domestic all risks	Catastrophe Excess of Loss Treaty (contract cover £5m xs £30m) with 50% Quota share	One reinstatement	1 July 2014 – 30 June 2015 (loss occurring)
	Catastrophe Excess of Loss Treaty (contract cover £45m xs £35m)	One reinstatement	1 July 2014 – 30 June 2015 (loss occurring)
	Catastrophe Excess of Loss Treaty (contract cover £110m xs £80m)	One reinstatement	1 July 2014 – 30 June 2015 (loss occurring)
	Catastrophe Excess of Loss Treaty (contract cover £267m xs £190m)	One reinstatement	1 July 2014 – 30 June 2015 (loss occurring)



**Statements Required by Rules**

**Legal and General Insurance Limited**

**Financial Year ended 31 December 2014**

	Catastrophe Excess of Loss Treaty (contract cover £9m xs £457m)	One reinstatement	1 July 2014 – 30 June 2015 (loss occurring)
Household & Domestic all risks	Excess of Loss Treaty of one scheme (nil xs)	Single limit £25k, arising during any 72 consecutive hours from a single postcode unit. All losses no greater than 37% of the Reinsurance premium.	1 Jan 2014 – 31 Dec 2014 (risk attaching)
Household & Domestic all risks	Property Owners' Liability to Third Parties of one scheme (£0.5m xs)	No limitations	1 Jan 2014 – 31 Dec 2014 (risk attaching)

Returns under the Accounts and Statements Rules

## Statements Required by Rules

### Legal and General Insurance Limited

Financial Year ended 31 December 2014

#### Rule 9.32: Additional information on business ceded

Maximum net probable loss to the Company.

Business category	Maximum net probable loss	
	Any one contract of insurance £'000	All such contracts of insurance £'000
Creditor	61	28,242
Motor business	1,000	1,000
Household liability	750	750
Household & domestic all risks	1,000	52,834
Mortgage indemnity	50	200

#### Reinsurers' share of gross premiums.

Accounting class	Facultative Premiums £'000	Non-facultative Premiums £'000
Accident & Health	Nil	Nil
Personal lines motor business	Nil	Nil
Household & domestic all risks	Nil	28,143
Personal lines financial loss	Nil	1,115

#### Rule 9.32A: Additional information on financial reinsurance and financing arrangements: general insurers

There are no financial reinsurance agreements or similar financing agreements relating to our general insurance business.

Returns under the Accounts and Statements Rules

**Statements Required by Rules**

**Legal and General Insurance Limited**

**Financial Year ended 31 December 2014**

**Directors' certificate pursuant to rule 9.34 of the Interim Prudential Sourcebook for Insurers**

We certify that:

- a) the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU and INSPRU; and
- b) we are satisfied that:
  - i. throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - ii. from the beginning of financial year in question until 18 June 2014, the insurer has complied in all material respects with the requirements of PRIN;
  - iii. from 19 June 2014 until the end of the financial year in question, the insurer has complied in all material respects with the Fundamental Rules; and
  - iv. it is reasonable to believe that the insurer has continued so to comply subsequently with the requirements of SYSC, the Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and will continue so to comply in future.

D. Finch, Chairman

.....

C.J. Knight, Director

.....

A.D.Fairhurst, for and on behalf of Legal & General Co Sec Limited  
Company Secretary

.....

1 Coleman Street  
London EC2R 5AA  
26 March 2015

**Legal and General Insurance Limited  
Global Business**

**Financial Year ended 31 December 2014**

**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 137G of the Financial Services and Markets Act 2000:

- \* Forms 1, 3, 11 to 13, 15 to 17, 20A, 20 to 23, 31, 32, 37 and 38 (including the supplementary notes) on pages 1 to 57 ("the Forms"); and
- \* the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on pages 58 to 59 ("the Statements").

We are not required to audit and do not express an opinion on:

- \* the statements required by IPRU(INS) rules 9.30, 9.32 and 9.32A on pages 60 to 62 and
- \* the certificate required by IPRU(INS) rule 9.34 on page 63 ("the certificate").

**Respective responsibilities of the company and its auditors**

The insurer is responsible for the preparation of an annual return (including the Forms and the statements) under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms and the statements 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.

It is our responsibility to form an independent opinion as to whether the Forms and the statements meet these requirements, and to report our opinions 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 and the statements 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.

**Legal and General Insurance Limited  
Global Business**

**Financial Year ended 31 December 2014**

**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 and the statements. 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 and the statements.

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 and the statements are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

**Opinion**

In our opinion the Forms and the statements fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules.

PricewaterhouseCoopers LLP  
Chartered Accountants

26 March 2015

---

**Note:**

(a) The maintenance and integrity of the Legal & General website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the insurance annual return since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of insurance annual returns may differ from legislation in other jurisdictions.