

# **Legal & General Assurance Society Limited**

## **Annual Returns to Financial Services Authority for the year ended 31 December 2011**



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 2011**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R1</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</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>	2998653	3071042
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2945653	3018042
Capital resources available to cover general insurance business capital resources requirement (11-12)	<b>13</b>	53000	53000

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	50518	50516
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	2482	2484

**Minimum capital requirement (MCR)**

General insurance capital requirement	<b>31</b>	630	630
Base capital resources requirement	<b>33</b>	3056	3040
Individual minimum capital requirement	<b>34</b>	3056	3040
Capital requirements of regulated related undertakings	<b>35</b>	49499	49503
Minimum capital requirement (34+35)	<b>36</b>	52555	52543
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	26723	26728
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	13584	13593

**Capital resources requirement (CRR)**

Capital resources requirement	<b>41</b>	52555	52543
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	<b>42</b>	445	457

**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**

Name of insurer	<b>Legal &amp; General Assurance Society Limited</b>
Global business	
Financial year ended	<b>31 December 2011</b>

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

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

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**M J Gregory**  
**Director**

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Date 28 March 2012

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

Global business

Financial year ended **31 December 2011**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R2</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
					<b>1</b>	<b>2</b>

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	2738666	2858937
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2945653	3018042
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	5684319	5876979

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	985136	960950
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	4699183	4916029

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	2371901	2280724
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	3056	3040
Individual minimum capital requirement	<b>34</b>	2371901	2280724
Capital requirements of regulated related undertakings	<b>35</b>	196271	202995
Minimum capital requirement (34+35)	<b>36</b>	2568172	2483719
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	4400233	4635120
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	3758190	4014190

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	381780	247485
Enhanced capital requirement	<b>40</b>	2949952	2731204

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	2949952	2731204
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	2734367	3145775

**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 2011**

	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>2011</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	2669981	2722981	3215772
Share premium account	<b>13</b>		1048914	1048914	1048914
Positive valuation differences	<b>14</b>		951933	951933	
Fund for future appropriations	<b>15</b>		1091434	1091434	1445654
Core tier one capital in related undertakings	<b>16</b>		216501	216501	591500
Core tier one capital (sum of 11 to 16)	<b>19</b>	53000	6180193	6233193	6503270

**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	6180193	6233193	6503270
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		193885	193885	
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				31103
Deductions in related undertakings	<b>36</b>		428	428	1391
Deductions from tier one (32 to 36)	<b>37</b>		194313	194313	32494
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	53000	5985880	6038880	6470776



**Components of capital resources**

Name of insurer

**Legal & General Assurance Society Limited**

Global business

Financial year ended

**31 December 2011**

	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>2011</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 2011**

	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>2011</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>	53000	5985880	6038880		6470776
Inadmissible assets other than intangibles and own shares	<b>73</b>		301561	301561		540797
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	5684319	5737319		5929979

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

Available capital resources for guarantee fund requirement	<b>81</b>	53000	5684319	5737319		5929979
Available capital resources for 50% MCR requirement	<b>82</b>	53000	5684319	5737319		5929979
Available capital resources for 75% MCR requirement	<b>83</b>	53000	5684319	5737319		5929979

**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 2011**

General insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	166055	GL	31	12	2011	£000
				This financial year 1		Previous year 2	
Gross premiums written			11	6020		3940	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13	6020		3940	
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	6020		3940	
Gross premiums earned			21	5302		3884	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23	5302		3884	
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	5302		3884	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30	6020		3940	
<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	1084		709	
	Excess (if any) over 57.5M EURO x 0.02		33				
<b>Sub-total J (32-33)</b>			34	1084		709	
Claims paid in period of 3 financial years			41	15		112	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42	71		108	
	For insurance business accounted for on an accident year basis		43	618		634	
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44	299		257	
	For insurance business accounted for on an accident year basis		45	2046		1820	
<b>Sub-total C (41+42+43-44-45)</b>			46	(1641)		(1223)	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	(930)		(634)	
<b>Sub-total D (46-47)</b>			48	(711)		(589)	
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49	0.50		0.50	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50	542		355	
Provision for claims outstanding (before discounting and net of reinsurance)			51	689		675	
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	630		630	
Greater of lines 50 and 53			54	630		630	

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

Global business

Financial year ended **31 December 2011**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	166055	GL	31	12	2011	£000
				This financial year 1		Previous year 2	
Gross premiums written			11			173535	210504
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			173535	210504
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			65677	65044
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			129751	167141
Gross premiums earned			21			173535	210504
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			173535	210504
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			65677	65044
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			129751	167141
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			129751	167141
<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			23355	30085
	Excess (if any) over 57.5M EURO x 0.02		33			1591	2344
<b>Sub-total J (32-33)</b>			34			21764	27742
Claims paid in period of 3 financial years			41			210558	169921
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			421197	371295
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			337925	305473
<b>Sub-total C (41+42+43-44-45)</b>			46			293830	235743
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			82271	57790
<b>Sub-total D (46-47)</b>			48			211559	177952
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.72	0.75
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			15670	20941
Provision for claims outstanding (before discounting and net of reinsurance)			51			352732	330150
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53			20941	9946
Greater of lines 50 and 53			54			20941	20941

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

Global business

Financial year ended **31 December 2011**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2011	£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	15		112	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	71		108	
	For insurance business accounted for on an accident year basis			23	618		634	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	299		257	
	For insurance business accounted for on an accident year basis			25	2046		1820	
Claims incurred in reference period (21+22+23-24-25)				26	(1641)		(1223)	
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29	(1641)		(1223)	
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31	(547)		(408)	
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	(142)		(106)	
	Excess (if any) over 40.3M EURO x 0.03			33				
<b>Sub-total G (32-33)</b>				39	(142)		(106)	
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41	(71)		(53)	
Higher of premiums amount and brought forward amount (11.54)				42	630		630	
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	630		630	

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

Global business

Financial year ended **31 December 2011**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2011	£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	210558			169921
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	421197			371295
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	337925			305473
Claims incurred in reference period (21+22+23-24-25)				26	293830			235743
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	226114			208806
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29	143087			96538
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31	47696			32179
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	12401			8367
	Excess (if any) over 40.3M EURO x 0.03			33	375			
<b>Sub-total G (32-33)</b>				39	12026			8367
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41	8658			6316
Higher of premiums amount and brought forward amount (11.54)				42	20941			20941
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	20941			20941

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

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21	132902	101852
	Debts and loans	22		
Other insurance dependants	Shares	23	146117	233556
	Debts and loans	24		
Non-insurance dependants	Shares	25	2330636	2431357
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	504485	479142	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	928386	477884	
Rights under derivative contracts	44	2167	117	
Fixed interest securities	Approved	45	133265	127529
	Other	46	94296	99064
Variable interest securities	Approved	47	85589	
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55	770	770
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

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

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	60		
Claims outstanding	61		67
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	2766	2011
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	414774	300157
	due in more than 12 months	79		

**Other assets**

Tangible assets	80	8508	11191
Deposits not subject to time restriction on withdrawal with approved institutions	81	31502	9701
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4834	4609
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	14095	15627

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4835092	4294634
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**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4835092	4294634
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	119516	118385
Capital resources requirement deduction of regulated related undertakings	94	245770	252498
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	429	1565
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(587345)	(76686)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(856495)	(1497430)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	3756967	3092966
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	470269	352080

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

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	166055	GL	31	12	2011	£000	10
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings				11			132254	134693

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	997240	992970
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares		41	3818182	4537378
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	1149609	1143365
Rights under derivative contracts		44	166787	90947
Fixed interest securities	Approved	45	4099907	4071061
	Other	46	6147510	5695071
Variable interest securities	Approved	47	20736	11723
	Other	48	63382	89139
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	245	297
Other loans		53	5154	5210
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	489217	201475
	More than one month withdrawal	55	176040	686054
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	141514	127537
	Property linked	59	24244229	25695585

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

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	43163	33537
	Intermediaries	72	13	24
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	134663	105087
	Ceded	75	7545	11824
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	447692	623169
	due in more than 12 months	79	6097	

**Other assets**

Tangible assets	80	27672	17211
Deposits not subject to time restriction on withdrawal with approved institutions	81	86302	84115
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	79562	273541
Accrued interest and rent	84	209803	222058
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	48	11

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	42694566	44853082
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**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2011**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>2011</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>	42694566	44853082
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	185948	237359
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>	1412	339119
Deferred acquisition costs excluded from line 89	<b>99</b>	749493	788189
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	29896807	26290093
Other asset adjustments (may be negative)	<b>101</b>	84203	581015
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>	73612429	73088857
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	104679	104456

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

Global business

Financial year ended **31 December 2011**Category of assets **With Profits Part of Fund**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	166055	GL	31	12	2011	£000	11
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings				<b>11</b>			121953	124202

**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>	935070	931057
	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>	3800610	4518869	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	1100182	1128774	
Rights under derivative contracts	<b>44</b>	164817	83555	
Fixed interest securities	Approved	<b>45</b>	4058665	4024950
	Other	<b>46</b>	5676949	5571545
Variable interest securities	Approved	<b>47</b>	20736	11723
	Other	<b>48</b>	50026	89139
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>	100	152	
Other loans	<b>53</b>	5154	5210	
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	460663	190035
	More than one month withdrawal	<b>55</b>	161385	596771
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	41129	38215
	Property linked	<b>59</b>	8299958	9018171

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

Global business

Financial year ended **31 December 2011**Category of assets **With Profits Part of Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	2696	1753
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	63	
	Ceded	75		3
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	518443	531274
	due in more than 12 months	79	5622	

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	51853	57623
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	204451	219233
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	46	10

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	25680571	27142264
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**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2011**Category of assets **With Profits Part of Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	25680571	27142264
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	47463	54931
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		336610
Deferred acquisition costs excluded from line 89	99	122206	139403
Reinsurers' share of technical provisions excluded from line 89	100	247942	229332
Other asset adjustments (may be negative)	101	(469305)	(461655)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	25628877	27440885
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit & balancing items**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	166055	GL	31	12	2011	£000	12
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings				<b>11</b>			10301	10491

**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>	62170	61913
	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>	17572	18509
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	49427	14591
Rights under derivative contracts		<b>44</b>	1970	7392
Fixed interest securities	Approved	<b>45</b>	41242	46111
	Other	<b>46</b>	470561	123526
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>	13356	
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>	145	145
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	28554	11440
	More than one month withdrawal	<b>55</b>	14655	89283
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	100385	89322
	Property linked	<b>59</b>	15944271	16677414



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

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit & balancing items**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	40467	31784
	Intermediaries	72	13	24
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	134600	105087
	Ceded	75	7545	11821
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	(70751)	91895
	due in more than 12 months	79	475	

**Other assets**

Tangible assets	80	27672	17211
Deposits not subject to time restriction on withdrawal with approved institutions	81	34449	26492
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	79562	273541
Accrued interest and rent	84	5352	2825
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2	1

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	17013995	17710818
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**Analysis of admissible assets**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit & balancing items**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	166055	GL	31	12	2011	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	17013995	17710818
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	138485	182428
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>	1412	2509
Deferred acquisition costs excluded from line 89	<b>99</b>	627287	648786
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	29648865	26060761
Other asset adjustments (may be negative)	<b>101</b>	553508	1042670
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>	47983552	45647972
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	104679	104456

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **Summary**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	38519083	40659462	
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>	942332	848316	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	39461415	41507778	
Claims outstanding	Gross	<b>15</b>	329076	339988
	Reinsurers' share	<b>16</b>	116197	115064
	Net (15-16)	<b>17</b>	212879	224924
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	159680	174129
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	38202	31499
	Reinsurance accepted	<b>32</b>	1543	1288
	Reinsurance ceded	<b>33</b>	15048	20196
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	62	329	
Creditors	Taxation	<b>37</b>	191640	552709
	Other	<b>38</b>	816953	328453
Accruals and deferred income	<b>39</b>	810	1156	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1436817	1334683	
Excess of the value of net admissible assets	<b>51</b>	1796334	2010621	
Total liabilities and margins	<b>59</b>	42694566	44853082	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	9974	12083
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	24201268	25645603

Total liabilities (11+12+49)	<b>71</b>	39955900	41994145
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	29896807	26290093
Other adjustments to liabilities (may be negative)	<b>74</b>	1228155	2007154
Capital and reserves and fund for future appropriations	<b>75</b>	2531567	2797465
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>	73612429	73088857

**Long term insurance business liabilities and margins**

Name of insurer **Legal & General Assurance Society Limited**  
Global business  
Financial year ended **31 December 2011**  
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>	22756131	24118649	
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>	22759609	24122127	
Claims outstanding	Gross	<b>15</b>	99929	103219
	Reinsurers' share	<b>16</b>	639	823
	Net (15-16)	<b>17</b>	99290	102396
Provisions	Taxation	<b>21</b>	7104	72766
	Other risks and charges	<b>22</b>	79700	86800
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	2959	3485
	Reinsurance accepted	<b>32</b>		65
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	62	149	
Creditors	Taxation	<b>37</b>	476910	699614
	Other	<b>38</b>	457857	43175
Accruals and deferred income	<b>39</b>	746	1066	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1124628	1009516	
Excess of the value of net admissible assets	<b>51</b>	1796334	2010621	
Total liabilities and margins	<b>59</b>	25680571	27142264	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	733	785
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	8282485	8995291

Total liabilities (11+12+49)	<b>71</b>	23880759	25128165
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>		

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **Non Profit & balancing items**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	15762952	16540813	
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>	938854	844838	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	16701806	17385651	
Claims outstanding	Gross	<b>15</b>	229147	236769
	Reinsurers' share	<b>16</b>	115558	114241
	Net (15-16)	<b>17</b>	113589	122528
Provisions	Taxation	<b>21</b>	(7104)	(72766)
	Other risks and charges	<b>22</b>	79980	87329
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	35243	28014
	Reinsurance accepted	<b>32</b>	1543	1223
	Reinsurance ceded	<b>33</b>	15048	20196
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>		180	
Creditors	Taxation	<b>37</b>	(285270)	(146905)
	Other	<b>38</b>	359096	285278
Accruals and deferred income	<b>39</b>	64	90	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	312189	325167	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	17013995	17710818	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	9241	11298
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	15918783	16650312

Total liabilities (11+12+49)	<b>71</b>	16075141	16865980
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>		

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

Global business

Financial year ended **31 December 2011**

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>2011</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>	2628	1910
Claims outstanding	<b>12</b>	689	742
Provision for unexpired risks	<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>	
	Other than credit business	<b>15</b>	1939 1277
Other technical provisions	<b>16</b>		
Total gross technical provisions (11 to 16)	<b>19</b>	5256	3929

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	423591	423594
Deposits received from reinsurers	<b>31</b>			
Creditors	Direct insurance business	<b>41</b>	316	317
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>	92	100
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions	<b>46</b>			
Creditors	Taxation	<b>47</b>	15814	5128
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	1527380	935274
Accruals and deferred income	<b>51</b>	109760	107748	
Total (19 to 51)	<b>59</b>	2082209	1476090	
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>	2082209	1476090	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>	1480863	901531
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(858434)	(1497430)
Capital and reserves	<b>84</b>	2533192	3114306
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>	3756967	3092966

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

Global business

Financial year ended **31 December 2011**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
				<b>This financial year</b>			<b>Previous year</b>	
				<b>1</b>			<b>2</b>	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>			5405	3946	
	Equalisation provisions		<b>12</b>			(662)	(433)	
Transfer from the long term insurance business revenue account			<b>13</b>			240976	195657	
Investment income	Income		<b>14</b>			95389	151128	
	Value re-adjustments on investments		<b>15</b>				50291	
	Gains on the realisation of investments		<b>16</b>				10160	
Investment charges	Investment management charges, including interest		<b>17</b>			2560	1857	
	Value re-adjustments on investments		<b>18</b>			5403		
	Loss on the realisation of investments		<b>19</b>			49241		
Allocated investment return transferred to the general insurance business technical account			<b>20</b>					
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>			(65233)	(31242)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			218671	377650	
Tax on profit or loss on ordinary activities			<b>31</b>			10017	9721	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			208654	367929	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>					
Tax on extraordinary profit or loss			<b>42</b>					
Other taxes not shown under the preceding items			<b>43</b>					
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			208654	367929	
Dividends (paid or foreseeable)			<b>51</b>			500000	300000	
Profit or loss retained for the financial year (49-51)			<b>59</b>			(291346)	67929	

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

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	166055	GL	31	12	2011	£000	1
<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>				10332			99183
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>		1781				107127	
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>		362		19		610	11084
	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>							
	Other	<b>36</b>		24				65	
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>		2167		10351		107802	110267
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>		2167		10351			

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 2011**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	166055	GL	31	12	2011	£000	10
<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>		1270		308986			
	Interest rates	<b>12</b>	108067	101692		704300		648124	
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>	3358	3028		250000			
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	2539	994		160183		49367	
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	18534	16631		91107		1214570	
	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>	32554					261279	
	Equity stock puts	<b>35</b>	1305					86963	
	Other	<b>36</b>	430			794			
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>	166787	123615		1206384		2569289	
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	166787	123615					

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

Global business

Financial year ended **31 December 2011**Category of assets **With Profits Part of Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	166055	GL	31	12	2011	£000	11
<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>	108067		101692		704300		648124
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>	3358		3028		250000		
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	2539		994		160183		49367
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	17869		6554		91107		754046
	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>	32554						261279
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>	430				794		
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>	164817		112268		1206384		1712816
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	164817		112268				

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 2011**Category of assets **Non Profit & balancing items**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	166055	GL	31	12	2011	£000	12
<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>			1270			308986	
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>							
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	665		10077			460524	
	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>	1305					86963	
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	1970		11347			856473	
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	1970		11347				

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 2011**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>	25680571	27142264
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	10653061	11358673
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	121871	121404
	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>	14905639	15662187
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	12103070	12759976
	Regulatory current liabilities of the fund	<b>22</b>	1124628	1009516
	Total (21+22)	<b>29</b>	13227698	13769492
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	499545	525955
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>	13727243	14295447
Regulatory excess capital (19-39)		<b>49</b>	1178396	1366740

**Realistic excess capital**

Realistic excess capital	<b>51</b>	618058	758548
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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>	560338	608192
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>	178558	360707
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>	381780	247485

**Realistic balance sheet**Name of insurer **Legal & General Assurance Society Limited**With-profits fund **With Profits Part of Fund**Financial year end: **31 December 2011**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>	14905639	15662187
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>	397317	551984
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>	15302956	16214171
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	15302956	16214171

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	11857265	13052163	
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>	20445	16551
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	36543	8242
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	33913	38254
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	918429	625188
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	234227	142589
	Future costs of smoothing (possibly negative)	<b>44</b>	150367	98051
	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>	270412	320779
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1523424	1156662	
Realistic current liabilities of the fund	<b>51</b>	1175533	1052774	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	14556222	15261599	

**Realistic balance sheet**

Name of insurer **Legal & General Assurance Society Limited**  
 With-profits fund **With Profits Part of Fund**  
 Financial year ended **31 December 2011**  
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**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>	14684898	15455623
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>	14684898	15455623
Risk capital margin for fund (62-59)	<b>65</b>	128676	194024
Realistic excess capital for fund (26-(59+65))	<b>66</b>	618058	758548
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	618058	758548
Working capital for fund (29-59)	<b>68</b>	746734	952572
Working capital ratio for fund (68/29)	<b>69</b>	4.88	5.87

**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>	300000	350000
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 2011**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2011	£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			
001	Total business	1	6020	689			2628	
002	Total primary (direct) and facultative business	2		676				
003	Total treaty reinsurance accepted business	3	6020	13			2628	
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		66				
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		136				
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		416				
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		58				
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	6020	13			2628	
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	6020	689			2628	

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

Global business

Financial year ended **31 December 2011**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2011	£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		66		
223	Motor other	43				
261	Commercial property	44		136		
262	Consequential loss	45				
263	Contractors or engineering all risks	46				
271	Employers liability	47		416		
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 2011**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2011	£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		29		
343	Energy (on and off-shore)	66				
344	Protection and indemnity	67				
345	Freight demurrage and defence	68		29		
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	6020	13		2628
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>	6020	689		2628
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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 2011****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>2011</b>	<b>£000</b>	<b>001</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11							
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22				276	583		
	Claims management costs (22.14.4)	23							
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26				(330)	(643)		
	Balance (21-22-23+24+25-26)	29				54	60		
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				5351	3886		
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39				5351	3886		
Balance of all years' underwriting (19+29+39)		49				5405	3946		
Allocated investment income		51							
Transfer to non-technical account (49+51)		59				5405	3946		

**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 2011****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	166055	GL	31	12	2011	£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	634		21		618	5	
	Reinsurers' share	12	67		(204)			(271)	
	Net (11-12)	13	567		225		618	276	
	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			(330)			(330)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(330)			(330)	
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			(330)			(330)	
	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 2011****Total business**

										Company registration number	GL/UK/CM	day month year			Units	Category number	
										<b>R23</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>	<b>001</b>
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %			
Month	Year					Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)								
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>			
12	2011	<b>11</b>															
12	2010	<b>12</b>															
12	2009	<b>13</b>															
12	2008	<b>14</b>															
12	2007	<b>15</b>															
12	2006	<b>16</b>															
12	2005	<b>17</b>															
12	2004	<b>18</b>															
12	2003	<b>19</b>															
12	2002	<b>20</b>															
Prior accident years		<b>21</b>			225	618		567		276							
Reconciliation		<b>22</b>															
Total (11 to 22)		<b>29</b>			225	618		567		276							

**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 2011**

**Total business**

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Company registration number		GL/UK/CM		day month year			Units		Category number		Total all previous columns								
			MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	99	99						
			29	29	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	12	07	166055	GL	31	12	2011	£000	001									
Premiums written	Gross amount	11																																		6020	6020					
	Reinsurers' share	12																																								
	Net (11-12)	19																																			6020	6020				
Claims paid	Gross amount	21		(12)																																			(12)			
	Reinsurers' share	22																																								
	Net (21-22)	29		(12)																																			(12)			
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	108																																				2018		
		Adjustment for discounting	52																																							
	Carried forward	Undiscounted	53	71																																					2628	
		Adjustment for discounting	54																																							
	Increase (decrease) in the financial year (53-54-51+52)	59		(37)																																				(1910)	2628	681
Balance on each underwriting year (19-29-39-49-59)		69		49																																				1910	3392	5351

**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 2011****Total business**

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
			29	29	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	12	11	99	99						
Reported claims outstanding	Gross amount	11	71																												71	
	Reinsurers' share	12																														
Claims incurred but not reported	Gross amount	13																														
	Reinsurers' share	14																														
Claims management costs		15																														
Adjustment for discounting	Gross amount	16																														
	Reinsurers' share	17																														
	Claims management costs	18																														
Allocation to/(from) another risk category of anticipated surplus		19																														
Balance of the fund		20																														
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21	71																												71	
Provision for unearned premiums		22																													2628	
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	71																												2628	

Company registration number

GL/UK/CM

day month year

Units

Category number

R25

166055

GL

31

12

2011

£000

001

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

Global business

Financial year ended **31 December 2011**

				Company registration number	GL/ UK/ CM	day month year			Units	
						R37	166055	GL		31
<b>Calculation of the maximum provision</b>	Business grouping A (property)	Business grouping B (business interruption)	Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non- proportional treaty)	All business groupings				Credit insurance business
	1	2	3	4	5	6				7
Total net premiums written in the previous 4 years	11				11616					
Net premiums written in the current year	12				6020					
Maximum provision	13				3307		3307			

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

Equalisation provision brought forward	21				1277	1277		
Transfers in	22				662	662		
Total abnormal loss	23							
Provisional transfers out	24							
Excess of provisional transfer out over fund available	25							
Provisional amount carried forward (21+22-24+25)	26					1939		
Excess, if any, of 26 over 13	27							
Equalisation provision carried forward (26-27)	28					1939		
Transfer in/(out) for financial year (28-21)	29					662		

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

Global business

Financial year ended **31 December 2011**

		Company registration number	GL/UK/CM	day month year			Units
		<b>R39</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>
		Business grouping A (property) <b>1</b>	Business grouping B (business interruption) <b>2</b>	Business grouping C (marine and aviation) <b>3</b>	Business grouping D (nuclear) <b>4</b>		Business grouping E (non-proportional treaty) <b>5</b>
<b>Other than credit business</b>							
Net premiums written	<b>11</b>						6020
Claims net of reinsurance	<b>12</b>						
Trigger claims value	<b>13</b>						6020
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 2011**  
 Units **£000**

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

**Income**

Earned premiums	11	2423487	2219414
Investment income receivable before deduction of tax	12	1502229	1564495
Increase (decrease) in the value of non-linked assets brought into account	13	236637	357449
Increase (decrease) in the value of linked assets	14	(1249696)	1944933
Other income	15		
<b>Total income</b>	<b>19</b>	2912657	6086291

**Expenditure**

Claims incurred	21	4255388	3609099
Expenses payable	22	563874	558423
Interest payable before the deduction of tax	23	20732	9498
Taxation	24	(121950)	(63145)
Other expenditure	25		
Transfer to (from) non technical account	26	240976	195657
<b>Total expenditure</b>	<b>29</b>	4959020	4309532

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2046363)	1776759
Fund brought forward	49	41507778	39731019
Fund carried forward (39+49)	59	39461415	41507778

**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 2011**  
 Units **£000**

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

**Income**

Earned premiums	11	1041918	785395
Investment income receivable before deduction of tax	12	865272	953144
Increase (decrease) in the value of non-linked assets brought into account	13	295859	385763
Increase (decrease) in the value of linked assets	14	(506624)	708687
Other income	15		
<b>Total income</b>	<b>19</b>	<b>1696425</b>	<b>2832989</b>

**Expenditure**

Claims incurred	21	2820286	2398244
Expenses payable	22	139623	145258
Interest payable before the deduction of tax	23	1603	2760
Taxation	24	46455	13475
Other expenditure	25		
Transfer to (from) non technical account	26	50976	45657
<b>Total expenditure</b>	<b>29</b>	<b>3058943</b>	<b>2605394</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1362518)	227595
Fund brought forward	49	24122127	23894532
Fund carried forward (39+49)	59	22759609	24122127

**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 2011**  
 Units **£000**

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

**Income**

Earned premiums	11	1381569	1434019
Investment income receivable before deduction of tax	12	636957	611351
Increase (decrease) in the value of non-linked assets brought into account	13	(59222)	(28314)
Increase (decrease) in the value of linked assets	14	(743072)	1236246
Other income	15		
<b>Total income</b>	<b>19</b>	<b>1216232</b>	<b>3253302</b>

**Expenditure**

Claims incurred	21	1435102	1210855
Expenses payable	22	424251	413165
Interest payable before the deduction of tax	23	19129	6738
Taxation	24	(168405)	(76620)
Other expenditure	25		
Transfer to (from) non technical account	26	190000	150000
<b>Total expenditure</b>	<b>29</b>	<b>1900077</b>	<b>1704138</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(683845)	1549164
Fund brought forward	49	17385651	15836487
Fund carried forward (39+49)	59	16701806	17385651

**Long-term insurance business : Analysis of premiums**Name of insurer **Legal & General Assurance Society Limited**Total business / subfund **Summary**Financial year ended **31 December 2011**Units **£000**

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

**Gross**

Regular premiums	11	1206999	1356970	6415	2570384	2496277
Single premiums	12	923945	3692367	60	4616372	4113833

**Reinsurance - external**

Regular premiums	13	439308	6582	238	446128	457780
Single premiums	14	2			2	

**Reinsurance - intra-group**

Regular premiums	15	67083	669022	3360	739465	507036
Single premiums	16	3917	3579725	(5968)	3577674	3425880

**Net of reinsurance**

Regular premiums	17	700608	681366	2817	1384791	1531461
Single premiums	18	920026	112642	6028	1038696	687953

**Total**

Gross	19	2130944	5049337	6475	7186756	6610110
Reinsurance	20	510310	4255329	(2370)	4763269	4390696
Net	21	1620634	794008	8845	2423487	2219414

**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 2011**Units **£000**

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

Regular premiums	11	142836	353722		496558	537145
Single premiums	12	313715	244826		558541	623495

**Reinsurance - external**

Regular premiums	13	1886	(651953)		(650067)	(24054)
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		663248		663248	399299
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	140950	342427		483377	161900
Single premiums	18	313715	244826		558541	623495

**Total**

Gross	19	456551	598548		1055099	1160640
Reinsurance	20	1886	11295		13181	375245
Net	21	454665	587253		1041918	785395

**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 2011**Units **£000**

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

**Gross**

Regular premiums	11	1064163	1003248	6415	2073826	1959132
Single premiums	12	610230	3447541	60	4057831	3490338

**Reinsurance - external**

Regular premiums	13	437422	658535	238	1096195	481834
Single premiums	14	2			2	

**Reinsurance - intra-group**

Regular premiums	15	67083	5774	3360	76217	107737
Single premiums	16	3917	3579725	(5968)	3577674	3425880

**Net of reinsurance**

Regular premiums	17	559658	338939	2817	901414	1369561
Single premiums	18	606311	(132184)	6028	480155	64458

**Total**

Gross	19	1674393	4450789	6475	6131657	5449470
Reinsurance	20	508424	4244034	(2370)	4750088	4015451
Net	21	1165969	206755	8845	1381569	1434019

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2011**  
 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	723636	212082		935718	853773
Disability periodic payments	12	39676			39676	35082
Surrender or partial surrender	13	1598792	1543363	2501	3144656	2876144
Annuity payments	14	3627	1514119		1517746	1398614
Lump sums on maturity	15	730678	657127		1387805	1332543
<b>Total</b>	<b>16</b>	<b>3096409</b>	<b>3926691</b>	<b>2501</b>	<b>7025601</b>	<b>6496156</b>

**Reinsurance - external**

Death or disability lump sums	21	339775	7599		347374	306902
Disability periodic payments	22	1257			1257	1334
Surrender or partial surrender	23	150	(142375)		(142225)	(114553)
Annuity payments	24		(32)		(32)	6332
Lump sums on maturity	25	(184)			(184)	(14)
<b>Total</b>	<b>26</b>	<b>340998</b>	<b>(134808)</b>		<b>206190</b>	<b>200001</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	28589	172171		200760	168709
Disability periodic payments	32					
Surrender or partial surrender	33	3798	774981	1705	780484	1058453
Annuity payments	34		1358895		1358895	1235011
Lump sums on maturity	35		223884		223884	224883
<b>Total</b>	<b>36</b>	<b>32387</b>	<b>2529931</b>	<b>1705</b>	<b>2564023</b>	<b>2687056</b>

**Net of reinsurance**

Death or disability lump sums	41	355272	32312		387584	378162
Disability periodic payments	42	38419			38419	33748
Surrender or partial surrender	43	1594844	910757	796	2506397	1932244
Annuity payments	44	3627	155256		158883	157271
Lump sums on maturity	45	730862	433243		1164105	1107674
<b>Total</b>	<b>46</b>	<b>2723024</b>	<b>1531568</b>	<b>796</b>	<b>4255388</b>	<b>3609099</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 2011**  
 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	151541	32311		183852	178395
Disability periodic payments	12					
Surrender or partial surrender	13	529023	744215		1273238	1302287
Annuity payments	14	1284	155249		156533	154975
Lump sums on maturity	15	717683	467044		1184727	1124002
<b>Total</b>	<b>16</b>	<b>1399531</b>	<b>1398819</b>		<b>2798350</b>	<b>2759659</b>

**Reinsurance - external**

Death or disability lump sums	21	2123			2123	1489
Disability periodic payments	22					
Surrender or partial surrender	23		(197375)		(197375)	209035
Annuity payments	24					
Lump sums on maturity	25	(184)			(184)	(14)
<b>Total</b>	<b>26</b>	<b>1939</b>	<b>(197375)</b>		<b>(195436)</b>	<b>210510</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		173500		173500	150905
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>173500</b>		<b>173500</b>	<b>150905</b>

**Net of reinsurance**

Death or disability lump sums	41	149418	32311		181729	176906
Disability periodic payments	42					
Surrender or partial surrender	43	529023	768090		1297113	942347
Annuity payments	44	1284	155249		156533	154975
Lump sums on maturity	45	717867	467044		1184911	1124016
<b>Total</b>	<b>46</b>	<b>1397592</b>	<b>1422694</b>		<b>2820286</b>	<b>2398244</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 2011**  
 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	572095	179771		751866	675378
Disability periodic payments	12	39676			39676	35082
Surrender or partial surrender	13	1069769	799148	2501	1871418	1573857
Annuity payments	14	2343	1358870		1361213	1243639
Lump sums on maturity	15	12995	190083		203078	208541
<b>Total</b>	<b>16</b>	<b>1696878</b>	<b>2527872</b>	<b>2501</b>	<b>4227251</b>	<b>3736497</b>

**Reinsurance - external**

Death or disability lump sums	21	337652	7599		345251	305413
Disability periodic payments	22	1257			1257	1334
Surrender or partial surrender	23	150	55000		55150	(323588)
Annuity payments	24		(32)		(32)	6332
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>339059</b>	<b>62567</b>		<b>401626</b>	<b>(10509)</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	28589	172171		200760	168709
Disability periodic payments	32					
Surrender or partial surrender	33	3798	601481	1705	606984	907548
Annuity payments	34		1358895		1358895	1235011
Lump sums on maturity	35		223884		223884	224883
<b>Total</b>	<b>36</b>	<b>32387</b>	<b>2356431</b>	<b>1705</b>	<b>2390523</b>	<b>2536151</b>

**Net of reinsurance**

Death or disability lump sums	41	205854	1		205855	201256
Disability periodic payments	42	38419			38419	33748
Surrender or partial surrender	43	1065821	142667	796	1209284	989897
Annuity payments	44	2343	7		2350	2296
Lump sums on maturity	45	12995	(33801)		(20806)	(16342)
<b>Total</b>	<b>46</b>	<b>1325432</b>	<b>108874</b>	<b>796</b>	<b>1435102</b>	<b>1210855</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 2011**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	229827	24441		254268	221838
Commission - other	12	33788	14850		48638	49082
Management - acquisition	13	146778	83047	228	230053	230804
Management - maintenance	14	102143	101047	1354	204544	188685
Management - other	15	20276	15894		36170	35247
<b>Total</b>	<b>16</b>	<b>532812</b>	<b>239279</b>	<b>1582</b>	<b>773673</b>	<b>725656</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	39	101977	231	102247	91675
Commission - other	32	21879	83786	1886	107551	75557
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>21918</b>	<b>185763</b>	<b>2117</b>	<b>209798</b>	<b>167232</b>

**Net of reinsurance**

Commission - acquisition	41	229788	(77536)	(231)	152021	130163
Commission - other	42	11908	(68936)	(1886)	(58914)	(26476)
Management - acquisition	43	146778	83047	228	230053	230804
Management - maintenance	44	102143	101047	1354	204544	188685
Management - other	45	20276	15894		36170	35247
<b>Total</b>	<b>46</b>	<b>510893</b>	<b>53516</b>	<b>(535)</b>	<b>563874</b>	<b>558423</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 2011**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	14362	2079		16441	22976
Commission - other	12	4729	3890		8619	9426
Management - acquisition	13	8553	8350		16903	19850
Management - maintenance	14	30273	47351		77624	72987
Management - other	15	9696	10340		20036	20019
<b>Total</b>	<b>16</b>	<b>67613</b>	<b>72010</b>		<b>139623</b>	<b>145258</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	14362	2079		16441	22976
Commission - other	42	4729	3890		8619	9426
Management - acquisition	43	8553	8350		16903	19850
Management - maintenance	44	30273	47351		77624	72987
Management - other	45	9696	10340		20036	20019
<b>Total</b>	<b>46</b>	<b>67613</b>	<b>72010</b>		<b>139623</b>	<b>145258</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 2011**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	215465	22362		237827	198862
Commission - other	12	29059	10960		40019	39656
Management - acquisition	13	138225	74697	228	213150	210954
Management - maintenance	14	71870	53696	1354	126920	115698
Management - other	15	10580	5554		16134	15228
<b>Total</b>	<b>16</b>	<b>465199</b>	<b>167269</b>	<b>1582</b>	<b>634050</b>	<b>580398</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	39	101977	231	102247	91675
Commission - other	32	21879	83786	1886	107551	75557
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>21918</b>	<b>185763</b>	<b>2117</b>	<b>209798</b>	<b>167232</b>

**Net of reinsurance**

Commission - acquisition	41	215426	(79615)	(231)	135580	107187
Commission - other	42	7179	(72826)	(1886)	(67533)	(35902)
Management - acquisition	43	138225	74697	228	213150	210954
Management - maintenance	44	71870	53696	1354	126920	115698
Management - other	45	10580	5554		16134	15228
<b>Total</b>	<b>46</b>	<b>443280</b>	<b>(18494)</b>	<b>(535)</b>	<b>424251</b>	<b>413165</b>

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended **31 December 2011**  
 Units **£000**

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

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

Directly held assets (excluding collective investment schemes)	11	15280476	16770250
Directly held assets in collective investment schemes of connected companies	12	5466198	5528905
Directly held assets in other collective investment schemes	13	3575034	3495555
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>24321708</b>	<b>25794710</b>
Provision for tax on unrealised capital gains	15	(73097)	(34604)
Secured and unsecured loans	16		
Other liabilities	17	96785	116803
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>24298020</b>	<b>25712511</b>

**Directly held linked assets**

Value of directly held linked assets	21	7356	8430
--------------------------------------	----	------	------

**Total**

Value of directly held linked assets and units held (18+21)	31	24305376	25720941
Surplus units	32	64115	66575
Deficit units	33	31403	24048
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>24272664</b>	<b>25678414</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 2011**  
 Units **£000**

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

**Income**

Value of total creation of units	11	4576441	3641102
Investment income attributable to the funds before deduction of tax	12	888905	903534
Increase (decrease) in the value of investments in the financial year	13	(1248995)	1944378
Other income	14		
<b>Total income</b>	<b>19</b>	<b>4216351</b>	<b>6489014</b>

**Expenditure**

Value of total cancellation of units	21	5405669	4177326
Charges for management	22	214047	203106
Charges in respect of tax on investment income	23	54967	165531
Taxation on realised capital gains	24	(7269)	15806
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(38493)	18860
Other expenditure	26	1921	1844
<b>Total expenditure</b>	<b>29</b>	<b>5630842</b>	<b>4582473</b>

Increase (decrease) in funds in financial year (19-29)	39	(1414491)	1906541
Internal linked fund brought forward	49	25712511	23805970
Internal linked funds carried forward (39+49)	59	24298020	25712511

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

Total business

Financial year ended **31 December 2011**Units **£000**

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

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

Regular premium business	<b>11</b>	402837	162692	1	565530	652539
Single premium business	<b>12</b>	12969	97962		110931	93195
<b>Total</b>	<b>13</b>	415806	260654	1	676461	745734

**Amount of new regular premiums**

Direct insurance business	<b>21</b>	144124	424366	0	568491	536916
External reinsurance	<b>22</b>					
Intra-group reinsurance	<b>23</b>	68742			68742	102592
<b>Total</b>	<b>24</b>	212866	424366	0	637233	639508

**Amount of new single premiums**

Direct insurance business	<b>25</b>	914679	3628889		4543568	3988255
External reinsurance	<b>26</b>					
Intra-group reinsurance	<b>27</b>	7730			7730	13206
<b>Total</b>	<b>28</b>	922409	3628889		4551299	4001461

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2011

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
175	Group Conventional Deferred Annuity With-Profits		85		
300	Regular Premium Non-Profit WL/EA	27609	7483		
325	Level Term Assurance	161453	51362		
330	Decreasing Term Assurance	91770	23978		
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	35685	16166		
340	Other Accelerated Critical Illness (Guaranteed Premiums)	29283	14311		
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	14233	6691		
345	Other Accelerated Critical Illness (Reviewable Premiums)	15835	6729		
350	Stand-alone Critical Illness (Guaranteed Premiums)		1		
360	Income Protection Non-Profit (Guaranteed Premiums)	9908	4111		
410	Group Life	416	1384		
420	Group Income Protection	15322	8462		
430	Group Critical Illness	909	872		
435	Miscellaneous Non-Profit		7		
500	With-Profit Bond			4938	312014



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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2011

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
700	Investment Bond			35	5621
700	Portfolio Bond			7821	578837
700	Select Portfolio Bond			65	4454
700	Discounted Gift Portfolio Bond			110	13753
710	Life Property Linked Whole Life Regular Premium	329	2459		
795	Miscellaneous Property Linked	85	23		

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

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2011**

Units

**£000**

UK Life / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
325	Level Term Assurance - US Term business		68742		
700	International Portfolio Bond				7730

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2011

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
165	Personal Retirement Plan		144		127
200	With-Profit Immediate Annuities In Payment			570	23899
325	Level Term Assurance	4	2		
390	Deferred Annuities - Group - Bulk Purchase			2712	55868
400	Annuities In Payment - Group - Other			3571	65026
400	Annuities In Payment - Individual - Compulsory Purchase			25928	650841
400	Annuities In Payment - Individual - Other			9884	224007
401	Annuities In Payment - Group - Bulk Purchase			18041	954145
401	Annuities In Payment - Group - Longevity - Bulk Purchase	7802	48089		
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life			689	20057
405	Annuities In Payment - Individual - Compulsory Purchase - Annuity Plus			1651	49790
410	Group Life	87187	29619		
435	Miscellaneous Non-Profit	8008	5314		
525	Personal Pension Plan	77	318		406
525	Section 32 Buy-Out				1543

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2011

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
530	Self Employed Plan	1	41		29
530	Executive Pension Plan		42		369
530	Pension Savings Plan		17		114
530	Personal Pension Plan		1135		3447
530	Section 32 Buy-Out				741
535	Group Money Purchase Pensions UWP	50	16		2
540	Group Money Purchase Pensions UWP - Increments		113		161
555	1980 Bonus System - Group				215
555	Other Group Deposit Administration With-Profits		1		
560	1980 Bonus System - Group		3688		
565	DWP National Insurance Rebates UWP				33353
725	Personal Pension Plan	7253	36754		33294
725	Section 32 Buy-Out				7981
725	Stakeholder	23068	78652		77865
725	Group SIPP	17868	77011		228038

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2011

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
725	Portfolio Plus SIPP	730	8423		166566
730	Executive Investment Retirement Plan		5		198
730	Executive Pension Plan		215		1138
730	Pension Savings Plan		18		269
730	Personal Investment Pension Plan		5		82
730	Personal Pension Plan		18678		44697
730	Section 32 Buy-Out				2737
730	Self Employed Plan		37		105
730	Stakeholder		25832		71501
730	Group SIPP		20302		55984
730	Portfolio Plus SIPP		2220		40892
735	Group Money Purchase Pensions Property Linked	7301	43344	19547	274923
740	Group Money Purchase Pensions Property Linked - Increments		3721		9906
745	DWP National Insurance Rebates Property Linked				51360
755	Trustee Investment Plan				5797

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

Name of insurer

Legal &amp; General Assurance Society Limited

Total business

Financial year ended

31 December 2011

Units

£000

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
905	Annuities In Payment - Group - RPI-linked - Other			32	1516
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase			845	15272
905	Other RPI-linked Annuity - Individual			152	3836
906	Annuities In Payment - Group - RPI-linked - Bulk Purchase			4856	152588
906	Annuities In Payment - Group - Longevity - Bulk Purchase	3344	20609		
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase			1184	31721
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase			8300	266484

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

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2011**

Units

**£000**

Overseas / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
325	Level Term Assurance	1	0		

**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 2011**  
 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	10301	12118	490	4.04	
Approved fixed interest securities	12	418290	418290	15483	2.31	
Other fixed interest securities	13	2343520	2343520	115729	5.00	
Variable interest securities	14	44338	44338	1037	1.37	
UK listed equity shares	15	59545	62728	2450	5.42	
Non-UK listed equity shares	16	3201	3201	196	7.91	
Unlisted equity shares	17	75662	75662			
Other assets	18	465799	460799	686	0.14	
<b>Total</b>	<b>19</b>	<b>3420656</b>	<b>3420656</b>	<b>136071</b>	<b>3.87</b>	

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

Land and buildings	21	121953	1926843	79621	4.13	6.06
Approved fixed interest securities	22	3743395	3743395	159903	2.55	17.48
Other fixed interest securities	23	3921079	3921316	211626	5.23	6.53
Variable interest securities	24	40008	148075	698	1.05	1.33
UK listed equity shares	25	1333957	1369538	55059	5.59	(3.33)
Non-UK listed equity shares	26	2262323	2262323	81074	5.40	(10.70)
Unlisted equity shares	27	1080734	233110			1.57
Other assets	28	2384718	1283567	(6939)	(0.54)	0.93
<b>Total</b>	<b>29</b>	<b>14888167</b>	<b>14888167</b>	<b>581042</b>	<b>3.85</b>	<b>1.83</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					1.63
Return allocated to non taxable 'asset shares'	32					3.40
Return allocated to taxable 'asset shares'	33					0.45



**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 2011**  
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	376260	376260	13613	2.34	
Other fixed interest securities	13	1868990	1868990	102089	5.90	
Variable interest securities	14	30926	30926	361	0.62	
UK listed equity shares	15	55465	57086	2389	5.85	
Non-UK listed equity shares	16	3201	3201	196	7.91	
Unlisted equity shares	17					
Other assets	18	116475	114854	282	0.25	
<b>Total</b>	<b>19</b>	<b>2451317</b>	<b>2451317</b>	<b>118930</b>	<b>5.02</b>	

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

Land and buildings	21	121953	1926843	79621	4.13	6.06
Approved fixed interest securities	22	3743395	3743395	159903	2.55	17.48
Other fixed interest securities	23	3921079	3921316	211626	5.23	6.53
Variable interest securities	24	40008	148075	698	1.05	1.33
UK listed equity shares	25	1333957	1369538	55059	5.59	(3.33)
Non-UK listed equity shares	26	2262323	2262323	81074	5.40	(10.70)
Unlisted equity shares	27	1080734	233110			1.57
Other assets	28	2384718	1283567	(6939)	(0.54)	0.93
<b>Total</b>	<b>29</b>	<b>14888167</b>	<b>14888167</b>	<b>581042</b>	<b>3.85</b>	<b>1.83</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					1.63
Return allocated to non taxable 'asset shares'	32					3.40
Return allocated to taxable 'asset shares'	33					0.45

**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 2011**  
 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	10301	12118	490	4.04	
Approved fixed interest securities	12	42030	42030	1870	2.08	
Other fixed interest securities	13	474530	474530	13640	1.45	
Variable interest securities	14	13412	13412	676	3.09	
UK listed equity shares	15	4080	5642	61	1.06	
Non-UK listed equity shares	16					
Unlisted equity shares	17	75662	75662			
Other assets	18	349324	345945	404	0.12	
<b>Total</b>	<b>19</b>	<b>969339</b>	<b>969339</b>	<b>17141</b>	<b>0.94</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 2011**  
 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>	1747342	10.59	1.85	1.82
<b>Other approved fixed interest securities</b>	<b>21</b>	2414343	8.41	3.02	2.99
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	505077	7.95	4.11	4.07
AA/Aa	<b>32</b>	794074	7.56	4.57	4.48
A/A	<b>33</b>	2065820	8.02	5.37	5.12
BBB/Baa	<b>34</b>	1442237	7.25	7.22	6.63
BB/Ba	<b>35</b>	110284	4.01	5.26	3.20
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	1347344	4.31	3.27	2.90
<b>Total other fixed interest securities</b>	<b>39</b>	6264836	6.91	5.14	4.79
<b>Approved variable interest securities</b>	<b>41</b>	20793	19.79	(0.31)	(0.34)
<b>Other variable interest securities</b>	<b>51</b>	171620	6.88	1.29	1.16
<b>Total (11+21+39+41+51)</b>	<b>61</b>	10618934	7.88	4.04	3.82

**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 2011**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>	1728639	10.67	1.85	1.82
<b>Other approved fixed interest securities</b>	<b>21</b>	2391016	8.40	3.01	2.98
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	491812	8.05	4.17	4.13
AA/Aa	<b>32</b>	726716	7.94	4.84	4.75
A/A	<b>33</b>	1869638	8.50	5.77	5.52
BBB/Baa	<b>34</b>	1392205	7.39	7.40	6.82
BB/Ba	<b>35</b>	108664	4.02	5.28	3.27
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	1201271	4.69	3.58	3.21
<b>Total other fixed interest securities</b>	<b>39</b>	5790306	7.25	5.45	5.10
<b>Approved variable interest securities</b>	<b>41</b>	20793	19.79	(0.31)	(0.34)
<b>Other variable interest securities</b>	<b>51</b>	158208	7.07	1.14	1.03
<b>Total (11+21+39+41+51)</b>	<b>61</b>	10088962	8.13	4.18	3.96

**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 2011**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>	18703	3.73	0.75	0.72
<b>Other approved fixed interest securities</b>	<b>21</b>	23327	9.40	3.16	0.80
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	13265	4.24	1.85	1.77
AA/Aa	<b>32</b>	67358	3.46	1.72	1.62
A/A	<b>33</b>	196182	3.40	1.61	1.35
BBB/Baa	<b>34</b>	50032	3.38	2.39	1.51
BB/Ba	<b>35</b>	1620	3.10	3.98	
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	146073	1.14	0.73	0.40
<b>Total other fixed interest securities</b>	<b>39</b>	474530	2.73	1.45	1.12
<b>Approved variable interest securities</b>	<b>41</b>				
<b>Other variable interest securities</b>	<b>51</b>	13412	4.64	3.09	2.69
<b>Total (11+21+39+41+51)</b>	<b>61</b>	529972	3.11	1.54	1.13

**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 2011**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	2265033	961920		3226953	3728858
Form 51 - non-profit	12	1517876	20870327	5420	22393623	20121423
Form 52	13	4366346	4319047		8685393	8811828
Form 53 - linked	14	9947189	15869642	61701	25878531	26763543
Form 53 - non-linked	15	97790	285185	3136	386110	415130
Form 54 - linked	16	108087	7550424		7658511	6896675
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>18302320</b>	<b>49856545</b>	<b>70257</b>	<b>68229122</b>	<b>66737457</b>

**Reinsurance - external**

Form 51 - with-profits	21	848			848	838
Form 51 - non-profit	22	1619193	45259		1664452	1675251
Form 52	23	193	155		348	258
Form 53 - linked	24		163878		163878	168375
Form 53 - non-linked	25	481	115		596	907
Form 54 - linked	26	7702	216		7918	6204
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1628416</b>	<b>209623</b>		<b>1838039</b>	<b>1851832</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	146236	18818504	5420	18970160	16679566
Form 52	33		10790		10790	(1565)
Form 53 - linked	34	11869	1463760	37756	1513386	949566
Form 53 - non-linked	35	2208	65950	3136	71294	54479
Form 54 - linked	36		7509079		7509079	6762937
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>160313</b>	<b>27868083</b>	<b>46312</b>	<b>28074709</b>	<b>24444983</b>

**Net of reinsurance**

Form 51 - with-profits	41	2264185	961920		3226106	3728020
Form 51 - non-profit	42	(247553)	2006564		1759011	1766606
Form 52	43	4366153	4308102		8674255	8813135
Form 53 - linked	44	9935320	14242004	23945	24201268	25645603
Form 53 - non-linked	45	95101	219120		314221	359743
Form 54 - linked	46	100385	41129		141514	127534
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>16513591</b>	<b>21778839</b>	<b>23945</b>	<b>38316374</b>	<b>40440642</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 2011**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	2265033	961920		3226953	3728858
Form 51 - non-profit	12	63922	2006564		2070485	2033581
Form 52	13	4366346	4319047		8685393	8811828
Form 53 - linked	14	982992	7534666		8517658	9224131
Form 53 - non-linked	15	29899	229206		259105	291726
Form 54 - linked	16		41129		41129	38213
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>7708192</b>	<b>15092532</b>		<b>22800724</b>	<b>24128337</b>

**Reinsurance - external**

Form 51 - with-profits	21	848			848	838
Form 51 - non-profit	22					
Form 52	23	193	155		348	258
Form 53 - linked	24		46291		46291	50646
Form 53 - non-linked	25	144			144	137
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1185</b>	<b>46446</b>		<b>47631</b>	<b>51878</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		10790		10790	(1565)
Form 53 - linked	34		188882		188882	178195
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>		<b>199672</b>		<b>199672</b>	<b>176630</b>

**Net of reinsurance**

Form 51 - with-profits	41	2264185	961920		3226106	3728020
Form 51 - non-profit	42	63922	2006564		2070485	2033581
Form 52	43	4366153	4308102		8674255	8813135
Form 53 - linked	44	982992	7299493		8282485	8995291
Form 53 - non-linked	45	29755	229206		258962	291589
Form 54 - linked	46		41129		41129	38213
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>7707007</b>	<b>14846414</b>		<b>22553421</b>	<b>23899829</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 2011**  
 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	1453954	18863763	5420	20323138	18087842
Form 52	13					
Form 53 - linked	14	8964197	8334976	61701	17360873	17539412
Form 53 - non-linked	15	67891	55978	3136	127005	123403
Form 54 - linked	16	108087	7509295		7617382	6858462
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>10594129</b>	<b>34764012</b>	<b>70257</b>	<b>45428398</b>	<b>42609120</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	1619193	45259		1664452	1675251
Form 52	23					
Form 53 - linked	24		117587		117587	117729
Form 53 - non-linked	25	337	115		452	770
Form 54 - linked	26	7702	216		7918	6204
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1627231</b>	<b>163177</b>		<b>1790408</b>	<b>1799954</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	146236	18818504	5420	18970160	16679566
Form 52	33					
Form 53 - linked	34	11869	1274878	37756	1324503	771371
Form 53 - non-linked	35	2208	65950	3136	71294	54479
Form 54 - linked	36		7509079		7509079	6762937
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>160313</b>	<b>27668411</b>	<b>46312</b>	<b>27875037</b>	<b>24268353</b>

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	(311474)			(311474)	(266975)
Form 52	43					
Form 53 - linked	44	8952328	6942511	23945	15918783	16650312
Form 53 - non-linked	45	65346	(10087)		55259	68154
Form 54 - linked	46	100385			100385	89322
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>8806584</b>	<b>6932424</b>	<b>23945</b>	<b>15762953</b>	<b>16540813</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 2011**  
 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	2764	46525	285				36559
120	New Cashbuilder	46292	119571	1642				106387
120	Other Conventional Endowment With-Profits Savings	2777	30550	367				26721
125	Build Up	138984	4239057	77272				2051793
165	Conventional Deferred Annuity With-Profits	76	26	1				519
175	Group Conventional Deferred Annuity With-Profits	169	2684	122				2625
210	Additional Reserves With-Profits							40428
300	Regular Premium Non-Profit WL/EA	263	520					1431
320	Group Deposit Administration Non-Profit	36	31					582
390	Deferred Annuity Non-Profit	584	133	1				2834
395	Annuity Non-Profit (PLA)	1323	1473					12945
440	Additional Reserves Non-Profit							46130

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **With Profits Part of Fund**  
 Financial year ended **31 December 2011**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional Whole Life With-Profits		943					837
120	Conventional Endowment With-Profits Savings		718					10

**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 2011**  
 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	41	202					236
165	Personal Retirement Plan	20708	56077	3671				651074
165	Other Conventional Deferred Annuity With-Profits	104	52					913
175	Group Conventional Deferred Annuity With-Profits		4					
185	Group Conventional Pensions Endowment With-Profits	82	420	0				476
200	With-Profit Immediate Annuities In Payment	8545	21579					288613
200	Other Annuity With-Profits (CPA)	38	133					642
210	Additional Reserves With-Profits							19968
300	Regular Premium Non-Profit WL/EA	67	172					483
315	Individual Deposit Administration Non-Profit	703	21962					39921
320	1980 Bonus System - Group		69644					150429
320	Other Group Deposit Administration Non-Profit	53	698					1160
390	Deferred Annuities - Group	46409	14664					204048
390	Other Deferred Annuity Non-Profit	59	28					1018
400	Annuities In Payment - Group	28420	83193					813072

**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 2011**  
 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	17118	41065					516403
400	Annuities In Payment - Individual - Other	7443	9396					125001
400	Contingent Annuities - Group	6652	33013					133875
400	Contingent Annuities - Individual	1149	2881					11126
440	Additional Reserves Non-Profit							10027

**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 2011**  
 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	85609	596003	25531				102477
325	Level Term Assurance	1329574	188088509	417879				411610
325	Level Term Assurance - US Term business	316687	34087298	68587				146225
330	Decreasing Term Assurance	705587	80821373	185490				(43445)
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	196130	14178638	80370				(3612)
340	Other Accelerated Critical Illness (Guaranteed Premiums)	183397	14681399	80556				124599
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	125008	10072946	54320				(19873)
345	Other Accelerated Critical Illness (Reviewable Premiums)	103097	7587165	42041				558
350	Stand-alone Critical Illness (Guaranteed Premiums)	29282	1662261	8874				46784
355	Stand-alone Critical Illness (Reviewable Premiums)	29537	1642314	7268				63498
360	Income Protection Non-Profit (Guaranteed Premiums)	21653	287029	8909				65761
365	Income Protection Non-Profit (Reviewable Premiums)	41125	316221	8426				71500
385	Income Protection Claims In Payment							32065
390	Deferred Annuity Non-Profit	2048	282	2				4848
395	Annuity Non-Profit (PLA)	2873	944					8002

**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 2011**  
 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
410	Group Life	23990	10017001	12993				7869
420	Group Income Protection	190555	5182493	52028				68074
425	Group Income Protection Claims In Payment	1692	27014					228416
430	Group Critical Illness	59941	5038975	7330				5517
435	Miscellaneous Non-Profit	369	3755	73				55
440	Additional Reserves Non-Profit							133026

**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 2011**  
 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		298015	3661				76435
325	Level Term Assurance		169377874	255316				804317
330	Decreasing Term Assurance		72307674	106888				180710
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)		9090915	32733				64201
340	Other Accelerated Critical Illness (Guaranteed Premiums)		10191510	35741				156127
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)		9000447	24955				49244
345	Other Accelerated Critical Illness (Reviewable Premiums)		6804911	16601				53243
350	Stand-alone Critical Illness (Guaranteed Premiums)		1491106	6410				43877
355	Stand-alone Critical Illness (Reviewable Premiums)		1309823	3906				58449
360	Income Protection Non-Profit (Guaranteed Premiums)		235370	5556				42868
365	Income Protection Non-Profit (Reviewable Premiums)		252411	2117				59376
385	Income Protection Claims In Payment							23974
390	Deferred Annuity Non-Profit		2					36
395	Annuity Non-Profit (PLA)		0					1
410	Group Life							4

**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 2011**  
 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		66982	670				2675
425	Group Income Protection Claims In Payment		200					1252
430	Group Critical Illness		2506005	4167				2403



**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 2011**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA		12	0				6
325	Level Term Assurance - US Term business		34087298	68587				146225
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 2011**  
 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	494	221	3				684
305	Single Premium Non-Profit WL/EA		13					0
325	Level Term Assurance	39498	7608567	19871				34097
330	Decreasing Term Assurance	9901	1493602	2824				1325
390	Deferred Annuities - Group - Bulk Purchase	73606	162635					2221792
390	Deferred Annuities - Group - Other	7606	5234					81932
390	Other Deferred Annuity Non-Profit	119	114					2077
400	Annuities In Payment - Group - Bulk Purchase	108827	544160					6250113
400	Annuities In Payment - Group - Bulk Purchase - Longevity	7802	46589	48089				
400	Annuities In Payment - Group - Other	26605	117258					1475343
400	Annuities In Payment - Individual - Compulsory Purchase	193439	352805					5487205
400	Annuities In Payment - Individual - Other	85113	124911					1737464
400	Contingent Annuities - Group - Bulk Purchase	50732	242786					792549
400	Contingent Annuities - Group - Other	6267	50153					147228
400	Contingent Annuities - Individual	22084	34603					111630

**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 2011**

Units

**£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life	7806	22945					335475
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life	15	58					202
410	Group Life	1761019	158334602	189470				99565
435	Miscellaneous Non-Profit	191483	2085558	56448				34988
440	Additional Reserves Non-Profit							50095

**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 2011**

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		12					41
325	Level Term Assurance		6665221	9012				35887
330	Decreasing Term Assurance		1315281	1562				5199
400	Annuities In Payment - Individual - Other		93					1360
410	Group Life		2924897	3302				1615
435	Miscellaneous Non-Profit		74930	1888				1157

**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 2011**  
 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		209	3				643
305	Single Premium Non-Profit WL/EA		13					0
325	Level Term Assurance		943347	10859				(1790)
330	Decreasing Term Assurance		178321	1262				(3874)
390	Deferred Annuities - Group - Bulk Purchase		162635					2221792
390	Deferred Annuities - Group - Other		5234					81932
390	Other Deferred Annuity Non-Profit		114					2077
400	Annuities In Payment - Group - Bulk Purchase		544160					6250113
400	Annuities In Payment - Group - Bulk Purchase - Longevity		46589	48089				
400	Annuities In Payment - Group - Other		117258					1475343
400	Annuities In Payment - Individual - Compulsory Purchase		352805					5487205
400	Annuities In Payment - Individual - Other		124818					1736104
400	Contingent Annuities - Group - Bulk Purchase		242786					792549
400	Contingent Annuities - Group - Other		50153					147228
400	Contingent Annuities - Individual		34603					111630

**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 2011**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		22945					335475
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life		58					202
410	Group Life		155409704	186168				97949
435	Miscellaneous Non-Profit		2010628	54560				33832
440	Additional Reserves Non-Profit							50095

**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 2011**  
 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>
325	Level Term Assurance	1530	220826	435				5270
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 2011**  
 Units **£000**  
 Overseas / Reinsurance ceded intra-group

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		220826	435				5270
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 2011**

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>
500	Capital Investment Portfolio	23251	516886		513086	480380	213	480593
500	With-Profit Bond	120608	3758042		3720834	3486927	9844	3496771
500	Other Life UWP Single Premium				1989	1989		1989
505	Life UWP Whole Life Regular Premium	2604	82267	944	14587	14549	393	14942
510	Life UWP Endowment Regular Premium - Savings	187	1762	101	1778	1772	0	1772
515	Flexible Mortgage Plan	39054	1079815	25181	352381	350752	2234	352985
555	Group Deposit Administration With-Profits	1574	16289	1189	16289	13203	4090	17293

**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 2011**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP Whole Life Regular Premium		1502	12			1	1
515	Flexible Mortgage Plan		195361	1037			192	192

**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 2011**

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	1536	57295	1050	55785	55183	23090	78272
525	Pension Savings Plan	6626	61955	1744	59973	58477	6	58483
525	Personal Pension Plan	245038	2996378	25636	2919339	2972121	115791	3087912
525	Section 32 Buy-Out	26283	237779		228349	228028	88044	316072
525	Self Employed Plan	8260	88516	1796	86282	85809	16	85825
535	Group Money Purchase Pensions UWP	4443	53589	983	51812	52134	3283	55417
545	Buy-Out Plan	8086	177629		177629	451942	12652	464594
545	Other Individual Deposit Administration With-Profits	64	3112	1	3112	3112	2845	5957
555	1980 Bonus System - Group	822	46324	3495	46324	51328	33500	84828
555	Other Group Deposit Administration With-Profits	2851	42676	1305	42676	42813	35324	78137
571	Trustee Investment Plan UWP				1837	1551		1551
610	Additional Reserves						2000	2000

**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 2011**  
 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						155	155

**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 2011**  
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>
575	Bulk Reinsurance						10790	10790

**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 2011**

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	13643	511651		485596	485596	22055	507651
700	Other Life Property Linked Single Premium	769	24530		24313	24313	9	24322
710	Life Property Linked Whole Life Regular Premium	11414	369690	3753	56508	56508	5978	62486
715	Life Property Linked Endowment Regular Premium - Savings	49	770	23	770	770		770
720	Flexible Mortgage Plan	23748	1084220	21166	422287	422287	1657	423944
800	Additional Reserves Property Linked					(6482)	200	(6282)

**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 2011**  
 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		4922	30			6	6
720	Flexible Mortgage Plan		109887	787			138	138

**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 2011**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Executive Pension Plan	2930	157453	2905	157453	157453	18926	176379
725	Pension Savings Plan	8101	117839	3132	117839	117839	9821	127660
725	Personal Pension Plan	333735	6305448	254720	6305448	6305448	143536	6448985
725	Section 32 Buy-Out	33473	424933		424933	424933	38460	463393
725	Self Employed Plan	10264	129072	2202	129072	129072	9746	138818
735	Group Money Purchase Pensions Property Linked	20780	374047	37504	374047	374047	7851	381898
755	Trustee Investment Plan		25874		25874	25874	866	26740



**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 2011**  
 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
725	Individual Pensions Property Linked				46291	46291		46291

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

Name of insurer	<b>Legal &amp; General Assurance Society Limited</b>
Total business / subfund	<b>With Profits Part of Fund</b>
Financial year ended	<b>31 December 2011</b>
Units	<b>£000</b>
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				188882	188882		188882

**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 2011**

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	14559	430861		424273	424273	4532	428805
700	Capital Preservation Plan	2325	126798		126771	126771	56	126827
700	Investment Bond	84031	2970151		2927458	2927458	30794	2958252
700	Portfolio Bond	56460	5245592		5087459	5087459	15075	5102534
700	Discounted Gift Portfolio Bond	1185	159085		154347	154347	393	154741
700	International Portfolio Bond		16140		16140	16140		16140
700	Select Portfolio Bond	65	11943		11824	11824	591	12416
700	Other Life Property Linked Single Premium	29	508		2703	2703	780	3483
710	Life Property Linked Whole Life Regular Premium	35551	1774938	17958	106973	106973	4330	111304
715	Life Property Linked Endowment Regular Premium - Savings	417	18737	148	25170	25170	245	25415
720	Flexible Mortgage Plan	10299	377953	8722	142155	142155	916	143071
795	Miscellaneous Property Linked	40889	1475126	5099	4008	4008	5303	9311
800	Additional Reserves Property Linked				1	(65086)	4876	(60211)

**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 2011**  
 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		324863	1466			148	148
720	Flexible Mortgage Plan		72041	328			189	189
795	Miscellaneous Property Linked		489293	1942			0	0

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2011**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life Property Linked Whole Life Regular Premium		23128	147	11868	11868	163	12031
800	Additional Reserves Property Linked				1	1	2045	2046

**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 2011**

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 Investment Retirement Plan	518	50720	118	50720	50720	432	51151
725	Personal Investment Pension Plan	4161	87826	752	87826	87826	237	88063
725	Section 32 Buy-Out	6	313		313	313	0	313
725	Stakeholder	266511	5339885	449605	5339885	5339885	9123	5349008
725	Individual Pensions Property Linked		62322		62322	62322	12464	74786
725	Portfolio Plus SIPP	12272	1203969	36082	1203969	1203969	9324	1213292
725	Group SIPP	55551	838370	242449	838370	838370	17306	855676
735	Group Money Purchase Pensions Property Linked	33716	313333	186769	313333	313333	3136	316469
750	Income Drawdown Property Linked	2984	308218		308218	308218	3808	312027
755	Trustee Investment Plan		130021	12	130021	130021	149	130169

**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 2011**  
 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
725	Individual Pensions Property Linked				117587	117587	115	117702

**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 2011**  
 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		50720	118			432	432
725	Personal Investment Pension Plan		87826	752			237	237
725	Section 32 Buy-Out		313				0	0
725	Stakeholder		5339885	449605			9123	9123
725	Individual Pensions Property Linked		62322		1274878	1274878	12464	1287342
725	Portfolio Plus SIPP		1203969	36082			9324	9324
725	Group SIPP		838370	242449			17306	17306
735	Group Money Purchase Pensions Property Linked		313333	186769			3136	3136
750	Income Drawdown Property Linked		308218				3808	3808
755	Trustee Investment Plan		130021	12			149	149
795	Miscellaneous Property Linked						9972	9972



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 2011
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
725	Individual Pensions Property Linked	5285	84332	7675	61701	61701	3136	64836

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**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 2011**

Units

**£000**

Overseas / 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		84332	7675	37756	37756	3136	40892

**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 2011**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Annuities In Payment - Group - RPI-linked - Other	149	1334		15278	15278		15278
905	Other RPI-linked Annuity - Group	59	601		3325	3325		3325
905	Other RPI-linked Annuity - Individual	575	1203		22090	22090		22090
915	Additional Reserves Index Linked				435	435		435

**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 2011**

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				11138	11138		11138
902	Group Index Linked Income Protection Claims In Payment	375	6565		64725	64725		64725
905	Index Linked Annuity	188	1553		24494	24494		24494
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	22	131		6614	6614		6614
915	Additional Reserves Index Linked				1116	1116		1116

**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 2011**

Units

**£000**

UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index Linked Income Protection Claims In Payment				7702	7702		7702

**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 2011**

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	34148	262041		3602194	3602194		3602194
905	Annuities In Payment - Group - CPI-linked - Bulk Purchase - Longevity	3344	19967	20609				
905	Annuities In Payment - Group - RPI-linked - Other	2007	12217		288897	288897		288897
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase	13605	12960		305993	305993		305993
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase	19843	144689		587859	587859		587859
905	Other RPI-linked Annuity - Group	590	2209		12358	12358		12358
905	Other RPI-linked Annuity - Individual	3249	4322		63342	63342		63342
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	36241	99693		2299224	2299224		2299224
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	9359	16873		271007	271007		271007
915	Additional Reserves Index Linked				78423	78423		78423

**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 2011**  
 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
905	Other RPI-linked Annuity - Individual		10		216	216		216

**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 2011**

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>
905	Annuities In Payment - Group - RPI-linked - Bulk Purchase		262041		3602194	3602194		3602194
905	Annuities In Payment - Group - CPI-linked - Bulk Purchase - Longevity		19967	20609				
905	Annuities In Payment - Group - RPI-linked - Other		12217		288897	288897		288897
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase		12960		305993	305993		305993
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase		144689		587859	587859		587859
905	Other RPI-linked Annuity - Group		2209		12358	12358		12358
905	Other RPI-linked Annuity - Individual		4312		63126	63126		63126
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase		99693		2299224	2299224		2299224
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase		16873		271007	271007		271007
915	Additional Reserves Index Linked				78423	78423		78423



**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 2011**  
 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	112866	Gen 3	2.20	12.0978	11.6229	(3.93)
Managed	02 - life - balanced managed fund	960549	Gen2 A	1.00	18.3335	17.6287	(3.84)
Property	07 - life - property	593506	Gen2 A	1.00	8.1356	8.5221	4.75
Distributor	04 - life - other managed fund	682048	Gen2 A	1.00	1.3158	1.2494	(5.05)
Accumulator	04 - life - other managed fund	3908133	Gen2 A	1.00	2.9599	2.9329	(0.91)
Cautious Managed	04 - life - other managed fund	188857	Gen 3	1.30	1.7514	1.8049	3.06
Rising Income Accumulation	04 - life - other managed fund	141686	Gen2 A	1.00	1.5178	1.4987	(1.26)
Growth Accumulation	04 - life - other managed fund	601112	Gen2 A	1.00	1.5253	1.4872	(2.50)
L&G Life Jupiter Merlin Income Portfolio Fund	02 - life - balanced managed fund	126356	Gen U	3.20	1.3788	1.3587	(1.46)
L&G Life Invesco Perpetual High Income Fund	04 - life - other managed fund	109279	Gen U	2.17	1.3701	1.4640	6.85
Exempt Equity	15 - individual pension - UK equity	357171	GenF A	0.50	57.2486	54.0632	(5.56)
Exempt Managed	12 - individual pension - balanced managed fund	5408527	GenF A	0.50	38.9579	37.2758	(4.32)
Exempt Property	17 - individual pension - property	581267	GenQ A		1.9338	2.0713	7.11
Exempt Far Eastern	16 - individual pension - overseas equity	130674	GenQ A		2.0456	1.7020	(16.79)
Exempt Consensus	11 - individual pension - stock market managed fund	336896	GenQ A		1.7272	1.6542	(4.23)
Exempt Distribution	14 - individual pension - other managed fund	1100731	GenQ A		1.8511	1.8164	(1.88)
Newton Higher Income	15 - individual pension - UK equity	124049	GenQ A		2.1400	2.1648	1.16
Newton Balanced	12 - individual pension - balanced managed fund	172721	GenQ A		2.0240	1.9388	(4.21)

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

Total business

Financial year ended **31 December 2011**Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	40693	19.79
Other variable interest securities	12	10551	3.90
Approved fixed interest securities	13	355	3.73
Other fixed interest securities	14	436	4.69
Cash and deposits	15	89479	
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	141514	

**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 2011**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	30989	2.25	2.74	4.63
UKL participating WP F51, 52 & 53 assurances	6708767	2.25	2.63	3.83
UKP non participating WP F51 & 53 assurances	246294	2.75	2.75	4.63
UKP participating WP F51 Product Code 165 Personal Retirement Plan	640718	3.75	3.75	4.49
UKP participating WP Other F51, 52 & 53 assurances	4361043	2.75	2.75	3.83
UKP non participating WP F51 annuities in payment	1647654	4.35	4.35	5.09
Miscellaneous	797052			
<b>Total</b>	14432517			

**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 2011**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	(769511)	6.60	6.60	
UKL NP F51 & 53 temporary assurances	44666			
UKL NP F51 & 53 assurances	8536	2.75	2.75	
UKL NP F51 & 53 assurances	58805	2.25	2.81	
UKL NP F51 & 53 assurances	1990	1.75	1.75	
UKL NP F51 & 53 assurances	2360	1.25	1.56	
UKL NP F51 & 53 assurances	54044			
UK NP Forms 51 & 53 PHI	353572	2.75	2.75	
UK NP Forms 51 & 53 PHI	(591)			
Miscellaneous	(10087)			
<b>Total</b>	(256215)			

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2011**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	39461415	41507778
Bonus payments in anticipation of a surplus	12	256075	192091
Transfer to non-technical account	13	240976	195657
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	39958466	41895526
Mathematical reserves	21	38316374	40440642
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1642092	1454883

**Composition of surplus**

Balance brought forward	31	848316	691241
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	793776	763642
Total	39	1642092	1454883

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	256075	192091
Cash bonuses	42		
Reversionary bonuses	43	202709	218820
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	458784	410910
Net transfer out of fund / part of fund	47	240976	195657
Total distributed surplus (46+47)	48	699760	606567
Surplus carried forward	49	942332	848316
Total (48+49)	59	1642092	1454883

**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 2011**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	22759609	24122127
Bonus payments in anticipation of a surplus	12	256075	192091
Transfer to non-technical account	13	50976	45657
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	23066660	24359874
Mathematical reserves	21	22553421	23899829
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	513238	460045

**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	509760	456567
Total	39	513238	460045

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	256075	192091
Cash bonuses	42		
Reversionary bonuses	43	202709	218820
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	458784	410910
Net transfer out of fund / part of fund	47	50976	45657
Total distributed surplus (46+47)	48	509760	456567
Surplus carried forward	49	3478	3478
Total (48+49)	59	513238	460045

**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 2011**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	16701807	17385651
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	190000	150000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	16891807	17535651
Mathematical reserves	21	15762953	16540813
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1128854	994838

**Composition of surplus**

Balance brought forward	31	844838	687763
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	284016	307075
Total	39	1128854	994838

**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	190000	150000
Total distributed surplus (46+47)	48	190000	150000
Surplus carried forward	49	938854	844838
Total (48+49)	59	1128854	994838

**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 2012**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	7010	416		UWP	N	4500
Endowment assurance	15	11027	960		UWP	N	6750
Endowment assurance	20	18472	2718		UWP	N	9000
Endowment assurance	25	33601	9438		CWP	N	34378
Regular premium pension	5	13147	375		UWP	N	
Regular premium pension	10	30346	2020		UWP	N	
Regular premium pension	15	47651	4154		UWP	N	
Regular premium pension	20	74310	8792		UWP	N	
Single premium pension	5	10817	0		UWP	N	
Single premium pension	10	16846	3060		UWP	N	
Single premium pension	15	20390	3768		UWP	N	
Single premium pension	20	37121	6463		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 2012**

<b>Category of with-profits policy</b>	<b>Duration at surrender (years)</b>	<b>Surrender value</b>	<b>Terminal bonus</b>	<b>MVA</b>	<b>CWP / UWP</b>	<b>MVA permitted?</b>	<b>Death benefit</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>
Endowment assurance	5	2927	28	19	UWP	Y	11250
Endowment assurance	10	6863	331	25	UWP	Y	11250
Endowment assurance	15	10282	710	25	UWP	Y	11250
Endowment assurance	20	17429	2081	25	UWP	Y	11250
With-profits bond	2	11089	406	0	UWP	Y	
With-profits bond	3	12370	1281	0	UWP	Y	
With-profits bond	5	10547	0	326	UWP	Y	
With-profits bond	10	14901	1772	0	UWP	Y	
Single premium pension	2	10900	208	0	UWP	Y	
Single premium pension	3	12067	997	0	UWP	Y	
Single premium pension	5	10588	0	0	UWP	Y	
Single premium pension	10	16846	3060	0	UWP	Y	

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

Global business

Financial year ended **31 December 2011**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%	33941074	33941074		
Classes I (other), II and IX	12	0.1%	233998917	228334519	0.50	116999
Classes I (other), II and IX	13	0.15%	5150503	554288		3863
Classes I (other), II and IX	14	0.3%	322892497	44302830		484339
Classes III, VII and VIII	15	0.3%	6979283	5799331	0.83	17398
<b>Total</b>	<b>16</b>		<b>602962273</b>	<b>312932041</b>		<b>622599</b>

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

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

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	25677152	24245229	0.94	242452
Classes III, VII and VIII (investment risk)	33	1%	16176996	16169404	1.00	161694
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	7979458	7348103	0.92	73481
Classes III, VII and VIII (other)	35	25%				15704
Class IV (other)	36	1%	664430	421855	0.85	5648
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>498979</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	146225	146225		
Classes I (other), II and IX	42	3%	25677152	24245229	0.94	727357
Classes III, VII and VIII (investment risk)	43	3%	16176996	16169404	1.00	485082
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	7979458	7348103		
Classes III, VII and VIII (other)	45	0%	17787570	16742471		
Class IV (other)	46	3%	664430	421855	0.85	16943
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>68431831</b>	<b>65073286</b>		<b>1229382</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>2371901</b>
						<b>2280724</b>

**Supplementary notes****Legal & General Assurance Society Limited****Financial year ended 31 December 2011****\*0101\* Modification of the return**

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

The Financial Services Authority, on the application of the firm, made a direction in September 2011, under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to allow the firm to:

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

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

	<b>Other than LT business £'000</b>	<b>LT business £'000</b>	<b>Total £'000</b>
Admissible assets per Form 13	4,835,092	42,694,566	47,529,658
Liabilities per Forms 14 & 15	(2,082,209)	(39,955,900)	(42,038,109)
Net admissible assets	<u>2,752,883</u>	<u>2,738,666</u>	<u>5,491,549</u>
Solvency margin for dependants	245,770		245,770
Total capital resources after deductions	<u>2,998,653</u>	<u>2,738,666</u>	<u>5,737,319</u>

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

	<b>£'000</b>
Positive valuation differences - assets	663,801
Positive valuation differences - liabilities	911,594
Negative valuation differences - assets	(296,744)
Negative valuation differences - liabilities	(326,718)
Total	<u>951,933</u>

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

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

Negative valuation differences for assets arise mainly from 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 & General Pensions Limited. Additionally negative valuation differences for assets result from the difference between the FSA valuation and the local solvency valuation for other overseas subsidiaries owned by the Company.

Negative valuation differences for liabilities arise mainly as a result of reserves to meet the costs of closure to new business, together with additional margins in respect of reserves for 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>2011</b>
	<b>£'000</b>
Form 3 L12 as at 1 January	3,215,771
Profit or loss retained per Form 16 L59	(291,346)
Change in value of shareholders' retained capital	88,502
Change in value of exchange reserves in revaluation reserve	(26)
Change in equalisation provisions not allowable under IFRS	662
Change in value of reserves due to conversion from UK GAAP to IFRS	(290,582)
Form 3 L12 as at 31 December	<u>2,722,981</u>

During the year, the directors elected to prepare the financial statements of the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The date of transition for the Company is 1 January 2010. However, there has been no restatement of prior year comparatives in the Annual Returns to Financial Services Authority for the year ended 31 December 2011 as, in accordance with IPRU(INS) Appendix 9.1 paragraph 7, restatement is not considered necessary in order to allow the appropriate comparison to be made, given the limited differences between UK GAAP and IFRS.

**\*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.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2011

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

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

The Company has £53.781m of hybrid securities.

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

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

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

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

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

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

- (a) These limits are for approved counterparties and are graded by counterparty and duration, but the maximum individual counterparty exposure was £1,300m on at the end of 2011.
- (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 2011.

These limits were not exceeded during the financial year.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

As at 31 December 2011, 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.

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

		<b>£'000</b>
(i)	Unlisted investments falling within:	
	Line 41	159,155
	Line 46	22,338
		<hr/>
		181,493
		<hr/>

Line 41 includes UK venture capital of £159.155m.

Line 46 includes unquoted UK debentures of £22.338m.

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

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

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

(iv) There are no reversionary interests.

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

Line 46 includes hybrid securities of £5.674m that have a redemption period in excess of 75 years. Fixed interest securities with embedded options, with a total value of £2,510.480m were included in Lines 46 and 48.

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

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

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

As at 31 December 2011, there is no counterparty exposure in excess of 5% of the sum of the Company's base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

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

The aggregate value of these assets is nil.

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

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

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

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

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

On 29 December 2010 the Company accepted reinsurance of a closed book of level term assurances from William Penn Life Insurance Company of New York and Banner Life Insurance Company. As part of this reinsurances arrangement, the Company was required to place Assets in Trust with a Trustee, US Bank. As at 31 December 2011 the following holdings in respect of these arrangements were in place:

	<b>£'000</b>
Banner Trust	62,954
William Penn Trust	16,608
	<u>79,562</u>

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

<b>Long Term Fund</b>	<b>£'000</b>
Elimination of negative assets	(123,895)
Presentation of tax recoverable assets	(191,641)
Deferred expenses	16,482
Cumulative deferred taxation on insurance contracts DAC	(80,098)
Deferred taxation	224,157
Presentation of sundry linked assets and liabilities	210,639
Presentation of other sundry assets	55
Presentation of amounts owed by/to group undertakings	28,504
	<u>84,203</u>

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

<b>Other than Long Term Fund</b>	<b>£'000</b>
Deficits in related undertakings	(423,591)
Presentation of tax recoverable assets	(15,814)
Presentation of amounts owed by/to group undertakings	(417,090)
	<hr/>
	(856,495)

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

The investment managers of the UK authorised insurance companies in the Legal & General Group have been given counterparty limits as authorised by the Executive Risk Committee of the Group. These limits for cash deposits, money market investments, foreign exchange and interest rate management transactions (including exposures related to derivatives, stock lending and cash balances with custodial banks) are limited to approved counterparties and graded by counterparty and duration, and the maximum aggregate counterparty exposure is £773m.

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 2011 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.

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

The Company has an English limited partnership agreement with Legal & General Property Partners (Life Fund) Limited relating to the Legal & General Life Fund Limited Partnership. The Company owns 99.99% of the equity shares in this Limited Partnership, the value of which (£1,014.371m) (2010: £1,003.575m) 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.



## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2011

#### **\*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 £52.92m 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 between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the FSA, ombudsman rulings, industry compensation schemes and court judgments.

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

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

Commitments in respect of investments, relating to property development and Private Equity of £191.168m (2010: £223.503m) 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 £0.280m has been made in respect of a deficit in Insurebeam Limited, a subsidiary of Legal & General Assurance Society Limited.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

	<b>£'000</b>
Differences in provisions between FSA & IFRS	964,917
Pension deficit	(159,400)
Negative assets reported within Form 14	(123,895)
Deferred income	499,031
Presentation of tax recoverable assets	(191,641)
Presentation of sundry linked assets and liabilities	210,639
Presentation of amounts owed by/to group undertakings	28,504
	<hr/> <u>1,228,155</u>

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

The value of with-profits non-linked assets has decreased by £746.393m.

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

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

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

The Company does not hold any non-approved derivatives.

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

(i) Charges over assets

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

(ii) Potential deferred tax liability on capital gains

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

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

(iii) Contingent liabilities

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

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

Commitments in respect of investments, relating to property development of £2.189m (2010: £1.262m) have not been included in Form 15.

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

(v) Fundamental uncertainties affecting the business

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

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

The provision of £423.591m has been made in respect of deficits in related undertakings; Legal & General Overseas Holdings BV, Legal & General International Limited and Legal & General International (Holdings) Limited, all subsidiaries of Legal & General Assurance Society Limited.

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

	<b>£'000</b>
Deficits in related undertakings	(423,591)
Presentation of tax recoverable assets	(15,814)
Presentation of amounts owed by/to group undertakings	(417,090)
Equalisation provisions not allowable under IFRS	(1,939)
	<u>(858,434)</u>

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

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

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

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

**\*1603\* Other charges**

	<b>£'000</b>
Solvency II development costs	33,447
Reduction in carrying value of investment in subsidiaries	15,462
Miscellaneous charges	16,324
	<hr/>
	65,233
	<hr/>

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

- (i) There was no excess variation margin received by the Other than Long term Business Fund of the Company as at 31 December 2011;
- (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.

**\*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 2011;
- (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.

Returns under the Accounts and Statements Rules

## **Supplementary notes**

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

#### **Financial year ended 31 December 2011**

##### **\*1702\* Assets which have the effect of derivatives (other 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 £53.781m were included in Form 13 Line 46.

##### **\*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 £2,674.057m 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 a total value of £21.029m and £0.072m were reported in Lines 41 and 46 respectively.

Floating rate notes with a total value of £16.178m and £59.118m were reported in Lines 46 and 48 respectively.

Assets, excluding approved securities, with variable redemption dates with total value of £2,510.480m 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.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

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

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

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

During 2011, 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 2011 to 30 June 2012, which was brokered by Aon Limited.

A premium of £6.020m was accepted for a 70% share of the GBP £20m excess £30m layer, a 50% share of the GBP £70m excess £50m layer and a 20% share of the GBP £145m excess £120m 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 overseas business is in run off, therefore no unearned premium provision for this business is calculated.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

**\*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 2011 to 30 June 2012 and claim liabilities would only arise if there was a catastrophe event during this period.
- (ii) There is no other business within this risk category during 2011.
- (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 2011 to 30 June 2012.

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

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

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

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

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

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

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2011

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

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

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

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

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

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

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

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

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

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

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

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



Returns under the Accounts and Statements Rules

## **Supplementary notes**

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

#### **Financial year ended 31 December 2011**

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 provided complaint-handling services to Legal & General Assurance Society Limited in respect of endowment review up until November 2011.

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

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

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

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

During 2011, under this arrangement, premium of £3.651bn (2010: £3.528bn) was paid to Legal & General Pensions Limited by the Company and Legal & General Pensions Limited paid £2.388bn (2010: 2.535bn) claims and £209.798m (2010: £167.232m) 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 2011 was £216.500m (2010: £580.956m). In addition the loan has accrued £5.002m arrears of interest, which has been carried forward to 2012.

In March 2011, the Company received an ex-gratia payment of £364.456m from Legal & General Pensions Limited under the contingent loan agreement.

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

The investment income reported on Line 12 includes £258.702m relating to linked assets.

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

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

Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

Financial year ended 31 December 2011

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

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

<b>Fund Name</b>	<b>£'m</b>
Exempt Aggressive Growth Fund	0.019
Cautious Managed Fund	0.052
Credit Opportunities Fund	0.048
Distribution Fund	0.801
Exempt Distribution Fund	0.548
Exempt Index Fund	0.370
Exempt International Fund	0.193
Managed Fund	0.476
Exempt Managed Fund	2.026
Overseas BD (Active) Fund	0.029
Exempt Overseas Bond (Active) Fund	0.106
Exempt Pacific Growth Active Fund	0.221
Rising Income (Distribution) Fund	0.076
UK Small Cos HY Fund	0.008
UK100 IDX (D) Fund	0.033

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

<b>Fund Name</b>	<b>£'m</b>
Exempt Aggressive Growth Fund	0.009
Cautious Managed Fund	0.069
Credit Opportunities Fund	1.029
Distribution Fund	0.194
Exempt Distribution Fund	0.276
Equity Fund	0.079
Growth (Distribution) Fund	0.089
Exempt International Fund	0.002
Managed Fund	0.198
Exempt Managed Fund	1.471
Overseas BD (Active) Fund	0.002
Exempt Overseas Bond (Active) Fund	0.004
Rising Income (Distribution) Fund	0.004
UK Index Fund	0.021

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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	13.164
Credit Opportunities Fund	19.574
UK Fixed Income Distribution Fund	12.099
Distribution Fixed Interest Fund	0.620

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 2011.
- (b) No amount recorded in Form 44 had been reduced to reflect a liability to repay excess variation margin received by the Company.

**\*4405\* Negative liquidity**

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

<b>Fund Name</b>	<b>Net Asset Value £'m</b>	<b>Liquidity Ratio</b>
Equity Fund	421.428	0.47
UK Index Fund	339.219	0.27
Japan Fund	18.602	0.07
L&G Money Builder (Investec) Fund	112.866	0.12
Exempt Dynamic Bond Fund	10.856	2.45
Exempt Japan Fund	120.999	0.07
Exempt US Equity Index Fund	529.490	0.05
Exempt Japanese Index Fund	88.527	0.26
Exempt Soc Gen Balanced Fund	11.490	0.22
Exempt Newton Income Fund	47.850	0.12
Exempt Newton Higher Income Fund	124.049	0.14
Exempt Newton International Growth Fund	52.074	0.10

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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>
Exempt Dynamic Bond Fund	10.856	2.45
Exempt Global Macro Themes Fund	2.265	3.43
Exempt RCM UK Equity Fund	4.915	0.75
Exempt Schroders UK Smaller Cos Fund	1.375	1.28

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

Other expenditure incurred by internal linked funds includes custodian fees of £0.692m and professional valuation fees of £0.326m.

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

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

<b>Product code</b>	<b>Number of new group schemes</b>
410	3
435	1
525	146
725	646
755	51

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

No approximations were used to apportion between product codes.

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

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

This affects the following product code numbers and product descriptions:

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

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2011

##### **\*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 17%, Approved fixed interest securities 7%, Other fixed interest securities 33%, Variable interest securities 0%, UK listed equity shares 18%, Non-UK listed equity shares 18%, Unlisted equity shares 2% and Other assets 5%.

##### **\*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 £4.612m.

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

£0.802bn of callable bonds are assumed to be redeemed, in line with market expectation, on the date the coupon becomes variable. For £0.244bn 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 £0.048bn 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.

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

The yields on £0.740m 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.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

The Company has an English limited partnership agreement with Legal & General Property Partners (Life Fund) Limited relating to the Legal & General Life Fund Limited Partnership. The Company owns 99.99% of the equity shares in this Limited Partnership, the value of which in the Long Term Fund (£930.439m) (2010: £926.425m) has been presented within Lines 17 and 27.

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

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

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

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

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

<b>Product code</b>	<b>Number of group schemes</b>
320	55
390	34
410	920
420	170
435	98

**\*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	34,988

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

No approximations were used to apportion between product codes.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

**\*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 £198.743m.

**\*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	43

**\*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 2011**

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

No approximations were used to apportion between product codes.

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

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

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

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



Returns under the Accounts and Statements Rules

## Supplementary notes

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

The treatment is as shown in note 5107.

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

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

<b>Product code</b>	<b>Number of group schemes</b>
755	1,186

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

No approximations were made in determining counts.

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

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

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

No approximations were used to apportion between product codes.

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

The treatment is as shown in note 5205.

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

The treatment is as shown in note 5206.

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

The treatment is as shown in note 5107.

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

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

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

No approximations were made in determining counts.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

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

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

No approximations were used to apportion between product codes.

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

The treatment is as shown in note 5206.

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

No split by credit rating has been performed as the amount is below the de minimis.

**\*5701\* Negative mathematical reserves**

The total mathematical reserve shown on Form 57 for the "Non Profit & Balancing items" sub fund is negative. As such, no assets have been hypothecated to cover these products. The details of the amounts and products involved are as shown on Form 57.

Negative reserves in the "Non Profit & Balancing items" sub fund are offset by positive reserves on contracts in the With-Profits part of the fund. The negative reserves are not assumed to back with-profits contracts for the purpose of determining the assumed discount rate for those contracts.

**\*5702\* Yields to which a risk adjustment was applied**

For business reassured to Legal & General Pensions Limited the net mathematical reserves are zero. The yield risk adjustments applied in calculating gross reserves are shown in section 4(3) of the Abstract of Valuation Report.

Returns under the Accounts and Statements Rules

## **Supplementary notes**

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

**Financial year ended 31 December 2011**

#### **Rule 9.25: Major treaty reinsurers**

During 2011, the Company received a premium of £6.020m from a wholly owned subsidiary, Legal & General Insurance Limited of One Coleman Street, London EC2R 5AA.

No other premiums were received from major treaty reinsurers in any of the five preceding financial years.

#### **Rule 9.26: Major facultative reinsurers**

The Company has no major facultative reinsurers.

#### **Rule 9.27: Major cedants**

The Company has no major general business reinsurance cedants.

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

##### **Non-facultative reinsurance contracts entered into or modified during the year**

The Company did not enter into or modify any non-facultative reinsurance contract during the year.

##### **Maximum net probable loss to the Company**

For each class of business, the maximum net probable loss for any one contract of insurance is £Nil.

For each class of business the maximum net probable loss for all such contracts of insurance is £Nil.

##### **Reinsurers share of gross premiums**

The Company did not cede any reinsurance premiums during the year.

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

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

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

**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 £0.122m of underwriting commission.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

**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 2011**

**1. Introduction**

- 1(1) This investigation was made as at 31 December 2011.
- 1(2) The previous investigation was made as at 31 December 2010.
- 1(3) No interim valuations (for the purposes of rule 9.4) have been carried out since 31 December 2010.

**2. Product range**

**2(1) New products**

**Worksave Pension Trust**

This is a unit-linked worksave pension plan (included in product code 735) that gives trust based employer sponsored defined contribution pension schemes access to an investment and administration platform.

Eligibility of the scheme is for those aged between 16 and one day short of their 75<sup>th</sup> birthday. The Scheme Retirement Age is 55 and above. Contributions can be regular or single. Transfers in and contribution offsets are also allowed.

Protected rights contributions are only available through protected rights transfer.

Investment options for the member are a subset of over 150 internal and external unit linked funds.

The key charges applied to the product are:

Annual Management Charge-	Tiered or level basis, determined by scheme underwriting. This can be paid as a separate fee by the Trustee(s), or a mixture of fee and reduced Annual Management Charge.
Fund Management Charge-	The Fund Management Charge is the combined total of the investment management charge and other overheads.

Benefit at retirement is not exclusively in the form of an annuity through an open market option. Benefit can be taken as Income Withdrawal (With 2 types: capped and flexible). The capped withdrawal applies where the maximum benefit that can be withdrawn is that prescribed by the Government Actuary's Department. The flexible benefit withdrawal applies where the individual has a guaranteed pension of at least £20,000 pa from other arrangements and can therefore withdraw unlimited amounts from their fund.

Full, partial and phased income withdrawal can be taken under capped drawdown. The income must be at least £500pa or £50pm. There are charges for initial set up of income withdrawal, an annual fee and a charge for any variation in payment.

This product opened to new business on 1 August 2011.

**Annuities – Group – Longevity insurance**

The company launched a longevity insurance product on 1 December 2011. It is included in product codes 905 and 400, and is available for the purposes of providing longevity protection for UK occupational pension schemes and qualifies as pensions business. Under this arrangement the company makes regular payments to the scheme reflecting their actual longevity experience, while the scheme in return makes an agreed set of regular payments to the company (based on an expected pattern of longevity experience), thus removing the risk from the scheme of future mortality experience being lighter than expected.

## **US Term Business (Reassurance Accepted)**

On 28 December 2011 an additional block of conventional level term assurance business written by William Penn Life Insurance Company of New York and Banner Life Insurance Company was reinsured to Legal and General Assurance Society by amendment to the existing reinsurance agreement. The business is reinsured to Legal & General Pensions Limited (LGPL).

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

#### **Portfolio Plus SIPP**

On 6 April 2011, the maximum retirement age was extended from 75 to 99 and capped income drawdown became available.

#### **Portfolio Plus Pension**

On 6 April 2011, the maximum retirement age was extended from 75 to 99 and capped income drawdown became available.

#### **Personal Pension 2000**

On 6 April 2011, the maximum retirement age was extended from 75 to 99.

#### **Self Invested Personal Pension 2000**

On 6 April 2011, the maximum retirement age was extended from 75 to 99 and capped income drawdown became available.

#### **Personal Pension No 1**

On 6 April 2011, capped income drawdown became available.

#### **Self Invested Personal Pension**

On 6 April 2011, capped income drawdown became available.

#### **Immediate Annuities – Group – Bulk Purchase**

On 27 June 2011 this product was extended to cover benefits that increase in line with Consumer Price Inflation (CPI).

#### **Deferred Annuities – Group –Bulk Purchase**

On 27 June 2011 this product was extended to cover benefits that increase in line with CPI.

### **2(3) Products withdrawn**

Discounted Gift Bond was discontinued on 31 August 2011 and is now written as an option within Portfolio Bonds and With-Profit Bonds.

### **2(4) New bonus series**

Recurrent single premiums paid in 2011 under the Personal Retirement Plan are deemed to be a new bonus series. New bonus pools created for contributions received in 2011 on other existing products are not deemed to be new bonus series.

Full details of reversionary bonus rates are provided in section 10.

### **2(5) Changes to options or guarantees.**

There is no change to existing options or guarantees during 2011 except those mentioned in 2(2).

## 2(6) Changes to charging methods

There were no changes to charging methods during 2011.

## 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 2011 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)	01/01/2011-05/05/2011	2006 - 2007 pools
		06/05/2011-09/08/2011	2007 pools
		10/08/2011-18/08/2011	2005 - 2008 pools, 2010 - 2011 pools
		19/08/2011-24/11/2011	2006 - 2007 pools
		25/11/2011-08/12/2011	2005-2010 pools
2	Regular Premium Life – Flexible Mortgage Plan (Series 2, 4, 5, 6, 8, 10 and 12); Prospects (Series 1 & 2); Regular Savings Plan (Series 2); New Savings Plan (Series 1)	01/01/2011-16/01/2011	2006 - 2008 pools
		17/01/2011-05/05/2011	2006 - 2007 pools
		06/05/2011-09/08/2011	2007 pools
		10/08/2011-18/08/2011	2005 - 2008 pools, 2010 - 2011 pools
		19/08/2011-24/11/2011	2006 - 2008 pools
		25/11/2011-08/12/2011	2005-2008, 2010 pools
3	Capital Investment Portfolio (Series 1, 5 & 6)	01/01/2011-16/01/2011	2006 - 2007 pools
		17/01/2011-09/08/2011	2007 pools
		10/08/2011-18/08/2011	1993 - 2003 pools, 2005 - 2007 pools, 2010 - 2011 pools
		19/08/2011-24/11/2011	2000 pools, 2006 - 2007 pools, 2010 pools
		25/11/2011-08/12/2011	1993-1997 pools, 1999-2010 pools
		09/12/2011-31/12/2011	2006-2007, 2010 pools
4	Capital Investment Portfolio (Series 7)	01/01/2011-09/08/2011	1997 - 2008 pools
		10/08/2011-18/08/2011	1997 - 2008 pools, 2011 pools
		19/08/2011-24/11/2011	1997 - 2008 pools
		25/11/2011-08/12/2011	1997-2008 pools, 2010 pools
		09/12/2011-31/12/2011	1997-2008 pools
5	Company Pension Plan; Company Pension Plan 1990; Company Pension Plan 250; Trustee Investment Plan; Trustee Investment Plan 1995; Personal Pension Plan; Personal Pension Plan 1990; Pension Savings Plan; Pension Savings Plan 1988; Pension Savings Plan 1990; Group Pension Savings Plan; Group Pension Savings Plan 1988; Group Pension Savings Plan 1990; Personal Pension Plan 1995; Executive Pension Plan 1995; Pension Savings Plan 1995; Group Pension Savings Plan 1995	01/01/2011-09/08/2011	2006 - 2007 pools
		10/08/2011-18/08/2011	1988, 1990, 1992, 1994, 2000-2001, 2003-2007, 2009, 2011 pools
		19/08/2011-24/11/2011	1990, 1994, 2006 - 2007 pools
		25/11/2011-08/12/2011	1990 pools, 1994 pools, 2001 pools, 2006-2007 pools, 2009-2010 pools
		09/12/2011-31/12/2011	2006-2007 pools



	<b>Product</b>	<b>Period during 2011 when a market value reduction was applied</b>	<b>Investment years to which a market value reduction was applied</b>
6	With Profit Bond (Series 2, 3, and 5)	01/01/2011-16/01/2011	2006 Q1 - 2008 Q3 pools
		17/01/2011-05/05/2011	2006 Q2 - 2008 Q2 pools
		06/05/2011-09/08/2011	2006 Q4 - 2007 Q4 pools
		10/08/2011-18/08/2011	1999 - 2008 Q4 pools, 2009 Q4 - 2011 Q1 pools
		19/08/2011-24/11/2011	2005 Q3, 2006 Q1 - 2008 Q3, 2010 Q1 - 2011 Q1 pools
		25/11/2011-08/12/2011	2000 Q4-2009 Q1, 2009 Q4-2010 Q4 pools
		09/12/2011-31/12/2011	2006 Q1 - 2008 Q2, 2009 Q4 - 2010 Q4 pools
7	With Profit Bond (Series 1 and 4)	01/01/2011-09/08/2011	1999 - 2008 Q3 pools
		10/08/2011-18/08/2011	1999 - 2008 Q3, 2010 Q2, 2010 Q4 - 2011 Q1 pools
		19/08/2011-24/11/2011	1999 - 2008 Q3, 2010 Q4 - 2011 Q1 pools
		25/11/2011-08/12/2011	1999 Q1-2008 Q3, 2010 Q1-2010 Q4 pools
		09/12/2011-31/12/2011	1999 Q1 - 2008 Q3, 2010 Q4 pools
8	With Profit Bond (Series 6)	01/01/2011-31/12/2011	2003 Q4 - 2005 Q3 pools
9	With Profit Bond (Series 7)	17/02/2011-09/08/2011	2005 Q3 pools
		10/08/2011-18/08/2011	2003 Q4 - 2005 Q1 pools
		19/08/2011-24/11/2011	2003 Q4 - 2004 Q2, 2005 Q2 - 2005 Q3 pools
		25/11/2011-08/12/2011	2003 Q4 - 2005 Q3 pools
		09/12/2011-31/12/2011	2003 Q4 - 2004 Q2, 2005 Q2 - 2005 Q3 pools
10	With Profit Bond (Series 8 and 9)	01/01/2011-24/11/2011	2008 Q2 - 2008 Q3 pools
		25/11/2011-08/12/2011	2008 Q2-2008 Q3, 2010 Q2 pools
		09/12/2011-31/12/2011	2008 Q2 - 2008 Q3 pools
11	With Profit Bond (Series 10 and 11)	01/01/2011-16/01/2011	2008 Q2 - 2008 Q3 pools
		17/01/2011-05/05/2011	2008 Q2 pools
		10/08/2011-18/08/2011	2008 Q2 - 2009 Q1, 2009 Q4 - 2010 Q2 pools
		19/08/2011-24/11/2011	2008 Q2 - 2008 Q3, 2010 Q2 pools
		25/11/2011-08/12/2011	2008 Q2 - 2008 Q4, 2009 Q4-2010 Q2 pools
		09/12/2011-31/12/2011	2008 Q2. 2010 Q1 - 2010 Q2 pools
12	With Profit Bond (Series 14 and 15 - Capital Protection)	10/08/2011-18/08/2011	2009 Q4 pools
		25/11/2011-08/12/2011	2008 Q4, 2009 Q4 pools
13	With Profit Bond (With Profit Bond Series 16)	25/11/2011-08/12/2011	2010 Q1 pools
14	With Profit Bond (Capital Control Series 1)	10/08/2011-18/08/2011	2010 Q2 pools
		25/11/2011-08/12/2011	2010 Q2 - 2010 Q4 pools
		09/12/2011-31/12/2011	2010 Q4 pools
15	With Profit Bond (Capital Control Series 2)	10/08/2011-18/08/2011	2010 Q1 - 2010 Q3 pools
		19/08/2011-31/12/2012	2010 Q1 - 2010 Q4 pools
16	With Profit Bond (Capital Control Series 3)	10/08/2011-18/08/2011	2011 Q1 pools
		25/11/2011-08/12/2011	2010 Q4 - 2011 Q3 pools
		09/12/2011-31/12/2011	2011 Q1 - 2011 Q2 pools
17	With Profit Bond (Capital Control Series 4)	10/08/2011-18/08/2011	2011 Q1 pools
		19/08/2011-24/11/2011	2010 Q4 pools
		25/11/2011-08/12/2011	2010 Q4 - 2011 Q3 pools
		09/12/2011-31/12/2011	2010 Q4 - 2011 Q2 pools
18	Group AVC 2002 (Series 1)	01/01/2011-16/02/2011	2006 - 2007 pools
		17/02/2011-05/05/2011	2006 - 2008 pools
		06/05/2011-09/08/2011	2006 - 2007 pools
		10/08/2011-18/08/2011	2006 - 2008, 2010 - 2011 pools
		19/08/2011-24/11/2011	2003, 2006 - 2007 pools
		25/11/2011-08/12/2011	2003, 2006-2007, 2009-2010 pools
		09/12/2011-31/12/2011	2007 pools

	<b>Product</b>	<b>Period during 2011 when a market value reduction was applied</b>	<b>Investment years to which a market value reduction was applied</b>
19	Company Pension Scheme 2002	01/01/2011-05/05/2011	2006 - 2007 pools
		06/05/2011-09/08/2011	2007 pools
		10/08/2011-18/08/2011	2006 - 2008, 2010 - 2011 pools
		19/08/2011-24/11/2011	2006 - 2007 pools
		25/11/2011-08/12/2011	2006-2007, 2009 pools
		09/12/2011-31/12/2011	2007 pools
20	Personal Pension Plan 2000	01/01/2011-09/08/2011	2006 - 2007 pools
		10/08/2011-18/08/2011	2006 - 2008, 2010 - 2011 pools
		19/08/2011-24/11/2011	2006 - 2007 pools
		25/11/2011-08/12/2011	2006-2007, 2009-2010 pools
		09/12/2011-31/12/2011	2006, 2007 pools
21	Trustee Investment Plan 1999 (Series 1 and 2)	01/01/2011-16/01/2011	2005 Q4 - 2008 Q2 pools
		17/01/2011-16/02/2011	2006 Q1 - 2008 Q1 pools
		17/02/2011-05/05/2011	2006 Q1 - 2008 Q2 pools
		06/05/2011-09/08/2011	2006 Q1 - 2007 Q4 pools
		10/08/2011-18/08/2011	2000 Q1 - 2001 Q4, 2002 Q4, 2005 Q4 - 2008 Q2, 2010 Q1 - 2011 Q1 pools
		19/08/2011-24/11/2011	2005 Q4 - 2008 Q2, 2010 Q2, 2010 Q4 - 2011 Q2 pools
		25/11/2011-08/12/2011	2002 Q4, 2003 Q2-2003 Q3, 2004 Q2, 2005 Q4-2008 Q2, 2009 Q4-2011 Q3 pools
		09/12/2011-31/12/2011	2006 Q1 - 2008 Q1 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 2011 as a result of reviewing the cost of risk:

<b>Product</b>	<b>Gross Annual Premium Prior To Review (£000)</b>	<b>Range of Premium Changes</b>	<b>Maximum Benefit Reduction</b>
Level Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	2	n/a	4%
- Premium Change	445	-18% to 15%	n/a
- No change implemented	3,434	n/a	n/a
Decreasing Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	11	n/a	7%
- Premium Change	947	-15% to 9%	n/a
- No change implemented	7,204	n/a	n/a
Family and Personal Income Plan with Critical Illness Insurance:			
- Premium Change	42	-8% to 7%	n/a
- No change implemented	92	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 2011 reviews were undertaken on policies with contract dates in 2006.

The following table shows the in force premium as at 31 December 2011 on all conventional reviewable protection products:

<b>Product</b>	<b>Gross Annual Premium at 31.12.2011 (£000)</b>
Mortgage Payment Insurance	8,426
Term Assurance with Critical Illness Insurance	41,328
Decreasing Term Assurance with Critical Illness Insurance	51,264
Family and Personal Income Plan with Critical Illness Insurance	1,019
Level Critical Illness Insurance	390
Decreasing Critical Illness Insurance	109

### 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 2011 in respect of investments held throughout the year are shown in the table below:

<b>Fund and Generation</b>	<b>Initial Units</b>	<b>Accumulation Units</b>
	%	%
<b>Non-Exempt Building Society Fund:</b>		
Generation 1	not applicable	0.05
Generation 2	not applicable	0.05
Generation 3	not applicable	0.05
Generation 21	not applicable	0.05
Generation 27	not applicable	0.1
<b>Exempt Building Society Fund:</b>		
Generation 1	0.05	0.05
Generation 2	0.05	0.05
Generation 5	0.05	0.05
Generation 6	0.05	0.05
Generation J	Not applicable	0.05
Generation K	Not applicable	0.05
Generations N and Q	Not applicable	Not applicable
Generation Y	Not applicable	0.3
<b>Exempt Special Deposit Fund:</b>		
Generation 1	0.05	0.5
Generation 2	0.05	0.5
Generation 5	0.05	0.5
Generation 6	0.05	0.5
Generation J	Not applicable	0.5
Generation K	Not applicable	0.5
Generations N and Q	Not applicable	Not applicable
Generation Y	Not applicable	0.5
<b>Cash (Euro) Fund:</b>		
	Not applicable	0.01

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

Service charges for Corporate Pensions increased during 2011. Increases in charges are based on the Office for National Statistics' *Average Weekly Earnings: Whole Economy (seasonally adjusted)* which showed an increase of 2.88% for the period July 2010 to July 2011.

The monthly administration charges per member were increased during 2011 as follows:

Company Pension Plan and Company Pension Plan 1990 for schemes set up between 1 January 1990 and 31 December 1991 increased from £5.80 per month to £5.96 per month

Company Pension Plan 250 (premium paying members) increased from £6.32 per month to £6.50 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 £56.17 to £57.78.

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

There have been no changes to unit-linked benefit charges during 2011.

### 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 2011:

Life Fund name	End 11 AMC	End 10 AMC	Increase (decrease) in AMC	Value of units allocated to policyholders £000s
L&G Life Artemis European Growth Fund	2.22%	2.36%	(0.14%)	5,809
L&G Life Jupiter Merlin Growth Portfolio Fund	3.15%	3.26%	(0.11%)	45,512
L&G Life Jupiter Merlin Income Portfolio Fund	3.20%	3.10%	0.10%	125,759
L&G Life Managed Income Fund	1.48%	1.30%	0.18%	5,417
L&G Life Barclays Cautious Portfolio Fund	2.71%	2.30%	0.41%	-
L&G Life Barclays Balanced Portfolio Fund	2.56%	2.44%	0.12%	-
L&G Life Barclays Growth Portfolio Fund	2.68%	2.52%	0.16%	-
L&G Life Ignis UK Property Fund	2.72%	2.55%	0.17%	5,915
L&G Life Fidelity European Fund	2.17%	2.40%	(0.23%)	6,976
L&G Life Insight Diversified Dynamic Return Fund	3.03%	3.14%	(0.11%)	250
L&G Life Aberdeen MM Constellation Portfolio	3.20%	3.07%	0.13%	552
L&G Life Fidelity WealthBuilder Fund	2.26%	2.40%	(0.14%)	4,560
L&G Life BlackRock Balanced Income Portfolio Fund	2.29%	2.18%	0.11%	641
L&G Life Artemis Income Fund	2.05%	2.17%	(0.12%)	32,971
L&G Life Aberdeen MM Equity Managed Portfolio	3.18%	3.06%	0.12%	744
L&G Life Fidelity American Fund	2.18%	2.36%	(0.18%)	4,728
L&G Life Franklin Mutual Shares Fund	2.52%	2.40%	0.12%	733
L&G Life Henderson Asia Pacific Capital Growth Fund	2.27%	2.08%	0.19%	304
L&G Life Jupiter Merlin Worldwide Portfolio Fund	3.17%	3.36%	(0.19%)	10,933
L&G Life BlackRock UK Income Fund	1.81%	1.98%	(0.17%)	5,051
L&G Life Henderson Multi-Manager Managed Fund (Previously called: L&G Life New Star Managed Portfolio Fund)	3.16%	3.03%	0.13%	6,223
L&G Life Newton Balanced Fund	1.98%	2.10%	(0.12%)	28,317
L&G Life Fidelity European Opportunities Fund	2.14%	2.33%	(0.19%)	1,017
L&G Life Fidelity UK Aggressive Fund	2.04%	2.33%	(0.29%)	406

<b>Life Fund name</b>	<b>End 11 AMC</b>	<b>End 10 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life Invesco Perpetual Managed Income Fund	2.37%	2.53%	(0.16%)	2,600
L&G Life Henderson Multi-Manager Active Fund	3.52%	2.90%	0.62%	3,483
L&G Life Henderson Multi-Manager Balanced Fund	3.61%	3.05%	0.56%	-
L&G Life Fidelity Multimanager Growth Fund	2.99%	2.81%	0.18%	556
L&G Life Insight Diversified Target Return Fund	2.96%	3.09%	(0.13%)	6,405
L&G Life M&G American Fund	2.11%	2.24%	(0.13%)	5,819
L&G Life Newton Global Higher Income Fund	2.02%	2.13%	(0.11%)	21,294
L&G Life SWIP Property Fund	2.40%	2.50%	(0.10%)	6,557
L&G Life CF Midas Balanced Growth Fund	2.19%	2.32%	(0.13%)	3,010
L&G Life Cazenove Multi Manager Diversity Fund	2.66%	2.83%	(0.17%)	13,852
L&G Life Neptune Green Planet Fund	2.60%	2.95%	(0.35%)	387
L&G Life Cazenove Multi Manager Diversity Tactical Fund	3.08%	3.27%	(0.19%)	428
L&G Life Aberdeen MM Multi Asset Distribution Portfolio	3.02%	2.85%	0.17%	578
L&G Life Legal & General Multi Manager Balanced Fund	2.78%	2.60%	0.18%	11,144
L&G Life Legal & General Multi Manager Growth Fund	2.76%	2.63%	0.13%	4,846
L&G Life Legal & General Multi Manager Income Fund	2.73%	2.54%	0.19%	55,719
L&G Life Schroder Dynamic Multi Asset Fund (Previously called: L&G Life Schroder Diversified Target Return Fund)	2.66%	3.01%	(0.35%)	217
L&G Life Henderson Multi-Manager Income & Growth Fund	3.22%	3.44%	(0.22%)	15,750
L&G Life SWIP Multi-Manager Diversity Fund	2.91%	2.71%	0.20%	6,379
L&G Life SWIP Multi-Manager Select Boutiques Fund	3.39%	3.15%	0.24%	387
L&G Life Thames River Distribution Fund	3.17%	3.00%	0.17%	10,110
L&G Life Thames River Global Boutiques Fund	3.80%	3.69%	0.11%	314
L&G Life Standard Life Global Absolute Return Strategies Fund	2.34%	2.44%	(0.10%)	13,912
L&G Life Threadneedle Absolute Return Bond Fund	2.07%	2.20%	(0.13%)	7,331
L&G Life Henderson Multi Manager Absolute Return Fund (Previously called: L&G Life Gartmore MultiManager Absolute Return Fund)	3.30%	3.31%	(0.01%)	184
L&G Life Thames River MC Equity Managed Fund	4.05%	3.67%	0.38%	828

Annual Management Charges have changed on the following internal linked pension funds during 2011:

<b>Pension Fund name</b>	<b>End 11 AMC</b>	<b>End 10 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Pension Aberdeen Asia Pacific and Japan Fund	1.50%	1.60%	(0.10%)	1,283
L&G Pension Artemis European Growth Fund	1.25%	1.39%	(0.14%)	1,778
L&G Pension Artemis Income Fund	1.10%	1.22%	(0.12%)	9,297
L&G Pension Ignis UK Property Fund	1.90%	1.73%	0.17%	2,144
L&G Pension Aberdeen MM Constellation Portfolio	2.24%	2.11%	0.13%	277
L&G Pension Aberdeen MM Equity Managed Portfolio	2.13%	2.01%	0.12%	504
L&G Pension Fidelity American Fund	1.23%	1.41%	(0.18%)	4,735
L&G Pension Fidelity European Fund	1.32%	1.55%	(0.23%)	3,931
L&G Pension Fidelity European Opportunities Fund	1.17%	1.36%	(0.19%)	1,212
L&G Pension Fidelity UK Aggressive	0.97%	1.26%	(0.29%)	608
L&G Pension Fidelity WealthBuilder Fund	1.31%	1.45%	(0.14%)	2,043
L&G Pension Franklin Mutual Shares Fund	1.45%	1.33%	0.12%	101
L&G Pension Henderson Asia Pacific Capital Growth Fund	1.32%	1.13%	0.19%	334
L&G Pension Insight Diversified Dynamic Return Fund	1.94%	2.05%	(0.11%)	198
L&G Pension Invesco Perpetual Managed Income	1.36%	1.52%	(0.16%)	1,392
L&G Pension Jupiter Merlin Growth Portfolio Fund	2.20%	2.31%	(0.11%)	9,696
L&G Pension Jupiter Merlin Income Portfolio Fund	2.25%	2.15%	0.10%	7,438
L&G Pension Jupiter Merlin Worldwide Portfolio Fund	2.11%	2.30%	(0.19%)	8,329
L&G Pension Managed Monthly Income Fund	0.38%	0.20%	0.18%	4,027
L&G Pension BlackRock Balanced Income Portfolio Fund (Previously called: L&G Pension BlackRock Income Portfolio Fund)	1.22%	1.11%	0.11%	439
L&G Pension BlackRock UK Income Fund	1.11%	1.28%	(0.17%)	1,243
L&G Pension Henderson Multi-Manager Active Fund	2.62%	2.00%	0.62%	1,123
L&G Pension Henderson Multi-Manager Balanced Fund	2.62%	2.06%	0.56%	-
L&G Pension Henderson Multi-Manager Managed Fund (Previously called: L&G Pension Henderson Managed Portfolio Fund)	2.14%	2.01%	0.13%	1,088
L&G Pension Newton Balanced Fund	0.93%	1.05%	(0.12%)	17,498
L&G Pension Fidelity Multimanager Growth Fund	2.04%	1.86%	0.18%	297
L&G Pension Insight Diversified Target Return Fund	2.01%	2.14%	(0.13%)	1,516
L&G Pension M&G American Fund	1.16%	1.29%	(0.13%)	2,610
L&G Pension Newton Global Higher Income Fund	1.14%	1.25%	(0.11%)	7,051
L&G Pension SWIP Property Fund	1.45%	1.55%	(0.10%)	3,770
L&G Pension Midas Balanced Growth Fund	1.24%	1.37%	(0.13%)	1,222
L&G Pension Cazenove MultiManager Diversity Fund	1.64%	1.81%	(0.17%)	3,937
L&G Pension Neptune Green Planet Fund	1.65%	2.00%	(0.35%)	185

<b>Pension Fund name</b>	<b>End 11 AMC</b>	<b>End 10 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Pension Cazenove Multi Manager Diversity Tactical Fund	2.03%	2.22%	(0.19%)	260
L&G Pension Aberdeen MM Multi Asset Distribution Portfolio	2.07%	1.90%	0.17%	188
L&G Pension Legal & General Multi Manager Balanced Fund	1.53%	1.65%	(0.12%)	5,046
L&G Pension Legal & General Multi Manager Growth Fund	1.51%	1.68%	(0.17%)	3,412
L&G Pension Legal & General Multi Manager Income Fund	1.48%	1.59%	(0.11%)	4,384
L&G Pension Schroder Dynamic Multi Asset Fund (Previously called: L&G Pension Schroder Diversified Target Return Fund)	1.52%	1.87%	(0.35%)	258
L&G Pension Henderson Multi-Manager Income & Growth Fund	2.10%	2.30%	(0.20%)	2,089
L&G Pension SWIP Multi-Manager Diversity Fund	1.83%	1.63%	0.20%	178
L&G Pension SWIP Multi-Manager Select Boutiques Fund	2.41%	2.17%	0.24%	14
L&G Pension Thames River Distribution Fund	2.23%	2.06%	0.17%	653
L&G Pension Thames River Global Boutiques Fund	2.81%	2.70%	0.11%	61
L&G Pension Standard Life Global Absolute Return Strategies Fund	1.25%	1.35%	(0.10%)	9,844
L&G Pension Threadneedle Absolute Return Bond Fund	0.98%	1.11%	(0.13%)	399
L&G Pension Henderson Multi Manager Absolute Return Fund (Previously called: L&G Pension Gartmore MultiManager Absolute Return Fund)	2.31%	2.32%	(0.01%)	313
L&G Pension Thames River MC Equity Managed Fund	2.96%	2.58%	0.38%	647

### 3(7) Unit Pricing of Internal Linked Funds

#### (a) Unit Pricing Methods

The valuation price of a unit is calculated by dividing the market value (independent valuation in the case of property), after adjustment to allow for the accrued liability to tax on income and on realised and unrealised capital gains and losses, of that portion of the fund represented by units of a particular type by the number of units of that type.

#### (i) Prices for the Creation and Cancellation of units in Internal Linked Funds

Creation of units always takes place at the creation price, and cancellation of units at the cancellation price.

The creation price of a unit is obtained in the same way as the valuation price, but having regard to market offer values of investments, increased by an allowance for the costs of acquiring investments.

The cancellation price of a unit is obtained in the same way as the valuation price, but having regard to market bid values of investments, reduced by an allowance for the costs of disposing of investments.

For units secured under the Finanzmarkt-Lebenspolice, Vermoegenschutzplan or Finanzmarkt-Rentenpolice, a single price is used for the creation or cancellation of units in any fund on any day. This price will be the Creation Price or the Cancellation Price according to whether that fund expects a net inflow or outflow that day.

## **(ii) Prices for the Allocation of units to and Deallocation of units from policies**

The price of a unit for deallocating from policies (the published bid price) is based on either the creation or cancellation price described in (i) above, but rounded down by not more than 0.1p. The choice of basis follows the principles set out in (iii) below.

For policies allocated to Generation 3, 21 or 27 units (non-exempt funds) or Generation J, L, N, Q or Y units (exempt funds), and any other policies where the policy conditions state that allocations take place on the bid price, the price of a unit for allocating to policies (the published offer price) is equal to the published bid price, as described above.

For policies not covered by the previous paragraph, the price of a unit for allocating to policies (the published offer price) is the bid price, multiplied by 100/95 and rounded to the nearer 0.1p.

For units secured under the Finanzmarkt-Lebenspolice, Vermoegenschutzplan or Finanzmarkt-Rentenpolice the single price calculated in (i) above is also used for the allocation to and deallocation from policies of units in that fund on that day.

## **(iii) Basis for Valuation of Assets**

If a fund is expected to be in a net inflow position over the short to medium term, the creation price described in (i) above is used for both allocations of units to and deallocations of units from policies.

If a fund is expected to be in a net outflow position over the short to medium term, the cancellation price described in (i) above is used for both allocations of units to and deallocations of units from policies.

The choice of basis on a given valuation day will take account of any large individual or bulk inter-fund switches to be processed on that day's prices.

For non-exempt externally invested funds (invested outside the Legal & General Group) and Sterling denominated exempt externally invested funds, the choice of basis on a given valuation day is determined by the relevant external provider, depending on the inflow or outflow of investments over all their clients.

## **(iv) Timing of Asset Valuations**

Valuations are normally carried out each working day at 12 noon. Policyholder actions notified prior to 12 noon are processed overnight using the prices calculated that day. Policyholder actions notified after 12 noon are processed the following night using the prices calculated the next day. For funds invested in the North American markets the valuations are normally carried out at 3 p.m.

There is an exception to the above for Portfolio Bond contracts where policyholder actions are processed using the prices on the next but one working day following the date of notification.

Non-exempt externally invested funds and Sterling denominated exempt externally invested funds are wholly invested in external collective investment schemes. Therefore the timing of the valuation in these funds is as described in (c)(ii) below.

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

Not applicable.

## **(c) Assets in Collective Investment Schemes**

### **(i) Internal Collective Investment Schemes**

The valuation of any authorised unit trust units held by any fund is carried out at 12 noon (3 p.m. for trusts invested in North American markets). The price calculated on any valuation day is used in the valuation of the parent fund for the same valuation day.

### **(ii) External Collective Investment Schemes**

For exempt externally invested funds for Stakeholder business, the valuations of the underlying collective investment schemes are carried out at 12 noon, based on the portfolio valuation at that time.



Policyholder actions notified prior to 12 noon are processed overnight using the prices calculated that day. Policyholder actions notified after 12 noon are processed the following night using the prices calculated the next day.

For non-exempt externally invested funds, and exempt externally invested funds (other than for Stakeholder business), the valuations of the underlying collective investment schemes are carried out each working day at 12 noon, based on the portfolio valuation at a fixed time on the previous working day. This fixed time varies between different funds. Policyholder actions are processed using the prices on the next but one working day following the date of notification.

### **3(8) Tax Deductions**

Tax is deducted quarterly from non-exempt internal linked funds, on 14 January, 14 April, 14 July and 14 October. The amount deducted on these dates relates to the tax due on those dates, calculated on a stand-alone basis for each fund. The above applies to tax on realised gains, unrealised gains on gilts and bonds and relating to the deemed disposal of holdings of unit trusts. The calculation for the last two of these is based on the market value of the assets on the previous month end. For deemed disposals of unit trusts the tax deducted allows for the spreading of tax payments according to current tax regulations – tax is only deducted when payment is due.

In the calculation of the tax due the unadjusted tax rate is used, as set by tax legislation. This is currently 20% for both capital gains tax and gilts and bonds tax.

Tax provisions in the daily pricing are adjusted to coincide with the payment of tax, so that any effect on the unit price is negligible.

### **3(9) Tax Provisions**

On the disposal of any investment of a non-exempt internal linked fund, a provision is made in the pricing of that fund equal to the capital gains tax that would be charged/credited in respect of that disposal if that internal linked fund had constituted the whole of the Society's long term linked business.

The provision in respect of any unrealised gains on investments (except authorised unit trust holdings) of any non-exempt internal linked fund is as above but at a reduced tax rate to allow for a delay before the realisation of the assets.

The provision in respect of any unrealised losses on investments (except authorised unit trust holdings) of any non-exempt internal linked fund is calculated as above as if the assets were disposed of on the valuation date. The provision is reduced to allow for the expected period before the resultant tax credit can be offset against gains on other assets.

For some funds there is a further reduction to allow for the possibility of future gains never being sufficient to fully offset these losses. For these funds, in the event of gains arising in a year following significant losses, the provision for tax on the gains is reduced to recognise the earlier losses.

The provision in respect of any unrealised gains/losses on authorised unit trust holdings is calculated by reference to the future tax charge on the deemed disposal of the assets on the penultimate valuation date of the financial year, assuming no change to asset values during the interim period, allowing for the spreading of the tax charge according to the deemed disposal rules. The provision is reduced for any unrealised losses which are carried forward under the deemed disposal rules in a similar way to unrealised losses on other investments, as indicated in the previous paragraph.

An appropriate provision is also held in respect of past years' deemed disposals to cover the future tax liability thereon.

The table below shows the percentages of indexed gains held as provisions in the valuation of non-exempt internal linked funds during 2011.

<b>Realised Capital Gains</b>	
<p>Authorised Unit Trust Holdings (deemed disposal on 30 December 2011)</p> <p>Active Equity (Distribution)</p> <p>All Other Internal Funds</p>	<p>14.00% on gains</p> <p>17.75% to 19.35% on losses, subject to restriction and discounting of any tax credits carried forward</p>
UK Fixed Interest Stocks	20.00%
Property/Unit trust	<p>20.00% on gains less any tax credits brought forward</p> <p>20.00% on losses, subject to restriction and discounting of any tax credits carried forward</p>
<b>Unrealised Capital Gains</b>	
<p>Authorised Unit Trust Holdings Gains up to 30 December 2011:</p> <p>All Internal Funds</p> <p>UK Alpha, Ethical, Pacific Growth Active, Japanese Active, Growth, UK Smaller Companies, Active Opportunities, Moneybuilder, UK Equity Index, Pacific Index, European Index, Japanese Index, US Index, Global 100 Index, Nationwide Balanced and Nationwide UK Growth Funds</p> <p>All Other Internal Funds</p>	<p>17.44% to 18.15% on gains</p> <p>0% on losses</p> <p>6.65% to 15.72% on losses</p>
<p>Authorised Unit Trust Holdings Gains after 30 December 2011:</p> <p>All Internal Funds</p> <p>All Internal Funds</p>	<p>18.64% on gains</p> <p>17.75% to 19.35% on losses, subject to restriction and discounting of any tax credits carried forward</p>
UK Fixed Interest Stocks	<p>20.00% on gains</p> <p>20.00% on losses</p>
Property/Unit trust	<p>16.00% on gains less any tax credits brought forward;</p> <p>20.00% on losses, subject to restriction and discounting of any tax credits carried forward</p>

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 linked contracts has been determined using a discounted cash flow projection with parameters as disclosed below in sections 4(2) – 4(12). The cash flows include an

allowance for future unit allocations for loyalty bonus and guaranteed additions to unit value. For contracts where monthly deductions from unit funds are made for the expected cost of life assurance cover, the non-unit liability in respect of the mortality risk is the greater of an appropriate multiple of the monthly risk premium and the liability disclosed by the discounted cash flow projection.

For contracts with a guaranteed death benefit (namely Capital Investment Portfolio (Series 8 and 10), Investment Bond (Series 2) and Unit-Linked Guaranteed Term Assurance), unit values have been reduced to 75% of their values at the valuation date when calculating sterling reserves.

For contracts with a guaranteed investment return subject to policy conditions being met (namely the Moneybuilder (Investec) Fund and With Profits Bonds (Series 8 to 19)) an additional sterling reserve is held for the intrinsic and time value of the option.

For ex-Nationwide Life pensions business and the new unit linked products in section 2(1) an approximate sterling reserve method has been used. The sterling reserve is assumed to be 20% of the unit reserve.

For Pensions OLAB business, an additional reserve is being held for the guaranteed annuity option.

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

For certain term assurances, negative liabilities were not eliminated, in accordance with INSPRU 1.2.24R. However, for all other contracts, negative values, where these occurred, were eliminated. In addition, for individual conventional policies the valuation liabilities were increased so as to ensure that those liabilities were not less than the current surrender values, exclusive of any allowance for future reversionary bonus or terminal bonus. For accumulating with-profits business, the valuation liabilities were increased so as to ensure that those liabilities were not less than the lower of the surrender value allowing for all discretionary adjustments that the policyholder might reasonably expect (i.e. interim bonus, final bonus and market value reductions) and the surrender value disregarding all discretionary adjustments.

#### **(e) Expense reserves**

For contracts valued using a gross premium method, or for contracts where premiums have ceased or where no future premiums are payable or where the method of valuation does not take credit for future premiums as an asset, provision for expenses was made having regard to current levels of expense and prudent assumptions as to future levels of expense inflation.

For those non-linked contracts valued using a net premium method for which future premiums are valued as an asset, an additional reserve is held if expenses are not covered by expected future emerging margins.

For property-linked contracts, where an explicit reserve for meeting likely future expenses has not been made, projections allowing for per policy expenses to increase at 3.5% p.a. were carried out and an additional reserve held as necessary. Although the Society has the right to vary the monthly management charge on the unit funds, the monthly charge in respect of life assurance cover and the monthly plan charge deducted from the unit funds, these projections were based on a continuation of such charges at current levels.

For pensions contracts where the policyholder has the option to make the contract paid-up, the provision for future expenses has been based on the maximum of:

- the reserve calculated assuming that regular premiums continue to be paid at the current level and,
- 50% of the reserve calculated assuming that regular premiums continued to be paid at the current level and 50% of the reserve calculated assuming that regular premiums ceased and the policy became paid up at the valuation date.

See section 4(6) for further details of expense assumptions by product code.

The total non-unit reserve consists of a sterling reserve for attributable expenses and 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 to ensure that the valuation methodology is consistent with treating customers fairly.

**(g) Extra premiums**

For the reinsurance accepted on the US Term Business, where an extra premium is payable on account of health or other special risk under a temporary assurance policy, the claims valued were calculated as those had the normal office premium been payable multiplied by the ratio of the total premium to the normal premium.

For other business, where an extra premium is payable on account of health or other special risk under a temporary assurance policy or a non-linked critical illness policy by level premiums, the total liability was calculated as that applying had the normal office premium been payable, multiplied by the ratio of the total premium payable to the normal office premium.

Where an extra premium is payable on account of health or other special risk under a conventional whole life, endowment, Build Up or Cashbuilder policy, the total liability was calculated as that applying had the normal office premium been payable, plus a multiple of the extra premium.

**(h) Waiver of premium benefit**

For waiver of premium benefits under Flexible Protection Plans, Flexible Mortgage Plans, Critical Illness, Unit-Linked Term Assurance Series 3, Self Employed Plans, Personal Pension Plans, and the Personal Investment Pension Plan contract, liabilities on the relevant prospective basis were calculated using approximate methods. These approximate methods were tested by comparing calculations made in respect of samples of the business concerned, and by comparing aggregate results of calculations for the business concerned with the results calculated directly in accordance with the stated valuation basis for similar classes of business.

The liability for the waiver provision under Permanent Health Insurance and Critical Illness Insurance (Series 1 and 2) is taken to be an appropriate multiple of the current rate of the monthly deduction for these benefits.

The liability for the waiver provision under certain other policies is taken as an appropriate proportion of the premium in respect of this option.

**(i) Recurrent single premiums**

Policies covering mortality and morbidity risks, including Group Critical Illness contracts, and costed by recurrent single risk premiums were valued by taking an appropriate percentage of the premium. The premiums reflect sickness rates in the insured population and there is an adequate margin in the valuation basis to cover additional risks up to the expiry of the guarantee period.

**(j) Accumulating with-profits business**

The liability in respect of accumulating with-profits contracts has been taken as the greater of the surrender value, calculated in accordance with INSPRU 1.2.70R and INSPRU 1.2.71R, and the discounted value of units accumulated to maturity or earlier death, allowing for any guaranteed rate of accumulation on benefits existing at the valuation date.

The non-unit liability in respect of accumulating with-profits fund benefits has been taken as the greater of the surrender value at the valuation date, inclusive of any discretionary additions but subject to a maximum of the face value of units, and the discounted value of units accumulated to maturity with any contractual interest or Contractual Minimum Addition. For this purpose the number of units is increased to allow for the contractual interest and Contractual Minimum Addition to be allocated on the 1 January immediately following the valuation date and the valuation price is taken to be 100p.

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

### **Reinsurance Rebates on 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 Term Assurance and Whole of Life**

A small amount of term assurance business is RPI-linked where benefits increase at one times RPI and premiums increase at either one or one and a half times RPI. Some whole of life business is also RPI-linked where benefits increase at one times RPI and premiums increase at either one and a half or two times RPI.

### **RPI-Linked Annuities**

Mathematical reserves have been calculated using an appropriate nominal discount rate, allowing for benefit increases at an assumed future inflation rate.

Under certain contracts the increase in the benefits is principally linked to the RPI but is additionally constrained by certain narrow ranges of maximum and minimum rates of increase. All these contracts have been treated as fixed contracts. For these contracts treated as fixed contracts, increases in annuity amount after the valuation date have been valued with the maximum rate of increase as defined in the contract, although at the first benefit increase date after the valuation date a combination of known RPI at the valuation date and the maximum rate of increase will be used. These contracts are reported on Form 51.

### **CPI-Linked Annuities**

Mathematical reserves have been calculated using an appropriate nominal discount rate, allowing for benefit increases at an assumed future inflation rate. For CPI linked annuities assumed future increases are equal to the rate of increase in the assumed RPI less 0.4% p.a.

Under certain contracts the increase in the benefits is principally linked to the CPI but is additionally constrained by certain narrow ranges of maximum and minimum rates of increase. All these contracts have been treated as fixed contracts. For these contracts treated as fixed contracts, increases in annuity amount after the valuation date have been valued with the maximum rate of increase as defined in the contract, although at the first benefit increase date after the valuation date a combination of known CPI at the valuation date and the maximum rate of increase will be used. These contracts are reported on Form 51.

### **Deferred Annuities**

For these contracts the basis has been determined by reference to asset-liability matching models, and using a range of interest rates for reinvestment no greater than those specified in the regulations.

The Society has a small exposure to GMP benefits linked to earnings (so called Section 148 orders). Section 148 liabilities generally occur in respect of GMP benefits accrued pre-1997 to pension scheme leavers post-1997 where the benefit is revalued from date of leaving service to State Pension Date in line with national average earnings. An assumption regarding the rate of earnings growth in excess of inflation is therefore required. This assumption has been set with reference to the historically observed excess of earnings inflation over RPI.

### **Group Deferred Annuities**

Where the Trustees of a pension scheme are committed to secure members' benefits by means of a group deferred annuity contract, either as a result of the discontinuance of a group accumulating with-profits contract or as the result of the acceptance of a quotation for new business, but where full data is not available at the valuation date (for example because the apportionment and allocation of benefits has not been finalised) the liability has been ascertained using estimates of the benefits to be secured. Such estimates are calculated with reference to the premiums received, and claims paid on such schemes, and the liabilities in respect of comparable policies where full data is available.

## **Deferred Retirements**

For deferred retirements, the liability was calculated by reference to the accrued benefits and was at least sufficient to provide the benefits which would have arisen, had retirement taken place at the valuation date.

## **1980 Bonus System**

Under 1980 Bonus System contracts, the guaranteed sum assured was taken to be the nominal cash amount accrued at the valuation date. These contracts were valued by taking the greater of the discounted value of these sums assured accumulated with any contractual interest to the expiry of the guarantee period, and the value of the discontinuance options available. For those contracts where discontinuance had previously been selected the outstanding benefits were valued and additional reserves were held for capital and interest guarantees associated with the outstanding payments yet to be made. Group deferred annuities (1980 Bonus System) were valued in a corresponding manner. No explicit provision was made for future investment performance guarantees in respect of benefits to be secured by future premiums, as such guarantees will vary with investment conditions in the year of payment of those premiums.

## **High Performance Pension Plan and Money Purchase Plan**

For High Performance Pension and Money Purchase Plan contracts, the basic liability was taken as the discounted value of the nominal cash amount accrued to the valuation date accumulated to the maturity date with any contractual interest, together with the value of any contractual guarantees on premiums expected to be received in the future. An additional provision for capital and other guarantees was made.

## **Buy-Out Plan**

For Buy-Out Plan the liability for each contract was taken as the present value of the nominal cash amount accrued at death or maturity with due allowance for any contractual interest, contractual minimum addition and the cost of providing for any underlying guaranteed minimum pension and guaranteed annuity benefits.

## **Private Income Plan**

Private Income Plan policies were valued by discounting the maturity benefits secured by premiums payable prior to the valuation date, increased to allow for annuity option guarantees. Where necessary explicit provision was made for future investment performance guarantees in respect of benefits to be secured by future premiums.

## **Personal Retirement Plan**

The liabilities under Personal Retirement Plan policies were obtained by deducting from the present value of the retirement benefits secured by premiums payable up to the renewal date next following the valuation date, the present value of 85% of the premiums payable up to the next renewal date, allowing for prudent rates of early retirement and transfer, with additional provision, where appropriate, for waiver of premium guarantees. The discontinuance rates were set with reference to actual recent experience.

On retirement, benefits are expressed in terms of an annuity plus three times this amount as tax-free cash. The annuity benefits may be converted to a lump sum on guaranteed terms and, in calculating the liabilities, the most onerous course of action is assumed. A proportion of the tax-free cash may be used to purchase additional annuity benefits on terms applicable at the time of retirement. In calculating the liabilities, it is assumed that 20% of tax-free cash will be used to purchase additional annuity benefits, increasing to 100% over 20 years.

## **Group Risk (Life Assurance, Widows' & Orphans' Pensions and Permanent Health Insurance)**

For Group Risk business, the liabilities for benefits not yet in payment were valued prospectively up to the expiry date of the rate guarantee using a gross premium method of valuation. Claims in payment were valued separately.

## **Mortgage Payment Insurance**

For Mortgage Payment Insurance the liability is the greater of the reserve calculated assuming that benefits either remain at their current level, or increase to those payable at the maximum permitted mortgage interest rate. In both cases the future premiums assumed payable after any contractual reviews are consistent with the assumed rate of benefit.

### Segregated Fund Policies

No financial benefits exist and expenses have ceased to be charged to the fund. No liability has therefore been held.

### (I) Specific Property-Linked Contracts

#### Capital Preservation Plan

The liability for units in internal linked funds in respect of the Pure Endowment policies is the value, as a pure endowment at age 105, of the units credited under the policies at the date of the investigation. The liability for Term Assurance policies is the value, as a term assurance to age 105, of the units credited under the corresponding Pure Endowment policies at the date of the investigation. In each case, the valuation prices calculated at the date of this investigation were used. No account was taken of the withdrawal option; this option has the effect of increasing the liability under each Pure Endowment policy and reducing the liability under the corresponding Term Assurance policy by equal amounts.

The non-unit liabilities in respect of Building Society Fund benefits are calculated in a similar manner. For this purpose, the valuation price of the units is taken as the published bid price calculated at the date of this investigation.

The sum of the unit and non-unit liabilities for each pair of policies is equal to the full value of units credited under the Pure Endowment policy plus any additional reserve for future expenses.

#### Critical Illness

The liability for the critical illness benefit under Critical Illness Insurance (Series 3 and 4) is taken to be an appropriate multiple of the current rate of the monthly deduction for this benefit.

### 4(2) Interest Rates

Valuation rates of interest for each product code are given in the table below. Some product codes contain minor lines of business with different bases to those shown below. Such bases have not been declared on grounds of immateriality.

For accumulating with-profits (UWP) and property-linked contracts the interest rate shown is the rate used in the calculation of the unit liability; the interest rates used for the calculation of non-unit liabilities are shown at the end of this section.

Product Code	Product Type	31.12.2011	31.12.2010
		%	%
100	WP conventional whole life	2.25	2.25
120	Cashbuilder	2.25	2.25
120	Other WP savings endowments	2.25	2.25
125	Build Up	2.25	2.25
165	Personal Retirement Plan	3.75/3.75 <sup>(4)</sup>	4.25/4.25 <sup>(4)</sup>
200	WP Annuity	2.75	3.00
300	NP regular premium endowments and whole life	2.25	2.25
315	WP Non Participating Buy-Out Plan	2.75/2.75 <sup>(4)</sup>	3.00/3.00 <sup>(4)</sup>
315	WP Non Participating Private Income Plan	2.75	3.00
320	WP Non Participating 1980 Bonus System – Group	2.75	3.00
325	Pension Term Assurance	2.25/6.60 <sup>(5)</sup>	3.50/7.60 <sup>(5)</sup>
325	Term Assurance	2.25/6.6 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
325	Term Assurance – US	1.75	2.75
330	Decreasing Term Assurance	2.25/6.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>



Product	Product Type	31.12.2011	31.12.2010
Code		%	%
330	Pension Decreasing Term Assurance	2.25/6.60 <sup>(5)</sup>	3.50/7.60 <sup>(5)</sup>
330	Family Income Benefit	2.25/6.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
340	Accelerated Critical Illness – guaranteed premiums	2.25/6.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
345	Accelerated Critical Illness – reviewable premiums	2.25/6.60 <sup>(5)</sup>	2.25/7.60 <sup>(5)</sup>
350	Stand-alone Critical Illness – guaranteed premiums	2.75	3.00
355	Stand-alone Critical Illness – reviewable premiums	2.75	3.00
360	Permanent Health Insurance – Individual – Non-Linked	2.75	3.00
365	Permanent Health Insurance – Individual – Linked	2.75	3.00
385	PHI Claims in Payment – Individual – Non-Linked	2.75	3.00
385	PHI Claims in Payment – Individual – Linked	2.75	3.00
390	Non Profit Deferred Annuities – Group - Bulk Purchase	4.601	4.975
390	Non Profit Deferred Annuities – Group – Other	4.601	4.975
390	WP Non Participating Deferred Annuities – Group	4.35	3.00
390	Non Profit Deferred Retirements	4.601	4.975
390	WP Non Participating Deferred Retirements	4.35	4.79
395	Non Profit Post-1991 Annuities – Group	1.75	2.00
395	Non Profit Pre-1992 Annuities – Group	2.75	3.00
395	WP Non Participating Post-1991 Annuities – Group	3.35	3.79
395	WP Non Participating Pre-1992 Annuities – Group	4.35	4.79
400	Personal Retirement Plan Annuities	4.35	4.79
400	Other WP Non Participating Annuities	4.35	4.79
400	Non Profit Annuities – Individual – Compulsory Purchase	4.601	4.975
400	Non Profit Annuities – Group – Bulk Purchase	4.601	4.975
400	Other Non Profit Annuities	4.601	4.975
400	Non Profit Annuities – Group – Bulk Purchase - Longevity	4.601	4.975
405	Non Profit Annuities – Impaired Life	4.601	4.975
405	Non Profit Annuities – Enhanced & Lifestyle Life	4.601	4.975
410	Group Life Assurance – Unapproved	2.25	2.25
410	Group Life Assurance – Approved	2.25	3.50
420	Permanent Health Insurance – Group	2.75	3.00
425	Permanent Health Insurance – Group - Claims in Payment	2.75	3.00
435	Widows' and Orphans' Pensions – Group - Approved	2.25	3.50
500	Capital Investment Portfolio	2.25	2.25
500	With-Profit Bond	2.25	2.25
505	Flexible Protection Plan	2.25	2.25
505	Prospects	2.25	2.25
510	Regular Savings Plan, New Savings Plan	2.25	2.25
515	Flexible Mortgage Plan	2.25	2.25
525	Individual UWP pensions – Accumulation units	2.75	3.00
525	Individual UWP pensions – Initial units	2.00 - 2.25 <sup>(1)</sup>	2.25 - 2.50 <sup>(1)</sup>
535	Individual UWP pensions – Accumulation units	2.75	3.00
535	Individual UWP pensions – Initial units	2.00 - 2.25 <sup>(1)</sup>	2.25 - 2.50 <sup>(1)</sup>
545	Buy-Out Plan	2.75 / 2.75 <sup>(4)</sup>	3.00 / 3.00 <sup>(4)</sup>
545	Private Income Plan – Individual	2.75	3.00
555	Money Purchase Plan	2.75	3.00
555	High Performance Pension Plan	2.75	3.00
555	Private Income Plan – Group	2.75	3.00
555	1980 Bonus System – Group	2.75	3.00
571	Trustee Investment Plan	2.75	3.00
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	31.12.2011	31.12.2010
		%	%
	Premium		
715	Life Property-Linked Endowment Regular Premium – savings	-	-
720	Life Property-Linked Endowment Regular Premium – cash	-	-
725	Overseas Pensions	2.25	3.50
725	Individual Property-Linked pensions – Accumulation units	-	-
725	Individual Property-Linked pensions – Generation 2 initial units	2.00	3.75
725	Individual Property-Linked pensions – Generation 5 initial units	2.00 - 2.25 <sup>(1)</sup>	3.25
725	Individual Property-Linked pensions – Generation 6 initial units	2.75	4.00
735	Group Property-Linked pensions – Accumulation units	-	-
735	Group Property-Linked pensions – Generation 2 initial units	2.00	3.75
735	Group Property-Linked pensions – Generation 5 initial units	2.00 - 2.25 <sup>(1)</sup>	3.25
735	Group Property-Linked pensions – Generation 6 initial units	2.75	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	-0.40	0.40
902	PHI Claims in payment – Group – RPI Linked	-0.40	0.40
905	Index Linked Annuities in payment – Pensions	0.868	1.04
905	Index Linked Annuities in payment – Non Pensions	-0.40	0.40
905	Index Linked Annuities in payment – Group – CPI Linked – Bulk Purchase - Longevity	0.868	-
905	Index Linked Annuities in payment – Group – CPI Linked – Bulk Purchase	0.868	-
905	Index Linked Contingent Annuities – Group – CPI Linked – Bulk Purchase	0.868	-
907	Deferred Annuities – Group – RPI-linked – Bulk Purchase	0.868	1.04
907	Deferred Annuities – Group – CPI-linked – Bulk Purchase	0.868	-

(1)

Generation 2 units	2.00%
Generation 5 units 1986 – 1991	2.25%
Generation 5 units 1992+	2.00%
Generation 6 units 1990 – 1994	2.00%
Generation 6 units 1995+	2.25%

(2)

Generation 2 units	2.75%
Generation 5 units 1986 – 1991	2.75%
Generation 5 units 1992+	2.75%
Generation 6 units 1990 – 1994	2.75%
Generation 6 units 1995+	2.75%

(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	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Life	2.25%	2.25%	2.25%	2.25%
Pensions	2.25%	3.50%	2.75%	3.00%
Overseas	2.25%	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 nominal weighted average long term allowances for default are calculated. These allowances are then applied as a deduction from the yields on the company's fixed and variable interest portfolios. The default allowances allow for the possible recovery (or partial recovery) of capital in the event of a default. The recovery rate is based on the security level of the underlying assets.

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)	40 bps p.a

The nominal 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	
	31.12.2011	
	(a)	(b)
AAA	4 bps p.a	6 bps p.a
AA	9 bps p.a	12 bps p.a
A	25 bps p.a	31 bps p.a
BBB	59 bps p.a	68 bps p.a
Lower rated (BB to CCC)	206 bps p.a	312 bps p.a
Unrated	36 bps p.a	48 bps p.a
Other		18 bps p.a

For LGPL, the presentation was modified during 2011. The assumptions for unapproved securities are unchanged at the overall portfolio level, but the presentation of the default deduction between different asset categories has been changed. Other includes RPI linked bonds, CDOs and floating rate notes, which last year were not separately identified but included at the assumed average default rate for the portfolio.

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 £546m gross of reinsurance (£33m net of reinsurance) has been held. For annuity business reassured to LGPL the total allowance for default is equivalent to approximately 61bps 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 35bps p.a. to 70 bps p.a. in total.

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 6.75% of the available yield.

For property sale and leaseback assets, when calculating the yield on the property, prudent deductions from income have been made in accordance with the credit rating of the tenant, in line with Legal & General's standard default probabilities. Furthermore a prudent residual value upon default of the tenant is assumed by taking the current vacant possession value less depreciation costs with no allowance for future property price inflation.

For other assets judgement was used in setting risk adjustments according to the category of asset and security of income.

#### 4(4) Mortality and Morbidity Bases.

Valuation rates of mortality and morbidity for each product code are given in the table below. Some product codes contain minor lines of business with different bases to those shown below. Such bases have not been declared on grounds of immateriality. In addition, some product codes contain an immaterial amount of business and have also been excluded from the table below.

The table refers to mortality and morbidity codes rather than bases. A description of the basis for each of the codes is given after the table at both the current and previous investigation dates.

Where two bases are given, the first applies to the period in-deferment and the second to the period in-possession.

For policies using basis A or basis P at 31 December 2011, an additional allowance for scheme specific mortality has been applied where deemed appropriate.

Product Code	Product Type	31.12.2011	31.12.2010
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
325	Term Assurance – US	Qq	n/a
330	Decreasing Term Assurance	J	J
340	Accelerated Critical Illness – guaranteed premiums	T	T
345	Accelerated Critical Illness – reviewable premiums	T	T
350	Stand-alone Critical Illness – guaranteed premiums	U	U
355	Stand-alone Critical Illness – reviewable premiums	U	U
360	Income Protection Benefit	W/li	W/li
360	Other Permanent Health Insurance – Individual – Non-Linked	W/Gg	W/Gg
365	Mortgage Payment Insurance	W/Hh	W/Hh
365	Other Permanent Health Insurance – Individual – Linked	X/Jj	X/Jj
385	Claims in Payment - Individual – Non-Linked	M	M
385	Claims in Payment - Individual – Linked	L	L
390	Non Profit Deferred Annuities – Group - Bulk Purchase	P/A	P/A
390	Non Profit Deferred Annuities – Group – Other	P/B	P/B
390	WP Non Participating Deferred Annuities – Group	P/B	P/B
390	Non Profit Deferred Retirements – Group – Bulk Purchase	A	A

<b>Product Code</b>	<b>Product Type</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
390	Non Profit Deferred Retirements – Other	B	B
390	WP Non Participating Deferred Retirements	B	B
395	Non Profit Annuities (PLA)	B	B
395	WP Non Participating Annuities (PLA)	B	B
400	Personal Retirement Plan Annuities	D	D
400	Other WP Non Participating Annuities	B	B
400	Non Profit Annuities – Individual - Compulsory Purchase	C	C
400	Non Profit Annuities – Group – Bulk Purchase	A	A
400	Other Non Profit Annuities	B	B
405	Non Profit Annuities – Lifestyle Life	Rr	C
405	Non Profit Annuities – Enhanced Life	Tt	B
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	-	-
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

Product Code	Product Type	31.12.2011	31.12.2010
905	Annuities – Individual – RPI-linked – Other	B	B
905	Annuities – Group – RPI-linked – Bulk Purchase	A	A
905	Annuities – Group – RPI-linked – Other	B	B
905	Annuities – Group – CPI-linked – Bulk Purchase	A	-
907	Deferred Annuities – Group – RPI-linked – Bulk Purchase	P/A	P/A
907	Deferred Annuities – Group – CPI-linked – Bulk Purchase	P/A	-

### Code Letters used for the 2011 Mortality / Morbidity Basis

- A** 84.3% of PCMA00 for males and 90.4% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- B** 81.5% of PCMA00 for males and 87% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- C** 69.5% of PCMA00 for males and 74.2% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- D** 76.2% of PCMA00 for males and 62.2% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** A1967-70 Ultimate with no age adjustment
- J** If a life has no terminal illness cover and:  
(i) has been coded as a smoker 78% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
(ii) has been coded as a non-smoker 90% TMN00 or TFN00 Select 5 for males and females respectively is applied;  
(iii) is un-coded 83% TM00 or TF00 Select 5 for males and females respectively is applied.
- If a life has terminal illness cover and:  
(i) has been coded as a smoker TMS00 or TFS00 Select 5 for males and females respectively is applied;  
(ii) has been coded as a non-smoker TMN00 or TFN00 Select 5 for males and females respectively is applied.  
The percentage of table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	96%	85%
1	96%	108%
2	95%	115%
3	100%	100%
4	112%	86%
5+	90%	86%

- K** 125% of AM92 or AF92 Ultimate for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- L** 30% CMI Report No. 12 termination rates.
- M** A1967-70 Ultimate rated up 5 years.
- N** 61.5% CMI Report No. 12 termination rates.
- P** 82.5% of modified PCMA00 and PNMA00 for males and 89.4% of PCFA00 and PNFA00 for females in deferment.
- Q** 51.45% of A1967 / 70 Ultimate rated down 3 years for males and 49.49% of A1967 / 70 Ultimate rated down 6 years for females in deferment.
- R** A1967-70 Ultimate rated down 2 years. In joint life cases the second life is assumed to be 3 years younger than the first life.
- T** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and including death decrements. The percentage of the table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	91%	57%
1	94%	63%
2+	101%	67%

Rates are assumed to deteriorate (increase) from a base year of 2009 at 0.5% p.a. for males and 0.75% p.a. for females. For guaranteed contracts, the rates are assumed to deteriorate by a further 1% p.a. for policy durations of 6 years and above.

- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 114% of the table is applied; if a life has been coded as a non-smoker 77% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2009 at 1% p.a. for males and 1.75% p.a. for females.
- W** 40% AM80 select 5.
- X** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker a loading of 75% is used; if a life has been coded as a non-smoker a loading of 30% is used.
- Y** 110% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 50% of AM92 or AF92 Ultimate for males and females respectively.
- Aa** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 160% of this table is used; if a life has been coded as a non-smoker 85% of this table is used; if a life is un-coded 115% of this table is used. If the contract provides additional critical illness benefits an additional loading of 250% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 185% of this table is used; if a life has been coded as a non-smoker 85% of this table

is used; if a life is un-coded 95% of this table is used. If the contract provides additional critical illness benefits an additional loading of 225% is applied.

**Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 220% of this table is used; if a life has been coded as a non-smoker 125% of this table is used.

**Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 510% of this table is used; if a life has been coded as a non-smoker 275% of this table is used.

**Ff** If a life has been coded as a smoker, TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, TMN00 or TFN00 Select 5 for males and females respectively is applied. The percentage of table applied varies by duration and smoker status as follows:

Duration (yrs)	Smoker	Non-Smoker
0	96%	85%
1	96%	108%
2	95%	115%
3	100%	100%
4	112%	86%
5+	90%	86%

**Gg** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception:  $x\%$  of CMIR12 Method B (select 5) rates, where  $x=a.b.c.d.100$  and  
 $a=1+$ loading to standard premium rates (e.g. for occupation, female, medical)  
 $b=0.8$   
 $c=1.7$  if the deferred period is 26 weeks, 1 for all other deferred periods  
 $d=1$  for occupation classes I and II, 2.4 for occupation classes III, IV and uncoded  
 Termination: 35% of CMIR12 rates

**Hh** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception: 100% CMIR 12 Method B (select 5) with the following factors

0.8 loading if the deferred period is 0-4 weeks
0.9 loading if the deferred period is 5-8 weeks
1.0 loading if the deferred period is 9-13 weeks
1.4 loading if the deferred period is 14-26 weeks
1.6 loading if the deferred period is 27-52 weeks
1.0 loading for Males
1.5 loading for Females
1.0 loading for occupation class I
1.5 loading for occupation class II
1.8 loading for occupation class III
2.8 loading for occupation class IV
1.2 loading for Smokers
0.9 loading for Non Smokers

Termination: 35% of CMIR12 rates

**Ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception:  $x\%$  of CMIR12 Method B (select 5) rates, where  $x=a.b.c.d.e.f.100$  and  
 $a=1.21$  for policies where additional incapacity benefits are selected, 1.1 otherwise.  
 $b=0.8$  if the deferred period is 4 weeks, 1.3 if the deferred period is 13 weeks, 1.4 if the deferred period is 26 weeks and 1.6 if the deferred period is 52 weeks.  
 $c=1$  for occupation class I, 1.5 for occupation class II, 2.25 for occupation class III and 3 for occupation class IV.



d=1 for non-smokers, 1.3 for smokers  
 e=1 for males, 1.75 for females  
 f=1+medical loading (where appropriate)  
 Termination: 35% of CMIR12 rates

- Jj** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.100 and a=0.40  
 b=1.0 if the deferred period is 4 weeks, 1.5 if the deferred period is 13 weeks, 4.0 if the deferred period is 26 weeks and 5.3 if the deferred period is 52 weeks.  
 c=1 for occupation class I, 1.5 for occupation class II, 2.7 for occupation class III and 4.5 for occupation class IV.  
 d=0.9 for non-smokers, 1.2 for smokers  
 e=1 for males, 3 for females  
 Termination: 35% of CMIR12 rates
- Kk** 40% Sterbetafel DAV 1994, Germany, for males and females.
- Ll** Sterbetafel DAV 1994, Germany, for males and females. If a life has been coded as a smoker 65% of this table is used; if a life has been coded as a non-smoker 35% of this table is used; if a life is coded as a preferred life 28% of this table is used.
- Mm** Group Life, Group PHI and Group Widows and Orphans Pension business is valued using a claims ratio approach rather than an explicit mortality/morbidity table and assumption. The long term claims ratio assumption is set in line with the long term target profitability of the business, with an additional margin for prudence. However, claims ratios are actively monitored to ensure that observed claims ratios are within the required range to maintain this profitability target, and the long term assumption used in the valuation is compared against experience to assess credibility.
- Nn** 125% of AM92 or AF92 Ultimate rated down 2 years for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- Oo** 105% of AM92 or AF92 Ultimate for males and females respectively.
- Pp** 75% of AM92 or AF92 Ultimate for males and females respectively.
- Qq** Mortality rates are based upon percentages of the Society of Actuaries (“SOA”) 1985-90 experience tables, with percentages varying by policy issuance date, age, sex and underwriting type. The percentages vary from 26.28% to 46.84% for males and 30.08% to 48.96% for females.
- The aggregate male and female tables are split into smoker and non-smoker status by applying a range of factors depending on age. For males the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.13 for smokers. For females the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.07 for smokers.
- Further adjustment factors are applied to change the slope of SOA 1985-90 table by duration and to adjust for different risk factors based on Sum Assured, policy year and term. Adjustments are also made to reflect differences in mortality for substandard policies.
- An additional mortality adjustment is used to increase the slope of mortality at older ages. The adjustment consists of a multiplier that increases each year depending on sex, band and class.
- A margin of 13% is applied to the mortality rates for prudence.
- Rr** 75.0% of PCMA00 for males and 81.0% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB’s mortality improvement model (CMI 2009) with the following parameters:  
 Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
 Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- Tt** 101.8% of PCMA00 for males and 109.0% of PCFA00 for females. Allowance for future improvement commencing 30.06.2009 as per CMIB’s mortality improvement model (CMI 2009) with the following parameters:

Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.

#### **Code Letters used for the 2010 Mortality / Morbidity Basis**

- A** 89% of PCMA00 for males and 93% of PCFA00 for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- B** 82% of PCMA00 for males and 86% of PCFA00 for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- C** 69% of PCMA00 for males and 73% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120
- D** 74% of PCMA00 for males and 55% of PCFA00 for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** A1967-70 Ultimate with no age adjustment
- J** If a life has no terminal illness cover and:  
(iv) has been coded as a smoker 116% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
(v) has been coded as a non-smoker 136% TMN00 or TFN00 Select 5 for males and females respectively is applied;  
(vi) is un-coded 103% 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 96% TMS00 or TFS00 Select 5 for males and females respectively is applied;  
(iv) has been coded as a non-smoker 93% 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** 60% CMI Report No. 12 termination rates.
- P** 88% of modified PCMA00 and PNMA00 for males and 92% of PCFA00 and PNFA00 for females in deferment.

- Q** 51.45% of A1967 / 70 Ultimate rated down 3 years for males and 49.49% of A1967 / 70 Ultimate rated down 6 years for females in deferment.
- R** A1967-70 Ultimate rated down 2 years. In joint life cases the second life is assumed to be 3 years younger than the first life.
- T** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and including death decrements. 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 68% 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. For guaranteed contracts, the rates are assumed to deteriorate by a further 1% p.a. for policy durations of 6 years and above.
- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 126% 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 30% 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 175% 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 110% 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 195% 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 225% is applied.
- Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 220% of this table is used; if a life has been coded as a non-smoker 125% of this table is used.
- Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 510% of this table is used; if a life has been coded as a non-smoker 275% of this table is used.
- Ff** If a life has been coded as a smoker, 96% TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, 93% 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
- 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.
- Qq** Mortality rates are based upon percentages of the Society of Actuaries (“SOA”) 1985-90 experience tables, with percentages varying by policy issuance date, age, sex and underwriting type. The percentages vary from 26.79% to 70.23% for males and 30.02% to 70.75% for females.

The aggregate male and female tables are split into smoker and non-smoker status by applying a range of factors depending on age. For males the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.13 for smokers. For females the factors vary between 0.80 and 1.00 for non-smokers and between 1.00 and 2.07 for smokers.

Further adjustment factors are applied to change the slope of SOA 1985-90 table by duration and to adjust for different risk factors based on Sum Assured. Adjustments are also made to reflect differences in mortality for substandard policies.

### 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		Rr		Tt	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
65	23.3	24.4	23.6	24.7	25.8	27.3	24.2	27.7	24.4	25.4	21.6	22.8
75	14.2	15.2	14.4	15.4	16.9	18.6	15.0	18.1	15.1	16.0	12.8	13.8

### Expectations of life – Deferred Annuities

For deferred annuity contracts the expectations of life at age 65 for lives currently aged 45 and 55 for the bases specified above are set out in the table below.

Age	Code letter			
	A		B	
	Male	Female	Male	Female
45	26.4	26.7	26.8	27.1
55	24.8	25.6	25.1	25.9

### Allowance made for future changes in mortality

Generally, an allowance for future improvement, based on the projection model CMI 2009 Working Paper 41 has been made in the valuation of annuities in payment, including, in the case of deferred annuities, allowance for such improvement prior to vesting, as described in the codes above.

#### 4(5) Table of morbidity bases

See the table in section 4(4).

### Allowance made for future changes in morbidity

For term assurance contracts with a critical illness accelerator, the valuation reserves allow for future deterioration in morbidity experience of 0.50% p.a. for males and 0.75% p.a. for females. There is an additional loading for guaranteed contracts of 1.0% for policy durations greater than 5 years. For non-unitised standalone critical illness contracts, the valuation reserves allow for future deterioration in morbidity experience of 1.00% p.a. for males and 1.75% p.a. for females. There is no additional loading for guaranteed contracts.

#### 4(6) Table of expense bases

The following annual per policy maintenance expenses have been assumed in the calculation of mathematical reserves at 31 December 2011. Equivalent figures for 31 December 2010 are also provided. The valuation methodology for sterling reserve calculations for unit-linked business considers attributable and non attributable expenses separately. As such the annual per policy maintenance expense for the relevant product codes shows attributable expenses only.

Where appropriate, tax relief on maintenance expenses has been allowed for at a rate of 20%.

In cases where the Society has the right to vary the monthly management charge on unit funds and the administration charge on linked contracts, no such increases have been taken into account. They have been assumed to remain constant at their current level.

Product Code	Product Type	31.12.2011		31.12.2010	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
120	Cashbuilder	£67.06	£67.06	£58.18	£58.18

Product Code	Product Type	31.12.2011		31.12.2010	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
120	Other WP savings endowments	£66.54	£66.54	£53.46	£53.46
125	Build Up	£62.24	£62.24	£58.79	£58.79
165	Personal Retirement Plan	£92.80		£98.42	
325	Pension Term Assurance	£8.05		£9.49	
325	Term Assurance	£8.65		£9.70	
330	Decreasing Term Assurance	£8.65		£9.70	
340	Accelerated Critical Illness - guaranteed premiums	£11.84		£12.37	
345	Accelerated Critical Illness - reviewable premiums	£11.84		£12.37	
350	Stand-alone Critical Illness - guaranteed premiums	£12.36		£24.95	
355	Stand-alone Critical Illness - reviewable premiums	£12.36		£24.95	
360	Income Protection Benefit <sup>(2)</sup>	£11.16		£10.95	
365	Mortgage Payment Insurance <sup>(2)</sup>	£11.16		£10.95	
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		£18.65		£17.96
500	Life UWP single premium bonds		£17.68		£16.69
510	Regular Savings Plan, New Savings Plan	£44.83	£14.54	£30.83	£15.41
515	Flexible Mortgage Plan	£23.77	£11.89	£19.05	£9.53
525	UWP Individual Personal Pension and Self Employed Plan <sup>(3)</sup>				
525	UWP Executive Pension Plan and Directors Plan	£46.10	£23.05	£183.61	£93.01
525	UWP Free Standing Pension Savings Plan	£19.23	£9.62	£20.93	£11.01
525	UWP Buy-Out Plan		£38.00	-	£6.26
535	UWP Group Personal Pension Plan <sup>(4)</sup>				
535	UWP Company Pension Plan	£52.56	£26.28	£97.62	£50.75
535	UWP Company Sponsored Pension Savings Plan	£40.67	£20.34	£101.85	£53.91
545	Buy-Out Plan	-	£108.22	-	£61.94
545	Private Income Plan - Individual <sup>(1)</sup>			-	
700	Life Property-Linked single premium		£18.30		£31.13
715	Regular Savings Plan, New Savings Plan	£44.83	£14.54	£30.83	£15.41
715	Capital Accumulation Plan	£18.30	£9.15	£31.13	£15.57
720	Flexible Mortgage Plan	£23.77	£11.89	£19.05	£9.53
725	Property-Linked Individual Personal Pension and Self Employed Plan <sup>(3)</sup>				
725	Property-Linked Personal Investment Pensions Plan	£19.03	£9.52	£26.17	£13.78
725	Property-Linked Executive Pension Plan and Directors Plan	£46.10	£23.05	£183.61	£93.01
725	Property-Linked Executive Investment Retirement Plan	£90.50	£45.25	£308.36	£156.30
725	Property-Linked Free Standing Pension Savings Plan	£19.23	£9.62	£20.93	£11.01
735	Property-Linked Group Personal Pension Plan <sup>(4)</sup>				

Product Code	Product Type	31.12.2011		31.12.2010	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
735	Property-Linked Company Pension Plan	£52.56	£26.28	£97.62	£50.75
735	Property-Linked Company Sponsored Pension Savings Plan	£40.67	£20.34	£101.85	£53.91
735	Group pension Savings Plan	£40.67	£20.34	£101.85	£53.91
755	Trustee Investment Plan		£74.50	-	£164.91

- (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 2011	31 December 2010
Private Income Plan - Individual	£77,678	£73,966

- (2) For policies currently paying premiums an additional reserve is held in respect of maintenance expenses which would arise on any future claims. For claims currently in payment a reserve is held in respect of future maintenance expenses arising from the current claim. In both cases, claims expenses are assumed to be 6.14% (12.14% at 31 December 2010) of the claim amount for Income Protection Benefit and non-linked Permanent Health Insurance and 3.03% (5.97% at 31 December 2010) of the claim amount for Mortgage Payment Insurance. The claims expenses are 6.75% (6.75% at 31 December 2010) 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 £42.87 premium paying and £22.56 paid up, £35.22 premium paying and £18.54 paid up (£10.31 for GPP leavers) or £113.16 premium paying and £59.57 paid up as appropriate.
- (4) The expense basis varies according to the type of administration. The expense basis is either £0.97 premium paying and £0.51 paid up or £20.20 premium paying and £10.63 paid up as appropriate.

#### 4(7) Unit Growth Rates

Below are the assumptions used, in conjunction with the expenses, to calculate any sterling reserve requirement.

	Percentage
Unit Growth – Gross	4.50% p.a
Unit Growth – Net	4.30% p.a
Future Expense Inflation	3.50% p.a
Future Increase in policy charges	0.00% p.a

#### 4(8) Future bonus rates

With the exception of assessing surrender values on accumulating with-profits contracts, the mathematical reserves make no allowance for future annual reversionary bonus or terminal bonus in accordance with INSPRU 1.2.9R. The realistic (Peak 2) assessment of liabilities described in Appendix 9.4A provides for future annual reversionary and terminal bonus rates at rates consistent with the various investment scenarios and hence ensures that policyholders are treated fairly, either by validating the prudence of the (Peak 1) mathematical reserves or requiring a With-Profits Insurance Capital Component.

The liability in respect of accumulating with-profits contracts has been taken as the greater of the surrender value, calculated in accordance with INSPRU 1.2.70R and INSPRU 1.2.71R, and the discounted value of units accumulated to maturity or earlier death, allowing for any guaranteed rate of accumulation on benefits existing at the valuation date.

#### 4(9) Lapse, Surrender and Paid-up assumptions

With the exception of those contracts and bases described below and in section 4(10), the valuation has not allowed for any form of discontinuance.

## Non-Linked Contracts

For the majority of protection business, a valuation persistency basis has been set by applying a prudential margin over the best estimate assumptions. The margin acts to increase the best estimate lapse rate in the early part of a policy's lifetime (when it is being treated as an asset) but to reduce the best estimate lapse rate later in the policy's lifetime (when it is treated as a liability). The crossover point at which the margin changes direction is assessed for broad product groups but applied at a policy by policy level.

Any liability to reinsurers on discontinuance within the first four years from inception is allowed for explicitly in the cashflows using the valuation lapse basis, together with a prudent allowance for clawback of commission from agents upon lapse.

A summary of the lapse basis for major classes of business is given below.

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 - 5	6 - 10	11 - 15	16 - 20
Level term	lapse	13.5%	8.9%	5.5%	2.9%
Decreasing term	lapse	13.5%	8.9%	5.7%	5.3%
Accelerated critical illness	lapse	21.6%	11.0%	5.2%	5.0%
Pension Term (level and decreasing)	lapse	13.0%	8.5%	5.6%	5.1%
Whole of Life (conventional Non Profit)	lapse	3.9%	1.9%	0.9%	0.0%

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

A summary of the lapse basis for the ex-Nationwide Life 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	18.9%	12.5%	7.6%	3.5%
Decreasing term	lapse	18.9%	12.5%	8.0%	7.5%
Term with critical illness	lapse	25.7%	13.0%	5.7%	5.4%

## US Term Business

Product	Policy Year	Average Lapse Rates			
		1-5 Average	6-10 Average	11-15 Average	16-20 Average
Ten Year Term Plan	Preferred Plus Nonsmoker	3.71%	3.64%	100.00%	100.00%
	Preferred Nonsmoker	4.48%	3.78%	100.00%	100.00%
	Standard Plus Nonsmoker	5.25%	3.68%	100.00%	100.00%
	Standard Nonsmoker	6.58%	4.41%	100.00%	100.00%
	Preferred Tobacco	6.02%	4.20%	100.00%	100.00%
	Standard Tobacco	8.51%	4.48%	100.00%	100.00%
Fifteen Year Term Plan	Preferred Plus Nonsmoker	2.28%	1.68%	1.40%	100.00%
	Preferred Nonsmoker	2.84%	1.96%	1.75%	100.00%
	Standard Plus Nonsmoker	3.68%	2.35%	2.10%	100.00%
	Standard Nonsmoker	4.80%	3.01%	2.80%	100.00%
	Preferred Tobacco	6.06%	3.64%	3.50%	100.00%
	Standard Tobacco	6.86%	4.06%	3.50%	100.00%



Product		Average Lapse Rates			
Twenty and Thirty Year Term Plan	Preferred Plus Nonsmoker	2.17%	1.54%	1.40%	1.40%
	Preferred Nonsmoker	2.73%	1.61%	1.40%	1.40%
	Standard Plus Nonsmoker	3.85%	2.07%	1.75%	1.75%
	Standard Nonsmoker	4.55%	2.38%	2.10%	2.10%
	Preferred Tobacco	6.16%	3.22%	2.80%	2.80%
	Standard Tobacco	8.47%	4.06%	2.80%	2.80%

### Unit-Linked Contracts

The valuation methodology for linked contracts includes a prudent lapse assumption. Investigations have identified that lighter surrenders are prudent and therefore the valuation assumptions for both linked pensions and linked life business are derived by reducing the long term best estimate assumptions by a prudential margin.

A summary of the assumptions for major classes of business is given below.

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 – 5	6 – 10	11 – 15	16 – 20
UWP savings endowment	surrender	0.00%	1.40%	1.60%	4.00%
UWP target cash endowment	surrender	0.00%	3.60%	3.00%	2.40%
UL savings endowment	surrender	0.00%	1.40%	1.60%	4.00%
UL target cash endowment	surrender	0.00%	3.60%	3.00%	2.40%
UWP Bond	surrender	1.00%	2.00%	2.30%	1.80%
UL Bond	surrender	2.60%	5.90%	3.60%	3.30%
UWP individual pension regular premium	surrender	1.40%	1.30%	1.30%	1.30%
UWP individual pension single premium	surrender	3.50%	3.40%	3.40%	3.40%
UL individual pension regular premium	surrender	2.40%	1.70%	1.60%	1.60%
UWP Trustee Investment Plan regular premium	surrender	1.30%	1.30%	1.30%	1.30%
UL Trustee Investment Plan regular premium	surrender	1.30%	1.30%	1.30%	1.30%
UL individual pension single premium	surrender	4.40%	3.80%	2.90%	2.90%
UWP group pension regular premium	surrender	2.20%	2.30%	2.10%	2.10%
UWP group pension single premium	surrender	10.90%	10.90%	10.90%	10.90%
UL group pension regular premium	surrender	2.60%	2.30%	1.40%	1.40%
UL group pension single premium	surrender	6.70%	6.70%	6.70%	6.70%
UWP Trustee Investment Plan single premium	surrender	6.80%	5.60%	3.80%	3.80%
UL Trustee Investment Plan single premium	surrender	6.80%	5.60%	3.70%	3.70%

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	6.1%	4.1%	1.1%
61 – 64	3.1%	0.5%	0.3%
65	8.1%	8.2%	1.0%
66 – 69	4.7%	1.1%	0.1%
70*	100.0%	100.0%	1.8%

\* 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, credit default swaps and property total return swaps which affect the overall portfolio yield. These impacts are considered in setting the valuation interest rate.

#### 4(12) Effect of INSPRU changes effective from 31 December 2006

There have been no further changes in valuation methodology this year.

### 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 3.5% 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	21.6	0 to 44 years	4.0	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	36.4	0 to 33 years	33.1	£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	46.3	0 to 44 years	5.0	£9.60 annuity for each £100 cash for annuities purchased prior to the tenth 1st January following the commencement of the policy. Currently £5.65 annuity for each £100 cash for annuities purchased after the tenth 1st January following the commencement of the policy.	No	As selected by the policyholder and permitted by legislation	60 to 66

<sup>1</sup> for a level, single life annuity payable for a minimum of 5 years, male aged 65.

<sup>2</sup> Annuity rates are quoted in the form shown in (v) but, subject to the annuity being of equal value, the policyholder can elect to take their benefits at a different escalation rate, as a joint life annuity rather than single life and with a different guarantee period.

## 5.(2) Guaranteed surrender values

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
New Cashbuilder	110.2	0 to 28 years	0.0	Guaranteed cash sum on surrender after 10 years. The policyholder has the option to continue paying premiums after 10 years in which case the guaranteed cash sum will increase usually by 10% (simple) per annum.	Death and maturity	1.7	No	Guaranteed cash sum is valued using an increase of 10.5% (simple) per annum. No credit is taken for future premiums after 10 years.
Investment Bond (Series 1 and 2)	2,958.3	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)	178.7	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)	2,685.8	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	(ix) Method and basis
				any regular withdrawals.				
Portfolio Bond (Series 1 to 10)	5,102.5	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.
Build Up, Other Endowment, Whole of Life	2,112.6	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	77.9	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	93.4	Whole of life	1.5	For those monies invested in the Money Builder (Investec) Fund continuously for 5 years, the Society guarantees that on surrender (at certain dates) an amount of at least that originally invested (reduced in proportion to the amount of units cashed in for regular withdrawals, surrenders or switches out of the fund) will be payable. Note that £123.4m basic reserve covered by this guarantee forms part of the £5,139.6m basic reserve for Portfolio Bond (Series 1 to 10).	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	The guarantee reserve covers the time-value of the guarantee. The intrinsic cost after five years is included in the basic reserve.
With-Profit bonds series 8-15 – 5 & 10 year guarantees	448.1	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	(ix) Method and basis
				120% of the original investment less withdrawals, and 110% at five years (where applicable)				
With-Profit bonds series 16-19 – 5 & 10 year guarantees	184.2	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken. There is a capital guarantee of 100% and income guarantee of 110% after 10 years. There is also an option of 100% capital and income guarantee of 100% at duration 5. When the fund value falls below the guarantee amount, the fund value is increased to the guarantee amount.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	The intrinsic cost at five and ten years is included in the basic reserve
Level term assurance reinsured from William Penn Life Insurance of New York (US Term Business)	54.9	0 to 13 years	Implicit in the basic reserve	Under US Term Business there is a guaranteed cash sum payable on surrender.	n/a	19.1	No	No specific additional reserve held. The valuation method values the guaranteed benefits, such that for policies where this applies, the Peak 1 reserve held will be equal or greater than the Guaranteed Cash Surrender Value at the reported date.
Non-Profit Bulk Purchase Annuity – Turner & Newall Pension Scheme	1,153.0	Whole of life	Implicit in the basic reserve	Value of the required asset transfer if the scheme is transferred back to the PPF. This would require the lodging of a successful complaint by a member to have their PPF compensation increased. The surrender value option will lapse on 20 December 2012, but can be extended to 20 December 2013 should the implementation of Solvency II be delayed beyond the end of 2012	n/a	Single premium contract	No	The surrender value basis agreed with the PPF and Trustees is derived using the projected, Peak 1, benefit cashflows discounted on a predetermined basis dependent on the economic conditions at the valuation date. Deductions have been made to cover an estimate of L&G's cost of capital, initial expenses, maintenance expenses and additional expenses incurred in facilitating the surrender option. A further adjustment has been made to the surrender value equal to the rolled up difference between the value of actual benefits paid out and the value that was expected to have been paid out based on the initial cashflow projection. The Peak 1 reserve held is equal to or greater than the guaranteed surrender value.

There are no guaranteed unit-linked maturity values.

### 5.(3) **Guaranteed insurability options – conversion and renewal**

The value of a conversion option under a convertible term assurance is taken as the liability that would be incurred by issuing on the latest option date a whole life contract with regular premiums calculated on the select equivalent of the valuation mortality basis together with an additional margin.

Under New Savings Plan and Capital Accumulation Plan, where there is an option to extend the policy term, there is no change to the sum assured which is typically less than the unit value at the option date. Given the low rates of take up and the projected nil cost at the option date, no guarantee reserve is held.

Under Unit Term Assurance, the historic take up rates have been zero.

For With Profits Immediate Annuities in Payment, the annuitant has the option to convert the asset share to a non-profit annuity on then current terms. No additional guarantee reserve is deemed necessary as, any excess of the asset share over the basic liability represents a reserve for future bonus for which no allowance has been made in accordance with INSPRU 1.2.70R (see Section 4(8)).

Under US Term Business after the level premium term, there is an option to renew the policy annually up to a specified age at a yearly reviewable rate. No guarantee reserve is deemed necessary as Society retains the right to change the premium level if this option is selected.

Other than the above, it is generally the case that the historic rates of conversion and renewal have been negligible and margins in the valuation are therefore considered sufficient to cover any cost of the options.

### **Guaranteed insurability options – increases in cover**

For Cashbuilder, Build-up, Whole of Life and Endowments a reserve is held of 1 year's extra premium, where charged, for increasing cover options. Otherwise, no explicit provision is made for future increases in cover as the take-up rates are historically negligible; additionally, there is an element of self-selection as generally only healthy lives will take up the options. Margins in the valuation are therefore considered sufficient to cover any future cost.

(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	384.3	39,950.7	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 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	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)
			in the policy conditions.	
Flexible Mortgage Plan (Series 1 to 8, 10 to 12)	55.1	2,452.0	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	9.9	2,170.9	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	6.3	47.1 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	3.2	47.1 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)	16.5	1,978.0	For Series 3 policies issued after 31 March 1990 and all Series 4, 5 and 6 policies, a further policy may also be effected without evidence of health on the marriage of the life assured or on the birth or legal adoption of a child. The sum assured on such a policy must not exceed one third of the initial sum assured for the original policy, and this option is only exercisable three times. This option is available only if the policy was accepted on standard terms.	Implicit in the Basic reserve
Permanent Health Insurance (Series 1, 2 and 3)	1.1	49.7 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 initial income benefit and which is no higher proportion of the life assured's total annual earnings than applied at outset.	Implicit in the Basic reserve
Unit-Linked Term Assurance (Series 3)	3.8	1,258.4	Plans have a further mortgage option to take out an additional plan with no evidence of health on moving house or on extending the home. There is no limit on the number of times that this option may be exercised, but the total increase in sum assured must not exceed the original sum assured. The option is only available on policies accepted on standard terms and is subject to age limits.	Implicit in the Basic reserve
Whole of Life, Build Up, New Cashbuilder, Endowment	79.3	4,387.5	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	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)
			<p>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>	

#### 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: 17.6	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 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: 55.2	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 (and critical illness cover, where elected) continue.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Permanent Health Insurance (Series 1), Critical Illness Insurance (Series 1 to 4)	Annual premium: 1.9	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.

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Build Up	Annual premium: 77.3	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: 2.5	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: 46.3	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: 651.1	Policyholders have the option to retire early between ages 60 and 70 when the benefits payable will be recalculated on the guaranteed terms applicable to each premium paid at the date of premium payment as if the contract was written to the modified retirement age. Prior to age 60 a transfer value may be taken on non-guaranteed terms.	Implicit in the Basic reserve	See Section 4(1)(k).
Pension Savings Plan and Company Pension Plan	Basic reserve: 5.0	For certain schemes that have converted to linked contracts, for any discontinuance before maturity we guarantee to pay at least the value of the units i.e. no market value reduction factor will be applied to With-Profits units on early discontinuance.	1.7	To meet this guarantee an additional reserve equal to any excess of the face value of the units over the mathematical reserve is held.
Group deferred annuity	Basic reserve: 5,093.6	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.
	516.6	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.	27.7	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.
	192.0	Certain contracts contain an option to retire due to ill-health. These vary by scheme	0.9	The reserve for this option is calculated as 0.5%

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
		and are calculated as the re-valued benefits at date of ill-health retirement.		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: 101.4	On each third policy anniversary, a further policy may be effected on the then current terms and conditions without evidence of health for a sum assured not exceeding the current sum assured multiplied by the proportionate increase in the Index of Retail Prices over the preceding three years. This option is available only if the policy was accepted on standard terms and if the option has been exercised on each previous occasion.	Implicit in the Basic reserve	None calculated as premiums increased in line with increments in sum assured.
Group deferred annuity, Immediate Annuities in Payment, PHI Claims in Payment	Basic reserve: 7,386.3	Certain contracts include a guarantee where the index linked increases in deferment and in possession cannot fall below, or increase above, a specified rate.	79.2	Two thousand market consistent stochastic simulations of future changes in the RPI Index are produced. For sample policies the discounted value of benefits payable under each simulation is expressed as a percentage loading to the discounted value of benefits that match the RPI Index. The mean percentage is then calculated for each sample benefit type and then a weighted average loading for the portfolio is derived. These loadings are then applied to the relevant basic reserves. This resulted in a total gross reserve of £79.2m (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: 988.2	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

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)
Capital Investment Portfolio (Series 2, 3, and 4)	Basic reserve: 80.1	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: 348.7	Under Series 9 policies regular withdrawals may be taken by encashment of units at their bid value. Policies invested in the Distributor Fund have the 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising within that fund paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Regular withdrawals may not be taken under Series 8 policies although policies invested in the Distributor Fund may take the 'natural' income referred to above. Under Series 10 contracts, in addition to the 'natural' income the policyholder may take regular withdrawals of 3% of either the single premium or the bid value of units.	Zero
Investment Bond (Series 1 and 2) Portfolio Bond (Series 1, 2, 3 and 4)	Basic reserve: 2,958.3 Basic reserve: 4,868.1	Under Investment Bond Series 1 and Portfolio Bond policies regular withdrawals may be taken by encashment of units at their bid value subject to a maximum of 7.5% of either the amount invested or the fund value. Under Series 2 contracts policyholders may elect to take a 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units, subject to a maximum of 4%.	Zero
Portfolio Bond (Series 5 to 10)	Basic reserve: 234.4	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: 2,888.8	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: 448.1	Regular withdrawals may be taken by encashment of units at their bid value. Policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Additionally for Series 1, 4 and 6, if the policy is invested in the With-Profits Fund units, the amount of withdrawal can be related to interim bonus rates.	Zero
Self Invested Personal Pension (Group and Individual), Trustee Investment Plan, Trustee Buyout Plan and Portfolio Plus Pensions	Basic Reserve: 3,461.1	At retirement there is the option to elect to take income withdrawals instead of purchasing an annuity. The income withdrawal payments are taken by encashment of units at their bid value. The amount taken must be in line with limits specified by the GAD and are subject to review every 3 years.	Zero

### Commutation options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Personal Retirement Plan	Basic reserve: 651.1	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	Implicit in the Basic reserve	See Section 4(1)(k)

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
		taken in cash form, on terms that are guaranteed, to purchase similar benefits from another insurer.		
Individual Permanent Health Insurance, Mortgage Payment Insurance, Income Protection benefit	Basic reserve: 38.6	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: 270.7	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: 348.7	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: 17.6	At the tenth or any subsequent policy anniversary, the policyholder may reduce the premium to £1 pa, the guaranteed sum assured to £50 and may then take a series of partial surrender values at regular intervals. The policy's share of the plan charge is reduced to zero.	Zero	No explicit provision is made as there is limited take-up of this option and the sum assured reduces to £50.
Build Up, New Cashbuilder, Other Endowment		<p>A loan option is available for up to 95% of the Surrender Value. The minimum loan, which can be taken, is £1000 initially, with further loans being a minimum of £500. Interest is charged 6 monthly in arrears, with repayment being made either throughout the term or at the end of the term.</p> <p>Under certain Build Up contracts a guaranteed maturity value has been granted after the endowment review process.</p>	<p>Zero</p> <p>3.5</p>	<p>No mathematical reserves are held – accounting provision is made instead.</p> <p>The maturity guarantee reserve is the difference between the maturity guarantee and the current basic sum assured plus bonuses declared at valuation date, discounted at the valuation rate of interest over the remaining term.</p>
Buy-Out Plan	Basic reserve: 210.5	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.	274.2	<p>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.</p> <p>For the Non Profit Buy Out Plan (where the policy benefits are in terms of an annuity per annum at</p>

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
				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: 318.3	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.
Mortgage Payment Insurance	Basic reserve: 13.6	Option to increase mortgage commitments by up to £500 per month within 6 months after specified events. This option can be exercised up to 3 times but is subject to age restrictions.	Zero	No explicit provision is made. Changes in reserves are included in prudence margins.
Worksave Pension Trust	Premium: 25.8	The AMC is guaranteed until the member retires or transfers to another scheme.	Zero	No explicit provision is made. Changes in reserves are included in prudence margins.

### Switching

Additionally, almost all of the Society's unit-linked and unitised with-profits contracts are written with options to switch between funds. In some cases the option may be exercised a specified number of times each year without charge.

## 6. Expense Reserves

- 6(1) The valuation methodology for sterling reserve calculations on unit-linked business considers attributable expenses and non-attributable expenses separately (INSPRU 1.2.54 AG).

The total non-unit reserve consists of a sterling reserve for attributable expenses and a non-attributable expense reserve. The attributable expenses are defined as those that are directly related to a contract and include expenses which vary with the volume of business for a particular contract type; here a per policy reserve is calculated. All other expenses are defined as non-attributable expenses and a separate reserve is calculated, at the homogeneous risk group level, taking into account the emerging surplus from policy cash flows.

The aggregate amount, gross of any eligible tax relief, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date, was:

Homogeneous Risk Group	Implicit Allowances £m	Explicit allowances £m	Non-attributable Expenses £m	Total £m
Unitised Pension business:				
Group Products 1	0.1	4.2	0	4.3
Individual Products 1	1.4	46.9	0	48.3
Group Products 2	0.4	6.1	0	6.5
Individual Products 2	0.1	9.8	0	9.9
Unitised Life business:				
Non Profit Products 1	1.2	9.5	0	10.7
Non Profit products 2	5.6	29.1	0	34.8
With Profit Products 1	0.3	19.0	0	19.3
With Profit Products 2	0	35.1	0	35.1
Non-unitised business:				
All expenses attributable	31.4	62.2	n/a	93.6
Total	40.5	221.8	0	262.3

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 £204.5m. The aggregate amount of expense loadings expected to arise in 2012 as calculated in 6(1) above exceeds this amount for the following reasons:
- (i) the effect of one year's inflation on 2011 expenses;
  - (ii) the inclusion of prudential margins in the valuation expense assumptions;
  - (iii) the inclusion of amounts required to cover 2012 investment expenses in the figure calculated in 6(1) above of approximately £52.8m.



6(4) A projection has been made of new business volumes for the year following the valuation date, using the Society's internal plans. A calculation was performed of the total embedded value of this business at the point of sale, allowing for realistic budgeted expenses and other margins in the products at the same levels as those applying at the end of the reporting period. Since this calculation gave a positive result, no reserve under this requirement was held.

6(5) For the majority of business an explicit expense reserve has been held, calculated using expected per policy costs derived with reference to actual office expenses in the 12 months prior to the valuation date, allowing for any expected increases, including the effect of assumed inflation and a margin for prudence. In addition, where necessary, allowance has been made for any exceptional expenses.

For the closed conventional life endowment book, an additional expense reserve has been held to allow for the slower run off of certain expenses compared to projected contract counts. These expenses are the element of financial reporting costs expected to be fixed in the short term, and costs associated with processing policy claims, which are expected to peak in the short term.

An additional reserve has been held to allow for unavoidable exceptional expenses.

For those minor classes of business where an explicit expense reserve has not been made, the adequacy of the margin between the net premium and office premium has been tested. Further details are provided in Sections 4(1)a and 4(1)e.

In addition, estimates were made of anticipated expenses arising from cessation of writing new business. These included costs of branch closure, redundancy costs, write-off costs, costs associated with terminating management agreements and the need to fund, in the short term, fixed costs currently apportioned as acquisition costs. The expenses were allocated to products using current expense apportionment methods. A reserve was held if the additional expenses could not be supported by margins emerging in the period over which they are expected to be incurred. A reserve of £63.6m 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.

There were no non-attributable expense reserves at the valuation date.

## **7. Mismatching reserves**

7(1) The sum of the mathematical reserves (other than liabilities for property linked benefits) and the liabilities in respect of deposits received from reinsurers as shown in Form 14, analysed by reference to the currencies in which the liabilities are expressed to become payable, together with the value of the assets, analysed by reference to currency, which match such liabilities are as follows:

<b>Currency</b>	<b>Liabilities (£m)</b>	<b>Assets (£m)</b>	<b>Proportion</b>
Sterling	14,318	12,433	86.8%
US \$		563	3.9%
Japanese Yen		331	2.3%
Euro		297	2.0%
HK \$		117	0.8%
Australian \$		107	0.8%
Swiss Franc		73	0.5%
South Korean Won		72	0.5%
Canadian \$		50	0.4%
Other		273	1.9%
<b>Total</b>	<b>14,318</b>	<b>14,318</b>	<b>100.0%</b>

The above analysis allows for the investment strategy of removing currency risk via hedging on the non sterling denominated bond portfolio.

- 7(3) No explicit reserve is held in respect of currency mismatching as there is a margin in the valuation interest rate to cover the currency mismatch risk.
- 7(4)–(6) No Resilience Capital Requirement has been determined, in accordance with INSPRU 3.1.7G as the Society is a “realistic basis” life firm.
- 7(7) In the event of surrender of a policy the Society generally has the ability to control cashflow by adjusting the surrender value.

For non-participating contracts, the results of projections of the cashflows (net of reinsurance) emerging on the valuation basis are used to determine investment guidelines for the corresponding attributed invested assets. Although the fund is thereby substantially immunised against changes in interest rates, an interest rate margin is retained.

For participating contracts, having considered projected cashflows on a variety of bases, the reserves established as described elsewhere in this report are sufficient to meet liabilities.

No additional reserve has therefore been held.

## **8. Other Special Reserves**

### **(i) Unrealised capital gains tax**

For the purposes of Form 58, having regard to margins elsewhere in the valuation, no additional provision, other than as stated in Section 3(9) above, is generally considered necessary for the prospective liability to tax on unrealised gains. Any additional reserve, as calculated according to 3(9), is included in Form 53, net of any provisions for tax on deemed disposals already included as an accounting provision. At end 2011, the Form 53 liabilities included a deferred tax asset of £73.1m 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 £54.7m is held to cover this concession.

### **(iii) Reinsurance Default risk**

An additional reserve of £55.4m 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% – 2.75% except for classes of business where mathematical reserves are negative, where 6.60% is used.

In respect of the internal reinsurance of certain business to Legal & General Pensions Limited, no additional reinsurer default risk reserve is deemed necessary.

### **(iv) Potential Policyholder Compensation**

Provision has been made for the cost of compensation arising from sales of mortgage endowment policies. The reserve has been calculated by applying an average uphold rate to the average cost of compensation for all open and projected complaints. Appropriate allowance for projected expenses has been made along with a prudential margin.

Provision has also been made for the costs of compensation arising from sales of individual pensions contracts in connection with transfers and opt-outs from occupational pension schemes. Where redress

has been made by increasing the value of the policyholder's contract with the Society, provision has been made by an increase in unit reserves. In cases where it is certain that the policyholders affected will be reinstated in their original occupational pension scheme a reserve equivalent to the cost of reinstatement on the basis prescribed is held. For those priority cases, where reinstatement is not yet certain reserves have been calculated as if policy benefits were equivalent to those offered by the occupational scheme. The value of these benefits has been calculated on a basis that is in accordance with the Government Actuary's letter to Appointed Actuaries dated 29 May 1997. The valuation rate of interest 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 2011 is £166.0m.

#### (v) EU Tax reclaims

Additional reserves totalling £72.3m have been set up for the expected increase in policyholder liabilities arising from potential tax reclaims. The tax reclaims relate to the application of withholding tax, and to HMRC Foreign Dividend Exemption Claims.

The additional reserves have been calculated by estimating the probability of each claim being successful and then applying that probability to the amount of the claim. The probabilities of success were set based on legal advice.

A tax asset has been created with value equal and opposite to the additional reserves.

### 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 £87,000. There is no deposit back arrangement under this treaty.
- (b) Not Applicable

9.(2) Below are details of the reinsurance treaties where the Society was the cedant and under which business was in force at the date of the investigation.

9 (d) **A. Swiss Re Europe S.A. UK Branch** (from 11 July 2006 GE Frankona was incorporated into Swiss Re Life and Health, and from 1 January 2008, Swiss Re Life & Health became Swiss Re Europe S.A.)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom
- (m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
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	135	No	23	n/a
2	<b>Life Assurance Business (linked)</b>  Sums at risk in excess of the Society's retention	251	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.	13	No	8	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
4	<b>Flexible Mortgage Plan (Series 5 to 10) and Unit-Linked Term Assurance (Series 3)</b>  50% quota share of sums at risk on policies with Critical Illness benefit, with a maximum of 50% of £500,000 plus for business from 2 October 1995 100% of the excess with a maximum ceded of £5m (£3m in respect of business prior to 14 December 1998).	4,057	No	679	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).	452	No	132	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).	1,022	No	168	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.	19,609	No	24,310	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.	161	No	450	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.	865	No	2,563	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%.	5,055	No	32,409	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.	35	No	7	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%.	2,189	No	72,194	n/a
13	<b>Term/Decreasing Term Assurance, Term/Decreasing</b>	959	No	5,222	

	(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>Term Assurance with Critical Illness, Critical Illness/Decreasing Critical Illness.</b>  50% quota share of first £150,000, plus 100% of the excess with a maximum ceded of £3m in respect of Term business and 50% quota share of first £100,000, plus 100% of the excess with a maximum ceded of £1.5m in respect of Critical Illness business. Business transferred in from Alliance & Leicester Life Assurance Company.				n/a
14	<b>Term/Decreasing Term Assurance with Critical Illness.</b>  50% quota share of first £250,000 with a maximum ceded of £125,000 in respect of business from 18 January 2004, plus for business from 24 July 2005, 100% of the excess with a maximum ceded of £375,000 for personal cover and £875,000 for business cover.	5,276	No	2,846	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.	214	No	130	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.	8	Yes	(605)	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.	375	No	190	n/a
18	<b>Ordinary Permanent Health Insurance</b>  Surplus over the Society's retention with a maximum of £10,200 p.a.	7	No	4	n/a
19	<b>Group Critical Illness</b>  50% quota share.	4,167	Yes	2,403	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.	609	No	13,866	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.	5,358	No	14,581	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.	1,718	No	36,470	n/a
23	<b>Voluntary Group Life</b>  50% quota share.	339	Yes	173	Up to £75,000
24	<b>Whole of Life</b>	364	No	1,424	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 £20,000 with a maximum ceded of £10,000 in respect of business from August 2004.				
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.	43	No	4,324	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.	13,970	No	42,999	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.	1,103	No	2,151	n/a
28	<b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness.</b>  Combination of treaties with varying proportions of reinsurance, some on a surplus only basis and others on a 90% quota share basis.	4,673	No	21,070	n/a
29	<b>Income Protection Business</b>  From January 2010, 85% quota share on the first £12,000 pa, then 100% of the excess with maximum ceded of £198,200 p.a.	881	Yes	0	Up to £1,800 p.a.
30	<b>Term Assurance with Critical Illness</b>  From 20 June 2011, 90% quota share of the first £500,000 plus 100% of excess for Reviewable CIC with a maximum ceded of £2,950,000. From 19 September 2011, 90% quota share of the first £500,000 plus 100% of excess for Guaranteed CIC.	354	Yes	4,899	Up to £50,000
31	<b>Family and Personal Inome Plan with Critical Illness</b>  From 20 June 2011, 90% quota share of first £500,000 plus 100% of the excess, with a maximum ceded of £2,950,000 for Reviewable CIC on an equivalent lump sum basis. From 19 September 2011, 90% quota share of first £500,000 plus 100% of the excess, with a maximum ceded of £2,950,000 for Guaranteed CIC on an equivalent lump sum basis.	26	Yes	149	Up to £375 p.m.

#### 9. (d) B. Munich Reinsurance Company (Life)

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
32	<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.	22,948	No	56,703	n/a
33	<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.	523	No	(897)	n/a
34	<b>Level Term Assurance</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £5m in respect of business from 18 <sup>th</sup> March 2007. Since November 2007 the maximum ceded has increased to £10m	13,720	No	55,283	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
35	<b>Term/ Decreasing Term with Critical Illness</b>  90% quota share of first £500,000 plus 100% excess with a maximum ceded of £2.5m. From 21 January 2001, 90% quota share of first £500,000, plus 100% of excess with a maximum ceded of £5m for business greater than or equal to £200,000. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.	4,481	No	23,705	n/a
36	<b>Family and Personal Income Plan with Critical Illness</b>  90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £2.5m on an equivalent lump sum basis. This treaty does not cover policies where the original benefit is less than £1,500 per month.	115	No	20	n/a
37	<b>Group Life/WOPs</b>  Surplus over the Society's retention with minimum of £1 and maximum of £8.75m	2,929	Yes	1,464	Up to £1.8m

## 9. (d) D. RGA Americas Reinsurance Co. Ltd

(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
38	<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>	19,724	No	88,672	n/a
39	<p><b>Family Income Benefit with Critical Illness</b></p> <p>For contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p>	224	No	15	n/a

## 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
40	<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 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.</p> <p>From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.</p>	3,051	No	13,987	n/a
41	<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>	103	No	55	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
	<p>From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.</p> <p>From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.</p>				

**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
42	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 1 September 2002, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	17,131	No	50,406	n/a
43	<p><b>Family Income Benefit with Critical Illness</b></p> <p>From 1 September 2002, for contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	113	No	21	n/a
44	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 25 July 2004, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	6,484	No	11,965	n/a
45	<p><b>Family Income Benefit with Critical Illness.</b></p> <p>From 25 July 2004, for contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p> <p>The treaty is shared 10%:50%:40% between the reinsurers as listed in (F) above.</p>	56	No	44	n/a
46	<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</p>	1,096	No	2,826	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
	<p>£500,000 plus 100% excess with a maximum ceded of £1m for business and £500,000 for personal. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%: 55%: 35% between the reinsurers as listed in (F) above.</p>				
47	<p><b>Family and Personal Income Plan with Critical Illness</b></p> <p>From 25 July 2004, for contracts where the original monthly benefit is £1,500 or more, 90% quota share of first £3,750 per month, with a maximum ceded of £500,000 on an equivalent lump sum basis. This treaty does not cover policies where the original benefit is less than £1,500 per month.</p> <p>The treaty is shared 10%:55%:35% between the reinsurers as listed in (F) above.</p>	69	No	64	n/a
48	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>From 20 November 2005, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%: 40%: 50% between the reinsurers as listed in (F) above.</p>	2,253	No	3,650	n/a
49	<p><b>Family and Personal Income Plan with Critical Illness</b></p> <p>From 20 November 2005, for contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p> <p>The treaty is shared 10%:40%:50% between the reinsurers as listed in (F) above.</p>	16	No	14	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
50	<p><b>Family Income Benefit</b></p> <p>From 20 July 2008, 90% quota share of the first £3,750 p.m. plus 100% of the excess, with a maximum ceded of £5m on any one case on an equivalent lump sum basis.</p> <p>The treaty is shared 5%:95% between the reinsurers as listed in (G) above.</p>	1,392	Yes	7,584	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
51	<p><b>Term Assurance/Decreasing Term Assurance</b></p> <p>The Society has five treaties with varying proportions of the business reassured under each treaty. Business ceded to Swiss Reinsurance Company and Swiss Re Europe S.A. UK Branch is reassured under a single 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.</p>	138,569	No	385,343	n/a
52	<p><b>Family and Personal Income Plan (Term Assurance)</b></p> <p>The Society has five treaties with varying proportions of the business reassured under each treaty. Business ceded to Swiss Reinsurance Company and Swiss Re Europe S.A. UK Branch is reassured under a single 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.</p>	5,031	No	3,066	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
53	<p><b>Term Assurance/ Decreasing Term with Critical Illness</b></p> <p>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.</p>	11,373	No	23,001	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
54	<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.	164	No	105	n/a
55	<b>Portfolio Regular Investment Plan</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £10m on any one case in respect of business from 24 October 2010.	2	No	0	n/a

**9. (d) J. Pacific Life Re Ltd (formerly Scottish Re Ltd (SRL) and Scottish Annuity & Life Insurance Company (Cayman) Ltd (SALIC))**

(l) Pacific Life Re Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
56	<b>Pension Term Assurance/ Decreasing Term</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £1m on any one case in respect of business from 9 April 2006 and prior to 7 December 2006.	10,846	No	41,051	n/a

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

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
57	<b>Decreasing Term Assurance</b>  From 18 March 2007, for contracts where the original sum assured is less than £200,000, 90% quota share with a maximum ceded of £180,000 on any one case.	6,921	No	15,442	n/a
58	<b>Whole of Life</b>  From 20 April 2009 50% quota share of first £20,000 with a maximum ceded of £10,000.	63	Yes	889	Up to £10,000
59	<b>Guaranteed Acceptance Plan</b>  From 7 June 2009, 50% quota share of first £20,000 with a maximum ceded of £10,000.	903	Yes	13,611	Up to £10,000

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

(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
60	<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.	2,715	No	9,940	n/a
61	<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.	813	No	2,663	n/a
62	<b>Decreasing Term Assurance Plan with Critical Illness</b>  From 20 June 2011 (Reviewable CIC) and from 19 September 2011 (Guaranteed CIC), 90% quota share of the first £500,000 and 100% of the excess, with a maximum ceded of £50,000 on any one case.	384	Yes	5,494	Up to £50,000

## 9. (d) M. XL Re

(l) XL Re is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
63	<b>Decreasing Term Assurance with Critical Illness</b>  From 18 March 2007, for contracts where the original sum assured is less than £200,000, 50% quota share of the first £200,000, with a maximum ceded of £100,000 on any one case.	1,884	No	2,807	n/a
64	<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.	988	No	2,351	n/a
65	<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.	795	No	1,893	n/a
66	<b>Term Assurance/Decreasing Term Assurance</b>  90% quota share on the first £1m and then 100% of the excess to £5m /£10m (by age).	5,792	No	5,110	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
67	<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.	57,746	No	304,331	n/a

**9. (d) O. Swiss Re Europe S.A. UK Branch, RGA International, Munich Reinsurance Company (Life), Pacific Life Re Ltd, Scor Global Life reinsurance UK Ltd**

(l) Swiss Re Europe S.A. UK Branch, RGA International, Munich Reinsurance Company (Life) and Scor Global Life Reinsurance UK Ltd are authorised to carry on insurance business in the United Kingdom.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
68	<b>Term Assurance/Decreasing Term Assurance</b>  From 20 June 2011, the Society has four treaties with varying proportions of the business reassured under each treaty. The overall effect is to achieve 100% reinsurance with a maximum ceded of £10m on any one case, with the exception of Scor Global Life Reinsurance UK Ltd which is on 90% quota share of the first £500,000 plus 100% of the excess.	2,327	Yes	53,427	Up to £50,000
69	<b>Family and Personal Income Plan</b>  From 20 June 2011, the Society has four treaties with varying proportions of the business reassured under each treaty. The overall effect is to achieve 100% reinsurance with a maximum ceded of £10m on any one case, on an equivalent lump sum basis.	196	Yes	2,124	£0

**9. (d) P. Scor Global Life Reinsurance UK Ltd, Scor Global Life Reinsurance Ireland Ltd**

(l) Scor Global Life Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
70	<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.	10,272	Yes	23,626	Up to £100,000
71	<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.	312	Yes	523	Up to £1,000 pm
72	<b>Term Assurance/Decreasing Term Assurance with Critical Illness</b>  From 20 July 2008, 90% quota share on the first £500,000, with a maximum ceded of £2,750,000 on any one case.	9,659	Yes	25,987	Up to £50,000
73	<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.	228	Yes	297	Up to £375pm
74	<b>Portfolio Regular Investment Plan</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £10m on any one case in respect of business from 10 September 2011.	0	Yes	0	Up to £50,000

**9. (d) Q. Scor Global Life Reinsurance UK Ltd, Scor Global Life Reinsurance Ireland Ltd, XL Re, Royal Bank of Canada**

(l) Scor Global Life Reinsurance UK Ltd and XL Re are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
75	<b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness.</b>  Combination of treaties with varying proportions of reinsurance, on a 90% quota share basis to either £500,000 or to £1m with 100% of the excess.	13,048	No	71,668	n/a

**9. (d) R. Cologne Reinsurance Company United Kingdom Branch Ltd**

(l) Cologne Reinsurance Company UK is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
76	<b>Whole of Life</b>  From 20 July 2008, 90% quota share on the first £500,000, plus 100% of the excess, with a maximum ceded of £5m on any one case.	711	Yes	56,737	Up to £50,000

#### 9. (d) S. Legal & General Assurance (Pensions Management) Ltd (“L&G (PMC)”)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The reinsurer is a connected company of the insurer.

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
77	<b>Segregated Fund</b>  All business.	0	Yes	0	£0
78	<b>Linked Pensions Unit Liability</b>  All liabilities under the UK L&G (PMC) funds. The value of the reinsurance cover is determined by reference to the prices of certain of the L&G (PMC) internal linked funds.	663,248	Yes	1,474,665	£0
79	<b>Overseas Linked Unit Liabilities</b>  All liabilities under the L&G (PMC) European Equity Index and L&G (PMC) World Equity funds. The value of the reinsurance cover is determined by reference to the prices of certain of the L&G (PMC) internal linked funds.	3,360	Yes	37,756	£0

#### 9. (d) T. J P Morgan Life Assurance Ltd (“JPMLAL”)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
80	<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.	718	Yes	73,976	£0

#### 9. (d) U. Deutsche Asset Management Life & Pensions Limited (“Deutsche”)

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected



	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
81	<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.	9,084	Yes	90,038	£0

#### 9. (d) V. Legal & General Pensions Limited

- (l) The reinsurer is authorised, as an Insurance Special Purpose Vehicle (ISPV), to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
82	<b>All liabilities under:</b> <ul style="list-style-type: none"> <li>• Non-Linked non-profit Pension Business</li> <li>• Non-Linked non-profit Overseas Life Assurance Business</li> <li>• Life Reinsurance Business</li> </ul> and <ul style="list-style-type: none"> <li>• Non-Unit Liabilities for Linked Pension Business and Overseas Life Assurance Business.</li> </ul> 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.	3,650,531	Yes	26,562,403	£0

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

Reinsurance Company	Share to 1 September 2011				Share to 1 September 2012			
	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m
Chartis	8.20%	8.20%	8.20%	8.20%	8.33%	8.33%	8.33%	8.33%
Transatlantic Reinsurance Company, New York, USA (London Branch)	5.91%	5.91%	5.91%	5.91%	5.15%	5.15%	5.15%	5.15%
Sirius International Insurance Corporation	3.94%	3.94%	3.94%	3.94%	0.64%	0.64%	0.64%	0.64%
Mapfre Re Compania De Reaseguros	2.96%	2.96%	2.96%	2.96%	2.58%	2.58%	2.58%	2.58%
Arch Insurance Company (Europe) Ltd	7.88%	7.88%	7.88%	7.88%	6.87%	6.87%	6.87%	6.87%
Atrium Syndicate	1.48%	1.48%	1.48%	1.48%	1.29%	1.29%	1.29%	1.29%
AWAC	7.88%	7.88%	7.88%	7.88%	7.86%	7.86%	7.86%	7.86%
Argo Syndicate	3.20%	3.20%	3.20%	3.20%	2.79%	2.79%	2.79%	2.79%
Alterra Syndicate	8.37%	8.37%	8.37%	8.37%	7.30%	7.30%	7.30%	7.30%
Partner Re	7.88%	7.88%	7.88%	7.88%	4.30%	4.30%	4.30%	4.30%
Houston Casualty	1.28%	1.28%	1.28%	1.28%	1.12%	1.12%	1.12%	1.12%
Ark Syndicate	2.46%	2.46%	2.46%	2.46%	2.50%	2.50%	2.50%	2.50%
Broadgate Syndicate	1.73%	1.73%	1.73%	1.73%	1.29%	1.29%	1.29%	1.29%
Beazley Syndicate	6.56%	6.56%	6.56%	6.56%	7.30%	7.30%	7.30%	7.30%
Kiln Syndicate (A.W)	1.23%	1.23%	1.23%	1.23%	1.07%	1.07%	1.07%	1.07%
Advent Syndicate	0.98%	0.98%	0.98%	0.98%	0.86%	0.86%	0.86%	0.86%
Hiscox Syndicate					8.59%	8.59%	8.59%	8.59%
Sagicor Syndicate	1.97%	1.97%	1.97%	1.97%	1.72%	1.72%	1.72%	1.72%

Presidio obo Hardy Syndicate	2.96%	2.96%	2.96%	2.96%	2.58%	2.58%	2.58%	2.58%
Amlin Bermuda	1.97%	1.97%	1.97%	1.97%	1.72%	1.72%	1.72%	1.72%
Zon Re obo Chubb & Son	2.46%	2.46%	2.46%	2.46%	2.15%	2.15%	2.15%	2.15%
Langsforsakring	0.98%	0.98%	0.98%	0.98%	0.86%	0.86%	0.86%	0.86%
RMA obo Toa Re	2.95%	2.95%	2.95%	2.95%	3.01%	3.01%	3.01%	3.01%
General Ins Corp of India	4.92%	4.92%	4.92%	4.92%	3.87%	3.87%	3.87%	3.87%
Axis UK	9.85%	9.85%	9.85%	9.85%	8.59%	8.59%	8.59%	8.59%
Pembroke Syndicate					2.86%	2.86%	2.86%	2.86%
Sirius Syndicate					2.80%	2.80%	2.80%	2.80%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

- (l) The reinsurers are authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
83	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 1 September 2011 and remains in force until 31 August 2012. Covers business written to the Group and Individual Life account and the Group Income Protection Account.</p> <p>The reinsurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £200m with an excess of £50m per event.</li> <li>• A maximum of £1.25m per person for Life.</li> <li>• A maximum of £6.375m per person for Group Income Protection.</li> <li>• A minimum of 8 lives per event.</li> </ul> <p>The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.</p>	1,345	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
84	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 20 October 2010 and remains in force until 31 August 2011 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>	87	No	n/a	n/a

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

Reinsurance Company	
ARK Syndicate Management Syndicate No. 4020 (ARK)	43.48%
A.F. Beazley & Others Syndicate No. 3623 (AFB)	13.04%
Argo Syndicate No. 1200 (AMA)	13.04%
S.J.O. Catlin & Others Syndicate No. 2003 (SJC)	13.04%
Kiln Syndicate No. 510 (KLN)	8.70%
Pembroke Lloyds' Syndicate No. 4000 (PEM)	8.70%
Total	100.00%

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
85	<b>Group Permanent Health Insurance</b>  Surplus over the Society's retention with a minimum of £20,000 p.a. and a maximum of £382,500 p.a.	670	Yes	2,100	Up to £150,000 p.a.

**9. (d) Z. HISCOX Insurance Company Ltd**

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
86	<b>Group risk catastrophe excess of loss</b>  This treaty became effective on 20 <sup>th</sup> October 2010 and remains until 19 October 2011 and covers specific Group Life and Group Income Protection cover.  The reinsurance limits are: <ul style="list-style-type: none"> <li>• A maximum of £32.5m with an excess of £300m 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> The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.	99	Yes	n/a	n/a

(g) The Society has not entered into any deposit back arrangements.

(n) No material legal risk attaches to any of the treaties above. The Society has credit risk exposure to each of the reinsurers above, but none exceeds internal exposure limits such that the reduction in mathematical reserves need be restricted. Additionally an explicit reserve has been set up to cover the cost of potential reinsurer default (see Section 8).

- (o) For all contracts of reinsurance, any repayment of commission in respect of lapse or surrender would be exceeded by an associated repayment of premium, hence no additional provision is necessary.

For certain contracts of reinsurance arranged on a quota share basis, a rebate of premium is received from the reinsurer. Provision has been made for the repayment of any excess of rebate received over the amount earned in the event of policyholder lapse.

- (p) The Society has not entered into any financing arrangements.

## **10. Reversionary (or annual) bonus**

- 10(1)** The rates of annual and reversionary bonus declared for each bonus series are given in the following table. Under some categories lower rates of bonus apply where a policy has been converted to a reduced paid-up contract or where premiums are deemed to have been discontinued and these are shown separately. Unit-linked benefits linked to internal investment funds do not benefit from bonus additions.

Participating with-profits policies share in profits from outset. Bonuses vest when claims are paid.

Except for Group Policies (1980 Bonus System) and With Profit Annuity, the bonus rates shown applied to policies which were in force on 31 December 2011 and which had not become a claim (including attainment of normal retirement age or retirement for High Performance Pension Plan annual bonuses), cancellation or surrender before 16 February 2012.

For With Profit Annuity the reversionary bonus rates shown for 2011 are those which apply to policies for one year from the renewal date of the policy on or after 1 April 2012, and similarly for 2010.

<b>Bonus series</b>	<b>Mathematical Reserves (000's)</b>	<b>% Reversionary Bonus Rate for 2011</b>	<b>% Reversionary Bonus Rate for 2010</b>	<b>% Total Guaranteed Bonus Rate for 2011</b>
<b>INDIVIDUAL NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	£5,957	0.00	0.00	3.88
<b>Personal Retirement Plan</b>				
<b>Year of premium payment:</b>				
1972 – 1995	£571,734	0.00	0.00	0.00
1996	£7,754	0.50	1.00	0.50
1997	£7,304	0.25	0.75	0.25
1998	£6,897	0.25	0.25	0.25
1999 – 2000	£11,977	0.25	0.25	0.25
2001	£6,110	0.50	1.00	0.50
2002	£6,071	2.25	2.75	2.25
2003	£4,549	2.25	2.75	2.25
2004	£4,338	1.50	2.25	1.50
2005	£4,824	0.50	1.25	0.50
2006 - 2007	£7,648	0.25	0.75	0.25
2008	£3,387	1.50	2.25	1.50
2009	£3,331	3.00	3.75	3.00
2010	£3,157	3.00	3.50	3.00
2011	£1,992	2.75	n/a	2.75
<b>Buy Out Plan</b>				
<b>Year of premium payment:</b>				
1985 – 1992	£370,807	0.00	0.00	5.00
1993	£62,010	0.00	0.00	4.50
1994	£24,687	0.75	1.00	0.75
1995	£7,090	0.25	0.40	1.75
<b>With Profit Annuity</b>				
03/04/2000-17/03/2002	£21,954	0.50	0.50	0.50
28/02/2002-18/04/2003	£29,505	1.04	0.93	1.04
01/04/2003-29/11/2003	£4,884	1.75	1.75	1.75

<b>Bonus series</b>	<b>Mathematical Reserves (000's)</b>	<b>% Reversionary Bonus Rate for 2011</b>	<b>% Reversionary Bonus Rate for 2010</b>	<b>% Total Guaranteed Bonus Rate for 2011</b>
12/11/2003-18/08/2006	£112,542	0.82	1.17	0.82
01/08/2006-05/12/2007	£47,258	0.50	0.50	0.50
18/11/2007-02/01/2012	£72,614	2.13	2.39	2.13
<b>Pre-1972 Personal Pensions</b>	£85			
Premium paying				
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching		0.50	0.50	0.50
Paid up		0.50	0.50	0.50
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching				
<b>Other Assurances and Deferred Annuities</b>	£2,225,197			
Premium paying				
- on participating sum assured or annuity		1.25	1.25	1.25
- on bonuses already attaching		1.25	1.25	1.25
Paid up				
- on participating sum assured or annuity		1.00	1.00	1.00
- on bonuses already attaching		1.00	1.00	1.00
<b>UNITISED WITH-PROFITS POLICIES (LIFE):</b>				
<b>ANNUAL PREMIUM POLICIES</b>				
Flexible Mortgage Plan (Series 2, 4 & 5), Prospects	£72,463	3.08	3.23	3.08
Flexible Mortgage Plan (Series 10 & 12)	£109,002	2.93	3.09	2.93
Flexible Protection Plan (Series 3 & 4)	£7,411	3.92	3.97	3.92
New Savings Plan (Series 1)	£408	2.52	2.66	2.52
Flexible Mortgage Plan (Series 6 & 8)	£178,712	1.36	1.43	2.56
Flexible Protection Plan (Series 5)	£164	2.41	2.39	3.61
New Savings Plan (Series 2)	£972	1.11	1.17	2.31
Regular Savings Plan (Series 1)	£393	0.84	0.98	2.04
<b>UNITISED WITH-PROFITS POLICIES (LIFE):</b>				
<b>SINGLE PREMIUM POLICIES</b>				
Capital Investment Portfolio (Series 1)	£32,660	2.65	2.83	2.65
Capital Investment Portfolio (Series 5)	£72,992	1.75	2.00	1.75
Capital Investment Portfolio (Series 7)	£264,631	2.34	2.59	2.34
With-Profit Bond (Series 1 & 4)	£1,534,215	3.10	3.23	3.10
With-Profit Bond (Series 2, 3 & 5)	£1,287,278	2.14	2.28	2.14
With-Profit Bond (Series 6)	£21,856	3.41	3.66	3.41
With-Profit Bond (Series 7)	£22,719	2.70	2.79	2.70
Capital Investment Portfolio (Series 6)	£110,310	0.49	0.64	1.69
With-Profit Bond (Series 8 & 9)	£61,413	4.55	4.26	4.55
With-Profit Bond (Series 10 & 11)	£141,333	2.73	2.86	2.73
With-Profit Bond (Series 12 & 13)	£27,961	4.88	4.50	4.88
With-Profit Bond (Series 14 & 15)	£217,431	3.00	2.76	3.00
With-Profit Bond (Series 16 - 19)	£184,189	2.94	3.32	2.94
<b>UNITISED WITH-PROFITS POLICIES (PENSIONS):</b>				
Trustee Investment Plan 1999 (Series 1)	£1,457	1.50	1.50	1.50
Trustee Investment Plan 1999 (Series 2)	£94	2.28	2.15	2.28
Personal Pension Plan 2000	£47,521	3.07	3.33	3.07
Group AVC 2002 (Series 1)	£405	3.37	3.57	3.37
Company Pension Scheme	£4,330	2.35	2.67	2.35
Other contracts				

<b>Bonus series</b>	<b>Mathematical Reserves (000's)</b>	<b>% Reversionary Bonus Rate for 2011</b>	<b>% Reversionary Bonus Rate for 2010</b>	<b>% Total Guaranteed Bonus Rate for 2011</b>
- without Contractual Minimum Addition				
Initial Units - Generation 2 & 4	£9,651	0.00	0.01	0.35
Initial Units - Generation 5	£23,216	0.00	0.01	0.60
Initial Units - Generation 6	£34,029	0.00	0.00	0.18
Accumulation units	£3,044,811	1.63	1.76	3.30
- with Contractual Minimum Addition				
Initial units	£2,919	0.00	0.00	0.00
Accumulation units	£403,264	0.88	1.00	2.38
<b>GROUP NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	£60,497	0.45	0.40	3.63
<b>High Performance Pension Plan</b>				
Premium Paying	£177	0.00	0.00	4.25
Paid up	£5,808	0.00	0.00	4.25
<b>Money Purchase Plan</b>				
Approved	£11,282	1.40	1.30	3.61
Unapproved	£17,293	1.33	1.30	2.83
<b>Money Purchase Pension Plan (In Payment)</b>	£853	0.50	0.75	0.50
<b>1971 Bonus System</b>	£373	0.00	0.00	4.25
<b>1980 Bonus System</b>				
Approved policies	£84,828	0.90	0.95	1.58
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 2011”.

**Returns under Chapter 9, Appendix 9.4A of the Interim Prudential Sourcebook for Insurers**  
**Abstract of Valuation Report for Realistic Valuation**  
**Legal & General Assurance Society Limited**  
**Financial Year Ended 31 December 2011**

**Introduction**

- 1(1) The valuation to which this actuarial investigation relates is 31 December 2011.
- 1(2) The previous valuation related to 31 December 2010.
- 1(3) An interim valuation was carried out as at 30 June 2011.

**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 2011 and 31 December 2010 are as follows:

	31 December 2011		31 December 2010	
	Annuity Business	Other Business	Annuity Business	Other Business
Investment Return	% p.a.	% p.a.	% p.a.	% p.a.
- Fixed Interest:				
Gilts	2.58	2.58	4.09	4.09
Approved securities	2.58	2.58	4.09	4.09
Unapproved securities	4.19	2.58	5.02	4.09
- RPI Linked				
Gilts	2.58	2.58	4.09	4.09
Approved securities	2.58	2.58	4.09	4.09
Unapproved securities	4.19	2.58	5.02	4.09
- Equities and Property	2.58	2.58	4.09	4.09
Risk Discount Rate	4.89	3.48	5.80	4.99
Inflation				
- Expenses / earnings	3.50	3.50	4.10	4.10
- Indexation	3.00	3.00	3.60	3.60

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

**With-Profits Benefits Reserve Liabilities**

- 3(1) Method 1: A single retrospective method has been used for all significant classes of with-profits insurance contracts. This method is the calculation of an asset share. Asset shares are calculated by assessing the premiums received net of payments to policyholders, expenses and other deductions (for example for the cost of guarantees and options, and transfers to shareholders). These sums are then accumulated with investment returns, allowing for tax (including an allowance for tax in relation to unrealised capital gains or losses).

The level of initial and renewal expenses on certain classes of business has been capped at a level below that borne by the With Profits Sub Fund. The balancing amounts are met from the working capital of the With Profits Sub Fund. Initial expense caps apply to most Unitised Life contracts written since 1995, some conventional life contracts sold in the late 1980s and early 1990s, most Unitised Pensions contracts written since 1995 and With Profits Annuity contracts. Renewal expense caps apply to most Unitised Pensions contracts written since 1997 and to a limited number of Unitised Life savings contracts.

For most business the level of shareholder transfer charged to asset shares has been restricted to a level below 10% of the Distributed Surplus. For most business sold before 1995 the deduction prior to 2005 was calculated as the transfer to shareholders determined assuming a 95:5 article plus tax as a result of the shareholder transfer consistent with the Shareholder Transfer being 10% of Distributed Surplus. For business sold since 1995 the percentage varies according to the type and version of the contract.

From 2005 onwards no charge is made in respect of the tax on the shareholder transfer and the percentage charged in respect of shareholder transfer varies according to the type and version of the contract.

Contractual Annual Interest is not bonus, and so does not generate a transfer to shareholders.

Method 2: For some minor classes of with-profits contracts a prospective method has been used. For these contracts the regulatory reserve has been used as a prudent approximation to the total of the with-profits benefits reserve and the future policy related liabilities. These minor classes are included within the following table under "Other".

The following table shows the amounts of with-profits benefits reserve and the future policy related liabilities for each class of product.

£m	With-profits benefits reserve	Future policy related liabilities
Conventional Life	2,768	131
Unitised Bonds with guaranteed annual increments #	114	2
Unitised Bonds without guaranteed annual increments	3,818	102
Regular Premium unitised life business with guaranteed annual increments #	199	7
Regular Premium unitised life business without guaranteed annual increments	222	7
Unitised Pensions with guaranteed annual increments #	3,238	233
Unitised Pensions without guaranteed annual increments	580	32
Personal Retirement Plan	286	404
Buy Out Plan	158	234
Adaptable Funding Contract	74	10
With Profit Annuities	304	59
Other	95	303
Total	11,857	1,523

# These contracts may also contain some monies on which no guaranteed annual increments are credited.

3(2) The amounts shown above equal the amounts shown at lines 31 and 49 of Form 19.

#### **With-Profits Benefits Reserve – Retrospective Method**

4(1) The following table shows the proportions of the with-profits benefits reserve which have been valued on an individual basis and on a grouped basis.

	Proportion valued on an individual basis	Proportion valued on a grouped basis
Method 1	99.6%	0.4%

4(1)(c) Where contracts have been grouped this is achieved by averaging the underlying policy data. The grouping process is designed to ensure that key features relevant to calculation of the with-profits benefits reserve and the future policy related liabilities are retained. Relevant key features include contract type, maturity year, year of investment and the presence and extent of certain guarantees.

The following table shows the relationship between the number of model points and the number of individual policies that they represent:



	Number of individual policies	Number of model points
Conventional Life	185,916	185,916
Unitised Life business	11,692,903	181,442
Unitised Pensions business	234,185	289,754
Personal Retirement Plan	20,505	175,935
Buy Out Plan	8,086	8,086
Adaptable Funding Contracts	86	34
With Profit Annuities	8,545	12,461
Total	12,150,226	853,628

For Unitised Life business, the number of individual policies exceeds the number of model points despite no grouping of data across individual lives. This is due to clustering on some contracts, where, for administrative reasons, each individual sale involves setting up a large number of identical policies.

For Unitised Pensions, the number of model points exceeds the number of individual policies because individual policies can have increments associated with them, for which separate model points are created.

For Personal Retirement Plan the number of model points exceeds the number of policies. This is a consequence of individual policies consisting of multiple premium tranches which are separately identified.

For With Profit Annuities the number of model points exceeds the number of policies. This is a consequence of some individual policies containing multiple benefits which are separately identified.

The grouping process is validated by comparing calculated regulatory reserves, numbers of policies in-force and current level of benefit against the results from ungrouped data. As a further validation the historic accumulation of pool values for accumulating with-profits contracts is compared against current pool values.

4(2)(a) There has been no significant change to the valuation method used to value the with-profits benefits reserve.

4(3)(a) The most recent expense investigation was carried out as at 31 December 2011.

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 2011:

Expenses allocated to with-profits benefits reserve (£m)	Initial expenses	Maintenance expenses	Total expenses
Conventional Life	0.0	17.2	17.2
Unitised Life	28.6	17.7	46.3
Unitised Pensions	1.5	14.5	16.0
Personal Retirement Plan	0.0	2.8	2.8
Buy Out Plan	0.0	1.3	1.3
Adaptable Funding Contracts	0.0	1.6	1.7
With Profit Annuities	0.8	0.4	1.2
Total	31.0	55.5	86.5

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 2011 are given in the table below.

Expenses allocated to other than with-profits benefits reserve	Amounts (£m)	Comments
Conventional Life	2.6	Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Life	2.8	Expense Caps; Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Pensions	4.0	Expense Caps; Expenses and compensation arising from Pensions Review and other complaints
Total	9.4	

- 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 (2010: £0.9m).

A charge is deducted from the with-profits benefits reserve for certain Capital Protection Bonds, Capital Protection Plus Bonds and Capital Control Bonds. This deduction is in respect of an optional investment guarantee at their fifth policy anniversary. The amount of the charge was £6.0m (2010: £4.4m).

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 December 2011. This compares against a charge of 0.2% that was taken from the with profits benefits reserve as at 31 December 2010.

- 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 2009	Ratio for claims in 2010	Ratio for claims in 2011
Death claims	136%	126%	125%
Surrender claims	102%	103%	104%
Maturity claims	109%	101%	105%

- 4(7) The mix of assets backing the asset shares during 2011 varies by class of business. As a consequence the investment return varies by class of business, as detailed in the table on the next page.

Investment returns shown are gross of tax and investment expenses.

With-profits insurance contract type	Asset Mix currently applied to determine investment returns	With-Profit Benefit Reserve at 31/12/2011	Investment Return gross of tax, gross of investment expenses 1/1/2011 to 31/12/2011	Average With-Profit Benefit Reserve 1/1/2011 to 31/12/2011**	Weighted Return *
With Profit Annuities (fixed part)	100% invested in fixed interest	76,544	10.65%	76,433	0.0653%
With Profit Annuities (non-fixed part)	100% invested in 'real' assets (equities and property)	227,714	-3.02%	228,687	-0.0555%
Group Pensions contracts (1980 Bonus Series) eligible for Contractual Annual Interest	50% invested in fixed interest and 50% in 'real assets'	7,821	2.35%	11,394	0.0021%
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.	65,731	2.11%	71,804	0.0122%
Personal Retirement Pension contracts	Though the percentage invested in fixed interest for two different pensions products or two different life products will be the same, the fixed interest return allocated to each product will take account of the average outstanding duration of liabilities under that product.	292,243	3.32%	305,678	0.0814%
Conventional Section 32 Buy-Out Plans		160,622	1.27%	175,357	0.0179%
Other Conventional Pensions contracts		41,593	4.12%	42,515	0.0140%
Unitised With-Profits Pensions contracts		3,809,987	4.01%	3,902,588	1.2554%
Conventional Life contracts excluding those listed below		2,819,607	-0.75%	3,186,828	-0.1932%
Unitised With-Profits Life contracts excluding those listed below		2,695,915	1.26%	2,834,392	0.2864%
April 2002 and later With Profit Income Bonds and switches into With-Profits from 2003 on July 1997 and later Investment Bonds		10% more than Unitised With-Profits Life contracts in the row above, in fixed interest, and 5% less in respectively UK equities (including ventures) and overseas equities.	1,030,420	2.19%	1,006,730
October 2003 and later With Profit Bonds which have a ten year money back guarantee	Part of each issue is invested in a derivative in order to provide the guarantee. The remainder of the asset share is invested in the normal asset classes in the same proportions as the similar product without the guarantee would be invested.	21,024	2.15%	21,075	0.0036%
- Income Bonds - Other Bonds		24,067	0.71%	25,842	0.0015%

With-profits insurance contract type	Asset Mix currently applied to determine investment returns	With-Profit Benefit Reserve at 31/12/2011	Investment Return gross of tax, gross of investment expenses 1/1/2011 to 31/12/2011	Average With-Profit Benefit Reserve 1/1/2011 to 31/12/2011**	Weighted Return *
Capital Protection Plus (available from November 2008), Capital Protection Bonds (available post 1/1/09), and Capital Control Bonds (available from March 2010)	The asset mix for the two versions of Capital Protection Plus & Capital Protection Bonds are determined relative to the asset mix for standard income and growth bonds respectively, with differences as follows:				
- Income Bonds	Overseas equities and property – 2.5% more invested in these asset classes than under the standard income and growth bonds;	111,575	2.25%	108,708	0.0197%
- Other Bonds	UK equities – 5% less than the standard income bond version and 10% less than the standard growth bond version;  Fixed interest – the Capital Protection Plus Growth Bond has 5% more invested in fixed interest than the standard growth bond.  The asset mix for Capital Control Bonds and Capital Control Plus Bonds are the same as per those for the equivalents for Capital Protection (& Plus) Bonds.	472,403	2.05%	456,682	0.0753%
<b>Total</b>		<b>11,857,265</b>		<b>12,454,714</b>	<b>1.7635%</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.

\*\* For new products or products where there were none in-force at the end of the year, the average is calculated over the in-force period.

### **With-Profits Benefits Reserve – Prospective Method**

- 5(1) A prospective method has been used for some minor classes of with-profits contracts amounting to approximately 1% of the total with-profits benefits reserve. None of the assumptions involved are key assumptions.

### **Cost of any guarantees, options and smoothing**

- 6(1) Cost of Guarantees, Options and Smoothing exceeds £50m.
- 6(2)(a) A single valuation method has been used to value the costs of guarantees, options and smoothing for all significant classes of with-profits insurance contracts. The method used is a Monte Carlo projection of the with-profits benefits reserve and the guaranteed amounts allowing for investment returns and bonuses. The investment returns and bonuses used depend on the underlying investment conditions in each scenario and on the asset mix backing each class of business. The values of guarantees, options and smoothing are obtained by averaging the relevant discounted amounts.

Where guarantees, options and smoothing apply simultaneously to a contract the costs have been assessed as follows:

Firstly the guarantee cost defined as the value of the amount by which the guaranteed benefit exceeds the with-profits benefits reserve.

Secondly the cost of smoothing defined as the value of the amount by which the smoothed benefit exceeds the higher of the guaranteed benefit and the with-profits benefits reserve.

Lastly the cost of the option defined as the extra cost associated with the option.

- 6(2)(b)(i) The method above applies to all material classes of with-profits insurance contracts, with the exception of With Profits Annuities where the guarantee cost and cost of smoothing are calculated together.
- 6(2)(b)(ii) All contracts are valued on a grouped basis.
- 6(2)(b)(iii) Contracts are grouped by averaging the underlying policy data. The grouping process is designed to ensure which key features relevant to the guarantees and options to be valued are retained. Relevant key features include contract type, maturity year, year of investment and the presence and extent of certain guarantees.

The number of contracts valued is 12,150,226. These are represented by 1,802 model points.

For each class of with-profits insurance contracts which is grouped, cash-flow projections are carried out on the grouped data on a number of bases. These projections are compared to similar projections carried out on data that has been grouped much more finely to ensure that significant attributes have not been lost. In addition key variables such as numbers of contracts, sums assured and regulatory reserve are compared to the results from ungrouped data.

- 6(3) There are no significant changes to the valuation methods for valuing the costs of guarantees, options and smoothing since the previous valuation.
- 6(4)(a)(i) The following types of guarantees, options and smoothing have been valued using a full stochastic approach.

### **Maturity Guarantees**

These take the form of a minimum amount of benefit, including the addition of annual bonuses, which is guaranteed to be payable on maturity of the contract. In some cases the minimum amount of benefit may be expressed in the form of a guaranteed amount of annuity benefit.

## **Surrender Guarantees**

These take one of the following forms:

A guaranteed amount of the single premium less withdrawals payable on surrender from the tenth anniversary for certain With-Profits Bond contracts sold before April 2002.

A guaranteed amount of the single premium less withdrawals payable on surrender at a fixed date which is ten years after the date of initial allocation for certain With-Profits Bond contracts sold from October 2003.

For Capital Protection Bonds, launched in May 2008, a guaranteed amount of single premium less withdrawals is payable on surrender at a fixed date which is ten years after the date of initial allocation. The same guarantee may also apply five years after the date of initial allocation, if selected by the policyholder at outset. There is a charge for this guarantee if selected.

For Capital Protection Plus Bonds, launched in November 2008, a guaranteed amount is payable on surrender at a fixed date which is ten years after the date of initial allocation. The guaranteed amount is 120% of single premium less withdrawals. An optional guarantee payable at the fifth anniversary date of 110% of single premium less withdrawals may be selected by the policyholder at outset. Charges are payable for both these guarantees.

For Capital Control Bonds, launched in March 2010, a guaranteed amount is payable on surrender at a fixed date which is either five or ten years after the date of initial allocation. The guaranteed amount is 100% of single premium less withdrawals. Three optional guarantees payable at the fifth or tenth anniversary dates (or applied to both anniversary dates) of 110% or 100% (depending on the option selected) of single premium less withdrawals may be selected by the policyholder at outset. Charges are payable for these optional 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 higher of the guaranteed benefit and the relevant with-profits benefits reserve at the time, and may be positive or negative.

The table below demonstrates the extent to which guarantees are in or out of the money. The values shown are:

- The Intrinsic Guarantee cost. This represents the cost of the relevant guarantee when future investment conditions are assumed to be equal to the risk free rate of return for all asset classes.
- The Intrinsic Headroom. This represents the value of the amount by which the projected with-profits benefits reserve exceeds the projected guarantee amount, for guarantee points where the projected with-profits benefits reserve exceeds the projected guarantee. This figure is calculated on the same basis as the Intrinsic Guarantee cost.

£m	Intrinsic Guarantee cost	Intrinsic Headroom
Maturity Guarantee	453	641
Surrender Guarantee	48	719
Death Guarantee	11	Not applicable
Annuity Guarantees	216	0

Death guarantee costs represent the excess of the amount paid over the amount charged to the with-profits benefits reserve. This amount can never be less than zero.

6(4)(a)(ii) The Barrie & Hibbert Economic Scenario Generator v7 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 a 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 2009. The table below shows typical mean values for output correlations between the returns in excess of risk-free for various asset classes:

Asset	Property	Government bonds	Overseas Equities	Nominal Short Rate	Corporate Bonds
UK Equities	0.35	0.18	0.77	-0.11	0.53
Property		0.12	0.17	-0.08	0.25
Government bonds			0.19	-0.52	0.74
Overseas Equities				-0.12	0.47
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	1.11%	2.82%	3.38%	3.46%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	946,291	658,698	435,377	303,870	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	123,984	267,267	368,621	443,176	233,348	418,658	543,370	636,510	561,691	774,955	927,487	1,046,964
3		FTSE All Share Index (p=0.8)	121,003	234,813	294,611	328,142	227,845	368,523	435,864	473,756	548,838	685,190	748,286	786,346
4		Property (p=1)	33,015	104,194	176,220	239,746	134,177	238,393	331,157	408,886	522,115	613,343	717,133	806,392
5		Property (p=0.8)	31,057	80,093	118,724	149,043	127,994	190,720	233,182	265,347	507,250	515,115	532,326	548,922
6		15 year risk free zero coupon bonds (p=1)	20,544	17,143	14,733	20,615	85,353	75,661	92,934	127,536	499,964	497,120	509,885	533,541
7		15 year risk free zero coupon bonds (p=0.8)	19,512	11,524	5,788	3,723	80,691	48,520	32,356	30,533	483,566	379,224	298,794	260,906
8		15 year corporate bonds (p=1)	26,422	32,817	44,330	61,458	101,281	118,572	142,508	174,011	498,885	498,214	520,679	549,728
9		15 year corporate bonds (p=0.8)	25,148	22,341	21,066	22,702	96,162	83,377	74,930	75,434	482,917	388,750	326,258	295,800
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	77,418	182,151	269,598	340,044	177,592	320,744	428,870	515,150	526,751	674,954	801,381	907,625
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	74,993	154,618	204,787	240,158	172,161	273,476	329,521	367,266	512,628	582,876	624,752	655,214
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	69,007	159,532	231,415	294,658	163,352	287,210	382,627	461,108	515,391	631,212	745,321	842,419
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	66,751	133,915	172,889	202,055	158,117	243,218	288,028	320,351	500,791	540,607	572,844	596,979
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)	39,451	95,953	150,227	202,843	124,629	208,935	283,394	353,131	503,528	562,326	643,361	722,366
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)	37,684	76,094	102,539	123,899	119,458	167,798	198,424	225,291	487,905	466,244	467,390	481,582
			L=15				L=20				L=25			
16		Receiver swaptions	17.57%	11.55%	9.86%	8.51%	20.37%	14.39%	12.42%	10.74%	23.10%	16.99%	14.74%	12.76%

6(4)(a)(iv) For UK, the initial equity yield is 3.89% and the initial property rental yield is 4.3%. For US, the initial equity yield is 2.12% and no property is held in the US. For Japan, the initial equity yield is 2.23% 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	0.98%	2.70%	3.14%	3.23%
1	Risk-free zero coupon bond	952,636	670,911	461,815	328,435
2	S&P 500 Index (p=1)	259,204	468,323	619,402	717,291

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	0.55%	1.57%	2.15%	2.45%
1	Risk-free zero coupon bond	973,142	791,269	587,267	428,506
2	Nikkei 225 Index (p=1)	215,456	391,484	511,570	606,539

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			7	
Unitised Pensions business with guaranteed annual increments			10	6
Unitised Pensions business without guaranteed annual increments			9	6
Personal Retirement Plan	6	7	8	6
Buy Out Plan	6		7	6

# Costs relate to the residual negative with-profits benefits reserve at the end of the projection period. This arises as a result of charges to the with-profits benefits reserve relating to earlier death payments.

Table of comparison of the fit of the asset models to relevant market traded instruments.

UK Equity Implied Volatilities (FTSE 100 forward 90% strike European Put Option)						
Term	1	2	3	4	5	10
Implied volatility for relevant market option (%)	26.92	26.72	27.05	27.35	27.61	28.41
Modelled implied volatility (%)	26.55	26.79	27.08	27.37	27.63	28.5
Modelled Excess over relevant market option (%)	-0.37	0.07	0.03	0.02	0.02	0.09

[Market prices for UK equity options are not readily available beyond 10 years term.]

The equity model generally exhibited a reasonable fit of the equity volatility surface when compared against relevant market traded instruments across available durations and strikes. Given the current skew in the surface, weighting was applied to centre the fit about the 80-100% strike to reflect the average liability moneyness percentage.

UK Swaption Implied Volatilities (at-the-money 20 year tenor receiver swap)											
Term	1	2	3	4	5	7	10	15	20	25	30
Implied volatility for relevant market swaption (%)	29.20	26.50	24.50	22.70	21.20	18.10	16.10	14.80	13.80	13.50	13.00
Modelled implied volatility (%)	30.70	27.18	24.76	22.97	21.56	19.47	17.37	15.22	13.70	12.46	11.49
Modelled Excess over relevant market swaption (%)	1.50	0.68	0.26	0.27	0.36	1.37	1.27	0.42	-0.10	-1.04	-1.51

[Market prices for UK swaptions are not readily available beyond 30 years term.]

In fitting the swaption volatility surface, most weight is placed on the 20 year tenor swaption volatilities, as this is reflective of annuity guarantees.

6(4)(a)(vii) The asset model was validated by projecting future income, gains and losses on asset values and comparing the net present value of these amounts to the current asset values. These tests were performed for different asset classes and across the entire portfolio. The net present values of the projected cashflows are consistent with the current asset values.

6(4)(a)(viii) 2000 projections were made of the assets and liabilities. To ensure reasonable convergence confidence intervals were assessed on the guarantee costs. These tests gave satisfactory results.

6(4)(b) Not applicable

6(4)(c) Not applicable

6(5)(a) Projection of the liabilities includes the setting of future bonus rates. These are set as follows:

#### **Contractual Minimum Addition**

For policies where a Contractual Minimum Addition applies, this is set by reference to the relevant investment conditions using the same approach as that adopted in practice.

#### **Reversionary Bonus**

Conventional Classes: Rates are set by calculating the affordable rate based on the difference between the with-profits benefits reserve and a bonus reserve valuation with allowance for target levels of future terminal bonus.

Unitised Classes: For the majority of Society's unitised contracts distinct reversionary bonus rates are calculated for monies invested with different roll-up guarantees and for major product groups. The rate of reversionary bonus each year is based on an assessment of the supportable rate of reversionary bonus over either five or seven years and incorporates Society's view of investment returns over this period, allowance for sharing of miscellaneous profits and for a target level of terminal bonus. The extent to which the new rate of reversionary bonus moves towards this supportable rate depends on the level of supportable terminal bonus relative to target terminal bonus with a more rapid move to the target level if the current level of supportable terminal bonus is low. The final level of reversionary bonus is limited so that increases do not generate reversionary bonus levels higher than are supportable over the longer term.

For income bonds, where there is no terminal bonus payable, this approach is modified slightly to allow for the fact that the target level of terminal bonus is nil.

Where a Contractual Annual Interest or Guaranteed Minimum Addition applies, the rate of reversionary bonus is reduced by the relevant amount, subject to a minimum of zero.

## Terminal Bonus

For all classes these are set with the intention that payouts will trend to the with-profits benefits reserve over the long-term. Smoothing applies by restricting the amount of investment return variance, compared to the expected long-term rate, which is passed on to policyholders.

When calculating the costs of guarantees, options and smoothing using a stochastic projection approach it is necessary to project the asset mix assumed to back the with-profits benefits reserve. For the majority of Society's business, a mix has been assumed that varies by major product class and also depends on the relationship between the with-profits benefits reserve and the value of guarantees for each product class. Subject to maximum and minimum levels of fixed interest investment a higher level of fixed interest holdings has been assumed when the value of guarantees is greater relative to the with-profits benefits reserve, with this level reducing as the with-profits benefits reserve increases relative to the guarantees. The appropriate mix is reassessed and adjustments made to the mix assumed at the end of each calendar year of the projection and between year-ends the mix changes in line with investment returns.

For one major product class, Unitised Life business, the asset mix is rebalanced at the end of each year to a mix based on that held to back this business at 1 January 2012. Between year-ends the mix changes in line with investment returns.

6(5)(b) Best estimates of the proportion of UK and Overseas Equities backing the with-profits benefits reserve and the future bonus rates on specified bases:

Equity backing ratio of the with-profits benefits reserve	Current financial year	After 5 years	After 10 years
Scenario (i) - Risk free return	39%	36%	38%
Scenario (ii) - High sensitivity	39%	37%	39%
Scenario (iii) - Low sensitivity	38%	35%	37%

Scenario (i) - Risk free return	2011	2016	2021
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.34%	0.34%	0.22%
Unit Life Regular premiums without guaranteed annual increments	2.92%	1.45%	1.54%
Unit Life Growth bonds with guaranteed annual increments	0.49%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.25%	0.05%	0.02%
Unit Life Income bonds without guaranteed annual increments	2.95%	0.25%	0.17%
Unitised Pensions business with guaranteed annual increments	1.45%	0.26%	0.23%
Unitised Pensions business without guaranteed annual increments	2.61%	2.27%	1.92%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.20%	1.17%	1.32%
Unit Life Regular premiums with guaranteed annual increments	1.16%	1.14%	1.30%
Unitised Pensions business with guaranteed annual increments	1.76%	1.77%	1.93%

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>	2011	2016	2021
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.34%	0.35%	0.29%
Unit Life Regular premiums without guaranteed annual increments	2.92%	1.65%	1.90%
Unit Life Growth bonds with guaranteed annual increments	0.49%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.25%	0.12%	0.07%
Unit Life Income bonds without guaranteed annual increments	2.95%	0.34%	0.58%
Unitised Pensions business with guaranteed annual increments	1.45%	0.39%	0.55%
Unitised Pensions business without guaranteed annual increments	2.61%	2.53%	2.41%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.20%	1.30%	1.46%
Unit Life Regular premiums with guaranteed annual increments	1.16%	1.27%	1.44%
Unitised Pensions business with guaranteed annual increments	1.76%	1.78%	1.92%

<b>Scenario (iii) - Low sensitivity</b>	2011	2016	2021
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.34%	0.32%	0.07%
Unit Life Regular premiums without guaranteed annual increments	2.92%	1.24%	1.17%
Unit Life Growth bonds with guaranteed annual increments	0.49%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.25%	0.03%	0.02%
Unit Life Income bonds without guaranteed annual increments	2.95%	0.22%	0.00%
Unitised Pensions business with guaranteed annual increments	1.45%	0.13%	0.10%
Unitised Pensions business without guaranteed annual increments	2.61%	2.02%	1.42%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.20%	1.03%	1.18%
Unit Life Regular premiums with guaranteed annual increments	1.16%	1.01%	1.17%
Unitised Pensions business with guaranteed annual increments	1.76%	1.76%	1.92%

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			3.4%
CWP target cash endowment	surrender				3.4%
UWP savings endowment	surrender	0.0%	7.2%	6.1%	4.7%
UWP target cash endowment	surrender	0.0%	7.2%	6.1%	4.7%
UWP bond	surrender	2.0%	5.8%	6.5%	4.9%
UWP bond	automatic withdrawals	100% of current			
CWP pension regular premium	PUP	5.7%	5.7%	5.7%	5.7%
CWP pension regular premium	surrender	0.4%	0.4%	0.7%	0.7%
CWP pension single premium	surrender	3.0%	3.0%	3.0%	3.0%
UWP individual pension regular premium	PUP	14.3%	10.5%	7.5%	7.4%
UWP individual pension regular premium	surrender	2.9%	2.9%	2.9%	2.9%
UWP individual pension single premium	surrender	6.1%	6.1%	6.0%	6.0%

An additional decrement of 3.0% for With-Profits Income Bonds and 7.0% for With-Profits Growth Bonds has been assumed on the fifth policy anniversary to allow for the point at which surrender reductions (other than Market Value Adjustment Factors) cease to be applied.

Assumed take-up rates for guaranteed annuity options:

Annuity Valuation Yield	2.50%	5.00%	7.50%
2016	92%	56%	39%
2020	92%	60%	45%
2024	93%	65%	52%

Rates of annuitant mortality assumed:

	Males	Females
<b>Base Mortality Table</b>		
Personal Retirement Plan	85% PCMA00	69% PCFA00
Buy Out Plan	86% PCMA00	92% PCFA00
Guaranteed Annuity Options	86% PCMA00	See footnote
<b>Mortality improver</b>		
Personal Retirement Plan	CMI 2009, Base date 30/06/09 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2009, Base date 30/06/09 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Buy Out Plan	CMI 2009, Base date 30/06/09 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2009, Base date 30/06/09 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Guaranteed Annuity Options	CMI 2009, Base date 30/06/09 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	See footnote

For Guaranteed Annuity Options on female lives, the reserves are calculated on the same mortality basis as for the male lives. A test is carried out to ensure that the resultant reserve calculated is not less than that which would be calculated on an appropriate female mortality basis.

- 6(7) Assumptions are made regarding the foreseeable actions that would be taken by policyholders in the projection of assets and liabilities.

With-Profits Bonds series 6 and 7, Capital Protection Bonds and Capital Protection Plus Bonds have an investment guarantee at their tenth policy anniversary. Capital Protection Bonds and Capital Protection Plus Bonds also have an optional investment guarantee at their fifth policy anniversary. Policies are assumed to surrender at each date where a guarantee applies if the asset share is less than 95% of the guaranteed benefit. Capital Control Bonds and Capital Control Plus Bonds have the following four types of guarantees, where the last three are optional. A capital guarantee at the tenth policy anniversary; an optional investment guarantee of 10% at the tenth policy anniversary; an optional capital guarantee at the fifth and tenth policy anniversaries; and an optional guarantee which offers a capital guarantee at the fifth policy anniversary and an investment guarantee of 10% at the tenth policy anniversary.

All policies are assumed to mature once they reach the maturity date.

Personal Retirement Plans	Retirement rate p.a.
Age < 40	0.0%
Age 40 - 49	0.0%
Age 50 - 59	0.1%
Age 60	19.6%
Age 61 - 64	7.4%
Age 65	30.1%
Age 66 - 69	11.7%
Age 70 or later	100.0%

Nil early retirement decrements have been assumed on Unitised With-Profits Pensions business. The cost of guarantees, smoothing and options is more onerous at maturity than on early retirement.

Nil early retirement decrements have been assumed for Buy Out Plan business. Early retirement is not allowed under the contract if the fund is insufficient to purchase the Guaranteed Minimum Pension.

The maturity benefit defined under the Personal Retirement Plan is a given annuity benefit plus a cash sum equal to three times the initial level of annuity. All policies are assumed to take this cash benefit at

retirement. At the policyholder's discretion the annuity benefit may be taken as a cash transfer payment. We assume that the more onerous of the two benefits will be payable.

### Financing Costs

7 Not applicable

### Other Long Term Insurance Liabilities

8 The following items are included in lines 46 and 47 of Form 19:

- Reserves relating to future costs in respect of regulatory reviews and other compensation: £199m
- Reserves relating to future shareholder transfers and associated tax in excess of the amounts expected to be charged to the with-profits benefits reserve: £72m.

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

### Realistic Current Liabilities

9 Current liabilities comprise:

	£m
Claims outstanding	99
Creditors arising out of Insurance Operations	3
Tax Liabilities	535
Other Creditors	458
Accruals and deferred income	1
Other provisions	80
	1,176

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	1,125
Change in Tax Provisions	51
Realistic Current Liabilities	1,176

### Risk Capital Margin

10(a)(i) The risk capital margin is £129m.

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 28.9% 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 0.433%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.48%. A fall 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 0.433% 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 4.4%
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 3.2%

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 29.9% and results in an overall increase in the realistic value of liabilities of 0.9%.

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	122
Approved Fixed Interest Securities	3,803
Other Fixed Interest Securities	3,983
Variable Interest Securities	40
UK Listed Equity Shares	1,334
Non-UK Listed Equity Shares	2,222
Unlisted Equity Shares	1,081
All other assets shown in Form 48	1,981
Assets invested in Internal Linked Funds	17
Present value of future profits on non-profit insurance contracts written in the With Profits Sub Fund	101
Total	14,684

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 2011.
- £160m of bought and £49m of sold equity futures
  - A £18m asset and a £7m liability in respect of currency forwards selling euros and dollars for sterling with a £91m bought position and a £754m sold position.
  - A £108m asset and a £102m liability in respect of interest rate swaps, with a £704m bought position and a £648m sold position.
  - A £3m asset and £3m liability in respect of property swaps with a £250m bought position
  - A £33m asset in respect of equity index put options with a £261m sold position.
  - A £0.4m asset in respect of warrants with a £0.8m bought position

There were no derivative positions held outside the With Profits Sub Fund to cover the risk capital margin.

## Analysis of Working Capital

- 13 A reconciliation of the significant movements in the working capital of the with-profits fund is as follows:

	£m
Opening Working Capital	953
Investment Return on Opening Working Capital	103
Mismatch Profits and Losses on assets backing the future policy related liabilities	78
Modelling changes and opening adjustments	15
Economic Assumption Changes	-479
Non-Economic Assumption Changes	6
Policyholder Action Assumption Changes	-15
Regulatory Change	0
Management Actions	133
Impact of New Business	-13
Change in Other Liabilities of lines 47 and 51 of Form 19	31
Other Economic Variances	-4
Other Non-Economic Variances	-62
Closing Working Capital	746

Returns under the Accounts and Statements Rules

## **Directors' Certificate**

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

#### **Global business**

#### **Financial year ended 31 December 2011**

We certify that:

1. the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
2. we are satisfied that:
  - (a) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (b) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future;
3. in our opinion premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
4. the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
5. the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3; and

6. we have, in preparing the return, taken and paid due regard to-
- (a) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (b) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

**T. J. Breedon**

Chairman

**N. D. Wilson**

Director

**M. J. Gregory**

Director

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

### **Global business**

#### **Financial year ended 31 December 2011**

#### **Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ('the Rules') made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 1 to 3, 11 to 20, 22 to 25, 37, 39 to 45, 48, 49, 56, 58, and 60, (including the supplementary notes) on pages 1 to 58, 68 to 73, 118, 121 to 123, 126 to 146 and 150 ('the Forms');
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on pages 151 to 152 ('the statements'); and
- the valuation reports required by IPRU(INS) rule 9.31(a) and INSPRU 1.3 on pages 154 to 246 ('the valuation reports').

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes) on pages 59 to 67, 74 to 117, 119 to 120, 124 to 125 and 144 to 150;
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36 on pages 151, 153 and 251 to 253; and
- the certificate required by IPRU(INS) rule 9.34(1) on pages 247 to 248.

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports under the provisions of the Rules. The requirements of the Rules have been modified by directions issued under section 148 of the Financial Services and Markets Act 2000 on 6 June 2008 and 23 September 2011. Under IPRU(INS) rule 9.11 the Forms, the statements and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statements and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statements and the valuation reports are not in agreement with the accounting records and returns; or

- we have not received all the information we require for our audit.

This report has been prepared for the directors of the insurer to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

### **Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statements and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statements and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

### **Opinion**

In our opinion:

- (i) the Forms, the statements and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3

PricewaterhouseCoopers LLP  
Chartered Accountants

28 March 2012

Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2011

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

##### **1. With-Profits Actuary – Resigned 26 May 2011**

###### (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 2011</u>	<u>As at 26 May 2011</u>
186,744	205,046*

In addition, on 26 May 2011 under Legal & General Group Plc's share option schemes, the Actuary had options outstanding to subscribe for 106,235 ordinary shares of 2½p each.

The Actuary participates in the Group's Performance Share Plan for 2009, 2010 and 2011 in respect of a conditional base award totalling 579,143 shares.

During 2009, 2010 and 2011, the Actuary participated in the Group's Share Bonus Plan in respect of a conditional base award totalling 78,444 shares which have been included in his share interest figure shown above\*.

###### (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. 9,344 units in L&G UK Index Trust and 9,337 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 2011 until his resignation on 26 May 2011 amounted to £113,500.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2011**

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

(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 and Company Health Care 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.



Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2011

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

##### **2. With-Profits Actuary – Appointed 26 May 2011**

###### (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 26 May 2011</u>	<u>As at 31 December 2011</u>
5,935	5,958

###### (b) **Pecuniary Interest in any Transaction**

Details of interests held by the Actuary with the Company or other subsidiaries of Legal & General Group Plc:

- (i) A with-profits endowment policy with the Company for a sum assured of £32,812 maturing in 2015.

###### (c) **Remuneration as Actuary and Emoluments, Pension or Compensation as Director**

No remuneration or any other benefits receivable under any contract with the Company. However, the total remuneration and value of any other benefits received by the Actuary from Legal & General Resources Limited, a fellow subsidiary of the Company's ultimate holding company, Legal & General Group Plc, during the period ended 31 December 2011 amounted to £101,209.07.

###### (d) **Any Other Pecuniary Benefit**

No other pecuniary benefits received or receivable from the Company.

The Company has made a request to the Actuary to furnish to it the particulars pursuant to Paragraph 9.36 of IPRU (INS) Volume 1 and the information requested is set out above.