

# **Legal & General Assurance Society Limited**

## **Annual Returns to Financial Services Authority for the year ended 31 December 2009**



Prepared in accordance with the Accounts and Statements Rules

Appendices

ONE COLEMAN STREET, LONDON EC2R 5AA

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

Global business

Financial year ended **31 December 2009**

Adjusted solo solvency calculation

R1	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	<b>166055</b>	<b>GL</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>	2768517	2219172
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2715517	2163172
Capital resources available to cover general insurance business capital resources requirement (11-12)	<b>13</b>	53000	56000

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	50243	53096
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	2757	2904

**Minimum capital requirement (MCR)**

General insurance capital requirement	<b>31</b>	630	595
Base capital resources requirement	<b>33</b>	3128	2518
Individual minimum capital requirement	<b>34</b>	3128	2518
Capital requirements of regulated related undertakings	<b>35</b>	49200	52257
Minimum capital requirement (34+35)	<b>36</b>	52328	54775
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	26836	28612
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	13754	14919

**Capital resources requirement (CRR)**

Capital resources requirement	<b>41</b>	52328	54775
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	<b>42</b>	672	1225

**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>		
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**Covering Sheet to Form 1**

**Form 1**

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

Global business

Financial year ended      **31 December 2009**

..... **T J Breedon**      **Director**

..... **N D Wilson**      **Director**

..... **G J Hoskin**      **Director**

**26 March 2010**

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

Global business

Financial year ended **31 December 2009**

Adjusted solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
	R2	166055	GL	31	12	2009
				<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>	2092191	1881848
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2715517	2163172
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	4807708	4045020

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	919507	906380
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	3888202	3138640

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	2146227	1930254
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	3128	2518
Individual minimum capital requirement	<b>34</b>	2146227	1930254
Capital requirements of regulated related undertakings	<b>35</b>	207567	273115
Minimum capital requirement (34+35)	<b>36</b>	2353794	2203369
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	3630811	2943335
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	3042362	2392493

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		217261
Enhanced capital requirement	<b>40</b>	2353795	2420630

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	2353795	2420630
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	2453913	1624390

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
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**Components of capital resources**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2009**

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>2009</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>	53000	2819640	2872640	2240809
Share premium account	<b>13</b>		1048914	1048914	1048914
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>		1284034	1284034	936208
Core tier one capital in related undertakings	<b>16</b>		980654	980654	937969
Core tier one capital (sum of 11 to 16)	<b>19</b>	53000	6334672	6387672	5365330

**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>	53000	6334672	6387672	5365330
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		893661	893661	548678
Deductions in related undertakings	<b>36</b>		2881	2881	7932
Deductions from tier one (32 to 36)	<b>37</b>		896542	896542	556610
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	53000	5438130	5491130	4808720

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

Global business

Financial year ended **31 December 2009**

	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>2009</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 2009**

	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>2009</b>	<b>£000</b>
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		<b>1</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>	53000	5438130	5491130	4808720	
Inadmissible assets other than intangibles and own shares	<b>73</b>		630422	630422	707700	
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>	53000	4807708	4860708	4101020	

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

Available capital resources for guarantee fund requirement	<b>81</b>	53000	4807708	4860708	4101020	
Available capital resources for 50% MCR requirement	<b>82</b>	53000	4807708	4860708	4101020	
Available capital resources for 75% MCR requirement	<b>83</b>	53000	4807708	4860708	4101020	

**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>					
Sum of financial engineering adjustments (91+92-93+94+95)	<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 2009**

General insurance business

	Company registration number	GL/UK/CM	day month year			Units
			R11	166055	GL	
			This financial year 1			Previous year 2
Gross premiums written		11	3707			3969
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13	3707			3969
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	3707			3969
Gross premiums earned		21	3838			1985
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	3838			1985
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	3838			1985
<b>Sub-total I (higher of sub-total A and sub-total H)</b>		30	3838			3969
<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	691			714
	Excess (if any) over 57.5M EURO x 0.02	33				
<b>Sub-total J (32-33)</b>		34	691			714
Claims paid in period of 3 financial years		41	173			262
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42	112			299
	For insurance business accounted for on an accident year basis	43	580			2046
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44	1463			825
	For insurance business accounted for on an accident year basis	45	2725			3115
<b>Sub-total C (41+42+43-44-45)</b>		46	(3323)			(1333)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	(295)			(222)
<b>Sub-total D (46-47)</b>		48	(3028)			(1111)
<b>Reinsurance Ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)</b>		49	0.91			0.83
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>		50	630			595
Provision for claims outstanding (before discounting and net of reinsurance)		51	361			1955
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	110			83
Greater of lines 50 and 53		54	630			595

**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 2009**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	166055	GL	31	12	2009	£000
			This financial year 1			Previous year 2	
Gross premiums written		11	118377			119904	
Premiums taxes and levies (included in line 11)		12					
Premiums written net of taxes and levies (11-12)		13	118377			119904	
Premiums for classes 11, 12 or 13 (included in line 13)		14					
Premiums for "actuarial health insurance" (included in line 13)		15	72093			81749	
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>		16	70315			65405	
Gross premiums earned		21	118377			119904	
Premium taxes and levies (included in line 21)		22					
Premiums earned net of taxes and levies (21-22)		23	118377			119904	
Premiums for classes 11, 12 or 13 (included in line 23)		24					
Premiums for "actuarial health insurance" (included in line 23)		25	72093			81749	
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>		26	70315			65405	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>		30	70315			65405	
<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	12657			11773	
	Excess (if any) over 57.5M EURO x 0.02	33	378			472	
<b>Sub-total J (32-33)</b>		34	12278			11300	
Claims paid in period of 3 financial years		41	166644			145085	
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	359656			331712	
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	293321			263966	
<b>Sub-total C (41+42+43-44-45)</b>		46	232979			212831	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	44587			33966	
<b>Sub-total D (46-47)</b>		48	188391			178865	
<b>Reinsurance Ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)</b>		49	0.81			0.84	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>		50	9928			9497	
Provision for claims outstanding (before discounting and net of reinsurance)		51	329531			308069	
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	9946			9946	
Greater of lines 50 and 53		54	9946			9946	

### 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 2009**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2009	£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		173		262		
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22		112		299		
	For insurance business accounted for on an accident year basis	23		580		2046		
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24		1463		825		
	For insurance business accounted for on an accident year basis	25		2725		3115		
Claims incurred in reference period (21+22+23-24-25)		26		(3323)		(1333)		
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>		<b>29</b>		<b>(3323)</b>		<b>(1333)</b>		
<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>		<b>31</b>		<b>(1108)</b>		<b>(444)</b>		
Division of sub-total F (gross adjusted claims amount)	x 0.26	32		(288)		(116)		
	Excess (if any) over 40.3M EURO x 0.03	33						
<b>Sub-total G (32-33)</b>		<b>39</b>		<b>(288)</b>		<b>(116)</b>		
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>		<b>41</b>		<b>(262)</b>		<b>(96)</b>		
Higher of premiums amount and brought forward amount (11.54)		42		630		595		
<b>General insurance capital requirement (higher of lines 41 and 42)</b>		<b>43</b>		<b>630</b>		<b>595</b>		

**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 2009**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				<b>11</b>	36			36
Claims paid in reference period				<b>21</b>	166644			145085
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			<b>22</b>				
	For insurance business accounted for on an accident year basis			<b>23</b>	359656			331712
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			<b>24</b>				
	For insurance business accounted for on an accident year basis			<b>25</b>	293321			263966
Claims incurred in reference period (21+22+23-24-25)				<b>26</b>	232979			212831
Claims incurred for classes 11, 12 or 13 (included in 26)				<b>27</b>				
Claims incurred for "actuarial health insurance" (included in 26)				<b>28</b>	204919			192522
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				<b>29</b>	96367			84482
<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>				<b>31</b>	32122			28161
Division of sub-total F (gross adjusted claims amount)	x 0.26			<b>32</b>	8352			7322
	Excess (if any) over 40.3M EURO x 0.03			<b>33</b>				
<b>Sub-total G (32-33)</b>				<b>39</b>	8352			7322
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				<b>41</b>	6753			6153
Higher of premiums amount and brought forward amount (11.54)				<b>42</b>	9946			9946
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				<b>43</b>	9946			9946

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

Global business

Financial year ended **31 December 2009**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>2009</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>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		178268	83358
	Debts and loans	<b>22</b>			
Other insurance dependants	Shares	<b>23</b>		221861	128791
	Debts and loans	<b>24</b>			
Non-insurance dependants	Shares	<b>25</b>		2455747	1300983
	Debts and loans	<b>26</b>			
Other group undertakings	Shares	<b>27</b>			
	Debts and loans	<b>28</b>			
Participating interests	Shares	<b>29</b>			
	Debts and loans	<b>30</b>			

**Other financial investments**

Equity shares	<b>41</b>		267269	948296
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>		466303	352897
Rights under derivative contracts	<b>44</b>		61	238
Fixed interest securities	Approved	<b>45</b>		
	Other	<b>46</b>		580 981
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		1000 45403
	More than one month withdrawal	<b>55</b>		770 934
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

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

Global business

Financial year ended **31 December 2009**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>2009</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>	331	390
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>	1538	1985
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>	294389	367345
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>	14531	2195
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	4342	8120
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>		3
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	11631	14204
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>	3918621	3256123

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

Global business

Financial year ended **31 December 2009**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>2009</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>	

**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)	<b>91</b>	3918621	3256123
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	134372	147825
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	256768	325372
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>	3674	28290
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	(74434)	2588
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(1533648)	(1674589)
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)	<b>102</b>	2705353	2085609
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	349621	392635



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

Global business

Financial year ended **31 December 2009**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>2009</b>	<b>£000</b>	<b>10</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>
Land and buildings			<b>11</b>			104644	1149411

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	1003701	67763
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>	4197869	3766674	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	1046266	1231918	
Rights under derivative contracts	<b>44</b>	64746	69177	
Fixed interest securities	Approved	<b>45</b>	4478212	4060425
	Other	<b>46</b>	5323368	5104735
Variable interest securities	Approved	<b>47</b>	7954	7276
	Other	<b>48</b>	160250	165876
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	554	581	
Other loans	<b>53</b>	5322	5127	
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	822031	1283238
	More than one month withdrawal	<b>55</b>	523000	150000
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	117385	107705
	Property linked	<b>59</b>	23767824	19860576

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

Global business

Financial year ended **31 December 2009**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>2009</b>	<b>£000</b>	<b>10</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>	27284	42529
	Intermediaries	<b>72</b>	14	42
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	4105	582
	Ceded	<b>75</b>	5290	1821
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>	657643	481363
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>	12698	31194
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	33920	107044
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>	247275	246021
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	435	1920
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>	42611790	37942998

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

Global business

Financial year ended **31 December 2009**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>2009</b>	<b>£000</b>	<b>10</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>	

**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)	<b>91</b>	42611790	37942998
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	328783	401393
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	331070	131206
Deferred acquisition costs excluded from line 89	<b>99</b>	824037	851159
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	22798968	19099187
Other asset adjustments (may be negative)	<b>101</b>	467655	878219
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)	<b>102</b>	67362303	59304162
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	29748	19925

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

Global business

Financial year ended **31 December 2009**Category of assets **With Profits Part of Fund**

	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>2009</b>	<b>£000</b>	<b>11</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>
Land and buildings			<b>11</b>			96459	1059834

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	868781	4631
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>	4032666	3640491	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	1023936	1193316	
Rights under derivative contracts	<b>44</b>	62534	66472	
Fixed interest securities	Approved	<b>45</b>	4311930	3930985
	Other	<b>46</b>	5323355	5104715
Variable interest securities	Approved	<b>47</b>	7954	7276
	Other	<b>48</b>	160250	165516
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	356	380	
Other loans	<b>53</b>	5322	5127	
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	749564	1210921
	More than one month withdrawal	<b>55</b>	469720	141108
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	36901	37137
	Property linked	<b>59</b>	8516152	7203280

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

Global business

Financial year ended **31 December 2009**Category of assets **With Profits Part of Fund**

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>2009</b>	<b>£000</b>	<b>11</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>		2718
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	187	
	Ceded	<b>75</b>	20	13
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>	558778	451230
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	33919	86938
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>	242660	242636
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	401	1770
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>	26501845	24556494

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

Global business

Financial year ended **31 December 2009**Category of assets **With Profits Part of Fund**

	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>2009</b>	<b>£000</b>	<b>11</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>	

**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)	<b>91</b>	26501845	24556494
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	55483	61515
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	327720	126846
Deferred acquisition costs excluded from line 89	<b>99</b>	155860	176565
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	185717	152115
Other asset adjustments (may be negative)	<b>101</b>	(535223)	(390023)
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)	<b>102</b>	26691402	24683512
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		261

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

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit & balancing items**

	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>2009</b>	<b>£000</b>	<b>12</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>
Land and buildings			<b>11</b>			8185	89577

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	134920	63132
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>	165203	126183	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	22330	38602	
Rights under derivative contracts	<b>44</b>	2212	2705	
Fixed interest securities	Approved	<b>45</b>	166282	129440
	Other	<b>46</b>	13	20
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		360
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	198	201	
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	72467	72317
	More than one month withdrawal	<b>55</b>	53280	8892
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	80484	70568
	Property linked	<b>59</b>	15251672	12657296

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

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit & balancing items**

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>2009</b>	<b>£000</b>	<b>12</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>	27284	39811
	Intermediaries	<b>72</b>	14	42
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	3918	582
	Ceded	<b>75</b>	5270	1808
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>	98865	30133
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>	12698	31194
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	1	20106
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>	4615	3385
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	34	150
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>	16109945	13386504



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

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit & balancing items**

	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>2009</b>	<b>£000</b>	<b>12</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>	

**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)	<b>91</b>	16109945	13386504
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	273300	339878
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	3350	4360
Deferred acquisition costs excluded from line 89	<b>99</b>	668177	674594
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	22613251	18947072
Other asset adjustments (may be negative)	<b>101</b>	1002878	1268242
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)	<b>102</b>	40670901	34620650
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	29748	19664

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	39039778	34960746	
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>	691241	13991	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	39731019	34974737	
Claims outstanding	Gross	<b>15</b>	314057	296833
	Reinsurers' share	<b>16</b>	117774	99158
	Net (15-16)	<b>17</b>	196283	197675
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	146293	82519
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	32435	42572
	Reinsurance accepted	<b>32</b>	638	1679
	Reinsurance ceded	<b>33</b>	9711	11506
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	1	241	
Creditors	Taxation	<b>37</b>	654055	430442
	Other	<b>38</b>	439486	321846
Accruals and deferred income	<b>39</b>	919	11924	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1479821	1100404	
Excess of the value of net admissible assets	<b>51</b>	1400950	1867857	
Total liabilities and margins	<b>59</b>	42611790	37942998	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	9419	9108
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	23740151	19799265

Total liabilities (11+12+49)	<b>71</b>	40519599	36061150
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	22798968	19099186
Other adjustments to liabilities (may be negative)	<b>74</b>	1468845	2114339
Capital and reserves and fund for future appropriations	<b>75</b>	2574891	2029487
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>	67362303	59304162

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **With Profits Part of Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	23891054	22328816	
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>	23894532	22332294	
Claims outstanding	Gross	<b>15</b>	101178	103308
	Reinsurers' share	<b>16</b>	846	980
	Net (15-16)	<b>17</b>	100332	102328
Provisions	Taxation	<b>21</b>	36174	
	Other risks and charges	<b>22</b>	73800	40925
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	4887	8287
	Reinsurance accepted	<b>32</b>		21
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	1	230	
Creditors	Taxation	<b>37</b>	724855	487556
	Other	<b>38</b>	265467	232504
Accruals and deferred income	<b>39</b>	847	10994	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1206363	882845	
Excess of the value of net admissible assets	<b>51</b>	1400950	1341355	
Total liabilities and margins	<b>59</b>	26501845	24556494	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	1045	1049
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	8503133	7168613

Total liabilities (11+12+49)	<b>71</b>	25097417	23211661
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		152114
Other adjustments to liabilities (may be negative)	<b>74</b>		383529
Capital and reserves and fund for future appropriations	<b>75</b>		936208
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>		24683512

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

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Non Profit & balancing items**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>	15148724	12631930
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>	687763	10513
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	15836487	12642443
Claims outstanding	Gross	<b>15</b>	212879	193525
	Reinsurers' share	<b>16</b>	116928	98178
	Net (15-16)	<b>17</b>	95951	95347
Provisions	Taxation	<b>21</b>	(36174)	
	Other risks and charges	<b>22</b>	72493	41594
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	27548	34285
	Reinsurance accepted	<b>32</b>	638	1658
	Reinsurance ceded	<b>33</b>	9711	11506
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		11
Creditors	Taxation	<b>37</b>	(70800)	(57114)
	Other	<b>38</b>	174019	89342
Accruals and deferred income		<b>39</b>	72	930
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	273458	217559
Excess of the value of net admissible assets		<b>51</b>		526502
Total liabilities and margins		<b>59</b>	16109945	13386504

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	8374	8059
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	15237018	12630652

Total liabilities (11+12+49)		<b>71</b>	15422182	12849489
Increase to liabilities - DAC related		<b>72</b>		
Reinsurers' share of technical provisions		<b>73</b>		18947072
Other adjustments to liabilities (may be negative)		<b>74</b>		1730810
Capital and reserves and fund for future appropriations		<b>75</b>		1093279
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>		34620650

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

Global business

Financial year ended **31 December 2009**

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>2009</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>	1853	1985
Claims outstanding	<b>12</b>	692	2345
Provision for unexpired risks	<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>	
	Other than credit business	<b>15</b>	844
Other technical provisions	<b>16</b>		
Total gross technical provisions (11 to 16)	<b>19</b>	3389	4330

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	423649	425016
Deposits received from reinsurers	<b>31</b>			
Creditors	Direct insurance business	<b>41</b>		375
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>	90	72
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions	<b>46</b>			
Creditors	Taxation	<b>47</b>	22732	
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	857428	838056
Accruals and deferred income	<b>51</b>	99585	94474	
Total (19 to 51)	<b>59</b>	1406873	1362323	
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>	1406873	1362323	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>	838909	817660
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(1533648)	(1674589)
Capital and reserves	<b>84</b>	2832128	2397875
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>	2705353	2085609

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2009	£000
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20		11	5122		(3180)	
	Equalisation provisions		12	(844)			
Transfer from the long term insurance business revenue account			13	145865		1024009	
Investment income	Income		14	53770		238403	
	Value re-adjustments on investments		15	378025			
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17	9707		10799	
	Value re-adjustments on investments		18				
	Loss on the realisation of investments		19	471570		526746	
Allocated investment return transferred to the general insurance business technical account			20				
Other income and charges (particulars to be specified by way of supplementary note)			21	7037			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	107698		721687	
Tax on profit or loss on ordinary activities			31	50343		(100146)	
Profit or loss on ordinary activities after tax (29-31)			39	57355		821833	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41				
Tax on extraordinary profit or loss			42				
Other taxes not shown under the preceding items			43				
Profit or loss for the financial year (39+41-(42+43))			49	57355		821833	
Dividends (paid or foreseeable)			51	154000		405000	
Profit or loss retained for the financial year (49-51)			59	(96645)		416833	

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

Global business

Financial year ended **31 December 2009**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>2009</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>							
	Interest rates	<b>12</b>	34991		42285	500217	416751		
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>			5630	250000			
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	169		1617	50901	79350		
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	3333		5815	294	505758		
	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>	22214				176925		
	Equity stock puts	<b>35</b>	2210				100463		
	Other	<b>36</b>	1829			4093			
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>	64746		55347	805505	1279247		
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	64746		55347				

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 2009**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>2009</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>							
	Interest rates	<b>12</b>	34991		42285	500217	416751		
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>			5630	250000			
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	167		1617	50804	79350		
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	3333		5815	294	505758		
	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>	22214				176925		
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>	1829			4093			
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>	62534		55347	805408	1178784		
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	62534		55347				

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 2009**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>2009</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>							
	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>		2			97		
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	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>		2210				100463	
	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>		2212			97	100463	
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>		2212					

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 2009**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	26501845	24556494
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	10781398	9524050
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	116833	115267
	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>	15603614	14917178
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	13109656	12804766
	Regulatory current liabilities of the fund	<b>22</b>	1206363	882845
	Total (21+22)	<b>29</b>	14316019	13687611
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	540436	531798
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>	14856456	14219409
Regulatory excess capital (19-39)		<b>49</b>	747158	697768

**Realistic excess capital**

Realistic excess capital	<b>51</b>	599875	268024
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**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>	147283	429744
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>	325669	212483
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>		217261

**Realistic balance sheet**

Name of insurer **Legal & General Assurance Society Limited**  
 With-profits fund **With Profits Part of Fund**  
 Financial year ended **31 December 2009**  
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	15603614	14917178
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>	549722	418038
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>	16153336	15335215
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	16153336	15335215

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	12902082	12140921	
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>	21254	24675
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	21896	24834
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	33000	19431
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	591539	871547
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	130993	162710
	Future costs of smoothing (possibly negative)	<b>44</b>	149444	291204
	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>	331006	285921
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1169339	1591791
Realistic current liabilities of the fund	<b>51</b>	1241255	961530	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	15312677	14694243	

**Realistic balance sheet**

Name of insurer      **Legal & General Assurance Society Limited**  
 With-profits fund    **With Profits Part of Fund**  
 Financial year ended   **31 December 2009**  
 Units                    **£000**

As at end of this financial year	As at end of the previous year
1	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>	15553461	15067191
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>	15553461	15067191
Risk capital margin for fund (62-59)	<b>65</b>	240784	372948
Realistic excess capital for fund (26-(59+65))	<b>66</b>	599875	268024
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	599875	268024
Working capital for fund (29-59)	<b>68</b>	840659	640973
Working capital ratio for fund (68/29)	<b>69</b>	5.20	4.18

**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>	400000	450000
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 2009**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2009	£000
Category number	FSA return general insurance business reporting category		Gross Premium written in this financial year  1	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  4	
				Reported  2	Incurred but not reported  3			
1	Total business	1	3707	502		190	1853	
2	Total primary (direct) and facultative business	2		489		190		
3	Total treaty reinsurance accepted business	3	3707	13			1853	
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		70		14		
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		132		27		
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		204		133		
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		83		16		
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	3707	13			1853	
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	3707	502		190	1853	

## General insurance business : Summary of business carried on

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2009	£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		70		14		
223	Motor other	43						
261	Commercial property	44		132		27		
262	Consequential loss	45						
263	Contractors or engineering all risks	46						
271	Employers liability	47		204		133		
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 2009**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2009	£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 marine and transport

341	Marine liability	64				
342	Marine hull	65		42	8	
343	Energy (on and off-shore)	66				
344	Protection and indemnity	67				
345	Freight demurrage and defence	68		41	8	
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				
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## 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	3707	13		1853
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				
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<b>Total (lines 21 to 101)</b>		<b>111</b>	<b>3707</b>	<b>502</b>	<b>190</b>	<b>1853</b>
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**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2009****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>2009</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>				(1300)	314	
	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>				234	4815	
	Balance (21-22-23+24+25-26)		<b>29</b>				1066	(5129)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		<b>31</b>				4056	1949	
	Other technical income or charges (particulars to be specified by way of supplementary note)		<b>32</b>						
	Total		<b>39</b>				4056	1949	
Balance of all years' underwriting (19+29+39)			<b>49</b>				5122	(3180)	
Allocated investment income			<b>51</b>						
Transfer to non-technical account (49+51)			<b>59</b>				5122	(3180)	



**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 2009****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	166055	GL	31	12	2009	£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	2046		35		580	(1431)	
	Reinsurers' share	12	390		(72)		331	(131)	
	Net (11-12)	13	1656		107		249	(1300)	
	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			234			234	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			234			234	
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			234			234	
	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 2009****Total business**

Accident year ended		11	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		9	10	day month year			11	12	13
Month	Year						5	6	7	8			Company registration number	GL/UK/CM	Units			
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	(4+5+6-7-8)		£000					
12	2009	<b>11</b>																
12	2008	<b>12</b>																
12	2007	<b>13</b>																
12	2006	<b>14</b>																
12	2005	<b>15</b>																
12	2004	<b>16</b>																
12	2003	<b>17</b>																
12	2002	<b>18</b>																
12	2001	<b>19</b>																
12	2000	<b>20</b>																
Prior accident years		<b>21</b>				107	74	175	833	823	(1300)							
Reconciliation		<b>22</b>																
Total (11 to 22)		<b>29</b>				107	74	175	833	823	(1300)							

**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 2009**

**Total business**

		Underwriting year ended		Prior underwriting years		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		MM YY		Company registration number		GL/UK/CM	day month year			Units	Category number
																								R24	166055	GL	31	12	2009	£000	001
				29	29	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	99	99	Total all previous columns			
Premiums written	Gross amount	11																										3707	3707		
	Reinsurers' share	12																													
	Net (11-12)	19																										3707	3707		
Claims paid	Gross amount	21	(30)																										(30)		
	Reinsurers' share	22																													
	Net (21-22)	29	(30)																										(30)		
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	299																								1985		2284	
		Adjustment for discounting	52																												
	Carried forward	Undiscounted	53	112																									1853	1965	
		Adjustment for discounting	54																												
	Increase (decrease) in the financial year (53-54-51+52)		59	(187)																								(1985)	1853	(319)	
Balance on each underwriting year (19-29-39-49-59)		69	217																								1985	1854	4056		

**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 2009****Total business**

Company registration number      GL/UK/CM      day month year      Units      Category number

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns		
			29	29	12	00	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	99	99	99	99	
Reported claims outstanding	Gross amount	11	6																									(15)	(9)
	Reinsurers' share	12																											
Claims incurred but not reported	Gross amount	13	106																									15	121
	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	112																										112
Provision for unearned premiums		22																										1853	1853
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	112																									1853	1965

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

Global business

Financial year ended **31 December 2009**

			Company registration number	GL/ UK/ CM	day month year			Units	
			<b>R37</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</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	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>		<b>7</b>	
<b>Calculation of the maximum provision</b>									
Total net premiums written in the previous 4 years	<b>11</b>				3969				
Net premiums written in the current year	<b>12</b>				3707				
Maximum provision	<b>13</b>				2879		2879		

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

Equalisation provision brought forward	<b>21</b>							
Transfers in	<b>22</b>				844		844	
Total abnormal loss	<b>23</b>							
Provisional transfers out	<b>24</b>							
Excess of provisional transfer out over fund available	<b>25</b>							
Provisional amount carried forward (21+22-24+25)	<b>26</b>						844	
Excess, if any, of 26 over 13	<b>27</b>							
Equalisation provision carried forward (26-27)	<b>28</b>						844	
Transfer in/(out) for financial year (28-21)	<b>29</b>						844	

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

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/UK/CM	day month year			Units
		R39	166055	GL	31	12	2009
		Business grouping A (property) 1	Business grouping B (business interruption) 2	Business grouping C (marine and aviation) 3	Business grouping D (nuclear) 4		Business grouping E (non-proportional treaty) 5
<b>Other than credit business</b>							
Net premiums written	<b>11</b>						3707
Claims net of reinsurance	<b>12</b>						
Trigger claims value	<b>13</b>						3707
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 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	2976071	3883546
Investment income receivable before deduction of tax	12	1598542	1988290
Increase (decrease) in the value of non-linked assets brought into account	13	1090303	593416
Increase (decrease) in the value of linked assets	14	3018468	(5337014)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>8683384</b>	<b>1128238</b>

**Expenditure**

Claims incurred	21	3298167	4081517
Expenses payable	22	593443	700418
Interest payable before the deduction of tax	23	8781	12307
Taxation	24	(14023)	285704
Other expenditure	25		
Transfer to (from) non technical account	26	145865	1024009
<b>Total expenditure</b>	<b>29</b>	<b>4032233</b>	<b>6103955</b>

Business transfers - in	31	105131	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	4756282	(4975717)
Fund brought forward	49	34974737	39950454
Fund carried forward (39+49)	59	39731019	34974737

## 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 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	1393797	1313291
Investment income receivable before deduction of tax	12	979951	1226179
Increase (decrease) in the value of non-linked assets brought into account	13	577398	(520191)
Increase (decrease) in the value of linked assets	14	1134758	(1844208)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>4085904</b>	<b>175071</b>

**Expenditure**

Claims incurred	21	2267956	2913823
Expenses payable	22	178207	186792
Interest payable before the deduction of tax	23	3654	4657
Taxation	24	27984	75518
Other expenditure	25		
Transfer to (from) non technical account	26	45865	76540
<b>Total expenditure</b>	<b>29</b>	<b>2523666</b>	<b>3257330</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1562238	(3082259)
Fund brought forward	49	22332294	25414553
Fund carried forward (39+49)	59	23894532	22332294



## 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 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	1582274	2570255
Investment income receivable before deduction of tax	12	618591	762111
Increase (decrease) in the value of non-linked assets brought into account	13	512905	1113607
Increase (decrease) in the value of linked assets	14	1883710	(3492806)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>4597480</b>	<b>953167</b>

**Expenditure**

Claims incurred	21	1030211	1167694
Expenses payable	22	415236	513626
Interest payable before the deduction of tax	23	5127	7650
Taxation	24	(42007)	210186
Other expenditure	25		
Transfer to (from) non technical account	26	100000	947469
<b>Total expenditure</b>	<b>29</b>	<b>1508567</b>	<b>2846625</b>

Business transfers - in	31	105131	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	3194044	(1893458)
Fund brought forward	49	12642443	14535901
Fund carried forward (39+49)	59	15836487	12642443

## Long-term insurance business : Analysis of premiums

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2009**  
 Units **£000**

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

**Gross**

Regular premiums	11	1118741	1164188	9894	2292823	2248303
Single premiums	12	1147747	2832941	217	3980905	5910029

**Reinsurance - external**

Regular premiums	13	405543	16990	218	422751	514470
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		118230	7955	126185	97735
Single premiums	16	1263	2746551	907	2748721	3662581

**Net of reinsurance**

Regular premiums	17	713198	1028968	1721	1743887	1636098
Single premiums	18	1146484	86390	(690)	1232184	2247448

**Total**

Gross	19	2266488	3997129	10111	6273728	8158332
Reinsurance	20	406806	2881771	9080	3297657	4274786
Net	21	1859682	1115358	1031	2976071	3883546

**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 2009**  
 Units **£000**

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

**Gross**

Regular premiums	11	191940	424677		616617	630724
Single premiums	12	551552	338413		889965	858179

**Reinsurance - external**

Regular premiums	13	2080	(7525)		(5445)	84807
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		118230		118230	90805
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	189860	313972		503832	455112
Single premiums	18	551552	338413		889965	858179

**Total**

Gross	19	743492	763090		1506582	1488903
Reinsurance	20	2080	110705		112785	175612
Net	21	741412	652385		1393797	1313291

**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 2009**  
 Units **£000**

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

**Gross**

Regular premiums	11	926801	739511	9894	1676206	1617579
Single premiums	12	596195	2494528	217	3090940	5051850

**Reinsurance - external**

Regular premiums	13	403463	24515	218	428196	429663
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15			7955	7955	6930
Single premiums	16	1263	2746551	907	2748721	3662581

**Net of reinsurance**

Regular premiums	17	523338	714996	1721	1240055	1180986
Single premiums	18	594932	(252023)	(690)	342219	1389269

**Total**

Gross	19	1522996	3234039	10111	4767146	6669429
Reinsurance	20	404726	2771066	9080	3184872	4099174
Net	21	1118270	462973	1031	1582274	2570255

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2009**  
 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	629908	206822		836730	805815
Disability periodic payments	12	32846			32846	31771
Surrender or partial surrender	13	1210721	910045	2190	2122956	2669392
Annuity payments	14	3706	1288989		1292695	1140571
Lump sums on maturity	15	698911	639480	594	1338985	1518469
<b>Total</b>	<b>16</b>	<b>2576092</b>	<b>3045336</b>	<b>2784</b>	<b>5624212</b>	<b>6166018</b>

**Reinsurance - external**

Death or disability lump sums	21	303133	6093		309226	282074
Disability periodic payments	22	1187			1187	1134
Surrender or partial surrender	23	258	158		416	12037
Annuity payments	24	1	2688		2689	447
Lump sums on maturity	25	(143)			(143)	746
<b>Total</b>	<b>26</b>	<b>304436</b>	<b>8939</b>		<b>313375</b>	<b>296438</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	154	169135		169289	144548
Disability periodic payments	32					
Surrender or partial surrender	33	1131	509174	2083	512388	484875
Annuity payments	34		1132205		1132205	985174
Lump sums on maturity	35		198194	594	198788	173466
<b>Total</b>	<b>36</b>	<b>1285</b>	<b>2008708</b>	<b>2677</b>	<b>2012670</b>	<b>1788063</b>

**Net of reinsurance**

Death or disability lump sums	41	326621	31594		358215	379193
Disability periodic payments	42	31659			31659	30637
Surrender or partial surrender	43	1209332	400713	107	1610152	2172480
Annuity payments	44	3705	154096		157801	154950
Lump sums on maturity	45	699054	441286		1140340	1344257
<b>Total</b>	<b>46</b>	<b>2270371</b>	<b>1027689</b>	<b>107</b>	<b>3298167</b>	<b>4081517</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 2009**  
 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	134011	31594		165605	187171
Disability periodic payments	12					
Surrender or partial surrender	13	454498	476593		931091	1421243
Annuity payments	14	1345	154096		155441	152473
Lump sums on maturity	15	691003	441286		1132289	1338924
<b>Total</b>	<b>16</b>	<b>1280857</b>	<b>1103569</b>		<b>2384426</b>	<b>3099811</b>

**Reinsurance - external**

Death or disability lump sums	21	1500			1500	1291
Disability periodic payments	22					
Surrender or partial surrender	23		76378		76378	152554
Annuity payments	24					
Lump sums on maturity	25	(143)			(143)	746
<b>Total</b>	<b>26</b>	<b>1357</b>	<b>76378</b>		<b>77735</b>	<b>154591</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		38735		38735	31397
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>38735</b>		<b>38735</b>	<b>31397</b>

**Net of reinsurance**

Death or disability lump sums	41	132511	31594		164105	185880
Disability periodic payments	42					
Surrender or partial surrender	43	454498	361480		815978	1237292
Annuity payments	44	1345	154096		155441	152473
Lump sums on maturity	45	691146	441286		1132432	1338178
<b>Total</b>	<b>46</b>	<b>1279500</b>	<b>988456</b>		<b>2267956</b>	<b>2913823</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 2009**  
 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	495897	175228		671125	618644
Disability periodic payments	12	32846			32846	31771
Surrender or partial surrender	13	756223	433452	2190	1191865	1248149
Annuity payments	14	2361	1134893		1137254	988098
Lump sums on maturity	15	7908	198194	594	206696	179545
<b>Total</b>	<b>16</b>	<b>1295235</b>	<b>1941767</b>	<b>2784</b>	<b>3239786</b>	<b>3066207</b>

**Reinsurance - external**

Death or disability lump sums	21	301633	6093		307726	280783
Disability periodic payments	22	1187			1187	1134
Surrender or partial surrender	23	258	(76220)		(75962)	(140517)
Annuity payments	24	1	2688		2689	447
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>303079</b>	<b>(67439)</b>		<b>235640</b>	<b>141847</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	154	169135		169289	144548
Disability periodic payments	32					
Surrender or partial surrender	33	1131	470439	2083	473653	453478
Annuity payments	34		1132205		1132205	985174
Lump sums on maturity	35		198194	594	198788	173466
<b>Total</b>	<b>36</b>	<b>1285</b>	<b>1969973</b>	<b>2677</b>	<b>1973935</b>	<b>1756666</b>

**Net of reinsurance**

Death or disability lump sums	41	194110			194110	193313
Disability periodic payments	42	31659			31659	30637
Surrender or partial surrender	43	754834	39233	107	794174	935188
Annuity payments	44	2360			2360	2477
Lump sums on maturity	45	7908			7908	6079
<b>Total</b>	<b>46</b>	<b>990871</b>	<b>39233</b>	<b>107</b>	<b>1030211</b>	<b>1167694</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 2009**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	220663	27947		248610	319769
Commission - other	12	28673	12715		41388	38401
Management - acquisition	13	152779	85539	467	238785	265401
Management - maintenance	14	93976	100108	(85)	193999	179946
Management - other	15	26438	19923		46361	92839
<b>Total</b>	<b>16</b>	<b>522529</b>	<b>246232</b>	<b>382</b>	<b>769143</b>	<b>896356</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

Commission - acquisition	31	20	102986	471	103477	117266
Commission - other	32		72177	45	72222	78671
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>20</b>	<b>175163</b>	<b>516</b>	<b>175699</b>	<b>195937</b>

**Net of reinsurance**

Commission - acquisition	41	220643	(75039)	(471)	145133	202503
Commission - other	42	28672	(59462)	(45)	(30835)	(40271)
Management - acquisition	43	152779	85539	467	238785	265401
Management - maintenance	44	93976	100108	(85)	193999	179946
Management - other	45	26438	19923		46361	92839
<b>Total</b>	<b>46</b>	<b>522508</b>	<b>71069</b>	<b>(134)</b>	<b>593443</b>	<b>700418</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 2009**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	36894	4163		41057	34267
Commission - other	12	4371	4710		9081	9597
Management - acquisition	13	11477	14949		26426	31039
Management - maintenance	14	31331	53660		84991	84470
Management - other	15	10130	6522		16652	27419
<b>Total</b>	<b>16</b>	<b>94203</b>	<b>84004</b>		<b>178207</b>	<b>186792</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	36894	4163		41057	34267
Commission - other	42	4371	4710		9081	9597
Management - acquisition	43	11477	14949		26426	31039
Management - maintenance	44	31331	53660		84991	84470
Management - other	45	10130	6522		16652	27419
<b>Total</b>	<b>46</b>	<b>94203</b>	<b>84004</b>		<b>178207</b>	<b>186792</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 2009**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	183769	23784		207553	285502
Commission - other	12	24302	8005		32307	28804
Management - acquisition	13	141302	70590	467	212359	234362
Management - maintenance	14	62645	46448	(85)	109008	95476
Management - other	15	16308	13401		29709	65420
<b>Total</b>	<b>16</b>	<b>428326</b>	<b>162228</b>	<b>382</b>	<b>590936</b>	<b>709564</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

Commission - acquisition	31	20	102986	471	103477	117266
Commission - other	32		72177	45	72222	78671
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>20</b>	<b>175163</b>	<b>516</b>	<b>175699</b>	<b>195937</b>

**Net of reinsurance**

Commission - acquisition	41	183749	(79202)	(471)	104076	168236
Commission - other	42	24301	(64172)	(45)	(39916)	(49868)
Management - acquisition	43	141302	70590	467	212359	234362
Management - maintenance	44	62645	46448	(85)	109008	95476
Management - other	45	16308	13401		29709	65420
<b>Total</b>	<b>46</b>	<b>428305</b>	<b>(12935)</b>	<b>(134)</b>	<b>415236</b>	<b>513626</b>

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11	16181592	14921680
Directly held assets in collective investment schemes of connected companies	12	4896746	3241438
Directly held assets in other collective investment schemes	13	2769525	1831025
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>23847863</b>	<b>19994143</b>
Provision for tax on unrealised capital gains	15	(53464)	(142861)
Secured and unsecured loans	16		
Other liabilities	17	95357	140851
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>23805970</b>	<b>19996153</b>

**Directly held linked assets**

Value of directly held linked assets	21	8589	7521
--------------------------------------	----	------	------

**Total**

Value of directly held linked assets and units held (18+21)	31	23814559	20003674
Surplus units	32	115750	75185
Deficit units	33	94810	13636
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>23793619</b>	<b>19942125</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 2009**Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	3550572	4494415
Investment income attributable to the funds before deduction of tax	12	913502	1031983
Increase (decrease) in the value of investments in the financial year	13	3017498	(5333796)
Other income	14	70256	
<b>Total income</b>	<b>19</b>	<b>7551828</b>	<b>192602</b>

**Expenditure**

Value of total cancellation of units	21	3380546	3383003
Charges for management	22	171227	178692
Charges in respect of tax on investment income	23	184595	101036
Taxation on realised capital gains	24	(85350)	(111063)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	89397	(210712)
Other expenditure	26	1596	2307
<b>Total expenditure</b>	<b>29</b>	<b>3742011</b>	<b>3343263</b>

Increase (decrease) in funds in financial year (19-29)	39	3809817	(3150661)
Internal linked fund brought forward	49	19996153	23146814
Internal linked funds carried forward (39+49)	59	23805970	19996153

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

Total business

Financial year ended **31 December 2009**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	11	371496	232750	376	604622	756763
Single premium business	12	26536	62841	16	89393	110110
<b>Total</b>	<b>13</b>	<b>398032</b>	<b>295591</b>	<b>392</b>	<b>694015</b>	<b>866873</b>

**Amount of new regular  
premiums**

Direct insurance business	21	135242	292009	556	427807	487012
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>135242</b>	<b>292009</b>	<b>556</b>	<b>427807</b>	<b>487012</b>

**Amount of new single  
premiums**

Direct insurance business	25	1147503	2807529	104	3955136	5870634
External reinsurance	26					
Intra-group reinsurance	27	4831			4831	7163
<b>Total</b>	<b>28</b>	<b>1152334</b>	<b>2807529</b>	<b>104</b>	<b>3959967</b>	<b>5877797</b>

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2009

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
125	Build Up		1		
175	Group Conventional Deferred Annuity With-Profits		67		
300	Regular Premium Non-Profit WL/EA	12387	4432		
325	Level Term Assurance	165617	60525		
330	Decreasing Term Assurance	79517	19909		
340	Decreasing Term Assurance with Critical Illness Insurance	23561	10652		
340	Other Accelerated Critical Illness (Guaranteed Premiums)	17337	9857		
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	14846	7038		
345	Other Accelerated Critical Illness (Reviewable Premiums)	18110	7408		
350	Stand-alone Critical Illness (Guaranteed Premiums)		1		
360	Income Protection Non-Profit (Guaranteed Premiums)	971	494		
365	Income Protection Non-Profit (Reviewable Premiums)	2720	717		
410	Group Life	6083	1851		
420	Group Income Protection	25824	9447		
430	Group Critical Illness	4311	1887		

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2009

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
435	Miscellaneous Non-Profit		4		
500	With-Profit Bond			15839	553709
510	Life UWP Endowment Regular Premium - Savings		6		
700	Investment Bond			401	24170
700	Portfolio Bond			10111	540659
700	Discounted Gift Portfolio Bond			185	28964
710	Life Property Linked Whole Life Regular Premium	120	887		
715	Life Property Linked Endowment Regular Premium - Savings		5		
795	Miscellaneous Property Linked	92	53		





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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2009

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		171		149
200	With-Profit Immediate Annuities In Payment			423	16655
325	Level Term Assurance	11	23		
330	Decreasing Term Assurance	8	0		
390	Deferred Annuities - Group - Bulk Purchase			585	25536
400	Annuities In Payment - Group - Other			5460	80083
400	Annuities In Payment - Individual - Compulsory Purchase			20231	576857
400	Annuities In Payment - Individual - Other			11685	223040
401	Annuities In Payment - Group - Bulk Purchase			6631	427520
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life			962	49891
405	Annuities In Payment - Individual - Compulsory Purchase - Annuity Plus			347	14616
410	Group Life	166754	33578		
435	Miscellaneous Non-Profit	19161	8901		
525	Personal Pension Plan	248	572		1137
525	Section 32 Buy-Out		20	228	1389

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2009

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
530	Self Employed Plan		23		102
530	Executive Pension Plan		80		329
530	Pension Savings Plan		47		147
530	Personal Pension Plan		1252		1329
530	Section 32 Buy-Out				550
535	Group Money Purchase Pensions UWP	24	118		21
540	Group Money Purchase Pensions UWP - Increments		252		287
555	1980 Bonus System - Group				52
555	Other Group Deposit Administration With-Profits		132		
560	1980 Bonus System - Group		1425		
565	DWP National Insurance Rebates UWP				50509
725	Pension Savings Plan		4		46
725	Personal Pension Plan	14251	65208		99917
725	Section 32 Buy-Out		11	2028	17139
725	Stakeholder	22371	80378		120233

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2009

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	Group SIPP	3935	18976		27176
725	Portfolio Plus SIPP	3455	11140		260915
730	Executive Investment Retirement Plan		32		151
730	Executive Pension Plan		217		2008
730	Pension Savings Plan		66		168
730	Personal Investment Pension Plan		17		357
730	Personal Pension Plan		20021		63746
730	Section 32 Buy-Out				2780
730	Self Employed Plan		78		211
730	Stakeholder		25710		97245
730	Group SIPP		2139		3776
730	Portfolio Plus SIPP		1256		36249
730	Individual Pensions Property Linked		65		
735	Group Money Purchase Pensions Property Linked	2532	13850	3098	54192
740	Group Money Purchase Pensions Property Linked - Increments		6249		8310

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2009

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
745	DWP National Insurance Rebates Property Linked				74096
755	Trustee Investment Plan				21613
905	Annuities In Payment - Group - RPI-linked - Other			133	3151
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase			822	11265
905	Other RPI-linked Annuity - Individual			157	3101
906	Annuities In Payment - Group - RPI-linked - Bulk Purchase			9405	346760
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase			646	82726



**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 2009**  
 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	9987	119123	6239	5.24	
Approved fixed interest securities	12	476651	476651	21564	4.03	
Other fixed interest securities	13	1743001	1743001	108547	6.26	
Variable interest securities	14	46092	46092	409	2.63	
UK listed equity shares	15	219877	223201	10393	5.23	
Non-UK listed equity shares	16	32398	32398	1095	4.64	
Unlisted equity shares	17	160107	71313			
Other assets	18	447873	424207	931	0.22	
<b>Total</b>	<b>19</b>	<b>3135986</b>	<b>3135986</b>	<b>149178</b>	<b>4.78</b>	

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

Land and buildings	21	94657	2029927	106300	5.24	4.47
Approved fixed interest securities	22	4079231	4079231	197717	4.26	(1.32)
Other fixed interest securities	23	3708648	3709574	234523	6.42	16.20
Variable interest securities	24	122311	157302	954	2.50	7.28
UK listed equity shares	25	1992033	2016636	91890	5.23	30.67
Non-UK listed equity shares	26	1850298	1850298	49359	3.62	20.21
Unlisted equity shares	27	946857	105261			15.32
Other assets	28	2796560	1642366	(12209)	(0.74)	1.11
<b>Total</b>	<b>29</b>	<b>15590595</b>	<b>15590595</b>	<b>668534</b>	<b>4.38</b>	<b>14.02</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					13.86
Return allocated to non taxable 'asset shares'	32					14.08
Return allocated to taxable 'asset shares'	33					13.73

**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 2009**  
 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	1802	37011	1938	5.24	
Approved fixed interest securities	12	307820	307820	13820	4.35	
Other fixed interest securities	13	1742988	1742988	108547	6.26	
Variable interest securities	14	46092	46092	409	2.63	
UK listed equity shares	15	69939	70841	3276	5.24	
Non-UK listed equity shares	16	26174	26174	744	3.87	
Unlisted equity shares	17	16146	122			
Other assets	18	147236	127149	139	0.12	
<b>Total</b>	<b>19</b>	<b>2358197</b>	<b>2358197</b>	<b>128873</b>	<b>5.53</b>	

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

Land and buildings	21	94657	2029927	106300	5.24	4.47
Approved fixed interest securities	22	4079231	4079231	197717	4.26	(1.32)
Other fixed interest securities	23	3708648	3709574	234523	6.42	16.20
Variable interest securities	24	122311	157302	954	2.50	7.28
UK listed equity shares	25	1992033	2016636	91890	5.23	30.67
Non-UK listed equity shares	26	1850298	1850298	49359	3.62	20.21
Unlisted equity shares	27	946857	105261			15.32
Other assets	28	2796560	1642366	(12209)	(0.74)	1.11
<b>Total</b>	<b>29</b>	<b>15590595</b>	<b>15590595</b>	<b>668534</b>	<b>4.38</b>	<b>14.02</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					13.86
Return allocated to non taxable 'asset shares'	32					14.08
Return allocated to taxable 'asset shares'	33					13.73

**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 2009**  
 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	8185	82112	4301	5.24	
Approved fixed interest securities	12	168831	168831	7744	3.46	
Other fixed interest securities	13	13	13			
Variable interest securities	14					
UK listed equity shares	15	149938	152360	7117	5.22	
Non-UK listed equity shares	16	6224	6224	351	7.87	
Unlisted equity shares	17	143961	71191			
Other assets	18	300637	297058	792	0.27	
<b>Total</b>	<b>19</b>	<b>777789</b>	<b>777789</b>	<b>20305</b>	<b>2.49</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 2009**  
 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>	1729956	11.22	3.99	3.96
<b>Other approved fixed interest securities</b>	<b>21</b>	2825926	9.75	4.39	4.37
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	462320	8.41	5.81	5.74
AA/Aa	<b>32</b>	998816	6.65	5.59	5.49
A/A	<b>33</b>	1978923	7.91	6.18	5.93
BBB/Baa	<b>34</b>	997500	6.86	6.67	6.08
BB/Ba	<b>35</b>	97657	5.04	13.33	10.63
B/B	<b>36</b>	1137	9.41	11.18	8.48
CCC/Caa	<b>37</b>	2943	2.68	48.21	45.51
Other (including unrated)	<b>38</b>	913279	6.73	6.69	6.23
<b>Total other fixed interest securities</b>	<b>39</b>	5452575	7.28	6.37	6.02
<b>Approved variable interest securities</b>	<b>41</b>	7992	16.94	0.88	0.85
<b>Other variable interest securities</b>	<b>51</b>	195402	3.82	2.60	2.30
<b>Total (11+21+39+41+51)</b>	<b>61</b>	10211851	8.57	5.34	5.14

## 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 2009**  
 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>	1581657	11.76	4.05	4.02
<b>Other approved fixed interest securities</b>	<b>21</b>	2805394	9.74	4.39	4.36
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	462320	8.41	5.81	5.74
AA/Aa	<b>32</b>	998816	6.65	5.59	5.49
A/A	<b>33</b>	1978923	7.91	6.18	5.93
BBB/Baa	<b>34</b>	997500	6.86	6.67	6.08
BB/Ba	<b>35</b>	97657	5.04	13.33	10.63
B/B	<b>36</b>	1137	9.41	11.18	8.48
CCC/Caa	<b>37</b>	2943	2.68	48.21	45.51
Other (including unrated)	<b>38</b>	913266	6.73	6.69	6.23
<b>Total other fixed interest securities</b>	<b>39</b>	5452562	7.28	6.37	6.02
<b>Approved variable interest securities</b>	<b>41</b>	7992	16.94	0.88	0.85
<b>Other variable interest securities</b>	<b>51</b>	195402	3.82	2.60	2.30
<b>Total (11+21+39+41+51)</b>	<b>61</b>	10043007	8.61	5.37	5.16

## 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 2009**  
 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>	148299	5.49	3.29	3.26

<b>Other approved fixed interest securities</b>	<b>21</b>	20532	10.18	4.71	4.68
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**Other fixed 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	13	40.03		
<b>Total other fixed interest securities</b>	<b>39</b>	13	40.03		

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	168844	6.06	3.46	3.43
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## 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 2009**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	3118806	1034879		4153686	4348586
Form 51 - non-profit	12	1199316	16455354	3797	17658468	15172903
Form 52	13	4174249	4539601		8713850	8204454
Form 53 - linked	14	10368261	13928362	57664	24354288	20192374
Form 53 - non-linked	15	120407	317475	125	438007	579972
Form 54 - linked	16	84668	6162207		6246875	5343184
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>19065708</b>	<b>42437878</b>	<b>61587</b>	<b>61565173</b>	<b>53841473</b>

**Reinsurance - external**

Form 51 - with-profits	21	800			800	763
Form 51 - non-profit	22	1421603	84504		1506107	1163608
Form 52	23	192	208		399	13480
Form 53 - linked	24		430056		430056	256971
Form 53 - non-linked	25	774	18		791	827
Form 54 - linked	26	4184	223		4407	5082
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1427552</b>	<b>515008</b>		<b>1942560</b>	<b>1440731</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	12	14461078	3797	14464887	12252410
Form 52	33		763		763	(1581)
Form 53 - linked	34	10063	138017	36000	184080	136138
Form 53 - non-linked	35	1824	50154	125	52103	87019
Form 54 - linked	36		6125083		6125083	5230397
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>11899</b>	<b>20775096</b>	<b>39922</b>	<b>20826917</b>	<b>17704384</b>

**Net of reinsurance**

Form 51 - with-profits	41	3118007	1034879		4152886	4347823
Form 51 - non-profit	42	(222299)	1909773		1687473	1756885
Form 52	43	4174058	4538629		8712687	8192555
Form 53 - linked	44	10358198	13360288	21665	23740151	19799264
Form 53 - non-linked	45	117809	267303		385112	492126
Form 54 - linked	46	80484	36901		117385	107705
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>17626257</b>	<b>21147774</b>	<b>21665</b>	<b>38795695</b>	<b>34696358</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 2009**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	3118806	1034879		4153686	4348586
Form 51 - non-profit	12	17847	1909773		1927620	1922940
Form 52	13	4174249	4539601		8713850	8204454
Form 53 - linked	14	1099165	7586732		8685898	7306930
Form 53 - non-linked	15	37952	275936		313889	395515
Form 54 - linked	16		36901		36901	37137
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>8448020</b>	<b>15383823</b>		<b>23831842</b>	<b>22215563</b>

**Reinsurance - external**

Form 51 - with-profits	21	800			800	763
Form 51 - non-profit	22					
Form 52	23	192	208		399	13480
Form 53 - linked	24		44747		44747	33067
Form 53 - non-linked	25	145			145	155
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1136</b>	<b>44955</b>		<b>46090</b>	<b>47465</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		763		763	(1581)
Form 53 - linked	34		138017		138017	105251
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>		<b>138781</b>		<b>138781</b>	<b>103670</b>

**Net of reinsurance**

Form 51 - with-profits	41	3118007	1034879		4152886	4347823
Form 51 - non-profit	42	17847	1909773		1927620	1922940
Form 52	43	4174058	4538629		8712687	8192555
Form 53 - linked	44	1099165	7403968		8503133	7168613
Form 53 - non-linked	45	37808	275936		313744	395360
Form 54 - linked	46		36901		36901	37137
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>8446884</b>	<b>15200087</b>		<b>23646971</b>	<b>22064428</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 2009**  
 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	1181469	14545581	3797	15730848	13249963
Form 52	13					
Form 53 - linked	14	9269096	6341630	57664	15668390	12885443
Form 53 - non-linked	15	82455	41538	125	124118	184457
Form 54 - linked	16	84668	6125306		6209974	5306046
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>10617688</b>	<b>27054056</b>	<b>61587</b>	<b>37733330</b>	<b>31625910</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	1421603	84504		1506107	1163608
Form 52	23					
Form 53 - linked	24		385310		385310	223904
Form 53 - non-linked	25	629	18		647	672
Form 54 - linked	26	4184	223		4407	5082
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1426416</b>	<b>470053</b>		<b>1896470</b>	<b>1393266</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	12	14461078	3797	14464887	12252410
Form 52	33					
Form 53 - linked	34	10063		36000	46063	30887
Form 53 - non-linked	35	1824	50154	125	52103	87019
Form 54 - linked	36		6125083		6125083	5230397
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>11899</b>	<b>20636315</b>	<b>39922</b>	<b>20688137</b>	<b>17600713</b>

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	(240146)			(240146)	(166055)
Form 52	43					
Form 53 - linked	44	9259033	5956320	21665	15237018	12630652
Form 53 - non-linked	45	80002	(8633)		71369	96765
Form 54 - linked	46	80484			80484	70568
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>9179373</b>	<b>5947687</b>	<b>21665</b>	<b>15148724</b>	<b>12631930</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 2009**  
 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	3027	50152	324				37348
120	New Cashbuilder	58033	144126	2080				123685
120	Other Conventional Endowment With-Profits Savings	4965	50998	614				42231
125	Build Up	213073	5849134	112860				2837511
165	Conventional Deferred Annuity With-Profits	95	41	1				685
175	Group Conventional Deferred Annuity With-Profits	182	2123	89				2157
210	Additional Reserves With-Profits							75190
300	Regular Premium Non-Profit WL/EA	288	539					1273
320	Group Deposit Administration Non-Profit	31	24					476
390	Deferred Annuity Non-Profit	621	121	1				2341
395	Annuity Non-Profit (PLA)	1446	1567					13756





**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 2009**  
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	45	230					243
165	Personal Retirement Plan	24180	66938	4602				758881
165	Other Conventional Deferred Annuity With-Profits	115	75	0				1082
175	Group Conventional Deferred Annuity With-Profits		4					126
185	Group Conventional Pensions Endowment With-Profits	121	551	0				618
200	With-Profit Immediate Annuities In Payment	7504	19847					252245
200	Other Annuity With-Profits (CPA)	41	150					798
210	Additional Reserves With-Profits							20887
300	Regular Premium Non-Profit WL/EA	73	186					434
315	Individual Deposit Administration Non-Profit	687	20417					32334
320	1980 Bonus System - Group		67024					106032
320	Other Group Deposit Administration Non-Profit	49	1094					1542
390	Deferred Annuities - Group	52203	14935					221019
390	Other Deferred Annuity Non-Profit	59	28					813
400	Annuities In Payment - Group	32057	85508					840356

**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 2009**  
 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	16173	37376					429035
400	Annuities In Payment - Individual - Other	7449	9237					117183
400	Contingent Annuities - Group	7271	34481					139614
400	Contingent Annuities - Individual	1227	3032					10313
440	Additional Reserves Non-Profit							11098

**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 2009**  
 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	44804	440080	14582				81408
325	Level Term Assurance	1250816	169611599	393055				266598
330	Decreasing Term Assurance	675859	73812024	180787				(6218)
340	Decreasing Term Assurance with Critical Illness Insurance	181802	12693415	73234				13314
340	Other Accelerated Critical Illness (Guaranteed Premiums)	171319	13534220	74282				114053
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	138600	11211565	60090				(31746)
345	Other Accelerated Critical Illness (Reviewable Premiums)	105037	7854558	43489				(20280)
350	Stand-alone Critical Illness (Guaranteed Premiums)	35739	2013417	10879				105089
355	Stand-alone Critical Illness (Reviewable Premiums)	35325	1965826	8715				122531
360	Income Protection Non-Profit (Guaranteed Premiums)	8197	106936	3578				28204
365	Income Protection Non-Profit (Reviewable Premiums)	55509	422745	11713				66704
385	Income Protection Claims In Payment							15790
390	Deferred Annuity Non-Profit	2266	254	2				4352
395	Annuity Non-Profit (PLA)	3542	1162					9253
410	Group Life	30842	10134608	14127				9385

**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 2009**  
 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
420	Group Income Protection	171232	3867711	53942				78449
425	Group Income Protection Claims In Payment	1721	25278					219816
430	Group Critical Illness	73402	5678176	10887				7340
435	Miscellaneous Non-Profit	653	6248	129				84
440	Additional Reserves Non-Profit							97343

**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 2009**  
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		148615	972				38341
325	Level Term Assurance		150928354	267392				620859
330	Decreasing Term Assurance		65156930	113926				192267
340	Decreasing Term Assurance with Critical Illness Insurance		8492266	33354				60801
340	Other Accelerated Critical Illness (Guaranteed Premiums)		9677549	37228				136833
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)		9996012	27648				40197
345	Other Accelerated Critical Illness (Reviewable Premiums)		7035220	17367				37087
350	Stand-alone Critical Illness (Guaranteed Premiums)		1806759	7837				95109
355	Stand-alone Critical Illness (Reviewable Premiums)		1572567	4668				108949
360	Income Protection Non-Profit (Guaranteed Premiums)		86633	2195				17853
365	Income Protection Non-Profit (Reviewable Premiums)		338147	2572				57714
385	Income Protection Claims In Payment							11655
390	Deferred Annuity Non-Profit		2					0
395	Annuity Non-Profit (PLA)		0					1
410	Group Life							1

## 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 2009**  
 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		35934	500				695
430	Group Critical Illness		2825875	5516				3241

**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 2009**  
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		13	0				7
330	Decreasing Term Assurance		27					0
390	Deferred Annuity Non-Profit		0					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 2009**  
 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	553	256	4				566
305	Single Premium Non-Profit WL/EA		26					0
325	Level Term Assurance	45573	8677685	18578				25830
330	Decreasing Term Assurance	11809	1801055	3421				1358
390	Deferred Annuities - Group - Bulk Purchase	79198	163793					1930793
390	Deferred Annuities - Group - Other	8535	5262					74468
390	Other Deferred Annuity Non-Profit	194	232					3484
400	Annuities In Payment - Group - Bulk Purchase	99903	464590					4641563
400	Annuities In Payment - Group - Other	28103	113356					1306982
400	Annuities In Payment - Individual - Compulsory Purchase	146259	280155					3993131
400	Annuities In Payment - Individual - Other	69205	99834					1319578
400	Contingent Annuities - Group - Bulk Purchase	49389	211830					618485
400	Contingent Annuities - Group - Other	6434	57635					152515
400	Contingent Annuities - Individual	17677	28029					84343
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life	3756	16102					210742



**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 2009**  
 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	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life	7	27					78
410	Group Life	1966047	172384588	204139				113493
435	Miscellaneous Non-Profit	161526	1886748	49537				27599
440	Additional Reserves Non-Profit							40573

**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 2009**  
 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		14					0
325	Level Term Assurance		7569950	10487				29815
330	Decreasing Term Assurance		1624675	1890				5708
400	Annuities In Payment - Individual - Other		105					1425
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		3559					45890
410	Group Life		1560795	1779				919
435	Miscellaneous Non-Profit		53308	1331				746

**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 2009**  
 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		242	4				566
305	Single Premium Non-Profit WL/EA		26					0
325	Level Term Assurance		1107735	8091				(3985)
330	Decreasing Term Assurance		176380	1531				(4350)
390	Deferred Annuities - Group - Bulk Purchase		163793					1930793
390	Deferred Annuities - Group - Other		5262					74468
390	Other Deferred Annuity Non-Profit		232					3484
400	Annuities In Payment - Group - Bulk Purchase		464590					4641563
400	Annuities In Payment - Group - Other		113356					1306982
400	Annuities In Payment - Individual - Compulsory Purchase		280155					3993131
400	Annuities In Payment - Individual - Other		99728					1318152
400	Contingent Annuities - Group - Bulk Purchase		211830					618485
400	Contingent Annuities - Group - Other		57635					152515
400	Contingent Annuities - Individual		28029					84343
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		12543					164852

**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 2009**  
 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	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life		27					78
410	Group Life		170823793	202361				112574
435	Miscellaneous Non-Profit		1833439	48206				26853
440	Additional Reserves Non-Profit							40573

**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 2009**  
 Units **£000**  
 Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level Term Assurance	1448	223624	435				3647
440	Additional Reserves Non-Profit							150

**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 2009**  
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		223624	435				3647
440	Additional Reserves Non-Profit							150

**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 2009**  
 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	26967	590956		585105	533636	188	533823
500	With-Profit Bond	130194	3593265		3557688	3243374	2989	3246363
500	Other Life UWP Single Premium				1917	1917		1917
505	Life UWP Whole Life Regular Premium	3566	101726	1307	19144	18875	543	19417
510	Life UWP Endowment Regular Premium - Savings	658	4115	378	4063	4005	2	4007
515	Flexible Mortgage Plan	47236	1283951	30702	361494	353494	2667	356162
555	Group Deposit Administration With-Profits	1555	14573	1312	14603	11068	1492	12560

**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 2009**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
505	Life UWP Whole Life Regular Premium		1749	11			2	2
515	Life UWP Endowment Regular Premium - Target Cash		250910	1138			190	190



**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 2009**  
 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	2029	87069	1745	78361	76706	16659	93366
525	Pension Savings Plan	8072	70859	2238	68638	65781	31	65812
525	Personal Pension Plan	278970	3151627	33481	3072655	3057391	128835	3186226
525	Section 32 Buy-Out	29115	269767		259056	256245	67351	323596
525	Self Employed Plan	10264	102361	2311	99846	97169	73	97241
535	Group Money Purchase Pensions UWP	7350	67261	1502	65103	63732	3938	67670
545	Buy-Out Plan	9758	211866		211866	438257	14658	452915
545	Other Individual Deposit Administration With-Profits	109	3454	1	3454	3454	2030	5484
555	1980 Bonus System - Group	1994	96961	6273	96961	96144	49250	145394
555	Other Group Deposit Administration With-Profits	3505	48793	2063	48787	48586	25918	74504
571	Trustee Investment Plan UWP				13902	13938	1	13939
610	Additional Reserves						13453	13453

**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 2009**  
 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
575	Bulk Reinsurance						208	208

**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 2009**  
 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
575	Bulk Reinsurance						763	763

**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 2009**  
 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	16135	579649		550837	550837	28884	579721
700	Other Life Property Linked Single Premium	858	26084		23160	23160	22	23182
710	Life Property Linked Whole Life Regular Premium	13706	488574	4716	66732	66732	7018	73750
715	Life Property Linked Endowment Regular Premium - Savings	60	795	30	795	795		795
720	Flexible Mortgage Plan	29227	1298682	26212	460632	460632	2028	462660
800	Additional Reserves Property Linked					(2991)		(2991)

**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 2009**  
 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		6547	31			5	5
720	Life Property Linked Endowment Regular Premium – Target Cash		137414	837			139	139

**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 2009**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
725	Executive Pension Plan	3521	220116	4002	197121	195578	31473	227051
725	Pension Savings Plan	9307	139538	3943	128620	125872	10892	136764
725	Personal Pension Plan	356940	6193939	299913	6335043	6304732	154034	6458766
725	Section 32 Buy-Out	35051	460606		453772	453772	22977	476750
725	Self Employed Plan	12068	159708	2930	151204	147968	9422	157390
735	Group Money Purchase Pensions Property Linked	23075	314022	45873	319960	319598	9303	328901
755	Trustee Investment Plan				39212	39212	7151	46363
800	Additional Reserves Property Linked						30683	30683

**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 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
725	Individual Pensions Property Linked				44747	44747		44747

**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 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
725	Individual Pensions Property Linked				138017	138017		138017



**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 2009**  
 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	17525	499706		492237	492360	5417	497778
700	Capital Preservation Plan	2835	158319		158253	158253	151	158404
700	Investment Bond	110359	3822327		3833867	3806485	36986	3843471
700	Portfolio Bond	103714	4614348		4569267	4437862	23539	4461402
700	Discounted Gift Portfolio Bond	930	127675		126471	122191	370	122562
700	International Portfolio Bond		9444		9444	9444		9444
700	Other Life Property Linked Single Premium	29	573		4233	4233	267	4499
710	Life Property Linked Whole Life Regular Premium	40102	2066305	17430	103223	103223	6074	109297
715	Life Property Linked Endowment Regular Premium - Savings	735	46322	379	28549	28549	872	29421
720	Flexible Mortgage Plan	12880	456433	10564	151976	151976	1036	153012
795	Miscellaneous Property Linked	49770	1901709	6283	4993	4993	6086	11079
800	Additional Reserves Property Linked				1	(50473)	1656	(48818)

**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 2009**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
710	Life Property Linked Whole Life Regular Premium		366305	1338			223	223
720	Life Property Linked Endowment Regular Premium – Target Cash		88967	343			57	57
795	Miscellaneous Property Linked		624812	2094			349	349

**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 2009**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
710	Life Property Linked Whole Life Regular Premium		22940	168	10062	10062	168	10230
800	Additional Reserves Property Linked				1	1	1656	1657

**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 2009**  
 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	719	67613	243	67108	65706	5601	71307
725	Personal Investment Pension Plan	5313	115997	1101	117290	115646	1199	116845
725	Section 32 Buy-Out	11	492		491	491	(0)	491
725	Stakeholder	257792	4163952	446021	4560824	4560824	13436	4574259
725	Individual Pensions Property Linked		55967		55967	55967	11193	67161
725	Portfolio Plus SIPP	10738	885943	25369	882408	882408	5481	887889
725	Group SIPP	6005	126231	32879	125379	125379	1492	126871
735	Group Money Purchase Pensions Property Linked	5286	122047	10	122142	122132	319	122450
750	Income Drawdown Property Linked	2018	233235		232366	232366	2526	234893
755	Trustee Investment Plan		86964	36	180709	180709	292	181001



**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 2009**  
 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		67613	243			5601	5601
725	Personal Investment Pension Plan		115997	1101			1199	1199
725	Section 32 Buy-Out		492				(0)	(0)
725	Stakeholder		4163952	446021			13436	13436
725	Individual Pensions Property Linked		55967				11193	11193
725	Portfolio Plus SIPP		885943	25369			5481	5481
725	Group SIPP		126231	32879			1492	1492
735	Group Money Purchase Pensions Property Linked		122047	10			319	319
750	Income Drawdown Property Linked		233235				2526	2526
755	Trustee Investment Plan		86964	36			292	292
795	Miscellaneous Property Linked						8616	8616

**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 2009**  
Units **£000**  
Overseas / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
700	Life Property Linked Single Premium	12	686		680	680	4	684
725	Individual Pensions Property Linked	5695	84818	9080	56985	56985	121	57106

**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 2009**  
 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
700	Life Property Linked Single Premium		686				4	4
725	Individual Pensions Property Linked		84818	9080	36000	36000	121	36121



**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 2009**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
905	Annuities In Payment - Group - RPI-linked - Other	149	1324		14983	14983		14983
905	Other RPI-linked Annuity - Group	59	585		2944	2944		2944
905	Other RPI-linked Annuity - Individual	572	1097		18974	18974		18974

**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 2009**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
901	Index Linked Income Protection Claims In Payment				5900	5900		5900
902	Group Index Linked Income Protection Claims In Payment	343	5747		52907	52907		52907
905	Index Linked Annuity	198	1446		20850	20850		20850
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	7	128		4959	4959		4959
915	Additional Reserves Index Linked				52	52		52

**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 2009**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
901	Index Linked Income Protection Claims In Payment				4184	4184		4184

**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 2009**  
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	42984	269582		3079029	3079029		3079029
905	Annuities In Payment - Group - RPI-linked - Other	1748	9165		199122	199122		199122
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase	12147	11620		261177	261177		261177
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase	27033	156547		508871	508871		508871
905	Other RPI-linked Annuity - Group	574	1996		10706	10706		10706
905	Other RPI-linked Annuity - Individual	2968	3823		51787	51787		51787
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	38034	109306		1995646	1995646		1995646
915	Additional Reserves Index Linked				18968	18968		18968

**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 2009**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<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>
905	Other RPI-linked Annuity - Individual		11		223	223		223

**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 2009**  
 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		269582		3079029	3079029		3079029
905	Annuities In Payment - Group - RPI-linked - Other		9165		199122	199122		199122
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase		11620		261177	261177		261177
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase		156547		508871	508871		508871
905	Other RPI-linked Annuity - Group		1996		10706	10706		10706
905	Other RPI-linked Annuity - Individual		3813		51564	51564		51564
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase		109306		1995646	1995646		1995646
915	Additional Reserves Index Linked				18968	18968		18968

**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 2009**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	120473	Gen 3	2.20	9.8446	11.4619	16.43
Managed	02 - life - balanced managed fund	1056917	Gen2 A	1.00	14.8376	16.8866	13.81
Property	07 - life - property	656870	Gen2 A	1.00	7.1484	7.3106	2.27
Distributor	04 - life - other managed fund	794756	Gen2 A	1.00	1.1277	1.2703	12.65
Accumulator	04 - life - other managed fund	4403177	Gen2 A	1.00	2.2904	2.7261	19.02
Cautious Managed	04 - life - other managed fund	172439	Gen2 A	1.00	1.4921	1.6451	10.25
Rising Income Accumulation	04 - life - other managed fund	160743	Gen2 A	1.00	1.1789	1.4009	18.83
Growth Accumulation	04 - life - other managed fund	693333	Gen2 A	1.00	1.1576	1.4102	21.82
Exempt Equity	15 - individual pension - UK equity	362155	Gen6 A	0.50	40.9266	52.3936	28.02
Exempt Managed	12 - individual pension - balanced managed fund	5389408	Gen6 A	0.50	29.1391	35.0348	20.23
Exempt Property	17 - individual pension - property	572600	GenQ A		1.6371	1.7011	3.91
Exempt Far Eastern	16 - individual pension - overseas equity	126100	GenQ A		1.3127	1.7070	30.04
Exempt European	16 - individual pension - overseas equity	116669	Gen6 A	0.50	6.1528	7.1653	16.45
Exempt Consensus	11 - individual pension - stock market managed fund	307207	GenQ A		1.2768	1.5229	19.27
Exempt Distribution	14 - individual pension - other managed fund	1137096	GenQ A		1.3137	1.6460	25.29
Newton Higher Income	15 - individual pension - UK equity	139683	GenQ A		1.6840	1.9510	15.86
Newton Balanced	12 - individual pension - balanced managed fund	160481	GenQ A		1.5650	1.8180	16.17

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

Total business

Financial year ended **31 December 2009**Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	98484	16.94
Other variable interest securities	12	17610	2.32
Approved fixed interest securities	13	52	5.52
Other fixed interest securities	14		
Cash and deposits	15	1239	
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	<b>117385</b>	

**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 2009**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	39084	2.75	3.27	4.49
UKL participating WP F51, 52 & 53 assurances	7376683	2.75	3.22	4.19
UKP non participating WP F51 & 53 assurances	291844	3.50	3.50	4.49
UKP participating WP F51, 52 & 53 assurances	5310156	3.50	3.50	4.19
UKP non participating WP F51 annuities in payment	1562308	5.05	5.05	5.71
Miscellaneous	770946			
<b>Total</b>	15351020			

**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 2009**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	(685580)	7.60	7.60	
UKL NP F51 & 53 temporary assurances	46302			
UKL NP F51 & 53 assurances	9340	3.00	3.00	
UKL NP F51 & 53 assurances	61023	2.25	2.81	
UKL NP F51 & 53 assurances	2187	2.00	2.00	
UKL NP F51 & 53 assurances	2157	1.25	1.56	
UKL NP F51 & 53 assurances	50919			
UKL NP F51 & 53 PHI	354427	3.00	3.00	
UKL NP F51 & 53 PHI	(920)			
Miscellaneous	(8633)			
<b>Total</b>	(168778)			

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

Name of insurer **Legal & General Assurance Society Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2009**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	39731019	34974737
Bonus payments in anticipation of a surplus	12	168701	424467
Transfer to non-technical account	13	145865	1024009
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	40045586	36423213
Mathematical reserves	21	38795695	34696358
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1249890	1726855

**Composition of surplus**

Balance brought forward	31	13991	13991
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	1235899	1712864
Total	39	1249890	1726855

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	168701	424467
Cash bonuses	42		
Reversionary bonuses	43	244083	264388
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	412784	688855
Net transfer out of fund / part of fund	47	145865	1024009
Total distributed surplus (46+47)	48	558649	1712864
Surplus carried forward	49	691241	13991
Total (48+49)	59	1249890	1726855

**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 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	23894532	22332294
Bonus payments in anticipation of a surplus	12	168701	424467
Transfer to non-technical account	13	45865	76540
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	24109098	22833301
Mathematical reserves	21	23646971	22064428
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	462127	768873

**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	458649	765395
Total	39	462127	768873

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	168701	424467
Cash bonuses	42		
Reversionary bonuses	43	244083	264388
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	412784	688855
Net transfer out of fund / part of fund	47	45865	76540
Total distributed surplus (46+47)	48	458649	765395
Surplus carried forward	49	3478	3478
Total (48+49)	59	462127	768873

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.00	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 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	15836487	12642443
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	100000	947469
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	15936487	13589912
Mathematical reserves	21	15148724	12631930
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	787763	957982

**Composition of surplus**

Balance brought forward	31	10513	10513
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	777250	947469
Total	39	787763	957982

**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	100000	947469
Total distributed surplus (46+47)	48	100000	947469
Surplus carried forward	49	687763	10513
Total (48+49)	59	787763	957982

**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 2010**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	6864	271		UWP	N	4500
Endowment assurance	15	11033	610		UWP	N	6750
Endowment assurance	20	19924	2624		UWP	N	9000
Endowment assurance	25	35603	7613		CWP	N	13062
Regular premium pension	5	13031			UWP	N	
Regular premium pension	10	30132	1305		UWP	N	
Regular premium pension	15	45893	2345		UWP	N	
Regular premium pension	20	77909	5742		UWP	N	
Single premium pension	5	11945			UWP	N	
Single premium pension	10	13946	525		UWP	N	
Single premium pension	15	22282	3466		UWP	N	
Single premium pension	20	39407	2806		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 2010**

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	2730	1	215	UWP	Y	11250
Endowment assurance	10	6512	216	247	UWP	Y	11250
Endowment assurance	15	10056	426	268	UWP	Y	11250
Endowment assurance	20	18578	1997	280	UWP	Y	11250
With-profits bond	2	8762		1258	UWP	Y	
With-profits bond	3	8813		1620	UWP	Y	
With-profits bond	5	11512	146	356	UWP	Y	
With-profits bond	10	12104		374	UWP	Y	
Single premium pension	2	9881		754	UWP	Y	
Single premium pension	3	9064		1763	UWP	Y	
Single premium pension	5	11119		826	UWP	Y	
Single premium pension	10	13549	525	397	UWP	Y	

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

Global business

Financial year ended **31 December 2009**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%					
Classes I (other), II and IX	12	0.1%	235660789	232207589	0.51	120800	102443
Classes I (other), II and IX	13	0.15%	5316657	587941		4088	3798
Classes I (other), II and IX	14	0.3%	297967191	43468355		458215	408307
Classes III, VII and VIII	15	0.3%	8419223	7111789	0.84	21335	21411
<b>Total</b>	<b>16</b>		<b>547363858</b>	<b>283375674</b>		<b>604439</b>	<b>535959</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					9946	9946
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	22029033	20817226	0.94	208172	189332
Classes III, VII and VIII (investment risk)	33	1%	14851159	14850077	1.00	148501	134384
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	7607133	7289054	0.96	72891	62432
Classes III, VII and VIII (other)	35	25%				8204	7915
Class IV (other)	36	1%	707529	408130	0.85	6014	4785
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>443781</b>	<b>398848</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	22029033	20817226	0.94	624517	567995
Classes III, VII and VIII (investment risk)	43	3%	14851159	14850077	1.00	445502	403151
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	7607133	7289054			
Classes III, VII and VIII (other)	45	0%	16614410	16327426			
Class IV (other)	46	3%	707529	408130	0.85	18042	14355
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>61809265</b>	<b>59691915</b>		<b>1088061</b>	<b>985501</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>2146227</b>	<b>1930254</b>
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## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2009

##### **\*0101\* Modification of the return**

The Secretary of State, on application of the Company, issued to the Company in May 1997 an Order under section 68 of the Insurance Companies Act 1982. The modification provided by that Order is as follows:

(934) Regulations 12, 13 and 14 shall not apply.

This Order has the effect of providing a waiver under Section 148 of the Financial Services and Markets Act 2000 (FSMA 2000).

The Financial Services Authority, on the application of the firm, made a direction in July 2005, under section 148 of the Financial Services and Markets Act 2000. The direction disapplies IPRU (INS) rules 9.19 and 9.20 for the purposes of the firm's financial reporting.

The Financial Services Authority, on the application of the firm, issued a direction in August 2005, which it varied in September 2006. The effect of the direction, as amended, is to permit the firm to contract to pay benefits which are determined, wholly or partly, by reference to units or other beneficial interests in each of the Airport Industrial Property Unit Trust, the Arlington Business Parks Unit Trust and the Leisure Fund Unit Trust.

The Financial Services Authority, on the application of the firm, made a direction in January 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the Linked Life Property Fund to contract to pay benefits which are determined, either wholly or partly, by reference to units in the Legal & General UK Property Trust.

The Financial Services Authority, on the application of the firm, made a direction in December 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long term contracts relating to the Linked Life Property Fund which are themselves determined, either wholly or partly, by reference to units in the St Giles Court Unit Trust and the Gresham Street Unit Trust.

The Financial Services Authority, on the application of the firm, made a direction in May 2007 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long term contracts relating to the Linked Pension Property Fund and the Linked Life Property Fund which are themselves determined, either wholly or partly, by reference to units in the Hercules Unit Trust and the Henderson UK Retail Warehouse Fund.

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 for the purpose of determining the valuation discount rate on business wholly reassured to Legal & General Pensions Limited, so that a more appropriate rate of interest is used for assets taken in combination.

**Supplementary notes****Legal & General Assurance Society Limited****Financial year ended 31 December 2009**

The Financial Services Authority, on the application of the firm, made a direction in November 2009, 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.

For the purposes of calculating the long term insurance capital requirement, no credit is taken for the reinsurance with Legal & General Pensions Limited.

**\*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	3,918,621	42,611,790	46,530,411
Liabilities per Forms 14 & 15	(1,406,873)	(40,519,599)	(41,926,472)
Net admissible assets	2,511,748	2,092,191	4,603,939
Solvency margin for dependants	256,769		256,769
Total capital resources after deductions	2,768,517	2,092,191	4,860,708

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

	<b>£'000</b>
Positive valuation differences - assets	147,268
Positive valuation differences - liabilities	333,973
Negative valuation differences - assets	(1,056,837)
Negative valuation differences - liabilities	(318,065)
Total	(893,661)

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

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 Company's published UK GAAP accounts.

Negative valuation differences for assets arise mainly from a contingent loan made to Legal & General Pensions Limited, a wholly owned subsidiary of the Company, which is not recognised as an asset as it is dependent on the emergence of future surplus within the long term fund of Legal &

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

General Pensions Limited. Additionally negative valuation differences for assets result from the difference between the UK statutory 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 reassurer 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>2009</b>
	<b>£'000</b>
Form 3 L12 as at 1 January	2,240,809
Profit or loss retained per Form 16 L59	(96,645)
Change in value of shareholders' retained capital	197,577
Change in value of subsidiaries in revaluation reserve	530,940
Change in value of exchange reserves in revaluation reserve	(41)
Form 3 L12 as at 31 December	<u>2,872,640</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;

with the exception of the Irish Hedge funds, with the value of £99.494m

- (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 2009**

**\*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 Group Risk and Compliance 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 counterparties and are graded by counterparty and duration, but the maximum individual counterparty exposure was £1,300m at the end of 2009.
- (b) Limits are also established for unapproved 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 2009.

These limits were not exceeded during the financial year (other than on 14 September 2009 when an exceptional limit was granted to HSBC following Swift system problems which prevented overnight deposits being made by Legal & General Investment Management Limited)

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

As at 31 December 2009, 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 2009**

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

		<b>£'000</b>
(i)	Unlisted investments falling within:	
	Line 41	103,263
	Line 46	21,329
		<u>124,592</u>

Line 41 includes UK venture capital of £103.263m.

Line 46 includes unquoted UK debentures of £21.329m.

(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)**

There were no hybrid securities during the year.

**\*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 2009, 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 except for UK Government Gilts and the European Investment Bank (EIB).

<b>Counterparty</b>	<b>Nature of investments</b>	<b>Exposure £,000</b>
UK Government	Treasury Gilts	1,836,480
EIB (European Investment Bank)	Fixed Interest Bonds	909,560

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

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

The aggregate value of these assets is nil.

**\*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).

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

<b>Long Term Fund</b>	<b>£'000</b>
Elimination of negative assets	(492)
Presentation of tax recoverable assets	(553,384)
Deferred expenses	12,916
Cumulative deferred taxation on insurance contracts DAC	(94,675)
Deferred taxation	150,514
Presentation of sundry linked assets and liabilities	76,133
Presentation of amounts owed by/to group undertakings	876,643
	<u>467,655</u>
 <b>Other than Long Term Fund</b>	 <b>£'000</b>
Deficits in related undertakings	(423,649)
Presentation of amounts owed by/to group undertakings	(1,109,999)
	<u>(1,533,648)</u>

**\*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 by the Group Risk and Compliance 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 counterparties and graded by counterparty and duration, and the maximum aggregate counterparty exposure is £765m.

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 2009 when these limits were exceeded except for UK Government Gilts and the European Investment Bank (EIB). The limits for these two Approved Counterparties set by the Company are “No Maximum Limit” and 10% respectively and these were not exceeded throughout the year.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2009

##### **\*1321\* Life Fund Limited Partnership (long term business)**

In 2009, the Company entered into 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 (£937.474m) 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).

(ii) Potential deferred tax liability on capital gains

In providing their certificate, the directors have had regard to a potential deferred tax liability of £54.72m 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 Financial Reporting Standard 19, Deferred Tax.

(iii) Contingent liabilities

Provision for the 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 a number of factors including the actions and requirements of the FSA, ombudsman rulings, industry compensation schemes and court judgments. The continuing general profile and emphasis being given by the FSA and other bodies to the suitability of the past sales of endowment policies in the context of some mortgage transactions has led to the continuing receipt of claims from holders of endowment policies.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2009

The Company receives claims and becomes involved in actual or threatened litigation and regulatory issues from time to time. Provision for liabilities continues to be made and is regularly reviewed. However, it is not possible to predict, with certainty, the extent and timing of the financial impact to which these claims, litigation or issues may give rise. The Company nevertheless considers that it makes prudent provision, as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet all reasonably foreseeable eventualities.

- (iv) Guarantees, indemnities, commitments other than in the course of insurance business  
Commitments in respect of uncalled capital on stock exchange and other investments of £133.553m (2008: £85.176m) 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 £0.492m has been made in respect of a deficit in Insurebeam Limited, a subsidiary of Legal & General Assurance Society Limited.

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

	<b>£'000</b>
Differences in provisions between FSA & UK GAAP	635,254
Pension deficit	(145,800)
Negative assets reported within Form 14	(492)
FRS 20 valuation of share based payments	(312)
Deferred income	580,803
Presentation of tax recoverable assets	(553,384)
Presentation of sundry linked assets and liabilities	76,133
Presentation of amounts owed by/to group undertakings	876,643
	<u>1,468,845</u>

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

The value of with-profits non-linked assets has increased by £632.715m.

#### **\*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.



## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2009

No provision is required as the Company's obligations under derivatives and quasi-derivatives contracts are mostly covered by matching assets, and so require no provision for reasonably foreseeable adverse variations.

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

(iii) Contingent liabilities

In 1975 the Company 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. 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

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 £423.649m 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.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

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

	<b>£'000</b>
Deficits in related undertakings	(423,649)
Presentation of amounts owed by/to group undertakings	<u>(1,109,999)</u>
	<u>(1,533,648)</u>

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

**\*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 conversion of foreign currency amounts at a different rate of exchange.

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

A proportion of the long term business of Nationwide Life Limited was transferred to the Company, under a scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000 (FSMA) on 31 July 2009. The value of the insurance contract liabilities at that date was £112.168m of which £7.037m was transferred to the Company's Shareholders Fund and £105.131m to the Long Term Fund (Form 40 L31).

**\*1700\* Form 17 (other than long term business) has been omitted because of the operation of a de minimis limit and all entries, including comparatives would be blank**

**\*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 2009;
- (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.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**\*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 £2,697.643m 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.

Partly paid securities with total value nil were reported in Line 41.  
Convertible stocks with total value £0.135m were reported in Line 46.  
Floating rate notes with total value £78.313m reported in Line 48.

Assets, excluding approved securities, with variable redemption dates with total value £2,526.954m were reported in Lines 46 and 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.

**\*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.

<b>Authorisation class</b>		<b>Date of last new contract</b>
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

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

16	Miscellaneous financial loss	31-Dec-95
17	Legal expenses	01-Jan-95

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

During 2009, 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 2009 to 30 June 2010, which was brokered by Aon Limited.

A premium of £3.707m was accepted for a 70% share of the GBP £50m excess £30m 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 Italy two quarters in arrears, and Malta one year in arrear.

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

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

**\*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 2009 to 30 June 2010 and claim liabilities would only arise if there was a catastrophe event during this period.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

- (ii) There is no other business within this risk category during 2009.
- (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 2009 to 30 June 2010.

**\*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.

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

**\*3100\* Form 31 has been omitted as a waiver excepts it from completion**

**\*3200\* Form 32 has been omitted as a waiver excepts it from completion**

**\*3400\* Form 34 has been omitted as a waiver excepts it from completion**

**\*3700\* Basis for calculation for equalisation provisions**

The equalisation provision was omitted from the 2008 Annual Return in error. The amount reported in Line 22 represents a combined provision for 2008 and 2009.

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

**\*4004\* Transfer of contracts from another insurer**

A proportion of the long term business of Nationwide Life Limited was transferred to the Company, under a scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000 (FSMA) on 31 July 2009. The value of the insurance contract liabilities at that date was £112.168m of which £105.131m was transferred to the Company's Long Term Fund and £7.037m to the Shareholders Fund (Form 16 L21).

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2009

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

##### **\*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.

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 Investment Management Limited, a connected company, is the regulatory principal for designated investment business to 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.

Deloitte & Touche LLP provides complaint-handling services to Legal & General Assurance Society Limited in respect of endowment review.

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

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2009

Tata Consultancy Services Limited provides IT development services and applications support to Legal & General Assurance Society Limited.

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 2009, under this arrangement, premium of £2.748bn (2008: £3.662bn) was paid to Legal & General Pensions Limited by the Company and Legal & General Pensions Limited paid £1.974bn (2008: £1.757bn) claims and £175.699m (2008: £195.936m) expenses to the Company.

There is a contingent loan from the Company to Legal & General Pensions Limited. The amount of loan outstanding at the 31 December 2009 was £962.422m (2008: £885.363m). In addition the loan has accrued £18.232m arrears of interest, which has been carried forward to 2010.

In March 2009, Legal & General Pensions Limited received £600.077m in the form of a capital contribution from the Other than Long term Business Fund of the Company.

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

The investment income reported on Line 12 includes £272.238m relating to linked assets.

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

For the purpose of this return the assets have been valued on a basis similar to that required for assets being 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>
Aggressive Growth Fund	0.069
Asia Pac XJAP Inc Fund	0.047
Asian Income Fund	0.010
Cautious Managed Fund	0.169
Credit Opportunities Fund	2.702
Equity Fund	0.094
European Fund	0.002
European Inc Fund	0.001
Index Fund	0.443
International Fund	0.164

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

Managed Fund	1.438
Exempt Managed Fund	3.277
Overseas BD (Active) Fund	0.097
Overseas BD Index Fund	0.001
Overseas Bond (Active) Fund	0.254
Pacific Growth Active Fund	0.179
Smaller Cos Internal Fund	0.012
UK Index Fund	0.195
UK100 IDX (D) Fund	0.016

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

<b>Fund Name</b>	<b>£'m</b>
Aggressive Growth Fund	0.070
Cautious Managed Fund	0.006
Credit Opportunities Fund	0.178
International Fund	0.163
Managed Fund	1.375
Overseas BD (Active) Fund	0.035
Overseas BD Index Fund	0.002
Overseas Bond Fund	0.066

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	14.506
Credit Opportunities Fund	29.476
Euro Fixed Income Distribution	12.406

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 2009.
- (b) No amount recorded in Form 44 had been reduced to reflect a liability to repay excess variation margin received by the Company.



**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**\*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>
European Fund	155.112	0.05
Far East Fund	16.781	0.31
Money Fund (Issue 1)	120.473	0.25
Exempt Japan	125.097	3.16
Soc Gen European Equity	15.867	0.19
Newton Income	54.497	0.12
Life Jupiter Merlin Growth Portfolio Fund	25.570	0.25
Life First State Asia Pacific Leaders Fund	19.316	0.18
JPM Natural Resources Fund	12.203	0.08
Life Managed Fund	21.860	0.27

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>
UK Alpha Fund	1.551	1.08
Target Return (N)	3.133	1.94
Exempt Japan	125.097	3.16
Investec Cautious Managed Fund	6.189	0.74
Investec UK Blue Chip Fund	1.119	2.10
Newton Intl Bond Fund	5.451	0.70
New Star Higher Income Fund	0.945	6.34
Life Fidelity South East Asia	1.612	0.53

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

A proportion of the long term business of Nationwide Life Limited was transferred to the Company, under a scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000 (FSMA) on 31 July 2009. The value of internal linked funds at that date was £70.256m.

Other expenditure incurred by internal linked funds includes custodian fees of £0.623m and professional valuation fees of £0.258m.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

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

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

Product code	Number of new group schemes
410	6
755	77

**\*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**

No approximations were made in determining counts in columns 3 and 5.

**\*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 15%, Approved fixed interest securities 10%, Other fixed interest securities 29%, Variable interest securities 0%, UK listed equity shares 23%, Non-UK listed equity shares 14%, Unlisted equity shares 1%, 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 £3.387m.

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

£1.117bn of callable bonds are assumed to be redeemed, in line with market expectation, on the date the coupon becomes variable. For £0.234bn 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 £0.079bn 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 £0.002bn of bonds not covered above, the redemption date was chosen in line with market expectation.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

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

The yields on £0.675m of assets in lines 18 and 28 differ from the weighted average yield by type of asset by more than 1.5%.

**\*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**

In 2009, the Company entered into 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 (£937.474m) has been presented within Line 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:

<b>Product code</b>	<b>Number of group schemes</b>
320	83
390	33
410	574
420	136
435	86

**\*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:

<b>Product code</b>	<b>Type of business</b>	<b>Gross mathematical reserves (£000)</b>
435	Widows' and Orphans' Pensions – Group - Approved	27,599

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

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

No approximations were used to apportion between product codes.

**\*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 and 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 an annuity plus three times the amount of the annual annuity in tax-free cash. Only the annuity benefit is shown in Form 51. The tax-free cash benefit is £227.555m.

**\*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	82

**\*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 2009**

**\*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.

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

The treatment is as shown in note 5107.

Returns under the Accounts and Statements Rules

## Supplementary notes

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

### **\*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>
750	102
755	1,577

### **\*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.

### **\*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.

Returns under the Accounts and Statements Rules

## **Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

### **\*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.

If the net mathematical reserve had been positive, the 'Risk adjusted yield on matching assets' in column 5 would have been shown as 3.27%.

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 2009**

**Rule 9.25: Major treaty reinsurers**

During 2009, the Company received a premium of £3.707m 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.



Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**Rule 9.26: Major facultative reinsurers**

The Company has no major facultative reinsurers.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**Rule 9.27: Major cedants**

The Company has no major general business reinsurance cedants.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**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.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**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 2009**

**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 into full account of during drafting. The overriding principles are to have adequate controls in place to ensure that the Company is 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 £1.031m of underwriting commission.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2009**

**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 2009**

**1. Introduction**

- 1(1) This investigation was made as at 31 December 2009
- 1(2) The previous investigation was made as at 31 December 2008.
- 1(3) No interim valuations (for the purposes of rule 9.4) have been carried out since 31 December 2008.

**2. Product range**

**2(1) New products**

**Group Life Assurance Benefit (LAB)**

A Stop Loss version of this product has been made available.

Benefits are the same as a standard LAB scheme, but claims are only paid to the insured once scheme claims for the year exceed a total aggregate level.

This limit is reset for each policy year and applies to the sum of scheme claims to date over that year, not individual claims.

A lower premium rate is charged than on a standard LAB scheme to reflect the reduction in claim outgo. All charges are met from the regular premium.

This policy was open to new business from June 2009.

**Nationwide Life**

Nationwide Life business was transferred to Legal and General on 31 July 2009.

**2(2) Changes to existing products.**

**Portfolio Bond (Series 2, 3 & 4)**

The following changes apply to all new policies effected on or after 26<sup>th</sup> May 2009 and additional premiums on existing contracts received on or after 26<sup>th</sup> May 2009.

A loyalty bonus has been added which results in additional unit allocations of 2.0% of the attaching units bought by each premium at that premium's tenth anniversary.

An establishment charge has been introduced of 0.25% per annum of the bond's value for the first 5 years, taken by monthly unit deduction.

Independently of the 26<sup>th</sup> of May change, there have been changes in investment percentages and surrender penalties during 2009.

The investment percentage depends upon the amount of premium and the age of the youngest policyholder. Investment percentages now vary from 97.0% to 100.1% from December 2009. They varied from 97.5% to 102.0% from January 2009 (previously they varied from 97.5% to 100.5%).

There is a surrender penalty applied to the unit value for the first five years. The rate can vary according to the date of the premium. The reductions in December 2009 were 9% for surrenders in the first policy year (previously 10%), 8% for surrenders in the second policy year (previously 9%), 6.5% for surrenders in the third policy year (previously 7.5%), 4.75% for surrenders in the fourth policy year (previously 5.75%), 3% for surrenders in the fifth policy year (previously 4%). There is no reduction for surrenders in the sixth and subsequent policy years (previously no reduction).

## Whole of Life Over 50 Plan

The plan has been expanded to include the following options which took effect on 1 July 2009:

- (i) Fixed Life Insurance Plan where the sum assured is a fixed amount from outset.
- (ii) Increasing Life Insurance Plan where the sum assured increases in line with RPI and the premium increases in line with one and half times the RPI. The policyholder has an option to freeze their premium and sum assured at each policy anniversary, with no further indexation permitted.
- (iii) Funeral Life Insurance Plan. This is the same as the Increasing Life Insurance Plan but with a set initial sum assured of £2,400. The sum assured is paid directly to the funeral provider on the policyholder's death.

### 2(3) Products withdrawn.

No products have been withdrawn

### 2(4) New bonus series

Recurrent single premiums paid in 2009 under the Personal Retirement Plan are deemed to be a new bonus series. New bonus pools created for contributions received in 2009 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 have not been any changes to existing options or guarantees during 2009.

### 2(6) Changes to charging methods

There were no changes to charging methods during 2009.

### 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.

	Product	Period during 2009 when a market value reduction was applied	Investment years to which a market value reduction was applied
1.	Flexible Protection Plan (Series 3 to 5)	1.1.2009 to 5.1.2009	1989 - 2007 pools
		6.1.2009 to 19.1.2009	1993 - 2008 pools
		20.1.2009 to 18.2.2009	1989 - 2008 pools
		19.2.2009 to 2.3.2009	1996 - 2008 pools
		3.3.2009 to 19.5.2009	1992 - 2008 pools
		20.5.2009 to 26.7.2009	1994 - 2008 pools
		27.7.2009 to 24.8.2009	1997 - 2008 pools



	<b>Product</b>	<b>Period during 2009 when a market value reduction was applied</b>	<b>Investment years to which a market value reduction was applied</b>
		25.8.2009 to 7.10.2009	1999 – 2008 pools
		8.10.2009 to 31.12.2009	2005 - 2008 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)	1.1.2009 to 5.1.2009	1989 - 2007 pools
		6.1.2009 to 24.8.2009	1989 - 2008 pools
		25.8.2009 to 7.10.2009	1996 - 2008 pools
		8.10.2009 to 15.12.2009	2000 pool; 2005 – 2008 pools
		16.12.2009 to 31.12.2009	2005 - 2008 pools
3.	Capital Investment Portfolio (Series 1, 5 & 6)	1.1.2009 to 5.1.2009	1993 - 2007 pools
		6.1.2009 to 7.10.2009	1993 - 2008 pools
		8.10.2009 to 15.12.2009	1998 pool; 2000 pool; 2005 - 2008 pools
		16.12.2009 to 31.12.2009	2006 - 2008 pools
4.	Capital Investment Portfolio (Series 7)	1.1.2009 to 5.1.2009	1997 - 2007 pools
		6.1.2009 to 31.12.2009	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	1.1.2009 to 5.1.2009	1986 - 2007 pools
		6.1.2009 to 24.8.2009	1986- 2008 pools
		25.8.2009 to 7.10.2009	1987 - 2008 pools
		8.10.2009 to 31.12.2009	2005 - 2008 pools
6.	With Profit Bond (Series 2, 3, and 5)	1.1.2009 to 19.1.2009	1999 pool; 2000 (Quarter 1) pool to 2008 (Quarter 3) pools
		20.1.2009 to 7.10.2009	1999 pool; 2000 (Quarter 1) pool to 2008 (Quarter 4) pools
		8.10.2009 to 15.12.2009	1999 pool; 2000 (Quarter 1) pool to 2001 (Quarter 2) pools; 2002 (Quarter 4) to 2003 (Quarter 1) pools; 2005 (Quarter 1) to 2008 (Quarter 3) pools
		16.12.2009 to 31.12.2009	2000 (Quarter 1) pool to 2001 (Quarter 1) pools ; 2005 (Quarter 3) pool to 2008 (Quarter 3) pools
7.	With Profit Bond (Series 1 and 4)	1.1.2009 to 19.1.2009	1999 to 2008 (Quarter 3) pools
		20.1.2009 to 19.5.2009	1999 to 2008 (Quarter 4) pools
		20.5.2009 to 26.7.2009	1999 to 2009 (Quarter 1) pools
		27.7.2009 to 31.12.2009	1999 to 2008 (Quarter 4) pools
8.	With Profit Bond (Series 6)	1.1.2009 to 31.12.2009	2003 (Quarter 4) pool to 2005 (Quarter 3) pools
9.	With Profit Bond (Series 7)	1.1.2009 to 7.10.2009	2003 (Quarter 4) pool to 2005 (Quarter 3) pools
		8.10.2009 to 31.12.2009	2003 (Quarter 4) pool to 2004 (Quarter 2) pools; 2005 (Quarter 2) pool to 2005 (Quarter 3) pool
10.	With Profit Bond (Series 8 and 9)	1.1.2009 to 19.1.2009	2008 (Quarter 2) pool to 2008 (Quarter 3) pools
		20.1.2009 to 19.5.2009	2008 (Quarter 2) pool to 2008 (Quarter 4) pools

	<b>Product</b>	<b>Period during 2009 when a market value reduction was applied</b>	<b>Investment years to which a market value reduction was applied</b>
		20.5.2009 to 26.7.2009	2008 (Quarter 2) pool to 2009 (Quarter 1) pools
		27.7.2009 to 15.12.2009	2008 (Quarter 2) pool to 2008 (Quarter 4) pools
		16.12.2009 to 31.12.2009	2008 (Quarter 2) pool to 2008 (Quarter 3) pools
11.	With Profit Bond (Series 10 and 11)	1.1.2009 to 19.1.2009	2008 (Quarter 2) pool to 2008 (Quarter 3) pool
		20.1.2009 to 19.5.2009	2008 (Quarter 2) pool to 2008 (Quarter 4) pool
		20.5.2009 to 26.7.2009	2008 (Quarter 2) pool to 2009 (Quarter 1) pool
		27.7.2009 to 7.10.2009	2008 (Quarter 2) pool to 2008 (Quarter 4) pool
		8.10.2009 to 31.12.2009	2008 (Quarter 2) pool to 2008 (Quarter 3) pool
12.	With Profit Bond (Series 12 and 13)	1.1.2009 to 18.2.2009	None
		19.2.2009 to 19.5.2009	2008 (Quarter 4) pool
		20.05.2009 to 26.7.2009	2008 (Quarter 4) pool to 2009 (Quarter 1) pool
		27.7.2009 to 7.10.2009	2008 (Quarter 4) pool
		8.10.2009 to 31.12.2009	None
13.	With Profit Bond (Series 14 and 15)	1.1.2009 to 18.2.2009	None
		19.2.2009 to 19.5.2009	2008 (Quarter 4) pool
		20.05.2009 to 26.7.2009	2008 (Quarter 4) pool to 2009 (Quarter 1) pool
		27.7.2009 to 7.10.2009	2008 (Quarter 4) pool
		8.10.2009 to 31.12.2009	None
14.	Group AVC 2002 (Series 1)	1.1.2009 to 5.1.2009	2002 - 2007 pools
		6.1.2009 to 7.10.2009	2002 - 2008 pools
		8.10.2009 to 31.12.2009	2005 - 2008 pools
15.	Company Pension Scheme 2002	1.1.2009 to 5.1.2009	2002 - 2007 pools
		6.1.2009 to 7.10.2009	2002 - 2008 pools
		8.10.2009 to 31.12.2009	2005 - 2008 pools
16.	Personal Pension Plan 2000	1.1.2009 to 5.1.2009	2000 to 2007 pools
		6.1.2009 to 7.10.2009	2000 to 2008 pools
		8.10.2009 to 15.12.2009	2000 pool; 2005 to 2008 pools
		16.12.2009 to 31.12.2009	2005 to 2008 pools
17.	Trustee Investment Plan 1999 (Series 1 and 2)	1.1.2009 to 19.1.2009	1999 to 2008 (Quarter 3) pools
		20.1.2009 to 24.8.2009	1999 to 2008 (Quarter 4) pools
		25.8.2009 to 7.10.2009	1999 to 2008 (Quarter 3) pools
		8.10.2009 to 15.12.2009	2000 (Quarter 3) pool; 2005 (Quarter 1) pool to 2008 (Quarter 3) pools
		16.12.2009 to 31.12.2009	2005 (Quarter 1) pool to 2008 (quarter 3)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 2009 as a result of reviewing the cost of risk (note that no changes have been made to ex-Nationwide Life reviewable business and these policies are not included in the table below):

Product	Gross Annual Premium Prior To Review (£000)	Range of Premium Changes	Maximum Benefit Reduction
Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	10	n/a	14%
- Premium Change	1,676	-22% to 25%	n/a
- No change implemented	4,291	n/a	n/a
Decreasing Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	12	n/a	11%
- Premium Change	1,778	-16% to 19%	n/a
- No change implemented	5,076	n/a	n/a
Family and Personal Income Plan with Critical Illness Insurance:			
- Premium Change	21	-13% to 10%	n/a
- No change implemented	62	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 2009 reviews were undertaken on policies with contract dates in 2004.

Reviews of the cost of risk were performed on Mortgage Payment Insurance, Level Critical Illness and Decreasing Critical Illness Insurance in 2009. However, no changes to premiums or benefits were made.

The following table shows the in force premium as at 31 December 2009 on all conventional reviewable protection products:

Product	Gross Annual Premium at 31.12.09 (£000)
Mortgage Payment Insurance	11,713
Term Assurance with Critical Illness Insurance	42,618
Decreasing Term Assurance with Critical Illness Insurance	56,475
Family and Personal Income Plan with Critical Illness Insurance	1,020
Level Critical Illness Insurance	478
Decreasing Critical Illness Insurance	136

### 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 2009 in respect of investments held throughout the year are shown in the table below.

Fund and Generation	<u>Initial Units</u> %	<u>Accumulation Units</u> %
<b>Non-Exempt Building Society Fund:</b>		
Generation 1	not applicable	0.3
Generation 2	not applicable	0.3
Generation 3	not applicable	0.1
<b>Exempt Building Society Fund:</b>		
Generation 1	0.0	0.6
Generation 2	0.0	0.5

<b>Fund and Generation</b>	<b><u>Initial Units</u></b>	<b><u>Accumulation Units</u></b>
	%	%
Generation 5	0.0	0.5
Generation 6	0.0	0.6
Generation J	Not applicable	0.4
Generation K	Not applicable	0.5
Generations N and Q	Not applicable	Not applicable
Generation Y	Not applicable	0.9
<b>Exempt Special Deposit Fund:</b>		
Generation 1	0.0	1.1
Generation 2	0.0	1.1
Generation 5	0.0	1.1
Generation 6	0.0	1.1
Generation J	Not applicable	1.1
Generation K	Not applicable	1.1
Generations N and Q	Not applicable	Not applicable
Generation Y	Not applicable	1.1
<b>Cash (Euro) Fund:</b>	Not applicable	0.33

### **3(4) Changes to service charges on linked policies.**

Service charges for Corporate Pensions increased during 2009. Increases in charges are based on the Department of Employment's Average Earnings, which showed an increase of 0.96% for the period July 2008 to July 2009.

The monthly administration charges per member were increased during 2009 as follows:

Company Pension Plan and Company Pension Plan 1990 for schemes set up between 1 January 1990 and 31 December 1991 increased from £5.62 per month to £5.67 per month

Company Pension Plan 250 (premium paying members) increased from £6.13 per month to £6.18 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 £54.37 to £54.89.

### **3(5) Changes to benefit charges on linked policies**

There have been no changes to unit-linked benefit charges during 2009.

### **3(6) Changes to unit management charges or notional charges to accumulating with-profits policies**

For Personal Pension Plan 2000, management charges can vary from one pension plan to the next as, for example, different employers may have negotiated different terms. 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.

Annual Management Charges have changed on the following internal linked life funds during 2009:

<b>Life Fund name</b>	<b>End 08 AMC</b>	<b>End 09 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life Threadneedle Equity & Bond Fund	2.00%	2.21%	0.21%	£ 27,026
L&G Life New Star Sterling Bond Fund	1.92%	2.08%	0.16%	£ 7,798
L&G Life Gartmore MultiManager Balanced Fund	2.97%	3.10%	0.13%	£ 7,765
L&G Life Gartmore MultiManager Cautious Fund	2.68%	2.78%	0.10%	£ 42,919
L&G Life M&G High Yield Corporate Bond Fund	1.83%	1.94%	0.11%	£ 11,082
L&G Life M&G Recovery Fund	2.01%	2.13%	0.12%	£ 33,545
L&G Life M&G Strategic Corporate Bond Fund	1.83%	1.94%	0.11%	£ 38,262
L&G Life New Star European Growth Fund	2.28%	2.46%	0.18%	£ 8,502
L&G Life New Star High Yield Bond Fund	1.98%	2.18%	0.20%	£ 9,696
L&G Life Schroder UK Mid 250 Fund	2.29%	2.23%	-0.06%	£ 21,151
L&G Life Premier Income Fund	1.89%	2.40%	0.51%	£ -
L&G Life Premier Monthly Income Fund	2.00%	2.21%	0.21%	£ -
L&G Life BlackRock UK Dynamic Fund	2.05%	2.19%	0.14%	£ 8,535
L&G Life New Star Fixed Interest Fund	1.92%	2.12%	0.20%	£ 2,456
L&G Life New Star UK Property Fund	2.27%	2.36%	0.09%	£ 12,032
L&G Life Old Mutual UK Select Mid Cap Fund	1.98%	2.13%	0.15%	£ 13,540
L&G Life Henderson Strategic High Yield Bond Fund	1.92%	2.01%	0.09%	£ 5,894
L&G Life BlackRock Income Portfolio Fund	2.19%	2.31%	0.12%	£ 726
L&G Life M&G Corporate Bond Fund	1.83%	1.94%	0.11%	£ 28,534
L&G Life Artemis Global Growth Fund	2.66%	2.46%	-0.20%	£ 1,838
L&G Life Artemis High Income Fund	2.09%	2.04%	-0.05%	£ 12,257
L&G Life Baring Global Bond Fund	1.92%	2.11%	0.19%	£ 3,001
L&G Life Franklin Mutual Shares Fund	2.28%	2.40%	0.12%	£ 794
L&G Life Gartmore Cautious Managed Fund	1.98%	2.11%	0.13%	£ 33,161
L&G Life Gartmore European Focus Fund	2.18%	2.50%	0.32%	£ 98
L&G Life Invesco Perpetual Distribution Fund	2.17%	2.13%	-0.04%	£ 18,861
L&G Life Jupiter Merlin Worldwide Portfolio Fund	3.25%	3.36%	0.11%	£ 6,015
L&G Life M&G Global Basics Fund	2.17%	2.13%	-0.04%	£ 12,203
L&G Life Neptune Balanced Fund	2.07%	2.13%	0.06%	£ 34,747
L&G Life Neptune Global Equity Fund	2.28%	2.23%	-0.05%	£ 7,465
L&G Life New Star Managed Portfolio Fund	2.96%	3.03%	0.07%	£ 1,744
L&G Life New Star Select Opportunities Fund	2.26%	2.38%	0.12%	£ -
L&G Life New Star UK Alpha Fund	2.27%	2.37%	0.10%	£ 1,097
L&G Life Newton Balanced Fund	2.00%	2.10%	0.10%	£ 12,275
L&G Life Aviva Property Fund	2.10%	2.26%	0.16%	£ 14,902
L&G Life Old Mutual Dynamic Bond Fund	1.98%	2.08%	0.10%	£ 1,417
L&G Life New Star Balanced Portfolio Fund	2.91%	3.05%	0.14%	£ 3,509
L&G Life New Star Monthly Income Fund	2.26%	2.46%	0.20%	£ -
L&G Life Threadneedle Strategic Bond Fund	1.88%	2.11%	0.23%	£ 1,545
L&G Life Skandia European Equity Blend	2.34%	2.52%	0.18%	£ -
L&G Life Skandia Japanese Equity Blend	2.43%	2.62%	0.19%	£ -
L&G Life Skandia Far East Equity Blend	2.53%	2.62%	0.09%	£ -
L&G Life Chartwell Balanced Income Fund	2.90%	2.81%	-0.09%	£ 251
L&G Life Chartwell Cautious Growth Fund	2.90%	3.07%	0.17%	£ 204
L&G Life Chartwell Strategic Growth Fund	2.90%	3.19%	0.29%	£ 49

<b>Life Fund name</b>	<b>End 08 AMC</b>	<b>End 09 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life Newton Global Higher Income Fund	2.30%	2.13%	-0.17%	£ 6,196
L&G Life Standard Life Select Property Fund	2.10%	2.19%	0.09%	£ 3,571
L&G Life CF Midas Balanced Income Fund	2.29%	2.23%	-0.06%	£ 5,480
L&G Life Cazenove Multi Manager Diversity Fund	2.75%	2.62%	-0.13%	£ 9,726
L&G Life Artemis Strategic Bond Fund	1.94%	1.85%	-0.09%	£ 2,792
L&G Life First State Asian Property Sec Fund	2.29%	2.37%	0.08%	£ 103
L&G Life First State Global Property Sec Fund	2.24%	2.52%	0.28%	£ 381
L&G Life Neptune European Opportunities Fund	2.46%	2.33%	-0.13%	£ 2,322
L&G Life Martin Currie North American fund	2.35%	2.23%	-0.12%	£ 2,947
L&G Life Aviva European Property Fund	2.55%	2.47%	-0.08%	£ 107
L&G Life Schroder Income Maximiser Fund	2.28%	2.23%	-0.05%	£ 1,625
L&G Life Thames River Balanced Managed Fund	3.64%	4.50%	0.86%	£ 1,301
L&G Life JPMorgan Cautious Total Return Fund	2.15%	2.04%	-0.11%	£ 8,531
L&G Life Jupiter Merlin Balanced Portfolio Fund	3.10%	3.06%	-0.04%	£ 4,700

Annual Management Charges have changed on the following internal linked pension funds during 2009:

<b>Pension Fund name</b>	<b>End 08 AMC</b>	<b>End 09 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Pension Aberdeen Asia Pacific Fund	1.60%	1.43%	-0.17%	£ 786
L&G Pension AEGON High Yield Bond Fund	1.08%	0.98%	-0.10%	£ 524
L&G Pension Premier Income Fund	1.00%	1.10%	0.10%	£ -
L&G Pension Premier Monthly Income Fund	1.05%	1.15%	0.10%	£ -
L&G Pension Aberdeen MM Cautious Mgd Portfolio	2.00%	1.90%	-0.10%	£ 791
L&G Pension Aberdeen MM Constellation Portfolio	2.21%	2.11%	-0.10%	£ 419
L&G Pension Aberdeen MM Equity Managed Portfolio	2.11%	2.01%	-0.10%	£ 479
L&G Pension F&C Multi Manager Balanced Fund	1.91%	2.01%	0.10%	£ 554
L&G Pension F&C Multi Manager Cautious Fund	1.61%	1.49%	-0.12%	£ 166
L&G Pension F&C Multi Manager Distribution Fund	1.80%	1.48%	-0.32%	£ 438
L&G Pension F&C Multi Manager Growth Fund	1.91%	1.76%	-0.15%	£ 770
L&G Pension F&C Strategic Bond Fund	0.97%	0.87%	-0.10%	£ 414
L&G Pension Gartmore European Focus Fund	1.23%	1.43%	0.20%	£ 106
L&G Pension Gartmore Multi Manager Active Fund	2.40%	2.20%	-0.20%	£ 85
L&G Pension Gartmore UK Focus Fund	1.37%	1.51%	0.14%	£ 40
L&G Pension Insight Diversified Dynamic Return Fund	1.91%	1.71%	-0.20%	£ 246
L&G Pension Insight Diversified High Income Fund	2.11%	1.91%	-0.20%	£ 173
L&G Pension Invesco Perpetual Asian Fund	1.31%	1.21%	-0.10%	£ 2,340

<b>Pension Fund name</b>	<b>End 08 AMC</b>	<b>End 09 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Pension Invesco Perpetual Corporate Bond Fund	1.04%	0.94%	-0.10%	£ 18,672
L&G Pension Jupiter Emerging Euro Opportunities Fund	1.63%	1.53%	-0.10%	£ 3,015
L&G Pension Jupiter Income Fund	1.48%	1.38%	-0.10%	£ 5,634
L&G Pension M&G Managed Growth Fund	1.28%	1.18%	-0.10%	£ 5,224
L&G Pension Martin Currie IF Asia Pacific Fund	1.53%	1.43%	-0.10%	£ 1,355
L&G Pension BlackRock Gold & General Fund	1.24%	1.34%	0.10%	£ 5,255
L&G Pension BlackRock UK Dynamic Fund	1.10%	1.20%	0.10%	£ 6,450
L&G Pension Neptune Income Fund	1.14%	1.04%	-0.10%	£ 1,353
L&G Pension Neptune Russia & Greater Russia	1.57%	1.47%	-0.10%	£ 2,528
L&G Pension New Star Fixed Interest Fund	0.97%	1.17%	0.20%	£ 1,103
L&G Pension New Star High Yield Bond Fund	1.04%	1.24%	0.20%	£ 790
L&G Pension New Star Sterling Bond Fund	0.97%	1.07%	0.10%	£ 1,592
L&G Pension Newton Higher Income Fund	0.95%	1.05%	0.10%	£ 4,971
L&G Pension Old Mutual UK Select Mid Cap Fund	1.03%	1.13%	0.10%	£ 5,720
L&G Pension Schroder UK Mid 250 Fund	1.34%	1.24%	-0.10%	£ 7,971
L&G Pension Skandia IM UK Equity Blend	1.39%	1.59%	0.20%	£ 71
L&G Pension Skandia IM European Equity Blend	1.39%	1.59%	0.20%	£ -
L&G Pension Skandia IM US Equity Blend	1.39%	1.59%	0.20%	£ -
L&G Pension Skandia IM Japanese Equity Blend	1.48%	1.68%	0.20%	£ -
L&G Pension Skandia IM Far East Equity Blend	1.58%	1.78%	0.20%	£ -
L&G Pension Skandia IM UK Fixed Interest Blend	1.32%	1.52%	0.20%	£ 41
L&G Pension Skandia IM Global Fixed Interest Blend	1.37%	1.57%	0.20%	£ 74
L&G Pension Threadneedle European Fund	1.54%	1.44%	-0.10%	£ 202
L&G Pension Threadneedle Strategic Bond	0.93%	1.03%	0.10%	£ 565
L&G Pension Chartwell Balanced Income Fund	1.68%	1.93%	0.25%	£ 91
L&G Pension Chartwell Cautious Growth Fund	1.68%	1.98%	0.30%	£ 71
L&G Pension Chartwell Strategic Growth Fund	1.68%	2.08%	0.40%	£ 490
L&G Pension Newton Global Higher Income Fund	1.35%	1.25%	-0.10%	£ 3,723
L&G Pension Jo Hambro UK Opps Fund	1.44%	1.34%	-0.10%	£ 12
L&G Pension Cazenove MultiManager Diversity Fund	1.80%	1.60%	-0.20%	£ 2,771
L&G Pension Neptune European Opportunities Fund	1.51%	1.31%	-0.20%	£ 2,255
L&G Pension Neptune Japan Opportunities Fund	1.46%	1.47%	0.01%	£ 458
L&G Pension Aberdeen MM Multi Asset Distribution Portfolio	2.20%	1.90%	-0.30%	£ 4
L&G Pension Rathbone Global Opportunities Fund	1.46%	1.31%	-0.15%	£ 377
L&G Pension Thames River Balanced Managed Fund	2.69%	3.44%	0.75%	£ 1,518
L&G Pension Thames River Cautious	2.50%	2.25%	-0.25%	£ 1,102



<b>Pension Fund name</b>	<b>End 08 AMC</b>	<b>End 09 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
Managed Fund				

### 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 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 and 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 mainly 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 and Portfolio Pension 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 (c)(ii) below.

#### **(b) Different Pricing Bases Applying to Different Policies**

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 mainly 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 which is priced on a cancellation basis is calculated as above as if the assets were disposed of on the valuation date. The calculation for assets held by funds which are priced on a creation basis 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.

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 2009.

<b>Realised Capital Gains</b>	
Authorised Unit Trust Holdings (deemed disposal on 31/12/2009) UK 100 Distribution, Equity, UK Equity Index, Growth, Ethical and Active Opportunities Funds All Other Internal Funds	14.00% on gains 17.10% to 17.49% on gains
Japanese and Japanese Active Funds All other Internal Funds	14.00% on losses 0% on losses
UK Fixed Interest Stocks	20.00%
Other Assets	20.00% on gains 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 31/12/2009: All Internal Funds	As above for Realised Capital Gains (deemed disposal on 31/12/2009)
Authorised Unit Trust Holdings Gains after 31/12/2009: UK 100 Distribution, Equity, UK Equity Index, British Opportunities, Growth, UK Smaller Companies, Ethical, Active Opportunities, Japanese and Japanese Active Funds All Other Internal Funds	17.44% on gains 18.15% on gains
Far Eastern Fund	18.40% on losses
Pacific Growth Fund	16.84% on losses
Equity, UK Equity Index, European, UK Smaller Companies, Higher Yield and Asia Pacific (excl Japan) Funds	15.38% to 15.72% on losses

North American and Worldwide Opportunities Funds	14.92% on losses
British Opportunities Fund	13.86% on losses
Japanese Fund	11.61% on losses
All other Internal Funds	0% on losses
UK Fixed Interest Stocks	16.00% on gains 15.72% on losses
Other Assets:- All Internal Funds	16.00% on gains
CPPI, Distribution, Distribution (Growth), Distribution (Rising Income), High Income, US High Income, Managed, Cautious Managed, Equity, UK Equity Index, European, Far Eastern, Pacific Growth, International, Japanese, North American and Worldwide Opportunities Funds	15.72% on losses
UK Active Equity Fund	15.39% on losses
British Opportunities Fund	14.19% on losses
European Income Fund	12.77% on losses
UK Equity Growth Fund	11.78% on losses
UK 100 Distribution Fund	11.18% on losses
Asia Pacific (excl Japan) Fund	10.27% on losses
Property Fund	10.00% on losses
Japanese Reits Fund	8.04% on losses
UK Smaller Companies Higher Yield Fund	6.65% on losses
North American Reits Fund	6.12% on losses
All other Internal Funds	0% on losses

Policies effected 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 3.5% per annum 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 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.

The non-unit liability in respect of 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 15)) an additional sterling reserve is held for the intrinsic and time value of the option.

For ex-Nationwide Life business an approximate sterling reserve method has been used. The sterling reserve is assumed to be 20% of the unit reserve.

#### **(d) Treatment of negative values and surrender values**

For certain term assurances, 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 valuation methodology for the unit-linked life and unit-linked pension business has changed as a result of implementing the INSPRU valuation rules, effective from 31 December 2006. This permits sterling reserve calculations to consider attributable expenses and non attributable expenses separately.

The total non-unit reserve consists of a sterling reserve for attributable expenses and 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 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 as a method of ensuring that unit-linked customers are treated fairly.

### **(g) Extra premiums**

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.

#### **(k) Specific Non Property-Linked Contracts**

##### **Term Assurance**

For contracts reassured under certain treaties, in the event of policy discontinuance the Society is required to repay to the reinsurer any unearned amounts of reinsurance premium rebate that have been received under the terms of the treaty. The liability under each of these contracts has been calculated taking account of the amount of any potential repayment of unearned reinsurance premium rebate using prudent assumptions regarding future rates of policy discontinuance.

##### **RPI-Linked annuities**

Mathematical reserves have been calculated using an appropriate nominal index linked 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. For some of these 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.

##### **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. The initial assumption was set with reference to actual recent experience with an appropriate allowance for prudence.

## **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.

### **(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.

<b>Product Code</b>	<b>Product Type</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
		<b>%</b>	<b>%</b>
100	WP conventional whole life	2.75	3.75
120	Cashbuilder	2.75	3.75
120	Other WP savings endowments	2.75	3.75
125	Build Up	2.75	3.75
165	Personal Retirement Plan	3.50/3.50 <sup>(4)</sup>	4.25/4.25 <sup>(4)</sup>
200	WP Annuity	3.50	4.25
300	NP regular premium endowments and whole life	2.25	2.25
315	WP Non Participating Buy-Out Plan	3.50/3.50 <sup>(4)</sup>	4.25/4.25 <sup>(4)</sup>



Product Code	Product Type	31.12.2009	31.12.2008
		%	%
315	WP Non Participating Private Income Plan	3.50	3.75
320	WP Non Participating 1980 Bonus System – Group	3.50	4.25
325	Pension Term Assurance	3.75/7.60 <sup>(5)</sup>	3.50/7.60 <sup>(5)</sup>
325	Term Assurance	2.25/7.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
330	Decreasing Term Assurance	2.25/7.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
330	Pension Decreasing Term Assurance	3.75/7.60 <sup>(5)</sup>	3.50/7.60 <sup>(5)</sup>
330	Family Income Benefit	2.25/7.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
340	Accelerated Critical Illness - guaranteed premiums	2.25/7.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
345	Accelerated Critical Illness - reviewable premiums	2.25/7.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
350	Stand-alone Critical Illness - guaranteed premiums	3.00	2.75
355	Stand-alone Critical Illness - reviewable premiums	3.00	2.75
360	Permanent Health Insurance - Individual - Non-Linked	3.00	2.75
365	Permanent Health Insurance - Individual – Linked	3.00	2.75
385	PHI Claims in Payment - Individual - Non-Linked	3.00	2.75
385	PHI Claims in Payment - Individual – Linked	3.00	2.75
390	Non Profit Deferred Annuities - Group - Bulk Purchase	5.49	6.50
390	Non Profit Deferred Annuities - Group – Other	5.49	6.50
390	WP Non Participating Deferred Annuities – Group	3.50	4.25
390	Non Profit Deferred Retirements	5.49	6.50
390	WP Non Participating Deferred Retirements	5.05	5.54
395	Non Profit Post-1991 Annuities – Group	2.00	1.75
395	Non Profit Pre-1992 Annuities – Group	3.00	2.75
395	WP Non Participating Post-1991 Annuities – Group	4.05	4.54
395	WP Non Participating Pre-1992 Annuities – Group	5.05	5.54
400	Personal Retirement Plan Annuities	5.05	5.54
400	Other WP Non Participating Annuities	5.05	5.54
400	Non Profit Annuities - Individual - Compulsory Purchase	5.49	6.50
400	Non Profit Annuities - Group - Bulk Purchase	5.49	6.50
400	Other Non Profit Annuities	5.49	6.50
405	Non Profit Annuities – Impaired Life	5.49	6.50
410	Group Life Assurance – Unapproved	2.25	2.25
410	Group Life Assurance – Approved	3.75	3.50
420	Permanent Health Insurance – Group	3.00	2.75
425	Permanent Health Insurance - Group - Claims in Payment	3.00	2.75
435	Widows' and Orphans' Pensions - Group - Approved	3.75	3.50
500	Capital Investment Portfolio	2.75	3.75
500	With-Profit Bond	2.75	3.75
505	Flexible Protection Plan	2.75	3.75
505	Prospects	2.75	3.75
510	Regular Savings Plan, New Savings Plan	2.75	3.75
515	Flexible Mortgage Plan	2.75	3.75
525	Individual UWP pensions - Accumulation units	3.50	4.25
525	Individual UWP pensions - Initial units	2.75 - 3.00 <sup>(1)</sup>	3.25 - 3.75 <sup>(2)</sup>
535	Individual UWP pensions - Accumulation units	3.50	4.25
535	Individual UWP pensions - Initial units	2.75 - 3.00 <sup>(1)</sup>	3.25 - 3.75 <sup>(2)</sup>
545	Buy-Out Plan	3.50 / 3.50 <sup>(4)</sup>	4.25 / 4.25 <sup>(4)</sup>
545	Private Income Plan – Individual	3.50	3.75
555	Money Purchase Plan	3.50	4.25
555	High Performance Pension Plan	3.50	4.25
555	Private Income Plan – Group	3.50	3.75
555	1980 Bonus System – Group	3.50	4.25
571	Trustee Investment Plan	3.50	4.25
700	Portfolio Bond, Investment Bond	- <sup>(3)</sup>	- <sup>(3)</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	4.00	4.00

Product Code	Product Type	31.12.2009	31.12.2008
		%	%
	Premium		
715	Life Property-Linked Endowment Regular Premium – savings	-	-
720	Life Property-Linked Endowment Regular Premium – cash	-	-
725	Overseas Pensions	3.75	3.50
725	Individual Property-Linked pensions - Accumulation units	-	-
725	Individual Property-Linked pensions - Generation 2 initial units	3.75	3.75
725	Individual Property-Linked pensions - Generation 5 initial units	3.25	3.25
725	Individual Property-Linked pensions - Generation 6 initial units	4.00	4.00
735	Group Property-Linked pensions - Accumulation units	-	-
735	Group Property-Linked pensions - Generation 2 initial units	3.75	3.75
735	Group Property-Linked pensions - Generation 5 initial units	3.25	3.25
735	Group Property-Linked pensions - Generation 6 initial units	4.00	4.00
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	0.80
902	PHI Claims in payment – Group – RPI Linked	0.50	0.80
905	Index Linked Annuities in payment – Pensions	1.31	2.20
905	Index Linked Annuities in payment – Non Pensions	0.50	0.80
907	Deferred Annuities - Group - RPI-linked – Bulk Purchase	1.31	2.20

- (1) Generation 2 units 2.75%  
 Generation 5 units 1986 – 1991 3.00%  
 Generation 5 units 1992+ 2.75%  
 Generation 6 units 1990 – 1994 2.75%  
 Generation 6 units 1995+ 3.00%
- (2) Generation 2 units 1986 – 1992 3.50%  
 Generation 2 units 1993 + 3.25%  
 Generation 5 units 1986 – 1991 3.75%  
 Generation 5 units 1992 3.50%  
 Generation 5 units 1993+ 3.25%  
 Generation 6 units 1990 – 1994 3.50%  
 Generation 6 units 1995+ 3.75%
- (3) 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.
- (4) First rate is in-deferment, second rate is in-possession.
- (5) First rate is used if the product group is treated as a liability, second rate if the product group is treated as an asset.

For unit-linked contracts, the rates at which future cash flows are discounted when calculating sterling reserves are:

	Non-Profit		With-Profits	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Life	2.25%	2.25%	2.75%	3.75%
Pensions	3.75%	3.50%	3.50%	4.25%
Overseas	3.75%	3.50%	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 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.

Where different assumptions have been made depending upon whether the assets are held by 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
Approved fixed and variable	3 bps p.a
Unapproved fixed and variable:	
(a)	35 bps p.a
(b)	36 bps p.a

The weighted average for unapproved fixed and variable corporate bonds is broken down by individual credit ratings as follows:

#### Adjustments by credit rating

Credit rating	Yield Deduction	
	(a)	(b)
AAA	7 bps p.a	5 bps p.a
AA	9 bps p.a	9 bps p.a
A	26 bps p.a	23 bps p.a
BBB	59 bps p.a	54 bps p.a
Lower rated (BB to CCC)	270 bps p.a	244 bps p.a
Unrated	46 bps p.a	37 bps p.a

Furthermore, given recent economic uncertainty in the credit markets, an additional short term allowance in respect of a temporary recessionary increase in defaults has been included in the liabilities. For annuity business an additional reserve of £719m gross of reinsurance (£44m net of reinsurance) has been held. For annuity business the total allowance for default is equivalent to approximately 68bps p.a. over the lifetime of the credit assets held. For participating business the allowance has been made by a further reduction in the risk adjusted yield of 84bps p.a.

Dividend yields have been reduced by 3.75% of the yield to reflect uncertainty over future dividends.

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 5.75% of the available yield.

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 2009, an additional allowance for scheme specific mortality has been applied where deemed appropriate.

Product Code	Product Type	31.12.2009	31.12.2008
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<b>Product Code</b>	<b>Product Type</b>	<b>31.12.2009</b>	<b>31.12.2008</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	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
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/Ii	W/Ii
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 – Impaired Life	B	C
410	Group Life Assurance	Mm	Mm
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	-	-

<b>Product Code</b>	<b>Product Type</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
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
907	Deferred Annuities - Group - RPI-linked – Bulk	P/A	P/A

#### **Code Letters used for the 2009 Mortality / Morbidity Basis**

- A** 90% of PCMA00 for males and 94% of PCFA00 for females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- B** 87% of PCMA00 for males and 88% of PCFA00 for females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- C** 65% of PCMA00 for males and 60% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 60% of the ultimate for both males and females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- D** 76% of PCMA00 for males and 69% of PCFA00 for females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 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 114% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
 (ii) has been coded as a non-smoker 115% TMN00 or TFN00 Select 5 for males and females respectively is applied;  
 (iii) is un-coded 129% 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 105% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
 (ii) has been coded as a non-smoker 95% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- 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** 35% CMI Report No. 12 termination rates.
- M** A1967-70 Ultimate rated up 5 years.
- N** 58.88% CMI Report No. 12 termination rates.
- P** 67% of AM92 Ultimate for males and 70% of AF92 Ultimate for females in deferment.
- Q** 52% of A1967 / 70 Ultimate rated down 3 years for males and 50% 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. If a life has been coded as a smoker 101% of the table is applied; if a life has been coded as a non-smoker 66% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 at 0.5% p.a. for males and 0.75% p.a. for females. An additional loading for guaranteed level term contracts of 0.85% multiplied by policy term less 5 years is applied. The corresponding loading for guaranteed decreasing term contracts is 0.65% multiplied by policy term less 5 years.
- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 154% of the table is applied; if a life has been coded as a non-smoker 106% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 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 20% is used.
- Y** 110% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 60% 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 180% 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 105% of this table is used. If the contract provides additional critical illness benefits an additional loading of 265% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 210% 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 110% of this table is used. If the contract provides additional critical illness benefits an additional loading of 270% is applied.

- Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 195% of this table is used; if a life has been coded as a non-smoker 115% of this table is used.
- Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 620% of this table is used; if a life has been coded as a non-smoker 255% of this table is used.
- Ff** If a life has been coded as a smoker, 105% TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, 95% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- 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:  $x\%$  of CMIR12 Method B (select 5) rates, where  $x=a.b.c.d.e.f.100$  and  
 $a=1.00$   
 $b=0.8$  if the deferred period is 4 weeks, 0.9 if the deferred period is 8 weeks, 1.0 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, 1.8 for occupation class III and 2.8 for occupation class IV.  
 $d=0.9$  for non-smokers, 1.2 for smokers  
 $e=1$  for males, 1.5 for females  
 $f=1+$ medical loading (where appropriate)  
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** 100% of AM92 or AF92 Ultimate for males and females respectively.
- Pp** 75% of AM92 or AF92 Ultimate for males and females respectively.

#### **Code Letters used for the 2008 Mortality / Morbidity Basis**

- A** 90% of PCMA00 for males and 94% of PCFA00 for females. Allowance for future improvement commencing 31.3.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- B** 88% of PCMA00 for males and 88% of PCFA00 for females. Allowance for future improvement commencing 31.3.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- C** 61% of PCMA00 for males and 61% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 60% of the ultimate for both males and females. Allowance for future improvement commencing 31.3.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- D** 79% of PCMA00 for males and 74% of PCFA00 for females. Allowance for future improvement commencing 31.3.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 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:  
 (iv) has been coded as a smoker 123% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
 (v) has been coded as a non-smoker 125% TMN00 or TFN00 Select 5 for males and females respectively is applied;  
 (vi) is un-coded 138% TM00 or TF00 Select 5 for males and females respectively is applied.  
 If a life has terminal illness cover and:  
 (iii) has been coded as a smoker 109% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
 (iv) has been coded as a non-smoker 103% TMN00 or TFN00 Select 5 for males and females respectively is applied.



- K** 150% 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** 35% CMI Report No. 12 termination rates.
- M** A1967-70 Ultimate rated up 5 years.
- N** 68% CMI Report No. 12 termination rates.
- P** 69% of AM92 Ultimate for males and 78% of AF92 Ultimate for females in deferment.
- Q** 54% of A1967 / 70 Ultimate rated down 3 years for males and 56% 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. If a life has been coded as a smoker 99% of the table is applied; if a life has been coded as a non-smoker 66% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 at 1% p.a. for males and 1.75% p.a. for females.
- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 162% of the table is applied; if a life has been coded as a non-smoker 102% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 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 50% is used; if a life has been coded as a non-smoker a loading of 20% is used.
- Y** 105% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 55% 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 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 115% of this table is used. If the contract provides additional critical illness benefits an additional loading of 270% 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 120% 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 265% of this table is used; if a life has been coded as a non-smoker 140% of this table is used.
- Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 710% of this table is used; if a life has been coded as a non-smoker 365% of this table is used.
- Ff** If a life has been coded as a smoker, 109% TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, 103% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- 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  
 $a=1+\text{loading to standard premium rates (e.g. for occupation, female, medical)}$   
 $b=0.8$   
 $c=1.7$  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  
Additionally, allowance for AIDS of 100% of Institute of Actuaries AIDS Working Party Bulletin No. 5 projection R6A “capped”.

- Hh** 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  $a=1.00$   
 $b=0.8$  if the deferred period is 4 weeks,  $0.9$  if the deferred period is 8 weeks,  $1.0$  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,  $1.8$  for occupation class III and  $2.8$  for occupation class IV.  
 $d=0.9$  for non-smokers,  $1.2$  for smokers  
 $e=1$  for males,  $1.5$  for females  
 $f=1$ +medical loading (where appropriate)  
Termination: 35% of CMIR12 rates  
Additionally, allowance for AIDS of 100% of Institute of Actuaries AIDS Working Party Bulletin No. 5 projection R6A “capped”.
- 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** 150% 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** 90% of AM92 or AF92 Ultimate for males and females respectively.
- Pp** 75% of AM92 or AF92 Ultimate for males and females respectively.

### 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 table below.

Age	Code letter							
	A		B		C		D	
	Male	Female	Male	Female	Male	Female	Male	Female
65	22.4	23.7	22.7	24.3	25.8	28.0	24.0	26.5
75	13.5	14.7	13.7	15.2	16.5	18.6	14.8	17.1

### 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 table below.

Age	Code letter					
	A		B		D	
	Male	Female	Male	Female	Male	Female
45	26.0	26.2	26.3	26.8	27.7	29.1
55	24.2	25.0	24.5	25.6	25.8	27.8

### Allowance made for future changes in mortality

Generally, an allowance for future improvement, based on the projection formulae according to CMI Working Paper 30 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.

For all other relevant classes of business, margins in the valuation basis are deemed adequate to provide for any potential extra mortality arising from AIDS.

#### 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 0.85% multiplied by the policy term less 5 years for level contracts. The loading is 0.65% multiplied by the policy term less 5 years for decreasing contracts.

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 2009. Equivalent figures for 31 December 2008 are also provided. The valuation methodology for unit-linked business now implements the INSPRU valuation rules effective from 31 December 2006 which permits sterling reserve calculations to consider attributable and non attributable expenses separately. As such the annual per policy maintenance expense for the relevant product codes at 31 December 2009 now shows attributable expenses only whereas at 31 December 2008 it was the total of both attributable and non-attributable expenses.

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	31.12.2009		31.12.2008	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
120	Cashbuilder	£48.31	£48.31	£46.64	£46.64
120	Other WP savings endowments	£44.29	£44.29	£51.03	£51.03
125	Build Up	£44.15	£44.15	£41.05	£41.05
165	Personal Retirement Plan	£116.84		£136.19	
325	Pension Term Assurance	£9.17		£13.64	
325	Term Assurance	£9.37		£10.54	
330	Decreasing Term Assurance	£9.37		£10.54	
340	Accelerated Critical Illness - guaranteed premiums	£11.95		£14.10	
345	Accelerated Critical Illness - reviewable premiums	£11.95		£14.10	
350	Stand-alone Critical Illness - guaranteed premiums	£24.11		£22.16	
355	Stand-alone Critical Illness - reviewable premiums	£24.11		£22.16	
360	Income Protection Benefit <sup>(2)</sup>	£10.58		£10.88	
365	Mortgage Payment Insurance <sup>(2)</sup>	£10.58		£10.88	
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		£17.92		£19.98
500	Life UWP single premium bonds		£20.06		£49.74
510	Regular Savings Plan, New Savings Plan	£43.48	£21.74	£132.72	£66.36
515	Flexible Mortgage Plan	£18.93	£9.47	£40.35	£20.18
525	UWP Individual Personal Pension and Self Employed Plan <sup>(3)</sup>				
525	UWP Executive Pension Plan and Directors Plan	£158.00	£80.03	£405.58	£205.45
525	UWP Free Standing Pension Savings Plan	£22.77	£11.98	£65.52	£34.46
525	UWP Buy-Out Plan	-	£14.29	-	£67.29
535	UWP Group Personal Pension Plan <sup>(4)</sup>				
535	UWP Company Pension Plan	£53.39	£27.76	£300.92	£156.44
535	UWP Company Sponsored Pension Savings Plan	£70.46	£37.29	£166.59	£88.12
545	Buy-Out Plan	-	£118.68	-	£210.89
545	Private Income Plan - Individual <sup>(1)</sup>	-		-	
700	Life Property-Linked single premium		£22.11		£48.70
715	Regular Savings Plan, New Savings Plan	£43.48	£21.74	£132.72	£66.36
715	Capital Accumulation Plan	£22.11	£11.06	£48.70	£24.35
720	Flexible Mortgage Plan	£18.93	£9.47	£40.35	£20.18
725	Property-Linked Individual Personal Pension and Self Employed Plan <sup>(3)</sup>				
725	Property-Linked Personal Investment Pensions Plan	£23.55	£12.40	£65.42	£34.44
725	Property-Linked Executive Pension Plan and Directors Plan	£158.00	£80.03	£405.58	£205.45
725	Property-Linked Executive Investment	£255.64	£129.58	£429.23	£217.54

Product Code	Product Type	31.12.2009		31.12.2008	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
	Retirement Plan				
725	Property-Linked Free Standing Pension Savings Plan	£22.77	£11.98	£65.52	£34.46
735	Property-Linked Group Personal Pension Plan <sup>(4)</sup>				
735	Property-Linked Company Pension Plan	£53.39	£27.76	£300.92	£156.44
735	Property-Linked Company Sponsored Pension Savings Plan	£70.46	£37.29	£166.59	£88.12
735	Group pension Savings Plan	£70.46	£37.29	£166.59	£88.12
755	Trustee Investment Plan	-	£102.43	£381.10	£157.70

- (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 2009	31 December 2008
Private Income Plan - Individual	£226,607	£278,554

- (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 12.14% (9.05% at 31 December 2008) of the claim amount for Income Protection Benefit and non-linked Permanent Health Insurance and 5.97% (5.55% at 31 December 2008) of the claim amount for Mortgage Payment Insurance. The claims expenses are 6.75% (6.75% at 31 December 2008) 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 £22.32 premium paying and £11.74 paid up, £31.81 premium paying and £16.75 paid up or £121.22 premium paying and £63.81 paid up as appropriate.
- (4) The expense basis varies according to the type of administration. The expense basis is either £22.75 premium paying and £11.97 paid up or £31.90 premium paying and £16.79 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	5.00% p.a
Unit Growth - Net	4.70% 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

With the introduction of FSA Policy Statement 06/14 at 31 December 2006, it is now permissible to value all long term business assuming a prudent lapse basis. 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.

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 - 5	6 - 10	11 - 15	16 - 20
Level term	lapse	13.9%	9.5%	6.0%	3.1%
Decreasing term	lapse	14.2%	9.7%	6.5%	6.0%
Accelerated critical illness	lapse	20.0%	10.6%	5.4%	5.0%
Pension Term (level and decreasing)	lapse	12.5%	8.6%	5.7%	5.1%
Whole of Life (conventional Non Profit)	lapse	4.2%	2.0%	0.7%	0.0%

The pension term assurance is a very small proportion of the whole portfolio.

The ex-NWL business uses the same lapse rates multiplied by  $(1+x\%)$ , where  $x\%$  varies by high-level product as shown in the table below:

Product Group	x%
Level and Decreasing term	50%
Accelerated critical illness	20%

##### Unit-Linked Contracts

The valuation methodology for linked contracts changed during 2007 to introduce a prudent lapse basis. 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	0.0%	1.7%	2.3%	4.3%
UWP target cash endowment	surrender	3.7%	3.4%	3.7%	2.9%
UL savings endowment	surrender	0.0%	1.7%	2.3%	4.3%
UL target cash endowment	surrender	3.7%	3.4%	3.7%	2.9%
UWP Bond	surrender	1.2%	3.0%	2.9%	3.0%
UL Bond	surrender	2.4%	6.3%	3.9%	3.7%
UWP indiv pension regular premium	surrender	1.4%	1.3%	1.3%	1.3%
UWP indiv pension single premium	surrender	3.1%	2.9%	2.9%	2.9%
UL indiv pension regular premium	surrender	2.1%	1.5%	1.6%	1.6%

UWP Trustee Investment Plan regular premium	surrender	0.4%	0.4%	0.4%	0.4%
UL Trustee Investment Plan regular premium	surrender	1.3%	1.3%	1.3%	1.3%
UL indiv pension single premium	surrender	3.6%	3.2%	2.5%	2.5%
UWP group pension regular premium	surrender	1.7%	1.7%	1.7%	1.7%
UWP group pension single premium	surrender	9.5%	9.5%	9.5%	9.5%
UL group pension regular premium	surrender	1.4%	1.4%	1.2%	1.2%
UL group pension single premium	surrender	7.3%	7.3%	7.3%	7.3%
UWP Trustee Investment Plan single premium	surrender	9.3%	9.0%	8.6%	8.6%
UL Trustee Investment Plan single premium	surrender	6.4%	5.5%	4.1%	4.1%

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	6.0%	4.8%	1.8%
61 – 64	3.3%	0.5%	0.7%
65	9.5%	9.6%	2.7%
66 – 69	6.2%	0.8%	0.4%
70	0.0%	100.0% *	3.3%

\* 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 date of death of the first life and is dependent on the age and sex of the first life at date of death.

The rates of proportions married are set with reference to GAD rates 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 and credit default 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.

Category	£m
Lapses on valuation of protection business	(14.9)
Negative reserves on valuation of protection business	(69.9)
Lapses on valuation of unit-linked business	0
Attributable expenses on valuation of unit-linked business	(67.9)

### **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 4.5% 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	18.7	0 to 44 years	1.5	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	43.0	0 to 33 years	22.2	£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	96.0	0 to 44 years	0.2	£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	Method and basis
New Cashbuilder	127.8	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	2.1	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)	3,843.5	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)	233.8	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.
With-Profit Bond (Series 4, 5, 6 and 7)	2,631.2	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	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.

(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	Method and basis
				any regular withdrawals.				
Portfolio Bond (Series 1 to 10)	4,461.4	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	2,949.2	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	114.2	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).
Portfolio bonds - MoneyBuilder	122.7	Whole of life	2.6	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 £122.7m basic reserve covered by this guarantee forms part of the £4,461.4m 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	381.4	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	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	Method and basis
				120% of the original investment less withdrawals, and 110% at five years (where applicable)				

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)).

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.

(i) Product name	(ii) In force premiums (£m)	(iii) Sum assured (£m)	(iv) Description of option	(v) Guarantee reserve (£m)
Term Assurance, Term Assurance with Critical Illness, Standalone Critical Illness Cover and Tax Efficient Life Insurance Plan	334.3	36,533.3	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. 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	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)
			before age 50 (older life for joint life policies) for most policies (55 for ex-NWL 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.	
Flexible Mortgage Plan (Series 1 to 8, 10 to 12)	67.5	3,039.1	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	9.2	2,450.2	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. 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.	Implicit in the Basic reserve
Mortgage Payment Insurance	11.7	64.6 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	3.4	14.9 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)	17.9	2,735.5	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
Permanent Health Insurance (Series 1, 2 and 3)	1.3	58.7 pa	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.  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	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)
			initial income benefit and which is no higher proportion of the life assured's total annual earnings than applied at outset.	
Unit-Linked Term Assurance (Series 3)	4.7	1,623.5	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	116.0	6,085.2	<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: 19.2	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: 67.6	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: 2.1	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: 112.9	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: 3.1	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	Basic reserve: 96.0	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.
Personal Retirement Plan	Basic reserve: 758.9	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: 6.6	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.	2.2	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: 4,126.0	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.
	460.1	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.	26.8	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.
	177.3	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.	0.9	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: 103.0	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: 5,992.1	Certain contracts include a guarantee where the index linked increases in deferment and in possession cannot fall below, or increase above, a specified rate.	19.0	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



Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
				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 £19.0m (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: 1,113.5	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: 91.3	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
Capital Investment Portfolio (Series 8, 9, and 10)	Basic reserve: 406.4	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: 3,843.5  Basic reserve: 4,365.3	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

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)
Portfolio Bond (Series 5 to 10)	Basic reserve: 96.2	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: 2,888.2	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: 381.4	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: 1,458.2	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: 758.9	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: 18.8	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: 306.5	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: 210.1	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: 16.3	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		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.  Under certain Build Up contracts a guaranteed maturity value has been granted after the endowment review process.	Zero  2.5	No mathematical reserves are held – accounting provision is made instead.  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.
Buy-Out Plan	Basic reserve: 237.7	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.	212.6	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: 332.3	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.

## 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 unit-linked business now implements the INSPRU valuation rules effective from 31 December 2006. This permits sterling reserve calculations to consider 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	6.7	6.5	13.3
-Individual Products 1	0.6	45.2	13.9	59.7
-Group Products 2	0.5	5.2	1.8	7.5
-Individual Products 2	0.0	11.1	1.2	12.3
Unitised Life business:				
-Non Profit Products 1	0.4	12.3	3.3	16.0
-Non Profit products 2	2.8	28.5	4.7	36.0
-With Profit Products 1	0.6	26.9	3.3	30.8
-With Profit Products 2	0.0	31.1	2.5	33.6
Non-unitised business:				
All expenses attributable	21.8	65.4	n/a	87.2
<b>Total</b>	<b>26.8</b>	<b>232.4</b>	<b>37.2</b>	<b>296.4</b>

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 £194.0m. The aggregate amount of expense loadings expected to arise in 2010 as calculated in 6(1) above exceeds this amount for the following reasons:
- the effect of one year's inflation on 2009 expenses;
  - the inclusion of prudential margins in the valuation expense assumptions;
  - the inclusion of amounts required to cover 2010 investment expenses in the figure calculated in 6(1) above of approximately £52.9m.

- 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 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 £76.5m 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:

Homogeneous Risk Group	£m
Pension business:	
Group Products 1	39.9
Individual Products 1	0.0
Group Products 2	0.0
Individual Products 2	0.0
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
Total	39.9

## **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:

Currency	Liabilities (£m)	Assets (£m)	Proportion
Sterling	15,300	13,751	89.9%
Euro		366	2.4%
Japanese Yen		327	2.1%
US \$		278	1.8%
HK \$		104	0.7%
Australian \$		99	0.6%
Swiss Franc		72	0.5%
Other		303	2.0%
Total	15,300	15,300	100.0%

- 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**

### **8. 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 2009 the Form 53 liabilities included a deferred tax asset of £53.5m 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 £39.1m is held to cover this concession.

### **iii Reinsurance Default risk**

An additional reserve of £33.4m 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 2.25% – 3.00% except for classes of business where mathematical reserves are negative, where 7.60% 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 has been determined according to the first method set out in that letter and with reference to the assets underlying the appropriate unit liabilities and a rate, net of price inflation, of 1.75% has been used. 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 2009 is £219.2m.

#### v Credit Default Allowance

Given recent economic uncertainty in the credit markets, an additional short term allowance in respect of a temporary recessionary increase in defaults has been included in the liabilities. For annuity business an additional reserve of £719m gross of reinsurance (£44m net of reinsurance) has been held. For participating business the allowance has been made by a further reduction in the risk adjusted yield of 84bps p.a.

### 9. Reinsurance

9. (1) Apart from treaty 9. (d) X 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) X:

(a) The amount of premium paid under the treaty on a facultative basis during the year was £158,285. There is no deposit back arrangement under this treaty.

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
1	<b>Critical Illness Insurance (Series 1 and 2)</b> 50% quota share of sums at risk with a maximum of 50% of £500,000	127	No	22	n/a
2	<b>Life Assurance Business (linked)</b> Sums at risk in excess of the Society's retention	246	Yes	40	Up to £549,999
3	<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.	26	No	15	n/a
4	<b>Flexible Mortgage Plan (Series 5 to 10) and Unit-</b>	4,553	No	731	

	(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>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).				n/a
5	<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).	474	No	140	n/a
6	<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).	1,029	No	172	n/a
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.	23,740	No	28,686	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.	186	No	2,863	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.	1,026	No	2,577	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%.	6,043	No	64,936	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.	41	No	97	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%.	2,628	Yes	60,052	Up to £7,200 p.a.
13	<b>Term/Decreasing Term Assurance, Term/Decreasing Term Assurance with Critical Illness, Critical Illness/Decreasing Critical Illness.</b>	1,086	No	7,106	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
	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.				
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. Closed to new business from 17 March 2007.	6,912	No	4,069	n/a
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. Closed to new business from 19 July 2008.	313	No	241	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.	5	Yes	(287)	Up to £50,000
17	<b>Group Life/WOPS</b>  Surplus over the Society's retention with minimum of £100,000 and maximum of £8,900,000. Closed to new business from 1 October 2009.	2,106	No	1,132	n/a
18	<b>Ordinary Permanent Health Insurance</b>  Surplus over the Society's retention with a maximum of £10,200 p.a.	8	No	419	n/a
19	<b>Group Critical Illness</b>  50% quota share.	5,516	Yes	3,241	Up to £250,000
20	<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.	694	No	11,458	n/a
21	<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.	6,320	No	15,494	n/a
22	<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..	2,057	Yes	18,928	Up to £1,800 p.a.
23	<b>Voluntary Group Life</b>  50% quota share.	301	Yes	156	Up to £75,000
24	<b>Whole of Life</b>	178	No	543	Up to £10,000

	(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
	50% quota share of first £20,000 with a maximum ceded of £10,000 in respect of business from August 2004. Closed to new business from 19 April 2009.				
25	<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. Closed to new business from 19 July 2008.	45	No	6,129	n/a
26	<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. Closed to new business from 19 July 2008.	13,628	No	22,935	n/a
27	<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. Closed to new business from 19 July 2008.	1,346	No	2,538	n/a
28	<b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, and 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. Business transferred in from Nationwide Life Company.	2,328	No	28,973	n/a

#### 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
29	<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.	27,190	No	25,856	n/a
30	<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.	599	No	(611)	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
31	<p><b>Level Term Assurance</b></p> <p>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. Closed to new business from 19 July 2008.</p>	13,477	No	108,950	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
32	<p><b>Term/ Decreasing Term with Critical Illness</b></p> <p>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.</p>	5,340	No	22,788	n/a
33	<p><b>Family and Personal Income Plan with Critical Illness</b></p> <p>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>	128	No	125	n/a
34	<p><b>Group Life/WOPS</b></p> <p>Surplus over the Society's retention with minimum of £1 and maximum of £8,900,000</p>	702	Yes	377	Up to £1.25m

#### 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
35	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>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.</p>	23,673	No	96,723	n/a
36	<p><b>Family Income Benefit with Critical Illness</b></p> <p>For contracts where the original monthly benefit is less</p>	265	No	283	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
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
37	<p><b>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 2009, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas took on an increased share.</p>	3,695	No	1,920	n/a
38	<p><b>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 2009, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas took on an increased share.</p>	128	No	1	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
39	<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. Closed to new business from 25 July 2004.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	21,462	No	42,737	n/a
40	<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. Closed to new business from 25 July 2004.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	146	No	82	n/a
41	<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. Closed to new business from 20 November 2005.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	7,179	No	7,903	n/a
42	<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. Closed to new business from 20 November 2005</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	60	No	28	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 £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. Closed to new business from 20 November 2005.</p> <p>The treaty is shared 10%: 55%: 35% between the reinsurers as listed in (F) above.</p>	1,101	No	2,149	n/a
44	<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 is the original benefit is less than £1,500 per month. Closed to new business from 20 November 2005.</p>	65	No	40	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
	The treaty is shared 10%:55%:35% between the reinsurers as listed in (F) above.				
45	<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. Closed to new business from 9 April 2006.</p> <p>The treaty is shared 10%: 40%: 50% between the reinsurers as listed in (F) above.</p>	1,642	No	2,502	n/a
46	<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. Closed to new business from 9 April 2006.</p> <p>The treaty is shared 10%:40%:50% between the reinsurers as listed in (F) above.</p>	14	No	9	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
47	<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>	277	Yes	2,115	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
48	<b>Term Assurance/Decreasing Term Assurance</b>	146,791	No	519,899	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
	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 £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. Closed to new business from 17 March 2007.				
49	<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. Closed to new business from 17 March 2007.	4,939	No	9,443	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
50	<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. Closed to new business from 9 July 2008.	13,436	No	27,610	n/a
51	<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. Closed to new business	226	No	133	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
from 9 July 2008.				

**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
<b>52 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.	6,561	No	35,480	n/a

**9. (d) K. Pacific Life Re Ltd (formerly Scottish Re Ltd (SRL))**

- (g) A deposit back arrangement no longer exists in this reinsurance treaty
- (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>53 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. Closed to new business from 19 July 2008.	7,106	No	23,833	n/a
<b>54 Whole of Life</b> From 20 April 2009 50% quota share of first £20,000 with a maximum ceded of £10,000.	37	Yes	565	Up to £10,000
<b>55 Guaranteed Acceptance Plan</b> From 7 June 2009, 50% quota share of first £20,000 with a maximum ceded of £10,000.	10	Yes	764	n/a

**9. (d) L. Hannover Life Reassurance (Ireland) Ltd**

- (g) A deposit back arrangement no longer exists in this reinsurance treaty
- (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
56	<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. Closed to new business from 19 July 2008.	2,731	No	12,621	n/a
57	<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. Closed to new business from 19 July 2008.	799	No	4,501	n/a

#### 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
58	<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. Closed to new business from 19 July 2008.	2,273	No	5,397	n/a
59	<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. Closed to new business from 19 July 2008.	1,060	No	1,845	n/a
60	<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.  Closed to new business from 20 July 2009.	606	No	2,540	Up to £125,000
61	<b>Term Assurance/Decreasing Term Assurance</b> 90% quota share on the first £1m and 100% of the excess to £5m / £10m (by age).	2,641	No	6,421	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
62	<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.	22,360	Yes	23,386	Up to £50,000

**9. (d) O. 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
63	<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.	2,313	Yes	9,249	Up to £100,000
64	<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.	75	Yes	252	Up to £1,000 pm
65	<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.	3,506	Yes	12,632	Up to £50,000
66	<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.	84	Yes	117	Up to £375pm

**9. (d) P. 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
67	<p><b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness and Stand Alone Critical Illness.</b></p> <p>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. Business transferred in from Nationwide Life Company.</p>	6,389	No	132,607	n/a

**9. (d) Q. 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
68	<p><b>Whole of Life</b></p> <p>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.</p>	175	Yes	30,576	Up to £50,000

**9. (d) R. 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
69	<p><b>Segregated Fund</b></p> <p>All business.</p>	428	Yes	0	£0
70	<p><b>Linked Pensions Unit Liability</b></p> <p>All liabilities under the UK L&amp;G (PMC) funds. The value of the reinsurance cover is determined by reference to the prices of certain of the L&amp;G (PMC) internal linked funds.</p>	118,230	Yes	426,072	£0
71	<p><b>Overseas Linked Unit Liabilities</b></p>	7,955	Yes	36,000	£0

	(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
	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.				

**9. (d) S. 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
72	<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.	3,903	Yes	75,884	£0

**9. (d) T. 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
73	<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.	7,181	Yes	67,106	£0

**9. (d) U. 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
74	<b>All liabilities under:</b> • Non-Linked non-profit Pension Business	2,748,293	Yes	20,652,137	£0

<ul style="list-style-type: none"> <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>				
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**9. (d) V. Partner Re Europe Ltd**

- (g) A deposit back arrangement exists in this reinsurance treaty.  
(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
75	<p><b>Non profit Immediate Annuities for Impaired lives</b></p> <p>From September 2006, 50% of the annuity is reinsured (on a risk premium basis) for cases with an office single premium of less than £250,000 for pension annuities where the annuitant or the annuitant and spouse have medical condition(s) and/or lifestyle condition(s) or habits that are expected to lead to a reduction in life expectancy. For office premiums in excess of £250,000 reinsurance is dealt with facultatively. Healthy spouses and dependants are not included in the reinsurance treaty.</p>	29,630	Yes	45,890	50% of annuity payments

**9. (d) W. A combination of reinsurers, comprising:**

Reinsurance Company	Share to 1 <sup>st</sup> September 2009		Share from 1 <sup>st</sup> September 2009	
	£50m xs £50m	£50m xs £100m	£50m xs £50m	£50m xs £100m
AIG Europe (UK) Ltd	22.500%	22.500%	15.000%	22.500%
Transatlantic Reinsurance Company, New York, USA (London Branch)			8.500%	
Transatlantic Reinsurance Company, New York, USA on behalf of Momentum Underwriting Ltd	8.505%	6.030%		8.505%
Sirius International Insurance Corporation	8.135%	4.307%	9.000%	8.135%
Mapfre Re Compania De Reaseguros	3.698%	4.307%	3.700%	3.698%
HCC International Insurance Company	5.177%	0.862%	4.160%	5.177%
Underwriter ATR (syndicate 0570) at Lloyd's	4.807%	0.861%	3.860%	4.807%
Underwriter HMA (syndicate 1200) at Lloyd's		11.199%		
Underwriter AFB (syndicate 3623) at Lloyd's			8.500%	
Underwriter BGT (syndicate 1301) at Lloyd's			3.500%	
Underwriter ARK (syndicate 4020) at Lloyd's	2.774%	3.230%	5.000%	2.774%
M. Petzold Esq. and Others (Syndicate 1400 at Lloyd's)	9.614%	9.476%		9.614%
Max Denmark APS on behalf of Syndicate 1400 at Lloyds			9.610%	
Allied World Assurance Company	7.999%	7.999%	8.000%	7.999%
Hannover Ruckversicherungs	14.791%		11.890%	14.791%
Arch Insurance Company (Europe) Ltd	12.000%	12.000%	9.280%	12.000%
Partner Reinsurance Europe Ltd, Dublin (Zurich Branch)		17.229%		
Total	100.000%	100.000%	100.000%	100.000%

- (l) The reinsurers are authorised to carry on insurance business in the United Kingdom with the exceptions of Mapfre Re Compania De Reaseguros, Allied World Assurance Company, Hannover Ruckversicherungs and Partner Reinsurance Company Limited.  
(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
76	<p><b>Group risk catastrophe excess of loss</b></p> <p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 1<sup>st</sup> August 2008, remained in force for a term of 1 year and 1 month and was renegotiated in 2009 and remains in force until 31<sup>st</sup> August 2010. Both treaties covered 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 £100m with an excess of £50m per event.</li> <li>• A maximum of £1.25m per person for Life.</li> <li>• A maximum of £6m 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>	709	Yes	n/a	n/a

**9. (d) X. Zurich Insurance Company 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
77	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 1<sup>st</sup> January 2009, and covers specific Group Life and Group Income Protection cover.</p> <p>The reinsurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £250m with an excess of £200m per event.</li> <li>• A maximum of £1.2m per person for Life.</li> <li>• A maximum of £1.5m per person for Group Income Protection.</li> </ul> <p>The exclusions include:</p> <ul style="list-style-type: none"> <li>• Nuclear terrorism, wars, invasions and hostilities among others.</li> </ul>	81	No	n/a	n/a
78	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 17<sup>th</sup> January 2009, and covers specific Group Life and Group Income Protection cover.</p> <p>The reinsurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £250m with an excess of £200m per event.</li> <li>• A maximum of £1.2m per person for Life.</li> <li>• A maximum of £1.5m per person for Group Income Protection.</li> </ul> <p>The exclusions include:</p> <ul style="list-style-type: none"> <li>• Nuclear terrorism, wars, invasions and hostilities among others.</li> </ul>	52	No	n/a	n/a
79	<p><b>Group risk catastrophe excess of loss</b></p>	26	No	n/a	n/a

<p>This treaty became effective on 14<sup>th</sup> April 2009, and covers specific Group Life and Group Income Protection cover.</p> <p>The reassurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £225m with an excess of £200m per event.</li> <li>• A maximum of £1.2m per person for Life.</li> <li>• A maximum of £1.5m per person for Group Income Protection.</li> </ul> <p>The exclusions include:</p> <ul style="list-style-type: none"> <li>• Nuclear terrorism, wars, invasions and hostilities among others.</li> </ul>				
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**9. (d) Y. A combination of reinsurers, comprising:**

Reinsurance Company		
	£40m xs £250m	£50m xs £250m
Underwriter ARK (syndicate 4020) at Lloyd's	15.000%	15.000%
Underwriter KLN (syndicate 0510) at Lloyd's	15.000%	15.000%
Underwriter TRV (syndicate 5000) at Lloyd's	10.000%	10.000%
Underwriter BRT (syndicate 2987) at Lloyd's	10.250%	10.250%
Underwriter HIS (syndicate 0033) at Lloyd's	16.000%	16.000%
Underwriter WTK (syndicate 0457) at Lloyd's	5.550%	5.550%
Underwriter CNP (syndicate 4444) at Lloyd's	5.980%	5.980%
Underwriter ILM (syndicate 4040) at Lloyd's	3.420%	3.420%
Underwriter CSL (syndicate 1084) at Lloyd's	3.420%	3.420%
Underwriter AFB (syndicate 3623) at Lloyd's	3.420%	3.420%
Underwriter AML (syndicate 2001) at Lloyd's	5.120%	5.120%
Underwriter MLK (syndicate 3000) at Lloyd's	3.420%	3.420%
Underwriter AGM (syndicate 2488) at Lloyd's	3.420%	3.420%
<b>Total</b>	<b>100.000%</b>	<b>100.000%</b>

(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	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 1<sup>st</sup> January 2009, and covers specific Group Life and Group Income Protection cover.</p> <p>The reassurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £290m with an excess of £250m per event.</li> <li>• A maximum of £1.2m per person for Life.</li> <li>• A maximum of £1.5m per person for Group Income Protection.</li> </ul> <p>The exclusions include:</p> <ul style="list-style-type: none"> <li>• Nuclear terrorism, wars, invasions and hostilities among others.</li> </ul>	74	No	n/a	n/a
81	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 17<sup>th</sup> January 2009, and covers specific Group Life and Group Income Protection cover.</p> <p>The reassurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £300m with an excess of £250m per event.</li> <li>• A maximum of £1.2m per person for Life.</li> <li>• A maximum of £1.5m per person for Group Income Protection.</li> </ul>	89	No	n/a	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
The exclusions include: <ul style="list-style-type: none"> <li>Nuclear terrorism, wars, invasions and hostilities among others.</li> </ul>				

**9. (d) Z. A combination of reinsurers, comprising:**

Reinsurance Company	
Underwriter ARK (syndicate 4020) at Lloyd's	50.000%
Underwriter KLN (syndicate 0510) at Lloyd's	10.000%
Underwriter SJC (syndicate 2003) at Lloyd's	15.000%
Underwriter HMA (syndicate 1200) at Lloyd's	15.000%
Underwriter AFB (syndicate 3623) at Lloyd's	10.000%
Total	100.000%

- (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>82 Group Permanent Health Insurance</b> Surplus over the Society's retention with a minimum of £20,000 p.a. and a maximum of £380,000 p.a.	425	Yes	695	Up to £120,000 p.a.

- (g) Apart from Treaty 75, no deposit back arrangements exist with any of the above reinsurers. The amount deposited back under treaty 75 was £37,428,000.
- (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 net 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 2009 and which had not become a claim



(including attainment of normal retirement age (retirement for High Performance Pension Plan annual bonuses), cancellation or surrender) before 18 February 2010.

For With Profit Annuity the reversionary bonus rates shown for 2009 are those which apply to policies for one year from the renewal date of the policy on or after 1 April 2010, and similarly for 2008.

Bonus series	Mathematical Reserves (000's)	% Reversionary Bonus Rate for 2009	% Reversionary Bonus Rate for 2008	% Total Guaranteed Bonus Rate for 2009
<b>INDIVIDUAL NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	£5,484	0.00	0.00	3.86
<b>Personal Retirement Plan</b>				
<b>Year of premium payment:</b>				
1972 – 1995	£667,768	0.00	0.00	0.00
1996	£9,439	1.50	1.75	1.50
1997	£8,989	1.25	1.50	1.25
1998	£8,551	1.00	1.25	1.00
1999 – 2000	£14,953	0.50	0.75	0.50
2001	£7,352	1.50	1.75	1.50
2002	£7,149	3.00	3.25	3.00
2003	£5,721	3.25	3.50	3.25
2004	£5,529	2.75	3.25	2.75
2005	£6,100	2.00	2.75	2.00
2006 - 2007	£10,019	1.75	2.75	1.75
2008	£4,403	2.75	3.25	2.75
2009	£2,908	3.75	n/a	3.75
<b>Buy Out Plan</b>				
<b>Year of premium payment:</b>				
1985 – 1992	£362,958	0.00	0.00	5.00
1993	£60,976	0.00	0.00	4.50
1994	£22,715	1.75	2.00	1.75
1995	£6,297	0.60	0.80	2.50
<b>With Profit Annuity</b>				
03/04/2000-17/03/2002	£23,205	0.50	1.00	0.50
28/02/2002-18/04/2003	£30,272	1.52	2.22	1.52
01/04/2003-29/11/2003	£4,842	2.00	2.75	2.00
12/11/2003-18/08/2006	£113,543	1.31	2.20	1.31
01/08/2006-05/12/2007	£47,531	0.50	1.10	0.50
18/11/2007-17/02/2010	£32,993	1.09	1.63	1.09
<b>Pre-1972 Personal Pensions</b>	£186			
<b>Premium paying</b>				
- on participating sum assured or annuity		1.25	1.25	1.25
- on bonuses already attaching		1.25	1.25	1.25
<b>Paid up</b>				
- on participating sum assured or annuity		1.00	1.00	1.00
- on bonuses already attaching		1.00	1.00	1.00
<b>Other Assurances and Deferred Annuities</b>	£3,044,700			
<b>Premium paying</b>				
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching		0.50	0.50	0.50
<b>Paid up</b>				
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching		0.50	0.50	0.50
<b>UNITISED WITH-PROFITS POLICIES (LIFE):</b>				
<b>ANNUAL PREMIUM POLICIES</b>				

<b>Bonus series</b>	<b>Mathematical Reserves (000's)</b>	<b>% Reversionary Bonus Rate for 2009</b>	<b>% Reversionary Bonus Rate for 2008</b>	<b>% Total Guaranteed Bonus Rate for 2009</b>
Flexible Mortgage Plan (Series 2, 4 & 5), Prospects	£80,467	3.56	3.74	3.56
Flexible Mortgage Plan (Series 10 & 12)	£101,757	3.53	3.75	3.53
Flexible Protection Plan (Series 3 & 4)	£7,550	4.16	4.21	4.16
New Savings Plan (Series 1)	£399	2.99	3.19	2.99
Flexible Mortgage Plan (Series 6 & 8)	£185,453	1.63	1.82	3.13
Flexible Protection Plan (Series 5)	£161	2.34	2.37	3.84
New Savings Plan (Series 2)	£893	1.33	1.49	2.83
Regular Savings Plan (Series 1)	£2,715	1.13	1.22	2.63
<b>UNITISED WITH-PROFITS POLICIES (LIFE):</b>				
<b>SINGLE PREMIUM POLICIES</b>				
Capital Investment Portfolio (Series 1)	£36,842	3.01	3.18	3.01
Capital Investment Portfolio (Series 5)	£84,812	2.50	2.75	2.50
Capital Investment Portfolio (Series 7)	£283,392	2.98	3.38	2.98
With-Profit Bond (Series 1 & 4)	£1,416,057	3.78	4.44	3.78
With-Profit Bond (Series 2, 3 & 5)	£1,398,712	2.77	3.03	2.77
With-Profit Bond (Series 6)	£23,640	4.71	4.95	4.71
With-Profit Bond (Series 7)	£27,865	3.07	3.07	3.07
Capital Investment Portfolio (Series 6)	£128,778	0.94	1.14	2.44
With-Profit Bond (Series 8 & 9)	£57,993	4.14	4.01	4.14
With-Profit Bond (Series 10 & 11)	£114,743	3.07	2.98	3.07
With-Profit Bond (Series 12 & 13)	£26,629	4.25	4.25	4.25
With-Profit Bond (Series 14 & 15)	£182,641	3.25	3.25	3.25
<b>UNITISED WITH-PROFITS POLICIES (PENSIONS):</b>				
Trustee Investment Plan 1999 (Series 1)	£3,537	1.75	2.00	1.75
Trustee Investment Plan 1999 (Series 2)	£98	2.33	2.59	2.33
Personal Pension Plan 2000	£43,410	3.81	4.19	3.81
Group AVC 2002 (Series 1)	£379	3.97	4.31	3.97
Company Pension Scheme	£3,852	3.34	4.00	3.34
Other contracts				
- without Contractual Minimum Addition				
Initial Units - Generation 2 & 4	£12,463	0.01	0.03	0.37
Initial Units - Generation 5	£25,836	0.00	0.02	0.62
Initial Units - Generation 6	£41,144	0.00	0.02	0.18
Accumulation units	£3,179,437	1.88	1.95	3.61
- with Contractual Minimum Addition				
Initial units	£3,311	0.00	0.00	0.00
Accumulation units	£411,890	0.92	1.11	2.82
<b>GROUP NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	£59,234	0.40	0.40	3.72
<b>High Performance Pension Plan</b>				
Premium Paying	£194	0.00	0.00	4.25
Paid up	£6,382	0.00	0.00	4.25
<b>Money Purchase Plan</b>				
Approved	£8,210	1.16	1.15	3.76
Unapproved	£12,560	1.22	1.27	2.98
<b>Money Purchase Pension Plan (In Payment)</b>	£657	1.00	1.25	1.00
<b>1971 Bonus System</b>	£483	0.00	0.00	4.25
<b>1980 Bonus System</b>				
Approved policies	£145,394	1.63	1.70	2.58
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 2009”.

## **ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION**

### **Introduction**

- 1(1) The valuation to which this actuarial investigation relates is 31 December 2009.
- 1(2) The previous valuation related to 31 December 2008.
- 1(3) An interim valuation was carried out as at 30 June 2009.

### **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 2009 and 31 December 2008 are as follows:

	31 December 2009		31 December 2008	
	Annuity Business	Other Business	Annuity Business	Other Business
Investment Return	% p.a.	% p.a.	% p.a.	% p.a.
- Fixed Interest:				
Gilts	4.55	4.55	3.84	3.84
Approved securities	4.55	4.55	3.84	3.84
Unapproved securities	5.78	4.55	5.03	3.84
- RPI Linked				
Gilts	4.55	4.55	3.84	3.84
Approved securities	4.55	4.55	3.84	3.84
Unapproved securities	5.78	4.55	5.03	3.84
- Equities and Property	4.55	4.55	3.84	3.84
Risk Discount Rate	6.34	5.50	5.56	4.74
Inflation				
- Expenses / earnings	4.60	4.60	3.60	3.60
- Indexation	3.60	3.60	2.60	2.60

- 2(2) Not applicable
- 2(3) Not applicable
- 2(4) Not applicable
- 2(5) Not applicable

### **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 and most Unitised Pensions contracts written since 1995. 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	3,837	171
Unitised Bonds with guaranteed annual increments#	139	0
Unitised Bonds without guaranteed annual increments	3,649	45
Regular Premium unitised life business with guaranteed annual increments#	202	4
Regular Premium unitised life business without guaranteed annual increments	220	6
Unitised Pensions with guaranteed annual increments#	3,267	199
Unitised Pensions without guaranteed annual increments	564	31
Personal Retirement Plan	312	293
Buy Out Plan	194	144
Adaptable Funding Contracts	127	5
With Profit Annuities	271	34
Other	118	236
Total	12,902	1,169

#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%	1%

- 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	273,413	273,413
Unitised Life business	13,231,195	207,929
Unitised Pensions business	266,619	400,141
Personal Retirement Plan	24,105	205,011
Buy Out Plan	9,758	9,758
Adaptable Funding Contracts	131	32
With Profit Annuities	7,504	10,869
Total	13,812,723	1,107,153

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 consist of up to three premium types (single, annual and rebate), 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 one significant change to the valuation method used to value the with-profits benefits reserve.
- For Unitised Pensions Business the with-profit benefit reserve is now calculated on ungrouped policies.

4(3)(a) The most recent expense investigation was carried out as at 31 December 2009.

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 2009:

Expenses allocated to with-profits benefits reserve (£m)	Initial expenses	Maintenance expenses	Total expenses
Conventional Life	0.0	19.0	19.0
Unitised Life	46.5	14.1	60.6
Unitised Pensions	2.3	13.0	15.3
Personal Retirement Plan	0.0	3.2	3.2
Buy Out Plan	0.0	1.0	1.0
Adaptable Funding Contracts	0.1	2.5	2.6
With Profit Annuities	0.8	0.3	1.1
Total	49.7	53.1	102.8

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. 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 2009 are given in the table below.

Expenses allocated to other than with-profits benefits reserve	Amounts (£m)	Comments
Conventional Life	4.4	Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Life	2.1	Expense Caps; Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Pensions	8.8	Expense Caps; Expenses and compensation arising from Pensions Review and other complaints
Total	15.4	

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 £0.9m (2008: £1.6m).

A charge is deducted from the with-profits benefits reserve for certain Capital Protection Bonds and Capital Protection Plus Bonds. This deduction is in respect of an optional investment guarantee at their fifth policy anniversary. The amount of the charge was £2.8m (2008: £0.1m)

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 charge of 0.75% was taken from the with-profits benefits reserve as at 31/12/2008. A refund of 0.39% is anticipated be made to the with-profits benefits reserve as at 31/12/2009.

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 2007	Ratio for claims in 2008	Ratio for claims in 2009
Death claims	112%	128%	136%
Surrender claims	99%	107%	102%
Maturity claims	98%	109%	109%

4(7) The mix of assets backing the asset shares during 2009 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.



<b><u>With-profits insurance contract type</u></b>	<b><u>Asset Mix currently applied to determine investment returns</u></b>	<b><u>With-Profit Benefit Reserve at 31/12/2009</u></b>	<b><u>Investment Return gross of tax, gross of investment expenses 1/1/2009 to 31/12/2009</u></b>	<b><u>Average With-Profit Benefit Reserve 1/1/2009 to 31/12/2009***</u></b>	<b><u>Weighted Return*</u></b>
With Profit Annuities (fixed part)	100% invested in fixed interest	67,705	9.75%	63,154	0.0492%
With Profit Annuities (non-fixed part)	100% invested in 'real' assets (equities and property)	203,673	18.09%	188,843	0.2728%
Group Pensions contracts (1980 Bonus Series) eligible for Contractual Annual Interest	50% invested in fixed interest and 50% in 'real assets'	28,478	13.27%	27,086	0.0287%
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.	98,804	12.79%	88,684	0.0906%
Personal Retirement Pension contracts		316,248	13.74%	308,649	0.3387%
Conventional Section 32 Buy-Out Plans		196,935	12.19%	200,210	0.1949%
Other Conventional Pensions contracts		50,394	14.62%	51,854	0.0605%
Unitised With-Profits Pensions contracts		3,839,098	14.29%	3,677,371	4.1968%
Conventional Life contracts excluding those listed below	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.	3,887,643	14.19%	4,007,360	4.5413%
Unitised With-Profits Life contracts excluding those listed below		2,960,949	14.18%	2,881,060	3.2627%
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.	863,906	11.85%	802,144	0.7591%
October 2003 and later With Profit Bonds which have a ten year money back guarantee - Income Bonds - Other Bonds	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.	23,867	10.38%	24,313	0.0202%
		29,845	10.47%	30,755	0.0257%

<u>With-profits insurance contract type</u>	<u>Asset Mix currently applied to determine investment returns</u>	<u>With-Profit Benefit Reserve at 31/12/2009</u>	<u>Investment Return gross of tax, gross of investment expenses 1/1/2009 to 31/12/2009</u>	<u>Average With-Profit Benefit Reserve 1/1/2009 to 31/12/2009***</u>	<u>Weighted Return*</u>
Capital Protection Plus Bonds (available from November 2008) and post 1/1/09 Capital Protection Bonds	The asset mix for the two versions are determined relative to the asset mix for standard income and growth bonds respectively, with differences as follows:  Overseas equities and property – 2.5% more invested in these asset classes than under the standard income and growth 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.				
- Income Bonds		69,696	11.03%	35,295	0.0311%
- Other Bonds		264,841	12.46%	134,725	0.1341%
<b>Total</b>		<b>12,902,082</b>		12,521,502	<b>14.0063%**</b>

\* 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.

\*\* The total return earned by the With Profits Sub Fund in respect of contracts to which this table applies was 14.02%. The difference of 0.01% arises as investment returns and changes in with-profits benefits reserve are not spread evenly over the year.

\*\*\* 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 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.
- 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 that 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 13,812,723. These are represented by 1,879 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 have been two significant changes to the valuation methods for valuing the costs of guarantees, options and smoothing since the previous valuation. These changes are:
- Improvement to the dynamic investment strategy algorithm to reflect changes proposed by the With Profits Actuary and agreed by the Board
  - Improvements to the economic scenario generation process to more accurately reproduce the equity volatility surface at all levels of moneyness, and to reflect a review of asset correlations.

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.

### **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 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	323	946
Surrender Guarantee	19	702
Death Guarantee	10	Not applicable
Annuity Guarantees	115	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 v6.2.2 was used to generate the stochastic scenarios.

The UK nominal yield curve was calibrated to gilts + 10bps. The Bank of England nominal yield data was used for terms up to 24 years and thereafter, the tail was fitted to Strips and long bond yields. Interest rate volatilities were calibrated, using the Enhanced LIBOR Market Model, to at-the-money swaption market data, again using 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 and long indexed linked gilts yields + 10bps beyond 25 years. 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 2008. The table below shows typical mean values for output correlations between the returns in excess of risk-free for various asset classes:

Asset	Property	Govt bonds	Overseas Equities	Nominal Short Rate	Corporate Bonds
UK Equities	0.20	0.21	0.50	-0.15	0.53
Property		0.11	0.21	-0.08	0.17
Govt bonds			0.24	-0.44	0.82
Overseas Equities				-0.17	0.40
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	3.13%	4.77%	4.72%	4.56%	x	x	x	x	x	x	x	
1		Risk-free zero coupon bond	857,187	497,138	316,001	210,109	x	x	x	x	x	x	x	
2		FTSE All Share Index (p=1)	118,806	251,419	352,130	429,395	227,553	399,734	522,262	618,093	554,807	752,204	900,299	1,022,259
3		FTSE All Share Index (p=0.8)	110,880	200,940	256,554	288,589	212,859	320,984	383,373	419,125	519,595	609,614	665,355	699,809
4		Property (p=1)	33,671	106,873	176,549	246,420	135,341	240,492	328,829	416,758	521,281	613,774	711,411	809,984
5		Property (p=0.8)	28,375	69,057	102,391	133,720	118,685	165,897	202,918	237,736	480,909	457,664	470,271	493,707
6		15 year risk free zero coupon bonds (p=1)	16,800	14,944	15,759	28,210	86,276	74,555	93,138	144,746	500,117	498,578	510,459	549,802
7		15 year risk free zero coupon bonds (p=0.8)	14,103	7,327	4,741	4,128	73,066	34,226	22,589	24,868	455,342	308,542	233,337	217,090
8		15 year corporate bonds (p=1)	20,619	23,135	32,072	50,427	94,712	99,581	121,332	165,780	499,213	496,392	513,943	555,546
9		15 year corporate bonds (p=0.8)	17,526	11,425	10,316	11,722	80,864	50,265	43,117	46,200	455,102	314,611	249,854	234,065
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	69,919	164,427	249,372	320,595	167,441	296,493	402,150	490,945	519,704	649,092	769,598	879,332
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	63,605	123,552	169,579	200,250	153,116	224,553	276,723	311,663	480,329	502,558	537,923	566,706
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	65,679	149,541	222,247	287,316	159,679	274,789	369,716	452,709	513,529	617,442	729,095	829,051
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	59,776	111,286	147,570	172,714	145,795	206,088	247,965	278,668	473,539	472,937	501,777	526,838
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)	34,771	85,944	139,520	193,602	118,042	194,051	268,504	341,815	502,606	549,919	626,384	711,124
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)	30,356	57,526	79,667	99,273	104,407	131,947	161,116	186,094	459,468	395,250	395,536	411,558
			L=15				L=20				L=25			
16		Receiver swaptions	5.05%	6.82%	5.90%	4.60%	6.71%	8.45%	7.22%	5.64%	8.20%	9.83%	8.32%	6.50%

6(4)(a)(iv) For UK, the initial equity yield is 3.44% and the initial property rental yield is 4.3%. For US, the initial equity yield is 2.11 % and no property is held in the US. For Japan, the initial equity yield is 1.50% and no property is held in Japan.

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	2.874%	4.952%	5.113%	5.037%
1	Risk-free zero coupon bond	867,895	484,317	287,449	179,040
2	S&P 500 Index (p=1)	234,792	424,463	560,189	650,777

Asset type (all JPY assets)		K=1			
N		5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period	0.616%	2.010%	2.440%	2.557%
1	Risk-free zero coupon bond	969,778	741,877	547,405	413,210
2	Nikkei 225 Index (p=1)	242,193	413,845	537,190	630,393

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 #	9		
Unitised Life Regular Premium business with guaranteed annual increments			8	
Unitised Life Regular Premium business without guaranteed annual increments			6	
Unitised Pensions business with guaranteed annual increments			8	7
Unitised Pensions business without guaranteed annual increments			7	7
Personal Retirement Plan	6	6	7	7
Buy Out Plan	8		8	7

# 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 ATM European Put Option)

Term	1	2	3	4	5	10
Market: Total for relevant market option (%)	23.05	24.20	24.83	25.31	25.61	26.52
Model: Values (%)	24.38	25.21	25.04	25.61	25.87	26.11
Model: Excess over relevant market option (bps)	132.97	100.76	20.49	29.54	25.26	-40.87

Market prices for UK equity options are not readily available beyond 10 year terms.

### 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 (%)	19.87	18.96	17.76	16.78	15.82	14.33	13.54	13.88	14.06	13.70	14.20
Model: Values (%)	20.40	17.69	16.96	16.32	15.99	15.17	13.96	13.44	13.23	12.57	12.17
Model: Excess over relevant market swaption (%)	0.53	-1.27	-0.80	-0.46	0.17	0.84	0.42	-0.44	-0.83	-1.13	-2.03

Market prices for UK swaptions are not readily available beyond 30 year terms.

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. Use of the Enhanced LIBOR Market Model allowed an improved fit to swaption volatilities, especially in the short term.

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 2009. 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:

<b>Equity backing ratio of the with-profits benefits reserve</b>	<b>Current financial year</b>	<b>After 5 years</b>	<b>After 10 years</b>
Scenario (i) – Risk free return	38%	40%	41%
Scenario (ii) – High sensitivity	39%	41%	42%
Scenario (iii) – Low sensitivity	37%	38%	39%

<b>Scenario (i) - Risk free return</b>	<b>2009</b>	<b>2014</b>	<b>2019</b>
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.62 %	0.61 %	0.75 %
Unit Life Regular premiums without guaranteed annual increments	3.44 %	2.38 %	2.72 %
Unit Life Growth bonds with guaranteed annual increments	0.94 %	0.00 %	0.00 %
Unit Life Growth bonds without guaranteed annual increments	2.76 %	0.78 %	1.14 %
Unit Life Income bonds without guaranteed annual increments	3.61 %	0.66 %	1.82 %
Unitised Pensions business with guaranteed annual increments	1.62 %	0.86 %	1.25 %
Unitised Pensions business without guaranteed annual increments	2.81 %	2.98 %	3.11 %
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.50 %	1.73 %	1.65 %
Unit Life Regular premiums with guaranteed annual increments	1.42 %	1.68 %	1.62 %
Unitised Pensions business with guaranteed annual increments	1.79 %	1.83 %	1.90 %

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>	2009	2014	2019
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.62 %	0.78 %	1.06 %
Unit Life Regular premiums without guaranteed annual increments	3.44 %	2.88 %	3.38 %
Unit Life Growth bonds with guaranteed annual increments	0.94 %	0.00 %	0.00 %
Unit Life Growth bonds without guaranteed annual increments	2.76 %	1.21 %	1.73 %
Unit Life Income bonds without guaranteed annual increments	3.61 %	0.87 %	2.01 %
Unitised Pensions business with guaranteed annual increments	1.62 %	1.12 %	1.71 %
Unitised Pensions business without guaranteed annual increments	2.81 %	3.46 %	4.07 %
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.50 %	1.98 %	1.90 %
Unit Life Regular premiums with guaranteed annual increments	1.42 %	1.92 %	1.87 %
Unitised Pensions business with guaranteed annual increments	1.79 %	1.86 %	1.89 %

<b>Scenario (iii) - Low sensitivity</b>	2009	2014	2019
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.62 %	0.53 %	0.51 %
Unit Life Regular premiums without guaranteed annual increments	3.44 %	2.03 %	2.17 %
Unit Life Growth bonds with guaranteed annual increments	0.94 %	0.00 %	0.00 %
Unit Life Growth bonds without guaranteed annual increments	2.76 %	0.51 %	0.59 %
Unit Life Income bonds without guaranteed annual increments	3.61 %	0.57 %	1.68 %
Unitised Pensions business with guaranteed annual increments	1.62 %	0.72 %	0.74 %
Unitised Pensions business without guaranteed annual increments	2.81 %	2.46 %	2.58 %
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.50 %	1.48 %	1.39 %
Unit Life Regular premiums with guaranteed annual increments	1.42 %	1.44 %	1.37 %
Unitised Pensions business with guaranteed annual increments	1.79 %	1.81 %	1.91 %

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			3.8%
CWP target cash endowment	surrender				3.8%
UWP savings endowment	surrender	7.3%	6.4%	6.4%	5.2%
UWP target cash endowment	surrender	7.3%	6.4%	6.4%	5.2%
UWP bond	surrender	2.6%	6.9%	7.3%	6.7%
UWP bond	automatic withdrawals	100% of current			
CWP pension regular premium	PUP	7.1%	7.1%	7.1%	7.1%
CWP pension regular premium	surrender	0.9%	0.9%	1.4%	1.4%
CWP pension single premium	surrender	3.5%	3.5%	3.5%	3.5%
UWP individual pension regular premium	PUP	14.3%	12.1%	9.9%	7.9%
UWP individual pension regular premium	surrender	3.0%	3.0%	3.0%	3.0%
UWP individual pension single premium	surrender	5.8%	5.7%	5.6%	5.7%

An additional decrement of 8.6% for With-Profits Income Bonds and 12.5% 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	2.5%	5%	7.5%
2014	91%	57%	39%
2018	92%	61%	46%
2022	92%	65%	52%

Rates of annuitant mortality assumed:

	Males	Females
<b>Base Mortality Table</b>		
Personal Retirement Plan	85% PCMA00	77% PCFA9200
Buy Out Plan	91% PCMA00	93% PCFA00
Guaranteed Annuity Options	91% PCMA00	See footnote
<b>Mortality improver</b>		
Personal Retirement Plan	CMI MC, Base date 31/12/07 with a minimum of 1.5% at ages up to 90 tapering to 0% at 120	75% CMI MC, Base date 31/12/07 with a minimum of 1.0% at ages up to 90 tapering to 0% at 120
Buy Out Plan	CMI MC, Base date 31/12/07 with a minimum of 1.5% at ages up to 90 tapering to 0% at 120	75% CMI MC, Base date 31/12/07 with a minimum of 1.0% at ages up to 90 tapering to 0% at 120
Guaranteed Annuity Options	CMI MC, Base date 31/12/07 with a minimum of 1.5% at ages up to 90 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 and 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.

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	20.6%
Age 61 - 64	7.8%
Age 65	34.6%
Age 66 - 69	14.0%
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 & 47 of form 19:

- Reserves relating to future costs in respect of regulatory reviews and other compensation: £193m
- Reserves relating to future shareholder transfers and associated tax in excess of the amounts expected to be charged to the with-profits benefits reserve: £138m.

No value is attributed to future tax relief within lines 46 & 47.

### Realistic Current Liabilities

9 Current liabilities comprise:

	£m
Claims outstanding	100
Creditors arising out of Insurance Operations	5
Tax Liabilities	796
Other Creditors	265
Accruals and deferred income	1
Other provisions	74
	1,241

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	1,206
Change in Tax Provisions	35
Realistic Current Liabilities	1,241

### Risk Capital Margin

10(a)(i) The risk capital margin is £241m.

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 and Japan were significant territories 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 and 28.8% for Japanese equities. A fall in the market value of overseas equities in significant territories was the most onerous scenario; for the purposes of the Risk Capital Margin a 0% 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 0.778%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 4.55%. 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 0.778% 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 65 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 3.6%
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 4.0%

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 31.8% and results in an overall increase in the realistic value of liabilities of 0.6%.

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	95
Approved Fixed Interest Securities	3,974
Other Fixed Interest Securities	3,764
Variable Interest Securities	118
UK Listed Equity Shares	1,993
Non-UK Listed Equity Shares	1,851
Unlisted Equity Shares	947
All other assets shown in Form 48	2,798
Assets invested in Internal Linked Funds	13
Present value of future profits on non-profit insurance contracts written in the With Profits Sub Fund	0
<b>Total</b>	<b>15,553</b>

- 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 2009.
- £29m of sold equity futures
  - A £3m asset and a £6m liability in respect of currency forwards selling euros and dollars for sterling with a £506m sold position.
  - A £35m asset and a £42m liability in respect of interest rate swaps, with a £500m bought position and a £417m sold position.
  - A £6m liability in respect of property swaps with a £250m bought position
  - A £22m asset in respect of equity index put options with a £177m sold 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	641
Investment Return on Opening Working Capital	-40
Mismatch Profits and Losses on assets backing the future policy related liabilities	-11
Modelling changes and opening adjustments	32
Economic Assumption Changes	389
Non-Economic Assumption Changes	35
Policyholder Action Assumption Changes	-32
Regulatory Change	0
Management Actions	1
Impact of New Business	-34
Change in Other Liabilities of lines 47 and 51 of Form 19	-80
Other Economic Variances	-7
Other Non-Economic Variances	-53
Closing Working Capital	841

Returns under the Accounts and Statements Rules

## **Directors' Certificate**

### **Legal & General Assurance Society Limited**

#### **Global business**

#### **Financial year ended 31 December 2009**

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 COB 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.

**T. J. Breedon**

Chairman

**N. D. Wilson**

Director

**G. J. Hoskin**

Director

## **Legal & General Assurance Society Limited**

### **Global business**

#### **Financial year ended 31 December 2009**

#### **Report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

We have examined the following documents prepared by the company 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 Insurance Prudential Sourcebook ("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 3 to 59, 69 to 74, 119, 122 to 124, 127 to 146 and 150 ("the Forms");
- the statement required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on pages 151 to 153 and 156 ("the Statements");
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report") on pages 158 to 226; and
- the statements, analysis and reports required by IPRU(INS) rule 9.31(b) ("the realistic valuation report") on pages 227 to 248.

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

- Forms 46 to 47, 50 to 55, 57, 59A and 59B (including the supplementary notes) on pages 60 to 68, 75 to 118, 120 to 121, 125 to 126 and 145 to 150;
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36 on pages 157, 154 to 155 and 254; and
- the certificate required by IPRU(INS) rule 9.34 on pages to 249 to 250 ("the certificate").

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

The company is responsible for the preparation of an annual return (including the Forms, the Statements, the valuation report, the realistic valuation report), the forms and statements not examined by us and the certificate under the provisions of the Rules. The requirements of the Rules have been modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 on 30 May 1997, 25 July 2005, 4 August 2005, 30 January 2006, 29 September 2006, 20 December 2006, 4 May 2007, 6 June 2008 and 3 November 2009. Under IPRU(INS) rule 9.11 the Forms, the Statements, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate 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 company and used to perform the actuarial investigation as set out in the valuation report, and the realistic valuation

report, prepared in accordance with IPRU(INS) rule 9.31 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, the valuation report and the realistic valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination. This report has been prepared for the directors of Legal & General Assurance Society Limited 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, the valuation report and the realistic valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statements, the valuation report and the realistic valuation report.

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, Statements, the valuation report and the realistic valuation report 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 Statement, the valuation report and the realistic valuation report 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 report and the realistic valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3

PricewaterhouseCoopers LLP  
Chartered Accountants

29 March 2010

**Rule 9.36: Information on the actuary who has been appointed to perform the with-profits actuary function**

(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 2009</u>	<u>As at 31 December 2009</u>
132,368	165,353

In addition, on 31 December 2009 under Legal & General Group Plc's share option schemes, the Actuary had options outstanding to subscribe for 166,784 ordinary shares of 2½p each.

The Actuary participates in the Group's Performance Share Plan for 2008 and 2009 in respect of a conditional base award totalling 255,597 shares.

During 2007, 2008 and 2009 the Actuary participated in the Group's Share Bonus Plan in respect of a conditional base award totalling 64,360 shares.

(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) ISA issued by a subsidiary of Legal & General Group Plc. 6,217 units in L&G UK Index Trust,
- (ii) Personal Equity Plan issued by a subsidiary of Legal & General Group Plc. 9,102 units in L&G UK Index Trust and 9,163 units in L&G European Index Trust.

(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 2009 amounted to £166,056.

(d) **Any Other Pecuniary Benefit**

No other pecuniary benefits received or receivable from the Company.

The Actuary as an employee of Legal & General Resources Limited, is entitled to the normal range of employee benefits available to senior staff, including membership of the Legal & General U.K. Senior Pension Scheme.

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.