

# **Legal & General Assurance Society Limited**

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

**31 December 2014**

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



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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 2014**

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>2014</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>	2745931	2903988
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2681931	2838988
Capital resources available to cover general insurance business capital resources requirement (11-12)	<b>13</b>	64000	65000

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	61875	61932
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	2125	3068

**Minimum capital requirement (MCR)**

General insurance capital requirement	<b>31</b>	2563	2361
Base capital resources requirement	<b>33</b>	2902	3146
Individual minimum capital requirement	<b>34</b>	2902	3146
Capital requirements of regulated related undertakings	<b>35</b>	60908	60883
Minimum capital requirement (34+35)	<b>36</b>	63810	64029
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	32095	32986
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	16142	16978

**Capital resources requirement (CRR)**

Capital resources requirement	<b>41</b>	63810	64029
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	<b>42</b>	190	971

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

Global business

Financial year ended **31 December 2014**

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>2014</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>	2731723	2982834
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	2681931	2838988
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	5413654	5821822

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	1151945	1130195
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	4261709	4691627

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	2880049	2637839
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	2902	3146
Individual minimum capital requirement	<b>34</b>	2880049	2637839
Capital requirements of regulated related undertakings	<b>35</b>	191929	251416
Minimum capital requirement (34+35)	<b>36</b>	3071978	2889255
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	3877665	4377195
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	3109670	3654881

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	372506	183324
Enhanced capital requirement	<b>40</b>	3444484	3072579

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	3444484	3072579
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	1969170	2749243

**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 2014**

	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>2014</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>	64000	2419232	2483232	2579321
Share premium account	<b>13</b>		1048914	1048914	1048914
Positive valuation differences	<b>14</b>		1104635	1104635	1002541
Fund for future appropriations	<b>15</b>		761373	761373	1163387
Core tier one capital in related undertakings	<b>16</b>		396341	396341	356870
Core tier one capital (sum of 11 to 16)	<b>19</b>	64000	5931925	5995925	6352463

**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>	64000	5931925	5995925	6352463
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		214733	214733	229444
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>		80652	80652	60023
Deductions from tier one (32 to 36)	<b>37</b>		295385	295385	289467
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	64000	5636540	5700540	6062996

Components of capital resources

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

Global business

Financial year ended **31 December 2014**

	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>2014</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 2014**

	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>2014</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>	64000	5636540	5700540	6062996	
Inadmissible assets other than intangibles and own shares	<b>73</b>		222886	222886	176174	
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>	64000	5413654	5477654	5886822	

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

Available capital resources for guarantee fund requirement	<b>81</b>	64000	5413654	5477654	5886822	
Available capital resources for 50% MCR requirement	<b>82</b>	64000	5413654	5477654	5886822	
Available capital resources for 75% MCR requirement	<b>83</b>	64000	5413654	5477654	5886822	

**Financial engineering adjustments**

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

**Calculation of general insurance capital requirement - premiums amount and brought forward amount**

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

Global business

 Financial year ended **31 December 2014**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	166055	GL	31	12	2014	£000
		This financial year 1					Previous year 2	
Gross premiums written				11	14240			13116
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13	14240			13116
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	14240			13116
Gross premiums earned				21	13215			10544
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	13215			10544
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	13215			10544
<b>Sub-total I (higher of sub-total A and sub-total H)</b>				30	14240			13116
<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	2563			2361
	Excess (if any) over 61.3M EURO x 0.02			33				
<b>Sub-total J (32-33)</b>				34	2563			2361
Claims paid in period of 3 financial years				41	168			153
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis			42	77			85
	For insurance business accounted for on an accident year basis			43	299			320
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis			44	71			108
	For insurance business accounted for on an accident year basis			45	618			634
<b>Sub-total C (41+42+43-44-45)</b>				46	(146)			(184)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	88			204
<b>Sub-total D (46-47)</b>				48	(234)			(388)
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>				49	1.00			1.00
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>				50	2563			2361
Provision for claims outstanding (before discounting and net of reinsurance)				51	375			405
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	2188			567
Greater of lines 50 and 53				54	2563			2361

**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 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	166055	GL	31	12	2014	£000
					This financial year 1		Previous year 2	
Gross premiums written				11	360599		312496	
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13	360599		312496	
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15	88266		91326	
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>				16	301755		251612	
Gross premiums earned				21	360599		312496	
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	360599		312496	
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25	88266		91326	
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>				26	301755		251612	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>				30	301755		251612	
<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	54316		45290	
	Excess (if any) over 61.3M EURO x 0.02			33	5074		3990	
<b>Sub-total J (32-33)</b>				34	49242		41300	
Claims paid in period of 3 financial years				41	415499		285890	
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	483714		439160	
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	421197		371295	
<b>Sub-total C (41+42+43-44-45)</b>				46	478016		353755	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	68442		69060	
<b>Sub-total D (46-47)</b>				48	409574		284695	
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>				49	0.86		0.80	
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>				50	42192		33238	
Provision for claims outstanding (before discounting and net of reinsurance)				51	399068		375909	
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	33238		24243	
Greater of lines 50 and 53				54	42192		33238	

### 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 2014**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2014	£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					168	153
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22					77	85
	For insurance business accounted for on an accident year basis	23					299	320
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24					71	108
	For insurance business accounted for on an accident year basis	25					618	634
Claims incurred in reference period (21+22+23-24-25)		26					(146)	(184)
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					(146)	(184)
<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					(49)	(61)
Division of sub-total F (gross adjusted claims amount)	x 0.26	32					(13)	(16)
	Excess (if any) over 42.9M EURO x 0.03	33						
<b>Sub-total G (32-33)</b>		39					(13)	(16)
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>		41					(13)	(16)
Higher of premiums amount and brought forward amount (11.54)		42					2563	2361
<b>General insurance capital requirement (higher of lines 41 and 42)</b>		43					2563	2361

### 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 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>
				This financial year <b>1</b>			Previous year <b>2</b>	
Reference period (No. of months) See INSPRU 1.1.63R		<b>11</b>		36			36	
Claims paid in reference period		<b>21</b>		415499			285890	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	<b>22</b>						
	For insurance business accounted for on an accident year basis	<b>23</b>		483714			439160	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	<b>24</b>						
	For insurance business accounted for on an accident year basis	<b>25</b>		421197			371295	
Claims incurred in reference period (21+22+23-24-25)		<b>26</b>		478016			353755	
Claims incurred for classes 11, 12 or 13 (included in 26)		<b>27</b>						
Claims incurred for "actuarial health insurance" (included in 26)		<b>28</b>		242808			233896	
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>		<b>29</b>		316144			197824	
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>		<b>31</b>		105381			65941	
Division of sub-total F (gross adjusted claims amount)	x 0.26	<b>32</b>		27399			17145	
	Excess (if any) over 42.9M EURO x 0.03	<b>33</b>		2152			884	
<b>Sub-total G (32-33)</b>		<b>39</b>		25247			16261	
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>		<b>41</b>		21632			13086	
Higher of premiums amount and brought forward amount (11.54)		<b>42</b>		42192			33238	
<b>General insurance capital requirement (higher of lines 41 and 42)</b>		<b>43</b>		42192			33238	

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>	98612	155598
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>	284649	307859
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	2106326	2121476
	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>	476624	409510	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	1183195	1008426	
Rights under derivative contracts	<b>44</b>	8247	1987	
Fixed interest securities	Approved	<b>45</b>	53416	55114
	Other	<b>46</b>	255080	43
Variable interest securities	Approved	<b>47</b>		85316
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>		18196	
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		1350
	More than one month withdrawal	<b>55</b>	770	770
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£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		
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	6357	61
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	319661	389317
	due in more than 12 months	79	13054	10663

**Other assets**

Tangible assets	80	1231	488
Deposits not subject to time restriction on withdrawal with approved institutions	81	17830	60999
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2480	499
Deferred acquisition costs (general business only)	85	1081	927
Other prepayments and accrued income	86	20446	21325

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	4849059	4649924
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**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£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)	<b>91</b>	4849059	4649924
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	142620	88347
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	252837	312299
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		78541
Inadmissible assets of regulated related undertakings	<b>96</b>	121689	101186
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>	(903927)	(973361)
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(716167)	(733652)
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>	3746111	3523284
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	412140	431210



**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	
							1	2
							As at end of this financial year	As at end of the previous year
Land and buildings							160560	150724

**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	470876	577158
	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	3778996	4334629
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	1071600	1331538
Rights under derivative contracts		44	61556	76125
Fixed interest securities	Approved	45	3576734	3511251
	Other	46	3725616	5089415
Variable interest securities	Approved	47		6117
	Other	48	35973	71730
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	151	151
Other loans		53	4978	5016
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	293862	472931
	More than one month withdrawal	55	307431	
Other financial investments		56	218351	
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		149357
	Property linked	59	26656632	26471684

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£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	75301	78966
	Intermediaries	72		213
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	381276	257185
	Ceded	75	6523	18954
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	151786	180155
	due in more than 12 months	79		

**Other assets**

Tangible assets	80	3077	4813
Deposits not subject to time restriction on withdrawal with approved institutions	81	129930	126334
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	139559	123363
Accrued interest and rent	84	103350	143155
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	111	156
Deductions from the aggregate value of assets	87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	41354229	43181120

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	41354229	43181120
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	44108	65945
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>	(232)	509
Deferred acquisition costs excluded from line 89	<b>99</b>	633615	686085
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	54184763	40007161
Other asset adjustments (may be negative)	<b>101</b>	207334	135669
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>	96423817	84076489
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	18746	26511

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings						11	137706	125869

**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	454752	561479
	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	3765684	4316572
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	1009124	1272511
Rights under derivative contracts		44	61287	47770
Fixed interest securities	Approved	45	3552649	3473345
	Other	46	3157130	4560086
Variable interest securities	Approved	47		6117
	Other	48	19953	48920
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	72	72
Other loans		53	4978	5016
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	278395	464728
	More than one month withdrawal	55	212345	
Other financial investments		56	150815	
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		38282
	Property linked	59	9031672	9091778

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£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	1065	1841
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		263
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	25817	58184
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	118015	116263
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	98851	138283
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	111	156

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	22080421	24327535
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**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£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)	<b>91</b>	22080421	24327535
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	2544	2404
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>		
Deferred acquisition costs excluded from line 89	<b>99</b>	93090	102426
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	193609	191517
Other asset adjustments (may be negative)	<b>101</b>	4703	33118
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>	22374367	24657000
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>	<b>12</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>		22854	24855	

**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>		16124
	Debts and loans	<b>26</b>		15679
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>		13312	18057
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>		62476	59027
Rights under derivative contracts	<b>44</b>		269	28355
Fixed interest securities	Approved	<b>45</b>	24085	37906
	Other	<b>46</b>	568486	529329
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>	16020	22810
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>		79	79
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	15467	8203
	More than one month withdrawal	<b>55</b>	95086	
Other financial investments	<b>56</b>		67536	
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		111075
	Property linked	<b>59</b>	17624960	17379906

**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£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	74236	77125
	Intermediaries	72		213
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	381276	257185
	Ceded	75	6523	18691
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	125969	121971
	due in more than 12 months	79		

**Other assets**

Tangible assets	80	3077	4813
Deposits not subject to time restriction on withdrawal with approved institutions	81	11915	10071
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	139559	123363
Accrued interest and rent	84	4499	4872
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

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	19273808	18853585
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**Analysis of admissible assets**

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	19273808	18853585
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	41564	63541
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	(232)	509
Deferred acquisition costs excluded from line 89	99	540525	583659
Reinsurers' share of technical provisions excluded from line 89	100	53991154	39815644
Other asset adjustments (may be negative)	101	202631	102551
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	74049450	59419489
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	18746	26511

## Long term insurance business liabilities and margins

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

Global business

Financial year ended **31 December 2014**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>	37173042	39032387
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>	1259054	1212116
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	38432096	40244503
Claims outstanding	Gross	<b>15</b>	277199	278341
	Reinsurers' share	<b>16</b>	98139	82429
	Net (15-16)	<b>17</b>	179060	195912
Provisions	Taxation	<b>21</b>	65583	
	Other risks and charges	<b>22</b>	245800	143027
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	34150	49219
	Reinsurance accepted	<b>32</b>	20	5
	Reinsurance ceded	<b>33</b>	9586	9942
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	5469	1653
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	909176	765494
Accruals and deferred income		<b>39</b>	620	647
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	1449464	1165899
Excess of the value of net admissible assets		<b>51</b>	1472669	1770718
Total liabilities and margins		<b>59</b>	41354229	43181120

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	55752	16381
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	26640426	26437636

Total liabilities (11+12+49)		<b>71</b>	38622506	40198286
Increase to liabilities - DAC related		<b>72</b>		
Reinsurers' share of technical provisions		<b>73</b>	54184762	40007161
Other adjustments to liabilities (may be negative)		<b>74</b>	1262054	1080966
Capital and reserves and fund for future appropriations		<b>75</b>	2354495	2790076
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>	96423817	84076489

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

Global business

Financial year ended **31 December 2014**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>	19873296	21960120
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>	19876774	21963598
Claims outstanding	Gross	<b>15</b>	79763	91542
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	79763	91542
Provisions	Taxation	<b>21</b>	110765	106683
	Other risks and charges	<b>22</b>	120600	70500
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	1645	1580
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	82	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	5469	1087
Creditors	Taxation	<b>37</b>	44378	
	Other	<b>38</b>	367656	321180
Accruals and deferred income		<b>39</b>	620	647
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	730978	593219
Excess of the value of net admissible assets		<b>51</b>	1472669	1770718
Total liabilities and margins		<b>59</b>	22080421	24327535

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	593	643
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	9023182	9076634

Total liabilities (11+12+49)		<b>71</b>	20604274	22553339
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 2014**Total business/Sub fund **Non Profit & balancing items**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>	17299746	17072267
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>	1255576	1208638
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	18555322	18280905
Claims outstanding	Gross	<b>15</b>	197436	186799
	Reinsurers' share	<b>16</b>	98139	82429
	Net (15-16)	<b>17</b>	99297	104370
Provisions	Taxation	<b>21</b>	(45182)	(106683)
	Other risks and charges	<b>22</b>	125200	72527
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	32505	47639
	Reinsurance accepted	<b>32</b>	20	5
	Reinsurance ceded	<b>33</b>	9504	9942
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		566
Creditors	Taxation	<b>37</b>	(44378)	
	Other	<b>38</b>	541520	444314
Accruals and deferred income		<b>39</b>		
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	718486	572680
Excess of the value of net admissible assets		<b>51</b>		
Total liabilities and margins		<b>59</b>	19273808	18853585

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	55159	15738
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	17617244	17361002

Total liabilities (11+12+49)		<b>71</b>	18018232	17644947
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 2014**

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>2014</b>	<b>£000</b>
					As at end of this financial year	As at end of the previous year
					<b>1</b>	<b>2</b>

**Technical provisions (gross amount)**

Provisions for unearned premiums	<b>11</b>	7205	6180
Claims outstanding	<b>12</b>	375	405
Provision for unexpired risks	<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>	
	Other than credit business	<b>15</b>	4275
Other technical provisions	<b>16</b>		
Total gross technical provisions (11 to 16)	<b>19</b>	13421	10860

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	467311	431855
Deposits received from reinsurers	<b>31</b>			
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>	38	36
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions	<b>46</b>			
Creditors	Taxation	<b>47</b>		
	Foreseeable dividend	<b>48</b>		25000
	Other	<b>49</b>	1729445	1476583
Accruals and deferred income	<b>51</b>	145749	113900	
Total (19 to 51)	<b>59</b>	2355964	2058234	
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>	2355964	2058234	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>	1666266	1389794
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(750308)	(737927)
Capital and reserves	<b>84</b>	2140455	2202977
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>	3746111	3523284

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

Global business

Financial year ended **31 December 2014**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	166055	GL	31	12	2014	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20	11	9976	8279				
	Equalisation provisions	12	(1566)	(1443)				
Transfer from the long term insurance business revenue account		13	192916	204290				
Investment income	Income	14	539772	265526				
	Value re-adjustments on investments	15	43424	56352				
	Gains on the realisation of investments	16		8997				
Investment charges	Investment management charges, including interest	17	4713	4728				
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19	7450					
Allocated investment return transferred to the general insurance business technical account		20						
Other income and charges (particulars to be specified by way of supplementary note)		21	(171965)	(39623)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	600394	497650				
Tax on profit or loss on ordinary activities		31	(8516)	7945				
Profit or loss on ordinary activities after tax (29-31)		39	608910	489705				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	608910	489705				
Dividends (paid or foreseeable)		51	700000	625000				
Profit or loss retained for the financial year (49-51)		59	(91090)	(135295)				

## Analysis of derivative contracts

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

Global business

Financial year ended **31 December 2014**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>	<b>1</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets		Liabilities		Bought / Long		Sold / Short	
				<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>	256	252	32939	9046			
	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>	818	156	11462	158804			
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	6666	4655		416705			
	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>	507		26252				
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>		89		8649			
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>		196		22908			
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	8247	5348	70653	616112			
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	8247	5348					

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 2014**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	2014	£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>	18138	14626	634465	1091965			
	Interest rates	<b>12</b>	28343		702604				
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>		17325		141600			
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	3945	249	70664	28607			
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	9083	41205	15393	1468556			
	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>	1948		12486				
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>	99		236				
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>	61556	73405	1435848	2730728			
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	61556	73405					

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

Global business

Financial year ended **31 December 2014**Category of assets **With Profits Part of Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>	<b>11</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>	17869	14596	634465	810197			
	Interest rates	<b>12</b>	28343		702604				
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>		17325		141600			
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>	3945	249	70664	28607			
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>	9083	19946	15393	901246			
	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>	1948		12486				
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>	99		236				
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>	61287	52116	1435848	1881650			
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	61287	52116					

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 2014**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	2014	£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	Liabilities		Bought / Long	Sold / Short	
				<b>1</b>	<b>2</b>		<b>3</b>	<b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>		269	30			281768	
	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>			21259			567310	
	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>							
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>		269	21289			849078	
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>		269	21289				

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 2014**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>	22080421	24327535
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	9864886	11522062
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	63707	127516
	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>	12151828	12677957
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	10008410	10438057
	Regulatory current liabilities of the fund	<b>22</b>	730978	593219
	Total (21+22)	<b>29</b>	10739388	11031276
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	405581	425071
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>	11144969	11456347
Regulatory excess capital (19-39)		<b>49</b>	1006859	1221610

**Realistic excess capital**

Realistic excess capital	<b>51</b>	348079	693497
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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>	658780	528113
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>	286274	344789
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>	372506	183324

**Realistic balance sheet**

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

With-profits fund **With Profits Part of Fund**

Financial year ended **31 December 2014**

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>	12151828	12677957
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>	447503	405138
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>	12599331	13083095
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	12599331	13083095

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	10448953	10683413	
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>	26755	29954
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	147	7214
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	251838	28414
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	627194	527283
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	250131	162314
	Future costs of smoothing (possibly negative)	<b>44</b>	90292	61867
	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>	301049	269222
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1043436	1015012
Realistic current liabilities of the fund	<b>51</b>	733826	596173	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	12226215	12294598	

**Realistic balance sheet**

Name of insurer **Legal & General Assurance Society Limited**  
 With-profits fund **With Profits Part of Fund**  
 Financial year ended **31 December 2014**  
 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>	12251252	12389598
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>	12251252	12389598
Risk capital margin for fund (62-59)	<b>65</b>	25037	95000
Realistic excess capital for fund (26-(59+65))	<b>66</b>	348079	693497
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	348079	693497
Working capital for fund (29-59)	<b>68</b>	373116	788497
Working capital ratio for fund (68/29)	<b>69</b>	2.96	6.03

**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>	150000	200000
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 2014**

		Company registration number	GL/UK/CM	day month year			units	
		R20A	166055	GL	31	12	2014	£000
Category number	PRA 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	14240	279		96	7205	
002	Total primary (direct) and facultative business	2		279		96		
003	Total treaty reinsurance accepted business	3	14240				7205	
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		59				
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		1				
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		143		96		
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		77				
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	14240				7205	
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	14240	279		96	7205	

General insurance business : Summary of business carried on

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

Global business

Financial year ended **31 December 2014**

Category number	PRA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	166055	GL	31	12	2014
		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		59		
223	Motor other	43				
261	Commercial property	44		1		
262	Consequential loss	45				
263	Contractors or engineering all risks	46				
271	Employers liability	47		143	96	
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 2014**

Category number	PRA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	166055	GL	31	12	2014
		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		38		
343	Energy (on and off-shore)	66				
344	Protection and indemnity	67				
345	Freight demurrage and defence	68		38		
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	14240			7205
570	Non-proportional liability (non-motor)	87				
580	Non-proportional financial lines	88				
590	Non-proportional aggregate cover	89				

**Proportional treaty**

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

**Treaty Reinsurance Miscellaneous**

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101				
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	<b>Total (lines 21 to 101)</b>	<b>111</b>	<b>14240</b>	<b>279</b>	<b>96</b>	<b>7205</b>
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**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2014****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>2014</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				(26)	(15)		
	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				1349	1352		
	Balance (21-22-23+24+25-26)	29				(1324)	(1337)		
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				11300	9616		
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39				11300	9616		
Balance of all years' underwriting (19+29+39)		49				9976	8279		
Allocated investment income		51							
Transfer to non-technical account (49+51)		59				9976	8279		

## 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 2014****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		<b>R22</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>	<b>001</b>
				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	<b>11</b>	320		12		299	(10)	
	Reinsurers' share	<b>12</b>			16			16	
	Net (11-12)	<b>13</b>	320		(4)		299	(26)	
	Claims management costs	<b>14</b>							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	<b>15</b>							
	Reinsurers' share	<b>16</b>							
	Net (15-16)	<b>17</b>							
	Claims management costs	<b>18</b>							
Provision for unexpired risks		<b>19</b>							
Net operating expenses	Commissions	<b>21</b>							
	Other acquisition expenses	<b>22</b>							
	Administrative expenses	<b>23</b>			1349			1349	
	Reinsurance commissions and profit participations	<b>24</b>							
	Total (21+22+23-24)	<b>29</b>			1349			1349	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	<b>31</b>							
	Reinsurers' share	<b>32</b>							
	Claims management costs	<b>33</b>							
	Total (31-32+33)	<b>39</b>							
Split of line 29	Prior financial years	<b>41</b>			1349			1349	
	This financial year	<b>42</b>							
Split of line 39	Incidents occurring prior to this financial year	<b>51</b>							
	Incidents occurring in this financial year	<b>52</b>							

**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 2014**
**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>2014</b>	<b>£000</b>	<b>001</b>						
Accident year ended	Month	Year	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 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 %	
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)						
			1	2	3	4	5	6	7	8	9	10	11	12	13
12		2014	11												
12		2013	12												
12		2012	13												
12		2011	14												
12		2010	15												
12		2009	16												
12		2008	17												
12		2007	18												
12		2006	19												
12		2005	20												
Prior accident years			21			(4)	203	96	229	91	(26)				
Reconciliation			22												
Total (11 to 22)			29			(4)	203	96	229	91	(26)				



**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 2014**

**Total business**

Company registration number: **R25**  
 166055  
 GL/UK/CM: **GL**  
 day month year: **31 12 2014**  
 Units: **£000**  
 Category number: **001**

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
			29	29	12	05	12	06	12	07	12	08	12	09	12	10	12	11	12	12	12	13	12	14
Reported claims outstanding	Gross amount	11	77																					77
	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	77																					77
Provision for unearned premiums		22																						7205
Provision for unexpired risks		23																						
Deferred acquisition costs		24																						1081
Other technical provisions (particulars to be specified by way of supplementary note)		25																						
Total (21+22+23-24+25)		29	77																					6124

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

Global business

Financial year ended **31 December 2014**

				Company registration number	GL/ UK/ CM	day	month	year	Units	
				<b>R37</b>	<b>166055</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>
<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	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>			<b>7</b>	
Total net premiums written in the previous 4 years	<b>11</b>				31194					
Net premiums written in the current year	<b>12</b>				14240					
Maximum provision	<b>13</b>				6815	6815				

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

Equalisation provision brought forward	<b>21</b>				4275	4275			
Transfers in	<b>22</b>				1566	1566			
Total abnormal loss	<b>23</b>								
Provisional transfers out	<b>24</b>								
Excess of provisional transfer out over fund available	<b>25</b>								
Provisional amount carried forward (21+22-24+25)	<b>26</b>				5841	5841			
Excess, if any, of 26 over 13	<b>27</b>								
Equalisation provision carried forward (26-27)	<b>28</b>				5841	5841			
Transfer in/(out) for financial year (28-21)	<b>29</b>				1566	1566			

**Equalisation provisions technical account : Underwriting year accounting**

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

Global business

Financial year ended **31 December 2014**

		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>2014</b>	<b>£000</b>
		Business grouping A (property) <b>1</b>	Business grouping B (business interruption) <b>2</b>	Business grouping C (marine and aviation) <b>3</b>	Business grouping D (nuclear) <b>4</b>		Business grouping E (non-proportional treaty) <b>5</b>	
<b>Other than credit business</b>								
Net premiums written	<b>11</b>							14240
Claims net of reinsurance	<b>12</b>							
Trigger claims value	<b>13</b>							14240
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 2014**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	(300810)	1532619
Investment income receivable before deduction of tax	12	1308632	1372621
Increase (decrease) in the value of non-linked assets brought into account	13	1048888	(77320)
Increase (decrease) in the value of linked assets	14	738026	2385182
Other income	15		
<b>Total income</b>	<b>19</b>	<b>2794736</b>	<b>5213102</b>

**Expenditure**

Claims incurred	21	3688498	4513486
Expenses payable	22	520670	519822
Interest payable before the deduction of tax	23	25260	25556
Taxation	24	139312	(58390)
Other expenditure	25	43480	12950
Transfer to (from) non technical account	26	192916	204290
<b>Total expenditure</b>	<b>29</b>	<b>4610136</b>	<b>5217714</b>

Business transfers - in	31	1956230	
Business transfers - out	32	1953237	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1812407)	(4612)
Fund brought forward	49	40244503	40249115
Fund carried forward (39+49)	59	38432096	40244503



## 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 2014**  
 Units **£000**

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

**Income**

Earned premiums	11	462372	449597
Investment income receivable before deduction of tax	12	708353	795622
Increase (decrease) in the value of non-linked assets brought into account	13	1073767	(36979)
Increase (decrease) in the value of linked assets	14	240890	968272
Other income	15		
<b>Total income</b>	<b>19</b>	<b>2485382</b>	<b>2176512</b>

**Expenditure**

Claims incurred	21	2373827	2888470
Expenses payable	22	91011	103027
Interest payable before the deduction of tax	23	159	1247
Taxation	24	111056	29074
Other expenditure	25		
Transfer to (from) non technical account	26	42916	54290
<b>Total expenditure</b>	<b>29</b>	<b>2618969</b>	<b>3076108</b>

Business transfers - in	31		
Business transfers - out	32	1953237	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2086824)	(899596)
Fund brought forward	49	21963598	22863194
Fund carried forward (39+49)	59	19876774	21963598

## 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 2014**  
 Units **£000**

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

**Income**

Earned premiums	11	(763182)	1083022
Investment income receivable before deduction of tax	12	600279	576999
Increase (decrease) in the value of non-linked assets brought into account	13	(24879)	(40341)
Increase (decrease) in the value of linked assets	14	497136	1416910
Other income	15		
<b>Total income</b>	<b>19</b>	<b>309354</b>	<b>3036590</b>

**Expenditure**

Claims incurred	21	1314671	1625016
Expenses payable	22	429659	416795
Interest payable before the deduction of tax	23	25101	24309
Taxation	24	28256	(87464)
Other expenditure	25	43480	12950
Transfer to (from) non technical account	26	150000	150000
<b>Total expenditure</b>	<b>29</b>	<b>1991167</b>	<b>2141606</b>

Business transfers - in	31	1956230	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	274417	894984
Fund brought forward	49	18280905	17385921
Fund carried forward (39+49)	59	18555322	18280905

## Long-term insurance business : Analysis of premiums

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	1534378	2590852	6397	4131627	3495735
Single premiums	12	262685	7970892	33093	8266670	5245739

**Reinsurance - external**

Regular premiums	13	513799	35637	223	549659	515540
Single premiums	14	5			5	5

**Reinsurance - intra-group**

Regular premiums	15	296162	2407976	2831	2706969	1890306
Single premiums	16	2485	9406023	33966	9442474	4803004

**Net of reinsurance**

Regular premiums	17	724417	147239	3343	874999	1089889
Single premiums	18	260195	(1435131)	(873)	(1175809)	442730

**Total**

Gross	19	1797063	10561744	39490	12398297	8741474
Reinsurance	20	812451	11849636	37020	12699107	7208855
Net	21	984612	(1287892)	2470	(300810)	1532619

## 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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	67540	262978		330518	370013
Single premiums	12	6982	62133		69115	75568

**Reinsurance - external**

Regular premiums	13	1566	(11963)		(10397)	(2494)
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		(52342)		(52342)	(1522)
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	65974	327283		393257	374029
Single premiums	18	6982	62133		69115	75568

**Total**

Gross	19	74522	325111		399633	445581
Reinsurance	20	1566	(64305)		(62739)	(4016)
Net	21	72956	389416		462372	449597

## 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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	1466838	2327874	6397	3801109	3125722
Single premiums	12	255703	7908759	33093	8197555	5170171

**Reinsurance - external**

Regular premiums	13	512233	47600	223	560056	518034
Single premiums	14	5			5	5

**Reinsurance - intra-group**

Regular premiums	15	296162	2460318	2831	2759311	1891828
Single premiums	16	2485	9406023	33966	9442474	4803004

**Net of reinsurance**

Regular premiums	17	658443	(180044)	3343	481742	715860
Single premiums	18	253213	(1497264)	(873)	(1244924)	367162

**Total**

Gross	19	1722541	10236633	39490	11998664	8295893
Reinsurance	20	810885	11913941	37020	12761846	7212871
Net	21	911656	(1677308)	2470	(763182)	1083022

## Long-term insurance business : Analysis of claims

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 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	902179	230825	106	1133110	1054763
Disability periodic payments	12	50635			50635	48189
Surrender or partial surrender	13	1195428	1717457	1750	2914635	3100930
Annuity payments	14	3282	2343904	25402	2372588	1993877
Lump sums on maturity	15	619041	520891		1139932	1684607
<b>Total</b>	<b>16</b>	<b>2770565</b>	<b>4813077</b>	<b>27258</b>	<b>7610900</b>	<b>7882366</b>

**Reinsurance - external**

Death or disability lump sums	21	431860	9169		441029	397800
Disability periodic payments	22	1604			1604	1479
Surrender or partial surrender	23	1955	17537		19492	10059
Annuity payments	24					
Lump sums on maturity	25	146			146	
<b>Total</b>	<b>26</b>	<b>435565</b>	<b>26706</b>		<b>462271</b>	<b>409338</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	99552	191913	106	291571	252472
Disability periodic payments	32					
Surrender or partial surrender	33	2349	682655	1353	686357	563011
Annuity payments	34		2255362	25391	2280753	1833281
Lump sums on maturity	35		201450		201450	310778
<b>Total</b>	<b>36</b>	<b>101901</b>	<b>3331380</b>	<b>26850</b>	<b>3460131</b>	<b>2959542</b>

**Net of reinsurance**

Death or disability lump sums	41	370767	29743		400510	404491
Disability periodic payments	42	49031			49031	46710
Surrender or partial surrender	43	1191124	1017265	397	2208786	2527860
Annuity payments	44	3282	88542	11	91835	160596
Lump sums on maturity	45	618895	319441		938336	1373829
<b>Total</b>	<b>46</b>	<b>2233099</b>	<b>1454991</b>	<b>408</b>	<b>3688498</b>	<b>4513486</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 2014**  
 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	152102	29743		181845	190737
Disability periodic payments	12					
Surrender or partial surrender	13	420787	698371		1119158	1196090
Annuity payments	14	593	88537		89130	158419
Lump sums on maturity	15	595716	335946		931662	1378901
<b>Total</b>	<b>16</b>	<b>1169198</b>	<b>1152597</b>		<b>2321795</b>	<b>2924147</b>

**Reinsurance - external**

Death or disability lump sums	21	1031			1031	1491
Disability periodic payments	22					
Surrender or partial surrender	23		(718)		(718)	(5018)
Annuity payments	24					
Lump sums on maturity	25	146			146	
<b>Total</b>	<b>26</b>	<b>1177</b>	<b>(718)</b>		<b>459</b>	<b>(3527)</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		(52491)		(52491)	39204
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>(52491)</b>		<b>(52491)</b>	<b>39204</b>

**Net of reinsurance**

Death or disability lump sums	41	151071	29743		180814	189246
Disability periodic payments	42					
Surrender or partial surrender	43	420787	751580		1172367	1161904
Annuity payments	44	593	88537		89130	158419
Lump sums on maturity	45	595570	335946		931516	1378901
<b>Total</b>	<b>46</b>	<b>1168021</b>	<b>1205806</b>		<b>2373827</b>	<b>2888470</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 2014**  
 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	750077	201082	106	951265	864026
Disability periodic payments	12	50635			50635	48189
Surrender or partial surrender	13	774641	1019086	1750	1795477	1904840
Annuity payments	14	2689	2255367	25402	2283458	1835458
Lump sums on maturity	15	23325	184945		208270	305706
<b>Total</b>	<b>16</b>	<b>1601367</b>	<b>3660480</b>	<b>27258</b>	<b>5289105</b>	<b>4958219</b>

**Reinsurance - external**

Death or disability lump sums	21	430829	9169		439998	396309
Disability periodic payments	22	1604			1604	1479
Surrender or partial surrender	23	1955	18255		20210	15077
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>434388</b>	<b>27424</b>		<b>461812</b>	<b>412865</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	99552	191913	106	291571	252472
Disability periodic payments	32					
Surrender or partial surrender	33	2349	735146	1353	738848	523807
Annuity payments	34		2255362	25391	2280753	1833281
Lump sums on maturity	35		201450		201450	310778
<b>Total</b>	<b>36</b>	<b>101901</b>	<b>3383871</b>	<b>26850</b>	<b>3512622</b>	<b>2920338</b>

**Net of reinsurance**

Death or disability lump sums	41	219696			219696	215245
Disability periodic payments	42	49031			49031	46710
Surrender or partial surrender	43	770337	265685	397	1036419	1365956
Annuity payments	44	2689	5	11	2705	2177
Lump sums on maturity	45	23325	(16505)		6820	(5072)
<b>Total</b>	<b>46</b>	<b>1065078</b>	<b>249185</b>	<b>408</b>	<b>1314671</b>	<b>1625016</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 2014**  
Units **£000**

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

**Gross**

Commission - acquisition	11	234103	8561		242664	228954
Commission - other	12	33773	13885	13	47671	49456
Management - acquisition	13	132938	105051		237989	227249
Management - maintenance	14	96968	128648	(74)	225542	213536
Management - other	15	89918	1982		91900	157131
<b>Total</b>	<b>16</b>	<b>587700</b>	<b>258127</b>	<b>(61)</b>	<b>845766</b>	<b>876326</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	738			738	
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>738</b>			<b>738</b>	

**Reinsurance - intra-group**

Commission - acquisition	31	3045	115874	18	118937	112043
Commission - other	32	93657	111070	696	205423	244461
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>96702</b>	<b>226944</b>	<b>714</b>	<b>324360</b>	<b>356504</b>

**Net of reinsurance**

Commission - acquisition	41	231058	(107313)	(18)	123727	116911
Commission - other	42	(60622)	(97185)	(683)	(158490)	(195005)
Management - acquisition	43	132938	105051		237989	227249
Management - maintenance	44	96968	128648	(74)	225542	213536
Management - other	45	89918	1982		91900	157131
<b>Total</b>	<b>46</b>	<b>490260</b>	<b>31183</b>	<b>(775)</b>	<b>520668</b>	<b>519822</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	43	898		941	733
Commission - other	12	4099	2384		6483	7162
Management - acquisition	13	1030	2255		3285	6504
Management - maintenance	14	26861	49410		76271	81929
Management - other	15	3233	1536		4769	6699
<b>Total</b>	<b>16</b>	<b>35266</b>	<b>56483</b>		<b>91749</b>	<b>103027</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	738			738	
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>738</b>			<b>738</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	43	898		941	733
Commission - other	42	3361	2384		5745	7162
Management - acquisition	43	1030	2255		3285	6504
Management - maintenance	44	26861	49410		76271	81929
Management - other	45	3233	1536		4769	6699
<b>Total</b>	<b>46</b>	<b>34528</b>	<b>56483</b>		<b>91011</b>	<b>103027</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 2014**  
Units **£000**

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

**Gross**

Commission - acquisition	11	234060	7663		241723	228221
Commission - other	12	29674	11501	13	41188	42294
Management - acquisition	13	131908	102796		234704	220745
Management - maintenance	14	70107	79238	(74)	149271	131607
Management - other	15	86685	446		87131	150432
<b>Total</b>	<b>16</b>	<b>552434</b>	<b>201644</b>	<b>(61)</b>	<b>754017</b>	<b>773299</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	3045	115874	18	118937	112043
Commission - other	32	93657	111070	696	205423	244461
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>96702</b>	<b>226944</b>	<b>714</b>	<b>324360</b>	<b>356504</b>

**Net of reinsurance**

Commission - acquisition	41	231015	(108211)	(18)	122786	116178
Commission - other	42	(63983)	(99569)	(683)	(164235)	(202167)
Management - acquisition	43	131908	102796		234704	220745
Management - maintenance	44	70107	79238	(74)	149271	131607
Management - other	45	86685	446		87131	150432
<b>Total</b>	<b>46</b>	<b>455732</b>	<b>(25300)</b>	<b>(775)</b>	<b>429657</b>	<b>416795</b>

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11	15585442	15493131
Directly held assets in collective investment schemes of connected companies	12	6907701	6763308
Directly held assets in other collective investment schemes	13	4292733	4305654
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>26785876</b>	<b>26562093</b>
Provision for tax on unrealised capital gains	15	(3525)	54465
Secured and unsecured loans	16		
Other liabilities	17	140480	101032
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>26648921</b>	<b>26406596</b>

**Directly held linked assets**

Value of directly held linked assets	21	7439	8055
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**Total**

Value of directly held linked assets and units held (18+21)	31	26656360	26414651
Surplus units	32	52259	48075
Deficit units	33	35993	15981
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>26640094</b>	<b>26382557</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 2014**  
 Units **£000**

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

**Income**

Value of total creation of units	11	2745240	4136787
Investment income attributable to the funds before deduction of tax	12	886117	864176
Increase (decrease) in the value of investments in the financial year	13	738504	2383811
Other income	14	46	72
<b>Total income</b>	<b>19</b>	<b>4369907</b>	<b>7384846</b>

**Expenditure**

Value of total cancellation of units	21	3818964	5686782
Charges for management	22	224276	224388
Charges in respect of tax on investment income	23	117629	43387
Taxation on realised capital gains	24	22560	(4840)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(57990)	87527
Other expenditure	26	2143	2094
<b>Total expenditure</b>	<b>29</b>	<b>4127582</b>	<b>6039338</b>

Increase (decrease) in funds in financial year (19-29)	39	242325	1345508
Internal linked fund brought forward	49	26406596	25061088
Internal linked funds carried forward (39+49)	59	26648921	26406596

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business  
 Financial year ended **31 December 2014**  
 Units **£000**

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

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

Regular premium business	11	489816	497341		987158	737147
Single premium business	12	2658	115443		118101	100138
<b>Total</b>	<b>13</b>	<b>492474</b>	<b>612784</b>		<b>1105259</b>	<b>837285</b>

**Amount of new regular  
premiums**

Direct insurance business	21	185060	675162		860221	1099499
External reinsurance	22	38916			38916	
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>223975</b>	<b>675162</b>		<b>899137</b>	<b>1099499</b>

**Amount of new single  
premiums**

Direct insurance business	25	259561	7758891		8018452	3737638
External reinsurance	26			34913	34913	133395
Intra-group reinsurance	27	3486			3486	1220257
<b>Total</b>	<b>28</b>	<b>263047</b>	<b>7758891</b>	<b>34913</b>	<b>8056852</b>	<b>5091289</b>

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2014

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		79		
300	Regular Premium Non-Profit WL/EA	30201	12446		
325	Level Term Assurance	214540	66554		
330	Decreasing Term Assurance	81465	23244		
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	50484	27709		
340	Other Accelerated Critical Illness (Guaranteed Premiums)	49340	21276		
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	11069	6496		
345	Other Accelerated Critical Illness (Reviewable Premiums)	8184	3642		
360	Income Protection Non-Profit (Guaranteed Premiums)	10487	4369		
410	Group Life	9668	3161		
420	Group Income Protection	22101	14144		
430	Group Critical Illness	2204	1444		
500	With-Profit Bond			28	7226
510	Life UWP Endowment Regular Premium - Savings		30		
700	Investment Bond			53	5470

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2014

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	Portfolio Bond			126	8626
700	Select Portfolio Bond			2451	238239
710	Life Property Linked Whole Life Regular Premium	5	28		
795	Miscellaneous Property Linked	68	436		



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

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2014**

Units

**£000**

UK Life / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level Term Assurance - US Term business		38916		

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

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2014**

Units

**£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
700	International Portfolio Bond				3486

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2014

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		50		128
325	Level Term Assurance	7	1		
390	Deferred Annuities - Group - Bulk Purchase			868	22940
400	Annuities In Payment - Group - Other			3589	55115
400	Annuities In Payment - Individual - Compulsory Purchase			7819	232155
400	Annuities In Payment - Individual - Other			5051	138099
401	Annuities In Payment - Group - Bulk Purchase			15697	1758646
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life			1335	42533
405	Annuities In Payment - Individual - Compulsory Purchase - Annuity Plus			1687	56555
410	Group Life	368236	31443		
435	Miscellaneous Non-Profit	3977	13108		
525	Personal Pension Plan	15	136	9	94
530	Self Employed Plan		21		
530	Executive Pension Plan		35		177
530	Pension Savings Plan		18		652

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2014

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Personal Pension Plan		776	9	2373
530	Section 32 Buy-Out				80
535	Group Money Purchase Pensions UWP	10	39	1	
540	Group Money Purchase Pensions UWP - Increments		39	10	144
565	DWP National Insurance Rebates UWP				235
725	Personal Pension Plan	17217	35103		6378
725	Stakeholder	59901	100526		65977
725	Group SIPP	47090	69282		158413
725	Portfolio Plus SIPP	56	512		13372
730	Executive Investment Retirement Plan				238
730	Executive Pension Plan		67		822
730	Pension Savings Plan		39		875
730	Personal Investment Pension Plan		6		151
730	Personal Pension Plan		15205		33224
730	Section 32 Buy-Out				3

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2014

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
730	Self Employed Plan		20		280
730	Stakeholder		29209		83577
730	Group SIPP		7862		365877
730	Portfolio Plus SIPP		398		30884
735	Group Money Purchase Pensions Property Linked	833	4022	57419	434958
740	Group Money Purchase Pensions Property Linked - Increments		367147		15332
745	DWP National Insurance Rebates Property Linked				305
750	Income Drawdown Property Linked		96		2832
755	Trustee Investment Plan				4
905	Annuities In Payment - Group - RPI-linked - Other			17	1481
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase			583	14606
905	Other RPI-linked Annuity - Individual			650	15648
906	Annuities In Payment - Group - RPI-linked - Bulk Purchase			5976	1791133
906	Annuities In Payment - Group - CPI-linked - Bulk Purchase			14035	2267690
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase			688	144910

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

Name of insurer

**Legal & General Assurance Society Limited**

Total business

Financial year ended

**31 December 2014**

Units

**£000**

Overseas / Reinsurance accepted external

Product code number <b>1</b>	Product description <b>2</b>	Regular premium business		Single premium business	
		Number of policyholders / scheme members <b>3</b>	Amount of premiums <b>4</b>	Number of policyholders / scheme members <b>5</b>	Amount of premiums <b>6</b>
400	Annuities In Payment - Individual - Compulsory Purchase				34913

**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 2014**  
 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	22854	24166	13	0.05	
Approved fixed interest securities	12	485104	485104	15825	1.82	
Other fixed interest securities	13	723978	723979	14477	0.95	
Variable interest securities	14	16810	17080	833	5.67	
UK listed equity shares	15	20593	21089	715	4.70	
Non-UK listed equity shares	16	1114	1114	45	4.75	
Unlisted equity shares	17	26386	26386			
Other assets	18	1257420	1255341	1150	0.09	
<b>Total</b>	<b>19</b>	<b>2554259</b>	<b>2554259</b>	<b>33058</b>	<b>0.74</b>	

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

Land and buildings	21	137706	1386814	53579	3.86	16.93
Approved fixed interest securities	22	3126134	3126134	102466	1.84	22.55
Other fixed interest securities	23	3045671	3045671	124012	2.98	14.48
Variable interest securities	24	19528	65740	568	0.84	4.09
UK listed equity shares	25	1320272	1323088	43622	4.65	0.54
Non-UK listed equity shares	26	2266980	2268106	63577	4.43	6.59
Unlisted equity shares	27	614527	169480			(5.62)
Other assets	28	1612520	758305	(2690)	(0.35)	0.64
<b>Total</b>	<b>29</b>	<b>12143338</b>	<b>12143338</b>	<b>385134</b>	<b>2.98</b>	<b>9.84</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					9.66
Return allocated to non taxable 'asset shares'	32					10.07
Return allocated to taxable 'asset shares'	33					9.28

## 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 2014**  
 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	460498	460498	14805	1.82	
Other fixed interest securities	13	152043	152042	1719	0.89	
Variable interest securities	14	722	723	9	1.80	
UK listed equity shares	15	17543	17547	603	4.78	
Non-UK listed equity shares	16	1114	1114	45	4.75	
Unlisted equity shares	17					
Other assets	18	273491	273487	854	0.31	
<b>Total</b>	<b>19</b>	<b>905411</b>	<b>905411</b>	<b>18035</b>	<b>1.27</b>	

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

Land and buildings	21	137706	1386814	53579	3.86	16.93
Approved fixed interest securities	22	3126134	3126134	102466	1.84	22.55
Other fixed interest securities	23	3045671	3045671	124012	2.98	14.48
Variable interest securities	24	19528	65740	568	0.84	4.09
UK listed equity shares	25	1320272	1323088	43622	4.65	0.54
Non-UK listed equity shares	26	2266980	2268106	63577	4.43	6.59
Unlisted equity shares	27	614527	169480			(5.62)
Other assets	28	1612520	758305	(2690)	(0.35)	0.64
<b>Total</b>	<b>29</b>	<b>12143338</b>	<b>12143338</b>	<b>385134</b>	<b>2.98</b>	<b>9.84</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					9.66
Return allocated to non taxable 'asset shares'	32					10.07
Return allocated to taxable 'asset shares'	33					9.28



**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 2014**  
 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	22854	24166	13	0.05	
Approved fixed interest securities	12	24606	24606	1020	1.92	
Other fixed interest securities	13	571935	571937	12758	0.96	
Variable interest securities	14	16088	16357	824	5.84	
UK listed equity shares	15	3050	3542	112	4.27	
Non-UK listed equity shares	16					
Unlisted equity shares	17	26386	26386			
Other assets	18	983929	981854	296	0.03	
<b>Total</b>	<b>19</b>	<b>1648848</b>	<b>1648848</b>	<b>15023</b>	<b>0.45</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 2014**  
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>	2400726	12.64	1.88	1.83

<b>Other approved fixed interest securities</b>	<b>21</b>	1210512	6.70	1.77	1.72
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	224469	7.73	2.36	2.33
AA/Aa	<b>32</b>	311203	7.76	2.18	2.09
A/A	<b>33</b>	1047233	7.63	2.65	2.43
BBB/Baa	<b>34</b>	1099351	7.26	3.32	2.94
BB/Ba	<b>35</b>	3127	5.87	4.51	1.24
B/B	<b>36</b>	97023	1.25	3.65	0.38
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	987244	3.46	1.77	1.52
<b>Total other fixed interest securities</b>	<b>39</b>	3769650	6.28	2.59	2.25

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>	82820	8.86	1.83	1.65
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	7463708	8.42	2.22	2.02
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## 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 2014**  
 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>	2400726	12.64	1.87	1.82

<b>Other approved fixed interest securities</b>	<b>21</b>	1185906	6.68	1.76	1.71
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	195801	8.48	2.47	2.44
AA/Aa	<b>32</b>	234723	9.85	2.61	2.52
A/A	<b>33</b>	814667	9.34	3.10	2.89
BBB/Baa	<b>34</b>	1051296	7.54	3.40	3.04
BB/Ba	<b>35</b>	3127	5.87	4.51	1.48
B/B	<b>36</b>	97023	1.25	3.65	0.62
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	801076	4.01	2.04	1.80
<b>Total other fixed interest securities</b>	<b>39</b>	3197713	7.15	2.88	2.54

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>	66463	7.57	0.85	0.73
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	6850808	9.00	2.31	2.13
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## 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 2014**  
 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>				

<b>Other approved fixed interest securities</b>	<b>21</b>	24606	7.70	1.92	1.87
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	28668	2.61	1.61	1.55
AA/Aa	<b>32</b>	76480	1.37	0.89	0.78
A/A	<b>33</b>	232566	1.64	1.08	0.83
BBB/Baa	<b>34</b>	48055	1.14	1.56	0.60
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	186168	1.08	0.59	0.34
<b>Total other fixed interest securities</b>	<b>39</b>	571937	1.43	0.96	0.68

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>	16357	14.11	5.84	5.39
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	612900	2.02	1.13	0.85
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## Long-term insurance business : Summary of mathematical reserves

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	898785	1080767		1979552	2131288
Form 51 - non-profit	12	2238941	30303698	437726	32980364	28117156
Form 52	13	3821236	4058411		7879647	8156984
Form 53 - linked	14	9638871	24225144	96131	33960146	31449962
Form 53 - non-linked	15	100232	339446	1014	440692	370194
Form 54 - linked	16	147184	13891909		14039093	8719283
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>16845248</b>	<b>73899376</b>	<b>534871</b>	<b>91279495</b>	<b>78944867</b>

**Reinsurance - external**

Form 51 - with-profits	21	928			928	897
Form 51 - non-profit	22	2000236	52227		2052463	2163689
Form 52	23	73	197		270	381
Form 53 - linked	24		269614		269614	255795
Form 53 - non-linked	25	337	286		623	756
Form 54 - linked	26	23554	211		23766	12514
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>2025128</b>	<b>322536</b>		<b>2347664</b>	<b>2434031</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	691273	29788065	437726	30917063	24264751
Form 52	33		(14390)		(14390)	(5703)
Form 53 - linked	34	11814	6976793	61499	7050106	4756531
Form 53 - non-linked	35	2074	47217	1014	50305	50819
Form 54 - linked	36		13891698		13891698	8557412
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>705161</b>	<b>50689382</b>	<b>500238</b>	<b>51894782</b>	<b>37623810</b>

**Net of reinsurance**

Form 51 - with-profits	41	897857	1080767		1978624	2130392
Form 51 - non-profit	42	(452569)	463406		10837	1688716
Form 52	43	3821163	4072604		7893767	8162305
Form 53 - linked	44	9627056	16978737	34632	26640426	26437636
Form 53 - non-linked	45	97821	291943		389765	318620
Form 54 - linked	46	123630			123630	149357
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>14114959</b>	<b>22887458</b>	<b>34632</b>	<b>37037049</b>	<b>38887026</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 2014**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	898785	1080767		1979552	2131288
Form 51 - non-profit	12	63478	463406		526883	2145939
Form 52	13	3821236	4058411		7879647	8156984
Form 53 - linked	14	959314	8270615		9229929	9272518
Form 53 - non-linked	15	22957	291943		314901	261266
Form 54 - linked	16					38282
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>5765769</b>	<b>14165143</b>		<b>19930912</b>	<b>22006276</b>

**Reinsurance - external**

Form 51 - with-profits	21	928			928	897
Form 51 - non-profit	22					
Form 52	23	73	197		270	381
Form 53 - linked	24		56375		56375	57696
Form 53 - non-linked	25	54			54	58
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1055</b>	<b>56572</b>		<b>57627</b>	<b>59031</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		(14390)		(14390)	(5703)
Form 53 - linked	34		150372		150372	138188
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>		<b>135982</b>		<b>135982</b>	<b>132486</b>

**Net of reinsurance**

Form 51 - with-profits	41	897857	1080767		1978624	2130392
Form 51 - non-profit	42	63478	463406		526883	2145939
Form 52	43	3821163	4072604		7893767	8162305
Form 53 - linked	44	959314	8063869		9023182	9076634
Form 53 - non-linked	45	22903	291943		314846	261208
Form 54 - linked	46					38282
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>5764714</b>	<b>13972589</b>		<b>19737303</b>	<b>21814759</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 2014**  
 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	2175463	29840292	437726	32453481	25971217
Form 52	13					
Form 53 - linked	14	8679557	15954529	96131	24730217	22177444
Form 53 - non-linked	15	77275	47503	1014	125792	108929
Form 54 - linked	16	147184	13891909		14039093	8681001
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>11079480</b>	<b>59734233</b>	<b>534871</b>	<b>71348583</b>	<b>56938591</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	2000236	52227		2052463	2163689
Form 52	23					
Form 53 - linked	24		213239		213239	198099
Form 53 - non-linked	25	283	286		569	698
Form 54 - linked	26	23554	211		23766	12514
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>2024074</b>	<b>265964</b>		<b>2290037</b>	<b>2375000</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	691273	29788065	437726	30917063	24264751
Form 52	33					
Form 53 - linked	34	11814	6826421	61499	6899734	4618342
Form 53 - non-linked	35	2074	47217	1014	50305	50819
Form 54 - linked	36		13891698		13891698	8557412
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>705161</b>	<b>50553401</b>	<b>500238</b>	<b>51758800</b>	<b>37491324</b>

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	(516046)			(516046)	(457223)
Form 52	43					
Form 53 - linked	44	8667743	8914869	34632	17617244	17361003
Form 53 - non-linked	45	74918			74918	57412
Form 54 - linked	46	123630			123630	111076
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>8350244</b>	<b>8914869</b>	<b>34632</b>	<b>17299746</b>	<b>17072267</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 2014**  
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	2387	41083	228				35754
120	New Cashbuilder	31537	87085	1111				80201
120	Other Conventional Endowment With-Profits Savings	870	8964	105				8942
125	Build Up	36022	1285758	22332				648720
165	Conventional Deferred Annuity With-Profits	37	4					109
175	Group Conventional Deferred Annuity With-Profits	105	2349	118				3645
210	Additional Reserves With-Profits							121413
300	Regular Premium Non-Profit WL/EA	203	474					1588
390	Deferred Annuity Non-Profit	146	52	1				2597
440	Additional Reserves Non-Profit							59292



**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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
100	Conventional Whole Life With-Profits		975					924
120	Conventional Endowment With-Profits Savings		528					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 **With Profits Part of Fund**  
 Financial year ended **31 December 2014**  
 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	14	108					158
165	Personal Retirement Plan	16470	45318	2566				714753
165	Other Conventional Deferred Annuity With-Profits	62	25					600
175	Group Conventional Deferred Annuity With-Profits		4					
185	Group Conventional Pensions Endowment With-Profits	61	204	0				288
200	With-Profit Immediate Annuities In Payment	8737	21171					295011
200	Other Annuity With-Profits (CPA)	30	121					574
210	Additional Reserves With-Profits							69383
300	Regular Premium Non-Profit WL/EA	52	135					441
315	Individual Deposit Administration Non-Profit	841	28455					62332
320	1980 Bonus System - Group		50971					240611
320	Other Group Deposit Administration Non-Profit	24	934					531
390	Other Deferred Annuity Non-Profit	59	27					1445
440	Additional Reserves Non-Profit							158045

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 2014**  
 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	134344	1169395	45339				152012
300	Regular Premium Non-Profit WL/EA - US universal life business		1138808	55303				189427
325	Level Term Assurance	1551789	231598972	482029				678929
325	Level Term Assurance - US Term business		221789587	296542				501831
330	Decreasing Term Assurance	761522	95607578	198544				(54138)
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	273274	23248858	124072				(49801)
340	Other Accelerated Critical Illness (Guaranteed Premiums)	254472	19634023	112778				99943
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	114764	9539258	52994				(22449)
345	Other Accelerated Critical Illness (Reviewable Premiums)	92810	6668546	38438				17499
350	Stand-alone Critical Illness (Guaranteed Premiums)	22523	1293691	6725				22395
355	Stand-alone Critical Illness (Reviewable Premiums)	23643	1229502	5774				25998
360	Income Protection Non-Profit (Guaranteed Premiums)	36979	488849	15813				9201
365	Income Protection Non-Profit (Reviewable Premiums)	28408	219748	5668				58007
385	Income Protection Claims In Payment							28083
390	Deferred Annuity Non-Profit	2507	468	2				8865

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 2014**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity Non-Profit (PLA)	3170	2086					21157
410	Group Life	40144	12649398	15243				7866
420	Group Income Protection	251395	13975976	75655				120569
425	Group Income Protection Claims In Payment	1448	28189					231776
430	Group Critical Illness	62377	4398465	10824				4538
435	Miscellaneous Non-Profit	790	5760	338				107
440	Additional Reserves Non-Profit							123647

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 2014**  
 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		811556	5723				18164
325	Level Term Assurance		216730911	253124				1181642
330	Decreasing Term Assurance		88621373	107374				217012
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)		18659225	46092				119226
340	Other Accelerated Critical Illness (Guaranteed Premiums)		15611422	44388				186609
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)		8536351	24678				51340
345	Other Accelerated Critical Illness (Reviewable Premiums)		5992412	16327				57346
350	Stand-alone Critical Illness (Guaranteed Premiums)		1160125	4819				25010
355	Stand-alone Critical Illness (Reviewable Premiums)		1068912	3144				30069
360	Income Protection Non-Profit (Guaranteed Premiums)		413735	8491				23920
365	Income Protection Non-Profit (Reviewable Premiums)		174903	1777				52838
385	Income Protection Claims In Payment							22536
390	Deferred Annuity Non-Profit		2					46
410	Group Life		11220	14				7
420	Group Income Protection		778252	4209				6306

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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
425	Group Income Protection Claims In Payment		733					5895
430	Group Critical Illness		2199233	5412				2269

**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 2014**  
 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				7
300	Regular Premium Non-Profit WL/EA - US universal life business		1138808	55303				189427
325	Level Term Assurance - US Term business		221789587	296542				501831
330	Decreasing Term Assurance		27					0
390	Deferred Annuity Non-Profit		0					8

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Non Profit & balancing items**  
 Financial year ended **31 December 2014**  
 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	436	165	1				699
305	Single Premium Non-Profit WL/EA		3					
325	Level Term Assurance	34027	6645695	14420				37246
330	Decreasing Term Assurance	8103	1097698	2258				1232
390	Deferred Annuities - Group - Bulk Purchase	64625	140458					2870834
390	Deferred Annuities - Group - Other	43883	19904					332885
390	Other Deferred Annuity Non-Profit	76	91					1439
400	Annuities In Payment - Group - Bulk Purchase	142108	902895					10133528
400	Annuities In Payment - Group - Bulk Purchase - Longevity	11213	68589	65659				
400	Annuities In Payment - Group - Other	46430	202172					2566903
400	Annuities In Payment - Individual - Compulsory Purchase	246993	434382					7672683
400	Annuities In Payment - Individual - Other	109918	157906					2508021
400	Annuities In Payment - Individual - Personal Retirement Plan	17754	45412					588187
400	Contingent Annuities - Group - Bulk Purchase	74272	441781					1624912
400	Contingent Annuities - Group - Other	11518	83934					331813



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 2014**  
 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	Contingent Annuities - Individual	23754	39760					174150
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life	20436	46455					815818
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life	36	95					548
410	Group Life	2103457	179412018	190451				79426
435	Miscellaneous Non-Profit	157083	4151327	61659				39840
440	Additional Reserves Non-Profit							60131

**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 2014**  
 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		8					43
325	Level Term Assurance		5861837	7641				42470
330	Decreasing Term Assurance		990050	1249				4803
400	Annuities In Payment - Individual - Other		69					1161
410	Group Life		5285670	5635				2269
435	Miscellaneous Non-Profit		74528	2299				1481

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 2014**  
 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		157	1				656
305	Single Premium Non-Profit WL/EA		3					
325	Level Term Assurance		783858	6779				(5224)
330	Decreasing Term Assurance		107648	1009				(3571)
390	Deferred Annuities - Group - Bulk Purchase		140458					2870834
390	Deferred Annuities - Group - Other		19904					332885
390	Other Deferred Annuity Non-Profit		91					1439
400	Annuities In Payment - Group - Bulk Purchase		902895					10133528
400	Annuities In Payment - Group - Bulk Purchase - Longevity		68589	65659				
400	Annuities In Payment - Group - Other		202172					2566903
400	Annuities In Payment - Individual - Compulsory Purchase		434382					7672683
400	Annuities In Payment - Individual - Other		157837					2506860
400	Annuities In Payment - Individual - Personal Retirement Plan		45412					588187
400	Contingent Annuities - Group - Bulk Purchase		441781					1624912
400	Contingent Annuities - Group - Other		83934					331813

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 2014**  
 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
400	Contingent Annuities - Individual		39760					174150
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		46455					815818
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life		95					548
410	Group Life		174126349	184816				77157
435	Miscellaneous Non-Profit		4076799	59360				38359
440	Additional Reserves Non-Profit							60131

**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 2014**  
 Units **£000**  
 Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level Term Assurance	1418	192307	370				5148
400	Annuities In Payment - Group - Bulk Purchase	7141	20790					348953
400	Annuities In Payment - Individual - Compulsory Purchase		2771					55141
400	Contingent Annuities - Group - Bulk Purchase	1319	5175					28012
400	Contingent Annuities - Individual		24					472

**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 2014**  
 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		192307	370				5148
400	Annuities In Payment - Group - Bulk Purchase		20790					348953
400	Annuities In Payment - Individual - Compulsory Purchase		2771					55141
400	Contingent Annuities - Group - Bulk Purchase		5175					28012
400	Contingent Annuities - Individual		24					472

**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 2014**  
 Units **£000**  
 UK Life / 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
500	Capital Investment Portfolio	18551	414847		411673	411673	187	411860
500	With-Profit Bond	93524	3110771		3110771	3074147	21262	3095409
505	Life UWP Whole Life Regular Premium	1808	56726	645	10912	10912	303	11215
510	Life UWP Endowment Regular Premium - Savings	149	1705	79	1721	1721	0	1721
515	Flexible Mortgage Plan	25677	803407	17263	299500	299500	1531	301031

**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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
505	Life UWP Whole Life Regular Premium		1465	13			1	1
515	Flexible Mortgage Plan		131496	869			72	72



## 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 2014**  
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	1091	22720	701	34580	34573	23793	58367
525	Pension Savings Plan	4855	57506	1162	106477	45961	7	45969
525	Personal Pension Plan	202085	2494800	16334	2246604	2772556	152307	2924863
525	Section 32 Buy-Out	21981	179796		176574	179734	145410	325144
525	Self Employed Plan	6035	65966	1197		68780	11	68791
535	Group Money Purchase Pensions UWP	3345	41737	386	33197	37357	115	37472
545	Buy-Out Plan	5893	131720		131720	412919	11044	423963
545	Other Individual Deposit Administration With-Profits	34	1031		1031	1031	1574	2605
555	1980 Bonus System - Group	500	35221	2607	35221	45139	58750	103889
555	Other Group Deposit Administration With-Profits	1171	26200	335	26200	26922	40257	67179
571	Trustee Investment Plan UWP					171		171





**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 2014**  
 Units **£000**  
 UK Life / 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
700	Capital Investment Portfolio	11014	487114		469350	469350	17142	486491
700	Other Life Property Linked Single Premium	703	25969		21979	21979	6	21984
710	Life Property Linked Whole Life Regular Premium	9075	268234	2769	55132	55132	4781	59913
715	Life Property Linked Endowment Regular Premium - Savings	26	628	12	629	629		629
720	Flexible Mortgage Plan	16528	793958	14794	414720	414720	1029	415749
800	Additional Reserves Property Linked					(2495)		(2495)

**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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
710	Life Property Linked Whole Life Regular Premium		2928	26			2	2
720	Flexible Mortgage Plan		69448	617			52	52

**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 2014**  
 Units **£000**  
 UK Pension / 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	Executive Pension Plan	2407	150360	1551	150360	150360	17440	167800
725	Pension Savings Plan	6810	127131	2166	127131	127131	11333	138463
725	Personal Pension Plan	314436	7201194	194026	7201194	7201194	191515	7392708
725	Section 32 Buy-Out	30006	446684		446684	446684	51765	498449
725	Self Employed Plan	8233	130299	1588	130299	130299	11708	142008
735	Group Money Purchase Pensions Property Linked	14864	193836	24493	193836	193836	7575	201411
755	Trustee Investment Plan		21111		21111	21111	608	21719







## 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 2014**  
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	11518	398325		393589	393589	3929	397518
700	Capital Preservation Plan	1688	107565		107644	107644	41	107686
700	Investment Bond	61858	2509550		2489615	2489615	55092	2544707
700	Portfolio Bond	42686	4823091		4738503	4738503	6742	4745245
700	Discounted Gift Portfolio Bond	1151	160458		158848	158848	112	158960
700	International Portfolio Bond		21948		21948	21948		21948
700	Select Portfolio Bond	5862	493004		492719	492719	933	493652
700	Other Life Property Linked Single Premium	29	582		712	712	7	720
710	Life Property Linked Whole Life Regular Premium	29627	1432631	17240	138007	138007	4239	142246
715	Life Property Linked Endowment Regular Premium - Savings	225	11006	92	24948	24948	170	25118
720	Flexible Mortgage Plan	5928	242648	5471	111296	111296	531	111826
795	Miscellaneous Property Linked	29992	882618	3637	2755	2755	3556	6312
800	Additional Reserves Property Linked				1	(1029)	1923	894

**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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
710	Life Property Linked Whole Life Regular Premium		250864	1315			137	137
720	Flexible Mortgage Plan		47830	271			146	146
795	Miscellaneous Property Linked		301712	1482			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 2014**  
 Units **£000**  
 UK Life / 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
710	Life Property Linked Whole Life Regular Premium		23893	121	11813	11813	152	11965
800	Additional Reserves Property Linked				1	1	1923	1924

## 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 2014**  
 Units **£000**  
 UK Pension / 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	Executive Investment Retirement Plan	388	77777	33	77777	77777	427	78204
725	Personal Investment Pension Plan	3016	128959	390	128959	128959	78	129038
725	Section 32 Buy-Out	3	463		463	463		463
725	Stakeholder	321241	11350782	405526	11350782	11350782	7493	11358276
725	Individual Pensions Property Linked						17550	17550
725	Portfolio Plus SIPP	8966	1637417	21953	1637417	1637417	5272	1642689
725	Group SIPP	146518	1772416	365658	1772416	1772416	13871	1786287
735	Group Money Purchase Pensions Property Linked	17276	418206	358950	418206	418206	701	418907
750	Income Drawdown Property Linked	2125	402403		402403	402403	2041	404444
755	Trustee Investment Plan		166106		166106	166106	69	166175



## 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 2014**  
 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		77777	33			427	427
725	Personal Investment Pension Plan		128959	390			78	78
725	Section 32 Buy-Out		463					
725	Stakeholder		11350782	405526			7493	7493
725	Individual Pensions Property Linked				6826421	6826421	17550	6843971
725	Portfolio Plus SIPP		1637417	21953			5272	5272
725	Group SIPP		1772416	365658			13871	13871
735	Group Money Purchase Pensions Property Linked		418206	358950			701	701
750	Income Drawdown Property Linked		402403				2041	2041
755	Trustee Investment Plan		166106				69	69
795	Miscellaneous Property Linked						(286)	(286)







**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 2014**  
 Units **£000**  
 UK Life / 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
901	Index Linked Income Protection Claims In Payment				18466	18466		18466
902	Group Index Linked Income Protection Claims In Payment	559	11554		93917	93917		93917
905	Index Linked Annuity	179	1605		27827	27827		27827
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	12	73		5864	5864		5864
915	Additional Reserves Index Linked				1110	1110		1110

**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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded external

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
901	Index Linked Income Protection Claims In Payment				14235	14235		14235
902	Group index linked income protection claims in payment				9320	9320		9320

## 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 2014**  
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	37051	710180		7608216	7608216		7608216
905	Annuities In Payment - Group - CPI-linked - Bulk Purchase - Longevity	43891	244266	236640				
905	Annuities In Payment - Group - RPI-linked - Other	2399	17582		482510	482510		482510
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase	15935	15861		376457	376457		376457
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase	20362	360463		1440455	1440455		1440455
905	Other RPI-linked Annuity - Group	664	3120		21016	21016		21016
905	Other RPI-linked Annuity - Individual	5514	7135		128468	128468		128468
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	34774	116226		3468991	3468991		3468991
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	7684	15698		315797	315797		315797
915	Additional Reserves Index Linked				50000	50000		50000



## 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 2014**  
Units **£000**  
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Annuities In Payment - Group - RPI-linked - Bulk Purchase		710180		7608216	7608216		7608216
905	Annuities In Payment - Group - CPI-linked - Bulk Purchase - Longevity		244266	236640				
905	Annuities In Payment - Group - RPI-linked - Other		17582		482510	482510		482510
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase		15861		376457	376457		376457
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase		360463		1440455	1440455		1440455
905	Other RPI-linked Annuity - Group		3120		21016	21016		21016
905	Other RPI-linked Annuity - Individual		7126		128256	128256		128256
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase		116226		3468991	3468991		3468991
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase		15698		315797	315797		315797
915	Additional Reserves Index Linked				50000	50000		50000

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 2014**  
 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
Managed	02 - life - balanced managed fund	924606	Gen2 A	1.00	21.2031	22.2574	4.97
Property	07 - life - property	450261	Gen2 A	1.00	9.1637	10.5202	14.80
Distributor	04 - life - other managed fund	638539	Gen2 A	1.00	1.3617	1.3877	1.91
Accumulator	04 - life - other managed fund	3609898	Gen2 A	1.00	3.4675	3.6724	5.91
Cautious Managed	04 - life - other managed fund	183994	Gen 3	1.30	2.0540	2.1654	5.42
Growth Accumulation	04 - life - other managed fund	538654	Gen2 A	1.00	1.7907	1.8811	5.05
L&G Life Investec Cautious Managed Fund	02 - life - balanced managed fund	109059	Gen U	1.90	1.4887	1.4762	(0.84)
L&G Life Jupiter Merlin Income Portfolio Fund	02 - life - balanced managed fund	171821	Gen U	3.20	1.5684	1.6119	2.77
L&G Life M&G Strategic Corporate Bond Fund	04 - life - other managed fund	129132	Gen U	1.94	1.4919	1.5815	6.01
L&G Life Invesco Perpetual High Income Fund	04 - life - other managed fund	107625	Gen U	2.17	1.8976	2.0475	7.90
Exempt Equity	15 - individual pension - UK equity	414807	GenF A	0.50	73.5997	73.6025	0.00
Exempt Managed	12 - individual pension - balanced managed fund	6335134	GenF A	0.50	46.9495	49.3819	5.18
Exempt Property	17 - individual pension - property	573278	GenQ A		2.3158	2.6710	15.34
Exempt International	16 - individual pension - overseas equity	151543	GenQ A		1.9433	2.1349	9.86
Exempt North American	16 - individual pension - overseas equity	116020	GenQ A		1.5979	1.9179	20.02
Exempt Far Eastern	16 - individual pension - overseas equity	153035	GenQ A		2.0949	2.2261	6.26
Exempt European	16 - individual pension - overseas equity	117283	GenF A	0.50	9.5080	9.6674	1.68
Exempt Consensus	11 - individual pension - stock market managed fund	417710	GenQ A		2.1021	2.2234	5.77



## 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 2014**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	23995	1.25	1.55	1.67
UKL participating WP F51, 52 & 53 assurances	4681844	1.25	1.45	2.55
UKP non participating WP F51 & 53 assurances	500680	1.50	1.50	1.67
UKP participating WP F51 Product Code 165 Personal Retirement Plan	704203	2.00	2.00	2.33
UKP participating WP F52 Product Code 545 Buy-Out Plan	421463	2.00	2.00	2.29
UKP participating WP Other F51, 52 & 53 assurances	3589763	1.50	1.50	2.55
Miscellaneous	928166			
<b>Total</b>	10850113			



## 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 2014**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	(1139174)	6.60	6.60	
UKL NP F51 & 53 temporary assurances	1896	1.75	2.25	
UKL NP F51 & 53 temporary assurances	1879	2.25	2.25	
UKL NP F51 & 53 temporary assurances	50686			
UKL NP F51 & 53 assurances	255246	1.75	2.25	
UKL NP F51 & 53 assurances	6374	0.75	1.25	
UKL NP F51 & 53 assurances	35341			
UK NP Forms 51 & 53 PHI	365899	2.25	2.25	
UK NP Forms 51 & 53 PHI	(28616)	6.60	6.60	
Miscellaneous	10041			
<b>Total</b>	(440428)			

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

Name of insurer **Legal & General Assurance Society Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	38432096	40244503
Bonus payments in anticipation of a surplus	12	251305	344234
Transfer to non-technical account	13	192916	204290
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	38876317	40793027
Mathematical reserves	21	37037049	38887026
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1839268	1906001

**Composition of surplus**

Balance brought forward	31	1212116	1094448
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	627152	811553
Total	39	1839268	1906001

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	251305	344234
Cash bonuses	42		
Reversionary bonuses	43	135992	145361
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	387297	489595
Net transfer out of fund / part of fund	47	192916	204290
Total distributed surplus (46+47)	48	580214	693885
Surplus carried forward	49	1259054	1212116
Total (48+49)	59	1839268	1906001

**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 2014**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	19876774	21963598
Bonus payments in anticipation of a surplus	12	251305	344234
Transfer to non-technical account	13	42916	54290
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	20170995	22362122
Mathematical reserves	21	19737303	21814759
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	433692	547363

**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	430214	543885
Total	39	433692	547363

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	251305	344234
Cash bonuses	42		
Reversionary bonuses	43	135992	145361
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	387297	489595
Net transfer out of fund / part of fund	47	42916	54290
Total distributed surplus (46+47)	48	430214	543885
Surplus carried forward	49	3478	3478
Total (48+49)	59	433692	547363

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.02	90.02
Current year - 1	62	90.02	90.01
Current year - 2	63	90.01	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 2014**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	18555322	18280905
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	150000	150000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	18705322	18430905
Mathematical reserves	21	17299746	17072267
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1405576	1358638

**Composition of surplus**

Balance brought forward	31	1208638	1090970
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	196938	267668
Total	39	1405576	1358638

**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	150000	150000
Total distributed surplus (46+47)	48	150000	150000
Surplus carried forward	49	1255576	1208638
Total (48+49)	59	1405576	1358638

**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 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	7101	747	0	UWP	N	4500
Endowment assurance	15	11495	1693	0	UWP	N	6750
Endowment assurance	20	17340	3193	0	UWP	N	9000
Endowment assurance	25	28539	7729	0	CWP	N	40247
Regular premium pension	5						
Regular premium pension	10	31243	4200	0	UWP	N	
Regular premium pension	15	56731	10323	0	UWP	N	
Regular premium pension	20	76259	16068	0	UWP	N	
Single premium pension	5						
Single premium pension	10	16295	3263	0	UWP	N	
Single premium pension	15	19934	5447	0	UWP	N	
Single premium pension	20	31596	10508	0	UWP	N	



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

Global business

Financial year ended **31 December 2014**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%	221290655	221290655			
Classes I (other), II and IX	12	0.1%	265568870	257152246		132784	127101
Classes I (other), II and IX	13	0.15%	4709451	196214	0.50	3532	3569
Classes I (other), II and IX	14	0.3%	372446200	38258469		558669	536317
Classes III, VII and VIII	15	0.3%	5319296	4368254	0.82	13105	14677
<b>Total</b>	<b>16</b>		<b>869334473</b>	<b>521265838</b>		<b>708091</b>	<b>681663</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					42192	33238
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	34377045	29512747	0.86	295127	282131
Classes III, VII and VIII (investment risk)	33	1%	21994772	20563814	0.93	205638	166969
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	9585321	8671561	0.90	86716	85369
Classes III, VII and VIII (other)	35	25%				18965	19734
Class IV (other)	36	1%	618321	425922	0.85	5256	5359
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>611702</b>	<b>559562</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	501831	501831			
Classes I (other), II and IX	42	3%	34377045	29512747	0.86	885382	846392
Classes III, VII and VIII (investment risk)	43	3%	21994772	20563814	0.93	616914	500908
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	9585321	8671561			
Classes III, VII and VIII (other)	45	0%	24338196	17957957			
Class IV (other)	46	3%	618321	425922	0.85	15767	16077
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>91415487</b>	<b>77633832</b>		<b>1518064</b>	<b>1363377</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>2880049</b>	<b>2637839</b>
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**Supplementary notes****Legal & General Assurance Society Limited****Financial year ended 31 December 2014****\*0101\* Modification of the return**

The Prudential Regulation Authority and the Financial Conduct Authority, on the application of the firm, made a direction in December 2013, under section 138A 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.

The PRA, on the application of the firm, made a direction under section 138A of the Financial Services and Markets Act 2000 in June 2013. The effect of the direction is to modify the provisions of INSPRU 3.1.8R, 3.1.34R and 3.1.35R for the purpose of determining the valuation discount rate on:

- a) business wholly reassured to Legal & General Pensions Limited from Legal & General Assurance Society Limited, and
- b) the non-participating annuities in the Legal & General Assurance Society Limited with profits fund,

so that in calculating income derived from real property assets, the firms may take account of certain contractual increases and use a more appropriate rate of interest for assets taken in combination.

**\*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	4,849,059	41,354,229	46,203,288
Liabilities per Forms 14 & 15	(2,355,964)	(38,622,506)	(40,978,470)
Net admissible assets	2,493,095	2,731,723	5,224,818
Solvency margin for dependants	252,836		252,836
Total capital resources after deductions	2,745,931	2,731,723	5,477,654

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

	<b>£'000</b>
Positive valuation differences – assets	607,743
Positive valuation differences – liabilities	1,171,758
Negative valuation differences – assets	(112,339)
Negative valuation differences – liabilities	(562,527)
Total	1,104,635



## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

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

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

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

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

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

	<b>2014</b>
	<b>£'000</b>
Form 3 L12 as at 1 January	2,579,321
Profit or loss retained per Form 16 L59	(91,090)
Change in value of shareholders' retained capital	(33,567)
Change in equalisation provisions not allowable under IFRS	3,568
Prior Year foreseeable dividend paid this period	25,000
Form 3 L12 as at 31 December	<u>2,483,232</u>

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

- (i) Unlisted investments falling within Line 41: £3,000
- (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, except for Specialised Investment Fund of £4.390m;
  - (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.

Returns under the Accounts and Statements Rules

## **Supplementary notes**

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

#### **Financial year ended 31 December 2014**

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

The Company has £20.900m 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 Group Credit Committee. 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.

These limits are for approved external counterparties and are graded by counterparty and duration, but the maximum potential individual counterparty exposure (based upon allocated limits) was £955m at the end of 2014.

There was a breach of the limit allocated to Group Treasury for Lloyds during 2014 of £66m due to an operational error.

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

As at 31 December 2014, there is no counterparty exposure in excess of 5% of the sum of the Company's base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

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

The aggregate value of these assets is nil.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

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

		<b>£'000</b>	
(i)	Unlisted investments falling within:	Line 41	170,036
		Line 44	30,390
		Line 46	10,865
			<u>211,291</u>

Line 41 includes UK venture capital of £170.036m.

Line 44 includes OTC Options, OTC Swaps and Warrants of £1.948m, £28.342m and £0.1m respectively.

Line 46 includes unquoted UK debentures of £10.865m.

(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 £16.904m that have a redemption period in excess of 75 years. Fixed interest securities with embedded options, with a total value of £635.831m were included in Lines 46 and 48.

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

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

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

As at 31 December 2014, 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.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

**\*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 reinsurance arrangement, the Company was required to place Assets in Trust with a Trustee, US Bank. In addition during 2012, the Company accepted reinsurance of a closed book of level of term assurances from RGA Reinsurance. These assets were placed in Trust with a Trustee, US Bank. As at 31 December 2014 these trusts had the following holdings in the Wells Fargo Advantage Heritage Money Market:

	<b>£'000</b>
Banner Trust	4,581
Penn Trust	4,731
RGA Reinsurance	130,247
	<u>139,559</u>

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

<b>Long Term Fund</b>	<b>£'000</b>
Elimination of negative assets	(73,406)
Deferred expenses	15,688
Cumulative deferred taxation on insurance contracts DAC	(57,837)
Deferred taxation	3,525
Differences in taxation between PRA & IFRS	(2,952)
Presentation differences between PRA & IFRS Tax Assets & Liabilities	74,938
Presentation of sundry linked assets and liabilities	203,693
Presentation of amounts owed by/to group undertakings	43,685
	<u>207,334</u>

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

<b>Other than Long Term Fund</b>	<b>£'000</b>
Deficits in related undertakings	(439,012)
Presentation of amounts owed by/to group undertakings	(277,155)
	<u>(716,167)</u>

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

The investment managers of the UK authorised insurance companies in the Legal & General Group of companies have been given counterparty limits as authorised by the Group Credit Committee. 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 limit is £955m as at 31 December 2014 (£1,005m maximum during the year).

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 2014 when these limits were exceeded.

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

The Company has an English limited partnership agreement with Legal & General Property Partners (Life Fund) Limited relating to the Legal & General Life Fund Limited Partnership. The Company owns 99.99% of the equity shares in this Limited Partnership, the value of which £577.157m (2013: £686.669m) has been presented within Line 25.

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

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

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

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

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

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

(i) Charges over assets

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

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

(ii) Potential deferred tax liability on capital gains

In providing their certificate, the directors have had regard to a potential deferred tax liability of £127.2m in respect of net capital gains on long-term capital assets. This liability would crystallise on the disposal of these assets. This provision is offset by a deferred tax asset of £65.6m in respect of other timing differences, which have been calculated in accordance with International Accounting Standard 12, Income Taxes.

(iii) Contingent liabilities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance between actual experience from that assumed may result in those liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of policyholder contracts, or the circumstances in which policyholders have entered into them. The extent of these liabilities is influenced by a number of factors including the actions and requirements of the PRA, FCA, 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 £58.867m (2013: £71.979m) 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)**

No provision has been made in respect of deficits in related undertakings.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

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

	<b>£'000</b>
Differences in provisions between PRA & IFRS	863,594
Pension deficit	(245,800)
Negative assets reported within Form 14	(73,406)
Deferred income	395,350
Presentation of sundry linked assets and liabilities	203,693
Presentation of amounts owed by/to group undertakings	43,685
Presentation differences between PRA & IFRS Tax Assets & Liabilities	74,938
	<hr/> <u>1,262,054</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 £2,148.726m.

**\*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 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.

**\*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 2014

(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 Limited (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

The Company has no 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 £439.012m 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	(439,012)
Presentation of amounts owed by/to group undertakings	(277,155)
Equalisation provisions not allowable under IFRS	(5,841)
Defined Pension Scheme Deficit	(28,300)
	<u>(750,308)</u>

#### **\*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.



**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

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

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

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

	<b>£'000</b>
Reduction in carrying value of investment in subsidiaries <sup>1</sup>	158,626
Miscellaneous charges	13,339
	<u>171,965</u>

<sup>1</sup> Reflects the write-down of the Net Asset Values of Lucida Limited and Nationwide Life Limited following the dissolution of these wholly owned subsidiaries, which were held at cost.

**\*1605\* Transfer of contracts from another insurer**

At the start of the year, Lucida Limited, a wholly owned subsidiary had an intra-group reinsurance arrangement with the Company to reinsure all of its liabilities.

A transfer pursuant to Part VII of the Financial Services and Markets Act 2000 (the "Act") took effect on 30 June 2014, resulting in Lucida Limited transferring all of its business assets and liabilities to the Company. As a result of this arrangement, Lucida Limited transferred a total of £129.407m to the Company's Other than Long Term Fund, which is included in Form 16 Line 14.

**\*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 2014;
- (ii) No variation margin was shown in Form 13;
- (iii) No amount recorded in Form 13 had been reduced to reflect a liability to repay excess variation margin received by the Company.

**\*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 2014;
- (ii) No variation margin was shown in Form 13;
- (iii) No amount recorded in Form 13 had been reduced to reflect a liability to repay excess variation margin received by the Company.

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

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

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

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

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

Fixed interest securities with embedded options with a total value of £635.831m were included in Form 13 Lines 45, 46 and 48.

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

Partly paid securities with total value nil were reported in Line 41 and Line 46.  
There were no convertible stocks reported on Line 41.

Assets, excluding approved securities, with variable redemption dates with total value of £635.831m were reported in Lines 46 and Line 48.

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

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

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

##### **\*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

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

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**

The non-proportional household business accepted by Legal & General Assurance Society Limited from a wholly owned subsidiary Legal & General Insurance Limited in 2013 expired on the 30 June 2014, as per the contractual agreement. The business was renewed with revised terms, to cover the period from 1 July 2014 to 30 June 2015.

This transaction relates to property catastrophe excess of loss reinsurance and was brokered by Aon Limited. A premium of £14,240m was accepted for a 75% share of the GBP £45m excess £35m layer, a 75% share of the GBP £110m excess £80m layer and a 45% share of the GBP £267m excess £190m layer.

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

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

#### **\*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.

#### **\*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.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

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

Risk category non-proportional property (560):

- (i) It is accounted for on an underwriting basis as it relates to catastrophe cover treaties for the period 1 July to 30 June of the following calendar year and any 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 2014.
- (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 2014.

**\*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 based on the proportion of the written premium that has not yet been earned for the underlying household insurance risks written by wholly owned subsidiary Legal & General Insurance Limited, which is believed to be an appropriate method for annual renewal business accounted for an underwriting year basis.

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

**\*3100\* Form 31 has been omitted 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**

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

**\*4002\* Other expenditure**

Form 40 Line 25 includes £43.482m in respect of :

	<b>£'000</b>
Solvency II development costs	11,423
Group restructure project costs	31,479
Expenses recharged	580
	<hr/> <b>43,482</b> <hr/>

**\*4004\* Transfer of contracts from another insurer/other funds**

The long term business of Nationwide Life Limited was transferred to the Company, under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000 (the "Act") on 31 July 2014. The value of the business transfer at that date was £2.993m, all of which was transferred to Company's Long Term Fund.

On 25 July 2014, non-participating insurance contracts were transferred from the Company's With profit fund to its Non Profit fund. The total value of the transfer was £1,953m.

At the start of the year, Lucida Limited, a wholly owned subsidiary had an intra-group reinsurance arrangement with the Company to reinsure all of its liabilities.

A transfer pursuant to Part VII of the Financial Services and Markets Act 2000 (the "Act") took effect on 30 June 2014, resulting in Lucida Limited transferring all of its business assets and liabilities to the Company. As a result of this arrangement, Lucida Limited transferred a total of £129.407m of surplus assets to the Company's Other than Long Term Fund, which is included in Form 16 Line 14. The impact on F40 Line 31 is nil due to the prior reinsurance arrangement.

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

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

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

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

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

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

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

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

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

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

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

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

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 2014, under this arrangement, premium of £10.071bn (2013: £5.217bn) was paid to Legal & General Pensions Limited by the Company and Legal & General Pensions Limited paid £3.237bn (2013: £2.713bn) claims and £321.367m (2013: £356.506m) expenses to the Company.

On 15 April 2014 Legal & General Pensions Limited paid a £240m dividend to the Company.

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

The investment income reported on Line 12 includes £268.822m relating to linked assets.

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

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

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

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

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

<b>Fund Name</b>	<b>£'m</b>
Distribution Fund	2.574
Credit Opportunities Fund	2.300
UK100 IDX (D) Fund	0.027
EM H Yield Corp BD Fund	0.016
Mixed Managed Fund	0.094
Fixed Interest Fund	0.010
Managed Fund	1.041
Overseas BD (Active) Fund	0.126
NTH American Fund	0.055
US Russell 2000	0.032
US MSCI Minimum Volatility	0.018
NAM FTSE RAFI 3000	0.023
Distribution (Growth) Fund	0.361
Exempt Index Fund	0.443
Exempt Fixed Interest Fund	0.074
Exempt Japan Fund	0.001
Exempt International Fund	0.167
Exempt Managed Fund	4.532
Exempt Aggressive Growth Fund	0.051
Exempt Overseas BD (Active) Fund	0.321
Exempt North American Fund	0.168
Exempt US Russell 2000	0.127
Exempt US MSCI Minimum Volatility	0.050
Exempt NAM FTSE RAFI 3000	0.037
Exempt Distribution Fund	1.792
Exempt Overseas BD Index Fund	0.001

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

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

<b>Fund Name</b>	<b>£'m</b>
Distribution Fund	0.296
Credit Opportunities Fund	0.220
Mixed Managed Fund	0.221
Equity Fund	0.027
UK Index Fund	0.121
Managed Fund	0.847
Oversea Overseas BD (Active)	0.045
Distribution (Growth) Fund	0.175
Exempt Japan Fund	0.001
Exempt International Fund	0.125
Exempt Managed Fund	7.702
Exempt Aggressive Growth Fund	0.062
Exempt Overseas BD (Active) Fund	0.132
Exempt Distribution Fund	0.132

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>
Credit Opportunities Fund	68.532
EM H Yield Corp BD Fund	0.615
UK Fixed Income Distribution Fund	21.945
Distribution Fixed Income Fund	3.769

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 2014.
- (b) No amount recorded in Form 44 had been reduced to reflect a liability to repay excess variation margin received by the Company.



**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

**\*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>
Deutschland Euro Cash Fund	11.138	0.1209

There are no internal linked funds whose net asset value are greater than £500,000, and have a negative liquidity ratio exceeding 0.5 in magnitude.

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

Other expenditure incurred by internal linked funds includes custodian fees of £0.651m and professional valuation fees of £0.292m.

**\*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
525	22
725	24

**\*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>
535	Group Money Purchase Pensions UWP
725	Stakeholder
725	Personal Pension Plan

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

**\*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 32%, UK listed equity shares 15%, Non-UK listed equity shares 26%, Unlisted equity shares 2% and Other assets 2%.

**\*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 £1.637m.

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

£252.369m of callable bonds are assumed to be redeemed, in line with market expectation, on the date the coupon becomes variable. For £240.281m 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 £3.476m 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 £3.306m of bonds not covered above, the redemption date was chosen in line with market expectation.

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

The yields on £0.478m 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 2014

##### **\*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 £450.121m (2013: £556.847m) 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	59
410	112
420	28
435	21

##### **\*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	39,840

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

Waiver in payment for Term Assurance and Family and Personal Income Plan has been apportioned between product codes using the same proportions as at 31 December 2012.

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

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

Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

#### Financial year ended 31 December 2014

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

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

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

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

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

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

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

Under this product the benefits purchased are one quarter annuity (or cash option if this is higher) and three quarters tax free cash. Only the annuity benefit is shown in Form 51. The tax-free cash benefit is £151.899m.

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

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

Product code	Number of group schemes
571	13

#### **\*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.

#### **\*5204\* 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 2014

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

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

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

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

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

The treatment is as shown in note 5107.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

**\*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	671

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

No approximations were made in determining counts.

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

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

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

No approximations were used to apportion between product codes.

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

The treatment is as shown in note 5205.

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

The treatment is as shown in note 5206.

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

The treatment is as shown in note 5107.

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

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

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

No approximations were made in determining counts.

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

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

Returns under the Accounts and Statements Rules

## **Supplementary notes**

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

#### **Financial year ended 31 December 2014**

##### **\*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.

**\*5600\* Form 56 has been omitted because of the operation of a de minimis limit and all entries would be blank.**

##### **\*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 2014**

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

During 2014, the Company received a premium of £14.240m 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 contracts 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 2014**

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

- (a) Investment objectives and guidelines are set for each fund, which reflect the specific objectives of the fund in terms of its asset structure, permitted holdings and performance targets. Compliance with the relevant regulations in respect of derivatives is taken full account of during drafting. The overriding principles are to have adequate controls in place to ensure that long term funds are not exposed excessively to risks related to derivative contracts. Specific guidelines are set and reviewed at least annually, which are summarised below:
- (i) The use of derivatives must be appropriately justified as efficient portfolio management or as a reduction of investment risk.
  - (ii) Adequate cover must be maintained to enable obligations to be met and rights to be exercised.
  - (iii) The use of derivatives must be regularly monitored to ensure compliance with guidelines and that the effects on economic exposure and counterparty exposure are within limits.
  - (iv) Monitoring and valuation procedures must enable all reporting of derivative contracts to be completed satisfactorily.
- (b) The guidelines contain details on when use of derivative contracts may be made.
- (c) The Company has not used any derivative contracts during the last year which were not, at the time the contracts were entered into, reasonably likely to be exercised.
- (d) The Company has not at any time during the financial year used any derivative contract that does not fall within the definition of a permitted derivative.
- (e) The Company received £0.240m of underwriting commission.

Returns under the Accounts and Statements Rules

**Supplementary notes**

**Legal & General Assurance Society Limited**

**Financial year ended 31 December 2014**

**Rule 9.30: Additional information on shareholder controllers**

Legal & General Group Plc ('the Group') was, throughout the year, a shareholder controller of the Company. The Group holds all 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 2014**

**1. Introduction**

- 1(1) This investigation was made as at 31 December 2014.
- 1(2) The previous investigation was made as at 31 December 2013.
- 1(3) No interim valuations (for the purposes of rule 9.4) have been carried out since 31 December 2013.

**2. Product range**

**2(1) New products**

**Free Life Cover**

This is a retail protection offering available to new parents that successfully launched through our Direct sales channel on 15 October 2014. 5000 customers will be offered £10,000 of free life cover for one year.

**US Term Business (Reassurance Accepted)**

On 30 June 2014, Legal & General Assurance Society wrote a new reinsurance treaty to reinsure a block of conventional level term assurance business written by Banner Life Insurance Company via RGA Americas Re.

The business is reinsured to LGPL.

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

**Critical Illness Cover**

CIC 'Enterprise' launched on 21 September 2014 which enhanced the definitions of the 'top 4' claimed conditions (Cancer, Heart attack, Stroke and Multiple Sclerosis). The definitions were also improved for blindness, deafness (now ABI+) and Carcinoma in situ of the breast (removing Ductal as requirement). The ABI+ definitions have now increased from 15 to 17.

**Income Protection Benefit**

Various changes to product effective 18 May 2014 include all occupation classes now being assessed on the same basis; income guaranteed (to a maximum of £1,500); premium discounts for exclusions due to spine and mental illness; change in Activities of Daily Living list to match the Specified Work Tasks list; removal of need to deduct State Benefits (ESA/SSP) from monthly benefit at claim stage; and income deduction philosophy has changed.

**US Term Business (Reassurance Accepted)**

On 31 December 2014, Legal & General Assurance Society amended its existing reinsurance treaties covering business reinsured from Banner Life Insurance Company to remove RGA Americas Re.

Amendments were made to all the treaties with William Penn Life, and Banner Life Insurance Company to change the terms under which experience refunds are payable.

A further amendment was made to add conventional level term assurance business written during 2014 by William Penn Life Insurance Company and by Banner Life Insurance Company.

The business is reinsured to LGPL.

**Enhanced Annuity Product**

The Enhanced annuity product has been merged with Annuity Plus with effect from 25 May 2014.

**Personal Retirement Plan**

Following a re-pricing, there will be new sets of cash option factors and premium rates applicable to renewals on or after 1 January 2014.

### 2(3) Products withdrawn or suspended

#### With-profits bonds

Sales of with-profits bonds were suspended from 1 January 2014 (incremental new business was still allowed during 2014) and the product has been formally closed to all new business from 1 January 2015.

### 2(4) New bonus series

Recurrent single premiums paid in 2014 under the Personal Retirement Plan are deemed to be a new bonus series. New bonus pools created for contributions received in 2014 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 2014.

### 2(6) Changes to charging methods

There is no change to charging methods during 2014.

### 2(7) With-profits Business

The with-profits part of the long term fund was open to new with-profits business during 2014.

## **3. Discretionary charges and benefits**

### 3(1) Market Value Reductions

Market Value Reduction factors have been reviewed frequently. They have been set so that discontinuance proceeds reflect underlying asset values. Some smoothing of factors has been applied, for example when volumes of switches, surrenders or early retirements have been low. Factors are set by type of policy and calendar year or quarter of investment, rather than individually by policy.

An investment year (“pool year”) cohort approach is used when calculating market value reduction factors, rather than a policy year cohort approach. This approach is consistent with the way in which bonus rates are declared. In the following table the investment year cohorts to which market value reductions applied are given in the final column of the table.

	<b>Product</b>	<b>Period during 2014 when a market value reduction was applied</b>	<b>Investment years to which a market value reduction was applied</b>
1	Capital Investment Portfolio (Series 7)	01/01/2014-19/02/2014	1999 - 2000, 2003, 2005 - 2007 pools
		20/02/2014-27/08/2014	1999 - 2000, 2003, 2005 - 2007 pools
		28/08/2014-31/12/2014	2006 - 2007 pools
2	With Profit Bond (Series 2, 3, and 5)	01/01/2014-19/02/2014	2010 Q4 pool
3	With Profit Bond (Series 1 and 4)	01/01/2014-19/02/2014	2002 Q2 - 2008 Q2 pools
		20/02/2014-27/08/2014	2002 Q2 - 2008 Q2 pools
		28/08/2014-31/12/2014	2002 Q4 - 2003 Q2, 2005 Q4 - 2008 Q1 pools
4	With Profit Bond (Series 6)	01/01/2014-19/02/2014	2003 Q4 - 2004 Q2 pools
		20/02/2014-27/08/2014	2003 Q4, 2004 Q2, 2005 Q3 pools
		28/08/2014-31/12/2014	2004 Q2, 2005 Q3 pools
5	With Profit Bond (Series 7)	01/01/2014-19/02/2014	2005 Q3 pool
		20/02/2014-27/08/2014	2005 Q3 pool
6	Section 32 Buy-Out	01/01/2014-31/12/2014	1985 – 1989 pool

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 2014 as a result of reviewing the cost of risk:

Product	Gross Annual Premium Prior To Review (£000)	Range of Premium Changes	Maximum Benefit Reduction
Level Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	32	n/a	-15%
- Premium Change	2200	-9% to 15%	n/a
- No change implemented	3764	n/a	n/a
Decreasing Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	47	n/a	-14%
- Premium Change	2133	-8% to 15%	n/a
- No change implemented	4065	n/a	n/a
Family and Personal Income Plan with Critical Illness Insurance:			
- Benefit Reduction	1	n/a	-12%
- Premium Change	62	0% to 15%	n/a
- No change implemented	52	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 2014 reviews were undertaken on policies with contract dates in 2004 and 2009.

The following table shows the in force premium as at 31 December 2014 on all conventional reviewable protection products:

Product	Gross Annual Premium at 31.12.2014 (£000)
Mortgage Payment Insurance	5,668
Term Assurance with Critical Illness Insurance	38,438
Decreasing Term Assurance with Critical Illness Insurance	51,859
Family and Personal Income Plan with Critical Illness Insurance	1,135
Level Critical Illness Insurance	5,701
Decreasing Critical Illness Insurance	73

### 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 2014 in respect of investments held throughout the year are shown in the table below:

Fund and Generation	<u>Initial Units</u>	<u>Accumulation Units</u>
	%	%
<b>Non-Exempt Building Society Fund:</b>		
Generation 1	Not applicable	0.05
Generation 2	Not applicable	0.05
Generation 3	Not applicable	0.05

<b>Fund and Generation</b>	<b><u>Initial Units</u></b>	<b><u>Accumulation Units</u></b>
	%	%
Generation 21	Not applicable	0.05
Generation 27	Not applicable	0.1
Generation 30	Not applicable	0.2
Generation 31	Not applicable	0.2
<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	-0.15

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

Service charges for Corporate Pensions increased during 2014. Increases are based on the Office for National Statistics' *Average Weekly Earnings: Whole Economy (seasonally adjusted)* which showed an increase of 0.63% for the period July 2013 to July 2014.

The monthly administration charges per member were increased during 2014 as follows:

- Company Pension Plan and Company Pension Plan 1990 for schemes set up between 1 January 1990 and 31 December 1991 increased from £6.10 per month to £6.12 per month,
- Company Pension Plan 250 (premium paying members) increased from £6.65 per month to £6.68 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 £59.15 to £59.51.

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

There have been no changes to unit-linked benefit charges during 2014.

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

For a variety of savings and pension policies the management charges can vary from one policy to the next as, for example, different generations of funds may be charged under a different product structure. Also, as a tiered charging structure is being used, charges can vary from one year to the next because of an increase in fund size.

Allowance is made for the actual past and expected future expenses when setting bonus rates for all participating with-profits business other than Personal Pension Plan 2000. Should actual expenses be different from those expected previously or future expense assumptions change, bonus rates will also

be affected. As bonus rates are smoothed, the effect of any such changes will be spread over a period, together with contributions from other sources of profit or loss, of which investment returns are by far the most important.

The maximum Annual Management Charges have changed on the following internal linked life funds during 2014:

<b>Life Fund name</b>	<b>End 14 AMC</b>	<b>End 13 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life Aberdeen MM Balanced Managed Fund	3.17%	3.27%	(0.10%)	772
L&G Life Aberdeen MM Multi Asset Distribution Portfolio	3.14%	3.02%	0.12%	854
L&G Life Allianz BRIC Stars Fund	2.73%	2.58%	0.15%	3,915
L&G Life Allianz Sterling Total Return Fund	2.03%	2.07%	(0.04%)	571
L&G Life Aviva European Property Fund	4.03%	3.74%	0.29%	22
L&G Life Aviva Property Fund	2.80%	2.54%	0.26%	11,655
L&G Life CF 7IM AAP Moderately Cautious Fund	2.25%	2.35%	(0.10%)	4,321
L&G Life Close Balanced Portfolio Bond Fund	1.03%	1.04%	(0.01%)	5,240
L&G Life Close Diversified Income Fund	0.91%	0.94%	(0.03%)	3,640
L&G Life Close Growth Portfolio Fund	1.04%	1.05%	(0.01%)	563
L&G Life F&C MM Navigator Boutiques Fund	3.42%	3.72%	(0.30%)	429
L&G Life F&C MM Navigator Select Fund	3.39%	3.53%	(0.14%)	458
L&G Life Fidelity Multi Asset Open Strategic Fund	2.55%	2.81%	(0.26%)	1,196
L&G Life Fidelity WealthBuilder Fund	2.38%	2.26%	0.12%	4,727
L&G Life First State Asian Property Sec Fund	2.51%	2.96%	(0.45%)	88
L&G Life FP Verbatim Portfolio 3 Fund	2.73%	2.57%	0.16%	6,076
L&G Life FP Verbatim Portfolio 4 Fund	2.72%	2.83%	(0.11%)	2,811
L&G Life FP Verbatim Portfolio 6 Fund	2.76%	2.56%	0.20%	732
L&G Life Henderson MM Distribution Fund	3.20%	3.05%	0.15%	8,482
L&G Life Henderson Multi Manager Absolute Return Fund	2.94%	3.12%	(0.18%)	3,915
L&G Life HSBC Open Global Return Fund	3.16%	3.30%	(0.14%)	387
L&G Life Jupiter Emerging Euro Opportunities Fund	2.54%	2.68%	(0.14%)	832
L&G Life Jupiter Merlin Balanced Portfolio Fund	3.16%	3.06%	0.10%	15,975
L&G Life Jupiter Merlin Growth Portfolio Fund	3.01%	3.15%	(0.14%)	59,047
L&G Life Lazard Emerging Markets Fund	2.17%	2.28%	(0.11%)	5,266
L&G Life M&G Recovery Fund	1.97%	2.13%	(0.16%)	67,354
L&G Life Neptune Balanced Fund	1.90%	2.00%	(0.10%)	72,615

<b>Life Fund name</b>	<b>End 14 AMC</b>	<b>End 13 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Life Neptune Global Alpha Fund	2.07%	2.22%	(0.15%)	1,687
L&G Life Neptune Japan Opportunities Fund	2.01%	2.12%	(0.11%)	1,316
L&G Life Old Mutual Corporate Bond Fund	1.86%	1.96%	(0.10%)	8,778
L&G Life Schroder European Opportunities Fund	2.03%	1.93%	0.10%	4,840
L&G Life Schroder MM Diversity Fund	2.51%	2.45%	0.06%	30,371
L&G Life Schroder MM Diversity Tactical Fund	2.93%	2.81%	0.12%	702
L&G Life SWIP Property Fund	2.83%	2.73%	0.10%	6,940
L&G Life Threadneedle Global Equity Income Fund	2.48%	2.49%	(0.01%)	218

Annual Management Charges have changed on the following internal linked pension funds during 2014:

<b>Pension Fund name</b>	<b>End 14 AMC</b>	<b>End 13 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
L&G Pension Aberdeen MM Balanced Managed Fund	2.18%	2.28%	(0.10%)	97
L&G Pension Aberdeen MM Multi Asset Distribution Portfolio	2.19%	2.07%	0.12%	253
L&G Pension Allianz BRIC Stars Fund	1.78%	1.63%	0.15%	7,496
L&G Pension Allianz Sterling Total Return Fund	1.14%	1.18%	(0.04%)	365
L&G Pension Aviva European Property Fund	2.99%	2.70%	0.29%	-
L&G Pension Aviva Property Fund	1.74%	1.48%	0.26%	4,707
L&G Pension Cazenove European Fund	1.08%	0.98%	0.10%	4,817
L&G Pension Cazenove MultiManager Diversity Fund	1.49%	1.43%	0.06%	5,674
L&G Pension CF 7IM AAP Moderately Cautious Fund	1.26%	1.36%	(0.10%)	68
L&G Pension Close Balanced Portfolio Fund	1.17%	1.26%	(0.09%)	903
L&G Pension Close Conservative Portfolio Fund	1.18%	1.19%	(0.01%)	784
L&G Pension Close Diversified Income Fund	1.05%	1.08%	(0.03%)	176
L&G Pension Close Growth Portfolio Fund	1.18%	1.21%	(0.03%)	414
L&G Pension F&C MM Navigator Boutiques Fund	2.43%	2.73%	(0.30%)	139
L&G Pension F&C MM Navigator Select Fund	2.30%	2.44%	(0.14%)	519
L&G Pension Fidelity Multi Asset Open Strat Fund	1.60%	1.86%	(0.26%)	55
L&G Pension Fidelity WealthBuilder Fund	1.43%	1.31%	0.12%	2,706
L&G Pension First State Asian	1.48%	1.93%	(0.45%)	191



<b>Pension Fund name</b>	<b>End 14 AMC</b>	<b>End 13 AMC</b>	<b>Increase (decrease) in AMC</b>	<b>Value of units allocated to policyholders £000s</b>
Property Secur Fund				
L&G Pension Henderson MM Distribution Fund	2.21%	2.06%	0.15%	181
L&G Pension Henderson Multi Manager Absolute Return Fund	1.95%	2.13%	(0.18%)	1,244
L&G Pension HSBC Open Global Return Fund	2.18%	2.32%	(0.14%)	-
L&G Pension IM Verbatim Portfolio 3 Fund	1.74%	1.58%	0.16%	447
L&G Pension IM Verbatim Portfolio 4 Fund	1.73%	1.84%	(0.11%)	648
L&G Pension IM Verbatim Portfolio 6 Fund	1.77%	1.57%	0.20%	386
L&G Pension Jupiter Emerging Euro Opportunities Fund	1.49%	1.63%	(0.14%)	1,188
L&G Pension Jupiter Merlin Balanced Portfolio Fund	2.15%	2.05%	0.10%	5,129
L&G Pension Jupiter Merlin Growth Portfolio Fund	2.06%	2.20%	(0.14%)	11,609
L&G Pension Lazard Emerging Markets Fund	1.22%	1.33%	(0.11%)	1,721
L&G Pension M&G Recovery Fund	0.90%	1.06%	(0.16%)	22,567
L&G Pension Neptune Balanced Fund	0.94%	1.04%	(0.10%)	9,111
L&G Pension Neptune Global Alpha Fund	1.12%	1.27%	(0.15%)	999
L&G Pension Neptune Japan Opportunities Fund	1.06%	1.17%	(0.11%)	1,019
L&G Pension Old Mutual Corporate Bond Fund	1.01%	1.11%	(0.10%)	2,592
L&G Pension SWIP Property Fund	1.88%	1.78%	0.10%	2,546
L&G PensionCazenove Multi Manager Diversity Tactical Fund	1.88%	1.76%	0.12%	1,221

### 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, 27, 30 or 31 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 by third parties, including other Legal & General Group companies) 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 contracts where policy terms and conditions state that 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. On any valuation day the same pricing basis applies to all transactions in any given fund.

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

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

The valuation of any collective investment scheme assets held by any fund is carried out at 12 noon (3 p.m. for funds invested in North American markets and 5 p.m. for some L&G PMC funds). 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 in Generation Q units, 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 Generation Q units), 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 collective investment schemes. 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 collective investment schemes 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 collective investment schemes 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 collective investment schemes 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 collective investment schemes 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 2014.

<b>Realised Capital Gains</b>	
Collective investment schemes Holdings (deemed disposal on 31/12/2014)	18.90% on gains
All Internal Funds	18.17% on losses, subject to restriction and discounting of any tax credits carried forward
All Internal Funds	
UK Fixed Interest Stocks	20.00%
Other Assets	20.00% on gains less any tax credits brought forward 20.00% on losses, subject to restriction and discounting of any tax credits carried forward

<b>Unrealised Capital Gains</b>	
Collective investment schemes Holdings Gains up to 30 December 2014:	18.90% on gains
All Internal Funds	18.17% to 19.21% on losses, subject to restriction and discounting of any tax credits carried forward
All Internal Funds	
Collective investment schemes Holdings Gains after 30 December 2014:	18.90% on gains
All Internal Funds	18.17% to 19.21% on losses, subject to restriction and discounting of any tax credits carried forward
All Internal Funds	
UK Fixed Interest Stocks	20.00% on gains 20.00% on losses Subject to restriction
Other Assets	18.48% on gains less any tax credits brought forward; 18.48% on losses, subject to restriction and discounting of any tax credits carried forward

Policies affected by the Society under German law are treated for tax purposes as belonging to an exempt internal linked fund.

For non-exempt externally invested funds, provisions for future tax liabilities on unrealised gains are currently held at the rate of 20% of taxable gains, discounted at an appropriate rate, to the date of payment. Credit is given where unrealised losses have occurred up to 2% of the net asset value of the holdings

### **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 in collective investment schemes. Any double charging of management charges is eliminated, by crediting to the internal linked fund any such charges levied on the collective investment schemes, to the benefit of policyholders.

## **4. Valuation Methods and Bases**

### **4(1) Valuation Methods**

#### **(a) General**

A prospective method of valuation has been used for all classes of business, other than for a few minor classes on Forms 51, 52 or 53 where approximate methods have been adopted.

**With-profits business** has been valued using a gross premium method.

The future premiums valued in the calculation of the mathematical reserves for with-profits insurance contracts are no greater than the gross premiums payable by the policyholder in accordance with INSPRU 1.2.46R. INSPRU 1.2.38R is not applicable to the Society.

With the exception of a few minor classes, **non-profit business** has been valued using a gross premium method. For those minor classes the pure net premium was limited to 95% of the office premium less any policy fee.

#### **(b) Unit Liabilities for Property-Linked Contracts**

The liability for units in internal linked funds is the value, at the valuation prices calculated at the date of this investigation, of:

- i the Initial Units credited under each policy multiplied by an endowment assurance factor relating to the age of the life assured and the unexpired term to the maturity date or, if earlier, the date at which the full nominal value of Initial Units is available to provide early retirement benefits; and
- ii the Accumulation Units credited under policies subject to the following adjustments:
  - (a) increased in the case of units credited in respect of regular premiums paid under Personal Investment Pension Plans by 2% to allow for the Maturity Bonuses potentially payable;
  - (b) increased in respect of regular premiums paid under Self Employed Plans, Directors Plans, Prospects and Flexible Mortgage Plans by the amount of the guaranteed addition to the unit value at the date of this investigation;
  - (c) reduced in the case of units credited in respect of single premiums paid under Investment Bonds (Series 1 and 2), Portfolio Bonds (Series 1 to 4) and Discounted Gift Bonds by 5% at policy inception, reducing in monthly steps to 0% at the end of 5 years;
  - (d) reduced in the case of units credited in respect of single premiums paid under Portfolio Bonds (Series 8, 9 and 10) by 14% at policy inception, reducing in monthly steps to 0% at the end of 7 years

Where units have been credited in respect of new business not yet completed at the date of this investigation, the liability is taken as the unit liability calculated as set out above except that the deduction described in ii (c) and ii (d) above is not applied.

#### **(c) Non-Unit Liabilities for Property-Linked Contracts**

The non-unit liability in respect of property-linked contracts has been determined using a discounted cash flow projection with parameters as disclosed below in sections 4(2) – 4(12). The cash flows include an allowance for future unit allocations for loyalty bonus and guaranteed additions to unit value. For contracts where monthly deductions from unit funds are made for the expected cost of life assurance cover, the non-unit liability in respect of the mortality risk is the greater of an appropriate multiple of the monthly risk premium and the liability disclosed by the discounted cash flow projection.

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

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

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

The non-unit liabilities for the Worksave Pension Trust and Worksave Pension Trust (Relief at Source) have been calculated using a similar method to that for other linked contracts. However, for these pension policies the non-unit liabilities have been calculated at a scheme level rather than for each individual member.

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

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

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

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

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

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

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

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

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

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

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

#### **(f) Unit-Linked Charges**

Notwithstanding the Society's right to vary charges under linked contracts at its discretion, the reserves for future expenses under linked contracts have been calculated assuming that this discretion would not be exercised. This approach is deemed more than adequate to ensure that the valuation methodology is consistent with treating customers fairly.

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

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

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

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

### **(h) Waiver of premium benefit**

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

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

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

### **(i) Recurrent single premiums**

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

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

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

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

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

#### **RPI-Linked Term Assurance and Whole of Life**

A proportion 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. Where these liabilities are not backed by hedges, 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. To a limited extent, where a natural synergy exists, these contracts are used to partially offset the additional reserve for index-linked annuities described under “index-linking options” in section 5(4). 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.

### **Longevity Insurance Contracts**

Longevity insurance contracts provide protection against longevity risk for company pension schemes, under which regular payments are made to the scheme reflecting their actual longevity experience, while the scheme makes an agreed set of regular payments in return. Mathematical reserves have been calculated with reference to the discounted value of expected regular payments to the scheme on appropriately prudent longevity and discount rates, less the discounted value of agreed regular payments on the same discount rate, with negative values eliminated where applicable.

### **Deferred Annuities**

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

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

### **Group Deferred Annuities**

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



## **Deferred Retirements**

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

## **1980 Bonus System**

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

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

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

## **Buy-Out Plan**

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

## **Private Income Plan**

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

## **Personal Retirement Plan**

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

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

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

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

## Mortgage Payment Insurance

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

## Segregated Fund Policies

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

## Income Protection Benefit Online

Income Protection Benefit policies sold after 31 December 2009 are now valued using a discounted cash flow projection.

## (l) 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	31.12.2014	31.12.2013
		%	%
100	WP conventional whole life	1.25	1.75
120	Cashbuilder	1.25	1.75
120	Other WP savings endowments	1.25	1.75
125	Build Up	1.25	1.75
165	Personal Retirement Plan	2.00/2.00 <sup>(3)</sup>	3.25/3.25 <sup>(3)</sup>
200	WP Annuity	1.50	2.00
300	NP regular premium endowments and whole life - pre 01/01/2013 business	1.75	2.00

Product	Product Type	31.12.2014	31.12.2013
Code		%	%
300	NP regular premium endowments and whole life - post 31/12/2012 business	2.25	2.50
300	Universal Life - US business - Segregated Funds Withheld Account	1.75	n/a <sup>(5)</sup>
300	Universal Life - US business – Non Segregated Funds Withheld Account	2.00	2.75
315	WP Non Participating Buy-Out Plan	2.00/2.00 <sup>(3)</sup>	3.25/3.25 <sup>(3)</sup>
315	WP Non Participating Private Income Plan	1.50	2.00
320	WP Non Participating 1980 Bonus System – Group	1.50	2.00
325	Pension Term Assurance	1.75/6.60 <sup>(4)</sup>	3.00/6.60 <sup>(4)</sup>
325	Term Assurance - pre 01/01/2013 business	1.75/6.60 <sup>(4)</sup>	2.00/6.60 <sup>(4)</sup>
325	Term Assurance - post 31/12/2012 business	2.25/6.60 <sup>(4)</sup>	2.50/6.60 <sup>(4)</sup>
325	Level Term Assurance - US Term business - Segregated Funds Withheld Account	n/a <sup>(6)</sup>	2.00
325	Level Term Assurance - US Term business – Non Segregated Funds Withheld Account	2.00	2.75
330	Decreasing Term Assurance – pre 01/01/2013 business	1.75/6.60 <sup>(4)</sup>	2.00/6.60 <sup>(4)</sup>
330	Decreasing Term Assurance – post 31/12/2012 business	2.25/6.60 <sup>(4)</sup>	2.50/6.60 <sup>(4)</sup>
330	Pension Decreasing Term Assurance	1.75/6.60 <sup>(4)</sup>	3.00/6.60 <sup>(4)</sup>
330	Family and Personal Income Plan - pre 01/01/2013 business	1.75/6.60 <sup>(4)</sup>	2.00/6.60 <sup>(4)</sup>
330	Family and Personal Income Plan - post 31/12/2012 business	2.25/6.60 <sup>(4)</sup>	2.50/6.60 <sup>(4)</sup>
330	Family Income Benefit	1.75/6.60 <sup>(4)</sup>	2.00/6.60 <sup>(4)</sup>
340	Accelerated Critical Illness - guaranteed premiums - pre 01/01/2013 business	1.75/6.60 <sup>(4)</sup>	2.00/6.60 <sup>(4)</sup>
340	Accelerated Critical Illness - guaranteed premiums - post 31/12/2012 business	2.25/6.60 <sup>(4)</sup>	2.50/6.60 <sup>(4)</sup>
345	Accelerated Critical Illness - reviewable premiums - pre 01/01/2013 business	1.75/6.60 <sup>(4)</sup>	2.00/6.60 <sup>(4)</sup>
345	Accelerated Critical Illness - reviewable premiums - post 31/12/2012 business	2.25/6.60 <sup>(4)</sup>	2.50/6.60 <sup>(4)</sup>
350	Stand-alone Critical Illness - guaranteed premiums	6.60	2.50
355	Stand-alone Critical Illness - reviewable premiums	6.60	2.50
360	Permanent Health Insurance - Individual - Non-Linked	6.60	2.50
365	Permanent Health Insurance - Individual - Linked	2.25	2.50
385	PHI Claims in Payment - Individual - Non-Linked	2.50	2.50
385	PHI Claims in Payment - Individual - Linked	2.25	2.50
390	Non Profit Deferred Annuities - Group - Bulk Purchase	3.027	3.958
390	Non Profit Deferred Annuities - Group - Other	3.027	3.958
390	WP Non Participating Deferred Annuities - Group	n/a <sup>(7)</sup>	3.90
390	Non Profit Deferred Retirements	3.027	3.958
390	WP Non Participating Deferred Retirements	n/a <sup>(7)</sup>	3.90
395	Non Profit Post-1991 Annuities - Group	0.75	1.00
395	Non Profit Pre-1992 Annuities - Group	1.75	2.00
395	WP Non Participating Post-1991 Annuities - Group	n/a <sup>(7)</sup>	2.12
395	WP Non Participating Pre-1992 Annuities - Group	n/a <sup>(7)</sup>	3.120
400	Personal Retirement Plan Annuities	3.027	3.90
400	Other WP Non Participating Annuities	n/a <sup>(7)</sup>	3.90
400	Non Profit Annuities - Individual - Compulsory Purchase	3.027	3.958
400	Non Profit Annuities - Group - Bulk Purchase	3.027	3.958
400	Other Non Profit Annuities	3.027	3.958
400	Non Profit Annuities - Group - Bulk Purchase - Longevity	3.027	3.958
405	Non Profit Annuities - Impaired Life	3.027	3.958
405	Non Profit Annuities - Enhanced & Lifestyle Life	3.027	3.958

Product	Product Type	31.12.2014	31.12.2013
Code		%	%
410	Group Life Assurance - Unapproved - pre 01/01/2013 business	1.75	2.00
410	Group Life Assurance - Unapproved - post 31/12/2012 business	1.75	2.50
410	Group Life Assurance - Approved	1.75	2.50
420	Permanent Health Insurance - Group	2.25	2.50
425	Permanent Health Insurance - Group - Claims in Payment	2.25	2.50
435	Widows' and Orphans' Pensions - Group - Approved	1.75	3.00
500	Capital Investment Portfolio	1.25	1.75
500	With-Profit Bond	1.25	1.75
505	Flexible Protection Plan	1.25	1.75
505	Prospects	1.25	1.75
510	Regular Savings Plan, New Savings Plan	1.25	1.75
515	Flexible Mortgage Plan	1.25	1.75
525	Individual UWP pensions - Accumulation units	1.50	2.00
525	Individual UWP pensions - Initial units	1.25/1.50 <sup>(1)</sup>	1.25/1.50 <sup>(1)</sup>
535	Individual UWP pensions - Accumulation units	1.50	2.00
535	Individual UWP pensions - Initial units	1.25/1.50 <sup>(1)</sup>	1.25/1.50 <sup>(1)</sup>
545	Buy-Out Plan	2.00/2.00 <sup>(3)</sup>	3.25/3.25 <sup>(3)</sup>
545	Private Income Plan - Individual	1.50	2.00
555	Money Purchase Plan	1.50	2.00
555	High Performance Pension Plan	1.50	2.00
555	Private Income Plan - Group	1.50	2.00
555	1980 Bonus System - Group	1.50	2.00
571	Trustee Investment Plan	1.50	2.00
700	Portfolio Bond, Investment Bond	1.75 <sup>(2)</sup>	- <sup>(2)</sup>
700	Other Life Property-Linked Single Premium	1.75	-
710	Life Property-Linked Whole of Life Regular Premium	1.75	-
710	Other Life Property-Linked Whole of Life Regular Premium	1.75	-
715	Life Property-Linked Endowment Regular Premium - savings	1.75	-
720	Life Property-Linked Endowment Regular Premium - cash	1.75	-
725	Overseas Pensions	1.75	-
725	Individual Property-Linked pensions - Accumulation units	0.00	-
725	Individual Property-Linked pensions - Generation 2 initial units	3.75	3.75
725	Individual Property-Linked pensions - Generation 5 initial units	3.25	3.25
725	Individual Property-Linked pensions - Generation 6 initial units	4.00	4.00
735	Group Property-Linked pensions - Accumulation units	-	-
735	Group Property-Linked pensions - Generation 2 initial units	3.75	3.75
735	Group Property-Linked pensions - Generation 5 initial units	3.25	3.25
735	Group Property-Linked pensions - Generation 6 initial units	4.00	4.00
750	Income Drawdown - Property Linked - Accumulation units	1.75	-
755	Trustee Investment Plan	1.75	-
795	Unit-Linked Term Assurance	1.75	-
901	PHI Claims in payment - RPI Linked	-1.20	-0.20
902	PHI Claims in payment - Group - RPI Linked	-1.20	-0.20
905	Index Linked Annuities in payment - Pensions	-0.257	0.562
905	Index Linked Annuities in payment - Non Pensions	-1.60	-0.90
905	Index Linked Annuities in payment - Group - CPI Linked - Bulk Purchase - Longevity	-0.257	0.562

Product Code	Product Type	31.12.2014	31.12.2013
		%	%
905	Index Linked Annuities in payment - Group - CPI Linked - Bulk Purchase	-0.257	0.562
905	Index Linked Contingent Annuities - Group - CPI Linked - Bulk Purchase	-0.257	0.562
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	-0.257	0.562
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	-0.257	0.562

- (1) Generation 2 units 1.25% (1.25% at 31.12.2013)  
 Generation 5 units 1986 - 1991 1.50% (1.50% at 31.12.2013)  
 Generation 5 units 1992 + 1.25% (1.25% at 31.12.2013)  
 Generation 6 units 1990 - 1994 1.25% (1.25% at 31.12.2013)  
 Generation 6 units 1995 + 1.50% (1.50% at 31.12.2013)
- (2) Accumulation units that are credited in respect of single premiums paid under Investment Bonds (Series 1 and 2), Portfolio Bonds (Series 1 to 4) and Discounted Gift Bonds are actuarially funded for the first 5 policy years. The units are reduced by 5% at policy inception, reducing in monthly steps to 0% at the end of 5 years. Accumulation units that are credited in respect of single premiums paid under Portfolio Bonds (Series 8 and 10) are actuarially funded for the first 7 policy years. The units are reduced by 14% at policy inception, reducing in monthly steps to 0% at the end of 7 years. There is no actuarial funding for the Select Portfolio Bonds.
- (3) First rate is in-deferment, second rate is in-possession.
- (4) First rate is used if the product group is treated as a liability, second rate if the product group is treated as an asset.
- (5) As at 31 December 2013 the valuation interest rate for all US Universal Life reinsurance transactions were based on an unsegregated funds withheld account. As at 31 December 2014 the valuation interest rate for a US Universal Life reinsurance transaction with William Penn Life Insurance Company was based on a segregated funds withheld account.
- (6) As at 31 December 2013 the valuation interest rate for a US Term reinsurance transaction with Banner Life Insurance Company was based on a segregated funds withheld account. As at 31 December 2014 the valuation interest rate for all US Term reinsurance transactions were based on an unsegregated funds withheld account.
- (7) Following an internal transfer from the With Profit fund to the Non Profit fund, this category is now included within the equivalent Non Profit category at 31 December 2014.

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

	Non-Profit		With-Profits	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Life	1.75%	2.00%	1.25%	1.75%
Pensions	1.75%	3.00%	1.50%	2.00%
Overseas	1.75%	3.00%	n/a	n/a

#### 4(3) Yield Risk Adjustments

Using historic published information for corporate debt defaults by original credit rating and outstanding term to maturity, nominal weighted average long term allowances for default are calculated. These allowances are then applied as a deduction from the yields on the company's fixed and variable interest portfolios. The default allowances allow for the possible recovery (or partial recovery) of capital in the event of a default. The recovery rate is based on the security level of the underlying assets.

The default assumption for approved securities is based on the Moody's default assumption for the appropriate credit rating and a 50% recovery rate. The credit rating for gilts issued by the UK government has been assumed to be AAA. A single weighted assumption is then calculated based on the mix of assets. Where different assumptions have been made depending upon the mix of assets in the Society or its intra-group reinsurer Legal & General Pensions Ltd (LGPL), the deductions have been denoted (a) and (b) respectively.

Type of security	Yield Deduction		Yield deduction	
	31.12.14		31.12.13	
	(a)	(b)	(a)	(b)
Approved fixed and variable	5 bps p.a	9 bps p.a	5 bps p.a	9 bps p.a
Unapproved fixed and variable:	35 bps p.a	40 bps p.a	35 bps p.a	40 bps p.a

The table below shows an indicative breakdown by credit rating for unapproved fixed and variable corporate bonds:

#### Adjustments by credit rating

Credit rating	Yield Deduction		Yield Deduction	
	31.12.14		31.12.13	
	(a)	(b)	(a)	(b)
AAA	3 bps p.a	6 bps p.a	4 bps p.a	5 bps p.a
AA	9 bps p.a	13 bps p.a	10 bps p.a	12 bps p.a
A	22 bps p.a	31 bps p.a	23 bps p.a	28 bps p.a
BBB	39 bps p.a	55 bps p.a	44 bps p.a	54 bps p.a
Lower rated (BB to CCC)	327 bps p.a	256 bps p.a	312 bps p.a	242 bps p.a
Unrated	25 bps p.a	27 bps p.a	27 bps p.a	35 bps p.a
Other		25 bps p.a.		27 bps p.a.

Other includes RPI linked bonds (approved and unapproved), CDOs and floating rate notes.

Given the protracted impact of current economic uncertainty in the credit markets, an additional allowance for an increase in defaults above historical averages has been included in the liabilities. For annuity business an additional reserve of £512m (£468m at 31 December 2013) gross of reinsurance and £nil (£26m at 31 December 2013) net of reinsurance has been held. For annuity business reassured to LGPL the total allowance for default is equivalent to approximately 54bps p.a. over the lifetime of the credit assets held (56bps p.a. as at 31 December 2013). For participating business the allowance has been made by a further reduction in the risk adjusted yield of 35bps p.a. to 70bps p.a. in total (unchanged from 31 December 2013).

For Society, dividend yields have been reduced by 3.75% of the yield to reflect uncertainty over future dividends (unchanged from 31 December 2013). Dividend yields for equities held by LGPL have been reduced by 20% of the yield to reflect uncertainty of payment in the future.

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 1.25% of the available yield (1.75% at 31 December 2013).

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 2014, an additional allowance for scheme specific mortality has been applied where deemed appropriate.

Product Code	Product Type	31.12.2014	31.12.2013
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	Whole of Life over 50's	Xx	Xx
300	Universal Life - US business	Qq/Vv	Qq/Vv
300	NP regular premium endowments and other whole life	R	R
315	WP Non Participating Buy-Out Plan	Q/B	Q/B
320	WP Non Participating 1980 Bonus System - Group	-	-
325	Pension Term Assurance	I	I
325	Term Assurance	J	J
325	Overseas Term Assurance	Ll	Ll
325	Term Assurance US	Qq	Qq
330	Decreasing Term Assurance	J	J
330	Family and Personal Income Plan - pre 01/01/2013 business	J	J
330	Family and Personal Income Plan - post 31/12/2012 business	J	J
340	Accelerated Critical Illness - guaranteed premiums	T/Uu	T/Uu
345	Accelerated Critical Illness - reviewable premiums	T/Uu	T/Uu
350	Stand-alone Critical Illness - guaranteed premiums	U/Uu	U/Uu
355	Stand-alone Critical Illness - reviewable premiums	U/Uu	U/Uu
360	Income Protection Benefit	Oo/Ii	Oo/Ii
360	Other Permanent Health Insurance - Individual - Non-Linked	W/Gg	W/Gg
365	Mortgage Payment Insurance	W/Hh	W/Hh
365	Other Permanent Health Insurance - Individual - Linked	X/Jj	X/Jj
385	Claims in Payment - Individual - Non-Linked	M	M
385	Claims in Payment - Individual - Linked	L	L
390	Non Profit Deferred Annuities - Group - Bulk Purchase	P/A	P/A
390	Non Profit Deferred Annuities - Group - Other	P/B	P/B
390	WP Non Participating Deferred Annuities - Group	_(1)	P/B
390	Non Profit Deferred Retirements - Group - Bulk Purchase	A	A
390	Non Profit Deferred Retirements - Other	B	B
390	WP Non Participating Deferred Retirements	_(1)	B
395	Non Profit Annuities (PLA)	B	B
395	WP Non Participating Annuities (PLA)	_(1)	B
400	Personal Retirement Plan Annuities	D	D
400	Other WP Non Participating Annuities	_(1)	B

Product Code	Product Type	31.12.2014	31.12.2013
400	Non Profit Annuities - Individual - Compulsory Purchase	C	C
400	Non Profit Annuities - Group - Bulk Purchase	A	A
400	Other Non Profit Annuities	B	B
405	Non Profit Annuities - Lifestyle Life	Rr	Rr
405	Non Profit Annuities - Enhanced Life	Tt	Tt
405	Non Profit Annuities – Combined Enhanced & Lifestyle Life	Ww	-
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
905	Annuities - Individual - RPI-linked - Other	B	B
905	Annuities - Group - RPI-linked - Bulk Purchase	A	A
905	Annuities - Group - RPI-linked - Other	B	B
905	Annuities - Group - CPI-linked - Bulk Purchase	A	A



Product Code	Product Type	31.12.2014	31.12.2013
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	P/A	P/A
907	Deferred Annuities - Group - CPI-linked - Bulk Purchase	P/A	P/A

#### Code Letters used for the 2014 Mortality / Morbidity Basis

- (1) Following an internal transfer from the With Profit fund to the Non Profit fund, this category is now included within the equivalent Non Profit category at 31 December 2014.
- A** 82.2% of PCMA00 for males and 86.7% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 for males and 1.1.2011 for females as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- B** 75.6% of PCMA00 for males and 83.5% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- C** 65.1% of PCMA00 for males and 71.9% of PCFA00 for females (with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females) for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- D** 70.1% of PCMA00 for males and 63.9% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** 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

	<b>Duration</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>
Male	Non-Smoker	85%	94%	103%	81%	87%	86%
	Smoker	73%	79%	91%	83%	95%	90%
Female	Non-Smoker	85%	94%	103%	81%	87%	90%
	Smoker	73%	79%	91%	83%	95%	88%

- J** If a life has no terminal illness cover and:
- (i) has been coded as a smoker 86% TMS00 or TFS00 Select 5 for males and females respectively is applied;
  - (ii) has been coded as a non-smoker 84% TMN00 or TFN00 Select 5 for males and females respectively is applied;
  - (iii) if uncoded an arithmetic average of smoker and non-smoker experience is applied.

- If a life has terminal illness cover and:
- (i) has been coded as a smoker TMS00 or TFS00 Select 5 for males and females respectively is applied;
  - (ii) has been coded as a non-smoker TMN00 or TFN00 Select 5 for males and females respectively is applied.

The percentage of table applied varies by duration and smoker status as follows:

	<b>Duration</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>
Male	Non-Smoker	77%	86%	94%	75%	81%	79%
	Smoker	68%	72%	84%	77%	87%	83%
Female	Non-Smoker	77%	86%	94%	75%	81%	83%
	Smoker	68%	72%	84%	77%	87%	82%

- K** 110% 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** CMI Report No. 12 termination rates. The percentage of the table applied varies as follows:

<b>Inception</b>	<b>Gender</b>	<b>Duration since claim first absent</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4-6</b>	<b>7-10</b>	<b>11+</b>
Inceptions Before 1/1/2008	Male	51.0%	108.8%	113.1%	81.6%	46.4%	43.5%
Inceptions Before 1/1/2008	Female	59.5%	114.8%	143.7%	113.6%	48.8%	45.8%
Inceptions after 1/1/2008	Male	51.0%	108.8%	113.1%	81.6%	75.0%	70.0%
Inceptions after 1/1/2008	Female	59.5%	114.8%	143.7%	113.6%	75.0%	70.0%

- P** 81.3% of modified PCMA00 and PNMA00 for males and 86.7% of PCFA00 and PNFA00 for females in deferment.

Allowance for future improvement commencing 1.1.2010 for males and 1.1.2011 for females as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:

Males: Long Term Rate of 2% p.a. up to retirement age;

Females: Long Term Rate of 1.5% p.a. up to retirement age.

- Q** 48% of A1967 / 70 Ultimate rated down 3 years for males and 47% 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** If a life has:
- (i) been coded as a smoker ACMSL04 or ACFSL04 Select 2 for males and females respectively is applied;
  - (ii) been coded as a non-smoker ACMNL04 or ACFNL04 Select 2 for males and females respectively is applied.

The percentage of table applied varies by duration, gender and smoker status as follows:

	<b>Duration</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>
Male	Non-Smoker	173%	134%	130%	130%	130%	130%
	Smoker	134%	134%	115%	115%	115%	115%
Female	Non-Smoker	173%	134%	151%	151%	151%	151%
	Smoker	134%	134%	145%	145%	145%	145%

Rates are assumed to deteriorate (increase) from a base year of 2011 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 125% of the table is applied; if a life has been coded as a non-smoker 83% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2011 at 1% p.a. for males and 1.75% p.a. for females.

Zero mortality is assumed for prudence.

- 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 140% of this table is used; if a life has been coded as a non-smoker 70% of this table is used; if a life is un-coded 80% of this table is used. If the contract provides additional critical illness benefits an additional loading of 220% is applied.

- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 200% of this table is used; if a life has been coded as a non-smoker 80% of this table is used; if a life is un-coded 90% 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 335% 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:

	<b>Duration</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>
Male	Non-Smoker	80%	90%	98%	78%	70%	55%
	Smoker	71%	76%	88%	80%	76%	58%
Female	Non-Smoker	80%	90%	98%	78%	70%	58%
	Smoker	71%	76%	88%	80%	76%	57%

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

**Hh** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception: x% CMIR 12 Method B (select 5) where x = a.b.c.d.100 and

a = 0.8 loading if the deferred period is 0-4 weeks  
 0.9 loading if the deferred period is 5-8 weeks  
 1.0 loading if the deferred period is 9-13 weeks  
 1.4 loading if the deferred period is 14-26 weeks  
 1.6 loading if the deferred period is 27-52 weeks

b = 1.0 loading for Males  
 1.5 loading for Females

c = 1.0 loading for occupation class I  
 1.5 loading for occupation class II  
 1.8 loading for occupation class III  
 2.8 loading for occupation class IV

d = 1.2 loading for Smokers  
 0.9 loading for Non Smokers

Termination: 35% of CMIR12 rates

**Ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception: 52% of x% of CMIR 12 Method B (select 5) where x = a.b.c.d.100 and

a = 1.0 loading if the deferred period is 4 weeks  
 1.03 loading if the deferred period is 13 weeks  
 1.95 loading if the deferred period is 26 weeks  
 3.52 loading if the deferred period is 52 weeks

b = 1.0 loading for Males  
 1.75 loading for Females

c = 1.0 loading for occupation class I  
 1.5 loading for occupation class II  
 1.4 loading for occupation class III  
 1.85 loading for occupation class IV

d = 1.37 loading for Smokers  
 1.0 loading for Non Smokers

Terminations: x% CMIR 12 (SM75-78 graduations), with x varying by claim duration and deferred period as follows:

Claim Duration (Months)	Deferred Period (weeks)			
	4	13	26	52
1-2	20%			
3	28%			
4	41%	20%		

5-6	34%	20%		
7	33%	31%	30%	
8-9	38%	36%	23%	
10-12	51%	53%	50%	
13-24	46%	54%	50%	39%
25-60	44%	50%	35%	36%
61-132	44%	41%	32%	37%
133+	33%	29%	44%	27%

- 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** 110% 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 sex and underwriting type. The percentages vary from 28.91% to 54.67% for males and 33.09% to 57.42% for females. Percentage adjustments are made for policy issuance date and issuance age.
- 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 the 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 applied for ages above 85 to align with industry experience
- Rr** 72.4% of PCMA00 for males and 79.9% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement

commencing 1.1.2010 as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:

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

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

Future improvements are generally assumed to converge to the long term rate in 2026.

**Tt** 101.3% of PCMA00 for males and 111.9% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.

**Uu** For children's critical illness cover, the Peak 1 reserve is calculated using an assumption of 50% of the CIBT93 Ultimate age 20 rate (excluding TPD and death causes) and assumes 1.5 children are covered by each policy.

**Vv** For non-conversion, mortality rates are based upon percentages of the Society of Actuaries ("SOA") 1985-90 experience tables, with percentages varying by sex and underwriting type. The percentages vary from 25.39% to 93.73% for males and 35.11% to 118.83% for females. Percentage adjustments are made for policy issuance date and issuance age.

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 the SOA 1985-90 table by duration and to adjust for policy size. Adjustments are also made to reflect differences in mortality for substandard policies.

An additional mortality adjustment is applied for ages above 85 to align with industry experience.

For conversion policies, the mortality rate is based on a weighted average rate of adjusted non-conversion mortality rates. The weights are based on the likelihood of the policyholder falling into different health categories on the date of conversion. The base rates for each health category are derived by applying a multiplicative and additive factor to the corresponding non-conversion mortality rate.

**Ww** 110.7% of PCMA00 for males and 122.3% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per as per an adjusted version of CMIB's mortality improvement model (CMI 2013) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.

**Xx** If a life has been coded as a smoker or non-smoker, ELT15 M or ELT15 F with no select period for males and females respectively is applied. The percentage of table applied varies by duration and smoker status as follows:

	<b>Duration</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>
Male	Non-Smoker	68%	88%	103%	125%	114%	104%
	Smoker	134%	144%	163%	125%	114%	104%
Female	Non-Smoker	68%	88%	103%	125%	114%	104%
	Smoker	134%	144%	163%	125%	114%	104%

## Code Letters used for the 2013 Mortality / Morbidity Basis

- A** 82.2% of PCMA00 for males and 88.0% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per CMIB's mortality improvement model (CMI 2012) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- B** 75.6% of PCMA00 for males and 83.5% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per CMIB's mortality improvement model (CMI 2012) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- C** 65.1% of PCMA00 for males and 71.9% of PCFA00 for females (with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females) for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per CMIB's mortality improvement model (CMI 2012) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- D** 70.1% of PCMA00 for males and 63.9% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per CMIB's mortality improvement model (CMI 2012) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** 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	1	2	3	4	5	6+
Non-Smoker	90%	101%	107%	82%	92%	87%
Smoker	87%	86%	104%	90%	96%	92%

- J** If a life has no terminal illness cover and:
- (iv) has been coded as a smoker 82% TMS00 or TFS00 Select 5 for males and females respectively is applied;
  - (v) has been coded as a non-smoker 89% TMN00 or TFN00 Select 5 for males and females respectively is applied;
  - (vi) if uncoded an arithmetic average of smoker and non-smoker experience is applied.

If a life has terminal illness cover and:

- (iii) has been coded as a smoker TMS00 or TFS00 Select 5 for males and females respectively is applied;
- (iv) 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	84%	86%
1	83%	97%
2	100%	103%
3	85%	79%
4	92%	89%
5+	89%	84%

- 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** 64.5% CMI Report No. 12 termination rates for claims incepting before 31.12.2012  
71.25% CMI Report No. 12 termination rates for claims incepting after 31.12.2012.
- P** 81.3% of modified PCMA00 and PNMA00 for males and 88.0% of PCFA00 and PNFA00 for females in deferment.
- Q** 48% of A1967 / 70 Ultimate rated down 3 years for males and 47% 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%	60%
1	91%	64%
2+	102%	69%

Rates are assumed to deteriorate (increase) from a base year of 2011 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 117% of the table is applied; if a life has been coded as a non-smoker 78% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2011 at 1% p.a. for males and 1.75% p.a. for females.  
  
Zero mortality is assumed for prudence.
- 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** 115% 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 135% of this table is used; if a life has been coded as a non-smoker 75% of this table is used; if a life is un-coded 100% of this table is used. If the contract provides additional critical illness benefits an additional loading of 230% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 200% 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 100% 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 335% 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	84%	86%
1	83%	97%
2	100%	103%
3	85%	79%
4	92%	89%
5+	89%	84%

- Gg** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
 Inception:  $x\%$  of CMIR12 Method B (select 5) rates, where  $x = a \cdot b \cdot c \cdot d \cdot 100$  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:  $x\%$  CMIR 12 Method B (select 5) where  $x = a \cdot b \cdot c \cdot d \cdot 100$  and

$a = 0.8$  loading if the deferred period is 0-4 weeks  
 $0.9$  loading if the deferred period is 5-8 weeks  
 $1.0$  loading if the deferred period is 9-13 weeks  
 $1.4$  loading if the deferred period is 14-26 weeks  
 $1.6$  loading if the deferred period is 27-52 weeks

$b = 1.0$  loading for Males  
 $1.5$  loading for Females

$c = 1.0$  loading for occupation class I  
 $1.5$  loading for occupation class II  
 $1.8$  loading for occupation class III  
 $2.8$  loading for occupation class IV

$d = 1.2$  loading for Smokers  
 $0.9$  loading for Non Smokers

Termination: 35% of CMIR12 rates

**Ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-  
Inception: 52% of x% of CMIR 12 Method B (select 5) where x = a.b.c.d.100 and

a = 1.0 loading if the deferred period is 4 weeks  
1.03 loading if the deferred period is 13 weeks  
1.95 loading if the deferred period is 26 weeks  
3.52 loading if the deferred period is 52 weeks

b = 1.0 loading for Males  
1.75 loading for Females

c = 1.0 loading for occupation class I  
1.5 loading for occupation class II  
1.4 loading for occupation class III  
1.85 loading for occupation class IV

d = 1.37 loading for Smokers  
1.0 loading for Non Smokers

Terminations: x% CMIR 12 (SM75-78 graduations), with x varying by claim duration and deferred period as follows:

Claim Duration (Months)	Deferred Period (weeks)			
	4	13	26	52
1-2	20%			
3	28%			
4	41%	20%		
5-6	34%	20%		
7	33%	31%	30%	
8-9	38%	36%	23%	
10-12	51%	53%	50%	
13-24	46%	54%	50%	39%
25-60	44%	50%	35%	36%
61-132	44%	41%	32%	37%
133+	33%	29%	44%	27%

**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 sex and underwriting type. The percentages vary from 28.91% to 54.67% for males and 33.09% to 57.42% for females. Percentage adjustments are made for policy issuance date and issuance age.

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 the 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. An adjustment is applied to policies issued in 1999-2002 after duration of 10 years.

- Rr** 72.4% of PCMA00 for males and 79.9% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per CMIB’s mortality improvement model (CMI 2012) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.

- Tt** 101.3% of PCMA00 for males and 111.9% of PCFA00 for females for ages 90 and below. Company specific mortality rates are used for ages 100 and above. Between ages 90 and 100 the mortality rates are calculated to give a smooth progression between the percentage of the base table and the company specific mortality rates. Allowance for future improvement commencing 1.1.2010 as per CMIB’s mortality improvement model (CMI 2012) with the following parameters:  
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;  
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.  
Future improvements are generally assumed to converge to the long term rate in 2026.

- Uu** For children’s critical illness cover, the Peak 1 reserve is calculated using an assumption of 50% of the CIBT93 Ultimate age 20 rate (excluding TPD and death causes) and assumes 1.5 children are covered by each policy.

- Vv** For non-conversion, mortality rates are based upon percentages of the Society of Actuaries (“SOA”) 1985-90 experience tables, with percentages varying by sex and underwriting type. The percentages vary from 25.39% to 93.73% for males and 35.11% to 118.83% for females. Percentage adjustments are made for policy issuance date and issuance age.

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 the SOA 1985-90 table by duration and to adjust for policy size. 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.

For conversion policies, the mortality rate is based on a weighted average rate of adjusted non-conversion mortality rates. The weights are based on the likelihood of the policyholder falling into different health categories on the date of conversion. The base rates for each health category are derived by applying a multiplicative and additive factor to the corresponding non-conversion mortality rate. The multiplicative factors vary from 100%-2000% and the additive factors from 0-1.5.

**Xx** If a life has been coded as a smoker or non-smoker, ELT15 M or ELT15 F with no select period for males and females respectively is applied. The percentage of table applied varies by duration and smoker status as follows:

		<b>Duration</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6+</b>
Male	Non-Smoker		69%	95%	135%	125%	114%	104%
	Smoker		124%	147%	135%	125%	114%	104%
Female	Non-Smoker		69%	95%	135%	125%	114%	104%
	Smoker		124%	147%	135%	125%	114%	104%

### Expectations of life – Immediate Annuities

For immediate annuities in payment the expectations of life at age 65 and 75 for the bases specified above are set out in the tables below.

		<b>31.12.2014</b>						
		<b>Code Letter</b>						
<b>Age</b>	<b>Gender</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Rr</b>	<b>Tt</b>	<b>Ww</b>
65	Male	23.4	24.1	25.9	24.7	24.5	21.8	21.1
	Female	24.8	25.3	27.4	27.1	25.7	23.2	22.5
75	Male	14.3	14.8	16.9	15.3	15.2	13.0	12.4
	Female	15.6	15.9	18.6	17.5	16.3	14.2	13.6

		<b>31.12.2013</b>					
		<b>Code Letter</b>					
<b>Age</b>	<b>Gender</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Rr</b>	<b>Tt</b>
65	Male	23.4	24.0	25.8	24.7	24.4	21.8
	Female	24.7	25.1	27.0	27.0	25.5	22.9
75	Male	14.3	14.8	16.8	15.3	15.1	12.9
	Female	15.5	15.8	18.5	17.4	16.1	14.1

### Expectations of life – Deferred Annuities

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

		<b>31.12.2014</b>			
		<b>Code letter</b>			
<b>Age</b>	<b>A</b>		<b>B</b>		
	Male	Female	Male	Female	
45	26.4	27.1	27.0	27.4	
55	24.9	26.0	25.5	26.3	

		<b>31.12.2013</b>			
		<b>Code letter</b>			
<b>Age</b>	<b>A</b>		<b>B</b>		
	Male	Female	Male	Female	
45	26.4	27.0	27.0	27.3	
55	24.8	25.9	25.5	26.2	

### Allowance made for future changes in mortality

Generally, an allowance for future improvement, based on the projection model CMI 2013 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 2014. Equivalent figures for 31 December 2013 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	31.12.2014		31.12.2013	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
120	Cashbuilder	£74.46	£74.46	£71.94	£71.94
120	Other WP savings endowments	£93.00	£93.00	£85.19	£85.19
125	Build Up	£129.66	£129.66	£100.85	£100.85
165	Personal Retirement Plan	£118.06		£114.07	
300	Whole of Life Over 50s	£13.45		£16.28	
300	NP regular premium endowments and other whole life	£25.39		£22.28	
325	Pension Term Assurance	£8.33		£8.13	
325	Term Assurance	£8.76		£9.15	
330	Decreasing Term Assurance	£8.76		£9.15	
340	Accelerated Critical Illness - guaranteed premiums	£11.04		£11.31	
345	Accelerated Critical Illness - reviewable premiums	£11.04		£11.31	
350	Stand-alone Critical Illness - guaranteed premiums	£12.88		£12.30	
355	Stand-alone Critical Illness - reviewable premiums	£12.88		£12.30	
360	Income Protection Benefit <sup>(1)</sup>	£11.97		£13.34	
365	Mortgage Payment Insurance <sup>(1)</sup>	£11.89		£11.90	
365	Other Permanent Health Insurance - Individual - Linked <sup>(1)</sup>				

Product Code	Product Type	31.12.2014		31.12.2013	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
385	Claims in Payment - Individual - Non-Linked <sup>(1)</sup>				
385	Claims in Payment - Individual - Linked <sup>(1)</sup>				
400	Immediate Annuities - Non Profit		£20.91		£19.98
500	Life UWP single premium bonds		£16.39		£12.95
510	Regular Savings Plan, New Savings Plan <sup>(2)</sup>				
515	Flexible Mortgage Plan <sup>(3)</sup>				
525	UWP Individual Personal Pension and Self Employed Plan <sup>(4)</sup>				
525	UWP Executive Pension Plan and Directors Plan	£83.26	£42.17	£80.44	£40.74
525	UWP Free Standing Pension Savings Plan	£17.84	£9.39	£17.24	£9.07
525	UWP Buy-Out Plan		£34.24		£33.08
535	UWP Group Personal Pension Plan <sup>(5)</sup>				
535	UWP Company Pension Plan	£48.24	£25.09	£46.61	£24.23
535	UWP Company Sponsored Pension Savings Plan	£46.68	£24.60	£44.91	£23.77
545	Buy-Out Plan		£161.92		£151.15
545	Private Income Plan - Individual <sup>(6)</sup>				
700	Life Property-Linked single premium		£16.66		£16.10
715	Regular Savings Plan, New Savings Plan <sup>(2)</sup>				
715	Capital Accumulation Plan	£11.84	£5.92	£11.44	£5.72
720	Flexible Mortgage Plan <sup>(3)</sup>				
725	Property-Linked Individual Personal Pension and Self Employed Plan <sup>(4)</sup>				
725	Property-Linked Personal Investment Pensions Plan	£16.39	£8.63	£15.84	£8.34
725	Property-Linked Executive Pension Plan and Directors Plan	£83.26	£42.17	£80.44	£40.74
725	Property-Linked Executive Investment Retirement Plan	£2.15	£1.94		
725	Property-Linked Free Standing Pension Savings Plan	£17.84	£9.38	£17.24	£9.07
735	Property-Linked Group Personal Pension Plan <sup>(5)</sup>				
735	Property-Linked Company Pension Plan	£48.24	£25.08	£46.61	£24.23
735	Property-Linked Company Sponsored Pension Savings Plan	£46.48	£24.62	£44.91	£23.77
735	Group Pension Savings Plan	£46.48	£24.62	£44.91	£23.77
755	Trustee Investment Plan	£2.15	£1.94		

- (1) 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 2.77% (3.35% at 31 December 2013) of the claim amount for Income Protection Benefit and non-linked Permanent Health Insurance and 1.88% (2.27% at 31 December 2013) of the claim amount for Mortgage Payment Insurance. The claims expenses are 6.75% (6.75% at 31 December 2012) of the claim amount for other Permanent Health Insurance.
- (2) The expense basis varies according to the type of administration, sub-product and by sub-fund. The expense basis is either £11.84 premium paying and £5.92 paid up or £27.52 premium paying and £13.76 paid up as appropriate.

- (3) The expense basis varies according to the type of administration, sub-product and by sub-fund. The expense basis is either £11.84 premium paying and £5.92 paid up or £23.95 premium paying and £11.97 paid up as appropriate.
- (4) The expense basis varies according to the underlying administration system, sub-product and by sub-fund. The expense basis is either £33.97 premium paying and £17.88 paid-up (£8.11 for GPP leavers), £18.05 premium paying and £9.49 paid-up, £33.72 premium paying and £17.74 paid-up (£9.94 for GPP leavers) or £103.95 premium paying and £54.72 paid-up as appropriate. At 31 December 2013 the expenses basis was either £32.82 premium paying and £17.28 paid-up, £26.85 premium paying and £14.13 paid-up (£9.60 for GPP leavers) or £100.43 premium paying and £52.87 paid-up.
- (5) The expense basis varies according to the type of administration, sub-product and by sub-fund. The expense basis is either £5.83 premium paying and £3.07 paid-up, £2.15 premium paying and £1.94 paid-up or £19.34 premium paying and £10.17 paid-up as appropriate. At 31 December 2013 the expense basis was either £5.63 premium paying and £2.96 paid-up, £2.34 premium paying and £1.23 paid-up or £18.69 premium paying and £9.84 paid-up.
- (6) 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 2014	31 December 2013
Private Income Plan - Individual	£14,857	£28,087

#### 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	3.75% p.a
Unit Growth – Net	3.70% p.a
Future Expense Inflation	3.50% p.a
Future Increase in policy charges	0.00% p.a

#### 4(8) Future bonus rates

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

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

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

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

##### Non-Linked Contracts

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	12.1%	8.5%	6.1%	4.1%
Decreasing term	lapse	12.0%	8.5%	6.3%	6.3%
Accelerated critical illness	lapse	18.9%	12.0%	5.4%	5.2%
Pension Term (level and decreasing)	lapse	10.7%	7.6%	5.7%	5.6%
Whole of Life (conventional Non Profit)	lapse	5.3%	2.2%	1.2%	1.1%

### US Term Business

Product	Policy Year	Average Lapse Rates for the policy years			
		1-5	6-10	11-15	16-20
Ten Year Term Plan	Preferred Plus Nonsmoker	3.9%	4.3%	100.0%	100.0%
	Preferred Nonsmoker	4.6%	4.6%	100.0%	100.0%
	Standard Plus Nonsmoker	5.4%	4.7%	100.0%	100.0%
	Standard Nonsmoker	6.8%	5.3%	100.0%	100.0%
	Preferred Tobacco	8.6%	5.8%	100.0%	100.0%
	Standard Tobacco	8.6%	5.8%	100.0%	100.0%
Fifteen Year Term Plan	Preferred Plus Nonsmoker	2.3%	2.1%	2.5%	100.0%
	Preferred Nonsmoker	2.8%	2.7%	2.9%	100.0%
	Standard Plus Nonsmoker	3.8%	2.6%	2.9%	100.0%
	Standard Nonsmoker	5.1%	3.1%	3.3%	100.0%
	Preferred Tobacco	7.0%	4.6%	3.9%	100.0%
	Standard Tobacco	7.0%	4.6%	3.9%	100.0%
Twenty Year Term Plan	Preferred Plus Nonsmoker	2.1%	1.7%	1.2%	2.0%
	Preferred Nonsmoker	2.8%	1.8%	1.4%	2.1%
	Standard Plus Nonsmoker	3.8%	2.4%	1.7%	2.5%
	Standard Nonsmoker	4.7%	2.6%	1.8%	2.7%
	Preferred Tobacco	8.3%	4.8%	3.0%	3.6%
	Standard Tobacco	8.3%	4.8%	3.0%	3.6%
Thirty Year Term Plan	Preferred Plus Nonsmoker	2.2%	1.8%	1.5%	1.5%
	Preferred Nonsmoker	2.8%	1.8%	1.5%	1.5%
	Standard Plus Nonsmoker	4.4%	2.6%	1.5%	1.5%
	Standard Nonsmoker	5.0%	2.7%	1.5%	1.5%
	Preferred Tobacco	10.5%	5.2%	3.4%	3.4%
	Standard Tobacco	10.5%	5.2%	3.4%	3.4%

### US Universal Life Business

Product		Average Lapse Rates for the policy years			
		1-5	6-10	11-15	16-20
Banner & Penn Advantra	Non-Smoker	1.4%	1.4%	1.4%	1.4%
	Smoker	2.1%	2.1%	2.1%	2.1%



Banner Continuity	Non-Conversion	2.8%	2.8%	2.8%	2.8%
	Non-Conversion	5.6%	5.6%	5.6%	5.6%
Banner Continuity 100	Conversion	2.8%	2.8%	2.8%	2.8%
Banner Continuity XXX		2.1%	3.6%	4.2%	4.2%
William Penn Longevity		2.1%	2.1%	2.1%	2.1%
William Penn Longevity 100	Non-Conversion	4.2%	4.2%	4.2%	4.2%
	Conversion	1.4%	1.4%	1.4%	1.4%
Banner and William Penn Life Umbrella 120		3.5%	1.8%	1.4%	1.4%

### Unit-Linked Contracts

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

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

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 – 5	6 – 10	11 – 15	16 – 20
UWP savings endowment	surrender	0.00%	0.00%	3.30%	4.40%
UWP target cash endowment	surrender	0.00%	1.00%	3.10%	2.30%
UL savings endowment	surrender	0.00%	0.00%	3.30%	4.40%
UL target cash endowment	surrender	0.00%	1.00%	3.10%	2.30%
UWP Bond	surrender	1.00%	3.50%	3.00%	2.30%
WP UL Bond	surrender	0.00%	2.70%	3.10%	2.50%
NP UL Bond	surrender	1.70%	6.10%	3.30%	2.80%
UWP individual pension regular premium	surrender	2.30%	2.30%	2.30%	2.30%
UWP individual pension single premium	surrender	1.80%	1.80%	1.80%	1.80%
WP UL individual pension regular premium	surrender	2.90%	2.70%	2.50%	2.50%
UWP Trustee Investment Plan regular premium	surrender	0.00%	0.00%	0.00%	0.00%
WP UL Trustee Investment Plan regular premium	surrender	0.00%	0.00%	0.00%	0.00%
WP UL individual pension single premium	surrender	2.40%	2.10%	2.00%	2.00%
UWP group pension regular premium	surrender	7.30%	7.20%	7.00%	7.00%
UWP group pension single premium	surrender	3.40%	3.40%	3.30%	3.30%
WP UL group pension regular premium	surrender	4.50%	3.90%	3.00%	3.00%
WP UL group pension single premium	surrender	6.00%	5.70%	4.40%	4.50%
UWP Trustee Investment Plan single premium	surrender	1.80%	9.60%	8.10%	8.10%
WP UL Trustee Investment Plan single premium	surrender	1.80%	9.60%	8.10%	8.10%
NP UL individual pension regular premium	surrender	3.20%	3.20%	1.90%	1.90%
NP UL group pension regular premium	surrender	0.70%	1.30%	1.10%	1.00%
NP UL TIP regular premium	surrender	0.00%	0.00%	0.00%	0.00%
NP UL individual pension single premium	surrender	4.80%	5.20%	2.20%	2.10%
NP UL Group pension single premium	surrender	3.80%	4.20%	2.80%	2.80%
NP UL TIP single premium	surrender	2.10%	8.00%	6.90%	6.90%

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 the 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 the 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.

<b>Age</b>	<b>Early Retirement (over the year)</b>	<b>Early Retirement (during birth month)</b>	<b>Transfer</b>
Less than 60	0.0%	0.0%	0.0%
60	4.40%	4.50%	0.60%
61 – 64	2.86%	0.50%	0.2%
65	7.92%	8.10%	0.40%
66 – 69	4.73%	0.90%	0.20%
70*	100.0%	100.0%	3.0%

\* Any policies remaining in force at age 70 (after allowance for transfers out in the year prior to age 70), are assumed to retire in the month of their 70<sup>th</sup> birthday.

Any policies remaining in force after age 70, are assumed to retire in the month of their 75th birthday.

##### **(ii) Proportions Married**

For contingent benefits under deferred annuities and under bulk purchase and managed fund immediate annuities with an "any spouse" benefit, the proportion married assumption is set at the valuation date and is dependent on the age and sex of the first life at the valuation date. For contingent benefits under deferred annuities the proportion married assumption is set at the normal retirement age for the first life and is dependent on the age and sex of the first life at normal retirement age.

The rates of proportions married are set with reference to the ONS 2008 tables with a prudential margin.

For other contingent immediate annuities, the proportion married assumption assumes 100% of members are married at the inception of the policy, which is then decremented by the spouse's mortality thereafter (pre the valuation date using best estimate mortality, post the valuation date using prudent mortality).

#### **4(11) Allowance for derivatives**

Society (and its reinsurer Legal & General Pensions Ltd) hold interest rate derivatives (in sterling and in overseas currencies), inflation derivatives, credit default swaps and futures which affect the overall portfolio yield. These impacts are considered in setting the valuation interest rate (property swaps were also held at 31 December 2013).

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

The table below provides an estimate of the effect on mathematical reserves (net of reinsurance) as at the valuation date of the changes in valuation methodology as at the valuation date arising from changes in INSPRU valuation rules effective from 31 December 2006. These changes are in addition to those made at previous valuation dates.

Category	£m
Lapses on valuation of protection business	-2.7
Negative reserves on valuation of protection business	-20.4
Lapses on valuation of unit-linked business	0
Attributable expenses on valuation of unit-linked business	0

### 5. Options and guarantees

#### 5. (1)(a) Guaranteed annuity rate options

Provision for guaranteed annuity options has been made by holding a reserve for the excess cost of providing an annuity on the guaranteed basis. This excess cost is calculated on a deterministic basis using a prudent set of assumptions.

The assumed rates of option take-up in the year following the reporting date have been set by reference to the Society's current experience together with a margin for prudence. The rate of take-up increases linearly such that after 15 years it is assumed that 95% of policyholders elect to take the guaranteed benefits (100% for some products). The guaranteed value has been compared with an annuity calculated using a 2.00% 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	1.4	0 to 44 years	0.4	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	35.9	0 to 33 years	33.9	£9.60 annuity for each £100 cash secured on the terms existing up to 31.12.1999 £8.12 annuity for each £100 cash secured on the terms from 1.1.2000 £6.22 annuity for each £100 cash secured on the terms from 1.1.2005. The guaranteed basis may be revised at any annual renewal date and the revised terms applied to new entrants, single premiums and premium increments from existing members following that date.	Yes	As selected by the policyholder and permitted by legislation	55 to 75
1980 Bonus System – Group	36.5	0 to 44 years	8.6	£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	83.7	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	1.1	No	Guaranteed cash sum is valued using an increase of 10.5% (simple) per annum. No credit is taken for future premiums after 10 years.
Investment Bond (Series 1 and 2)	2,544.7	Whole of life	Implicit in the Basic reserve	For those policies invested in the Protected UK Growth Fund, a minimum of 80% of the highest fund value ever reached (subject to an absolute minimum of 80% of the initial amount invested in units) less any early surrender charge, will be paid on surrender provided there have been no previous withdrawals. The protection is reduced proportionately upon partial withdrawal of funds and, in all cases, depends upon a third party honouring contracts they have made with the Society and only remains in force whilst the policy is invested in the Protected UK Growth fund, the protection being removed upon switch to another internal linked fund.	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	Implicit in unit price of close matching assets.
With-Profit Bond (Series 1, 2 and 3)	138.9	Whole of life	Implicit in the Basic reserve	From the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	No specific additional reserve held. The valuation method values the guaranteed benefits.

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
With-Profit Bond (Series 4, 5, 6 and 7)	2,398.1	Whole of life	Implicit in the Basic reserve	For contracts sold prior to 1 April 2002, from the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of the With-Profits Fund or any partial surrenders are taken. For Series 6 and 7 policies there is a Fixed Date, which is ten years after the initial date of allocation, when the surrender value of the contract is guaranteed to be no less than the original premium reduced by the amount of any regular withdrawals.	Death and regular encashments not exceeding the current rate of interim bonus	Single premium contract	Yes – but no guarantee attaches.	No specific additional reserve held. The valuation method values the guaranteed benefits.
Portfolio Bond (Series 1 to 10)	4,745.2	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	691.0	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	22.6	No	Reserves are calculated with an underpin being the greater of the guaranteed surrender value and the non-guaranteed surrender value (the latter being subject to the prevailing market conditions).

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
Portfolio bonds - MoneyBuilder	53.2	Whole of life	Zero	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 £93.2m basic reserve covered by this guarantee forms part of the £5,040.4m basic reserve for Portfolio Bond (Series 1 to 10).	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	The guarantee reserve covers the time-value of the guarantee. The intrinsic cost after five years is included in the basic reserve.
With-Profit bonds series 8-15 – 5 & 10 year guarantees	358.7	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases when investments are switched out of With-Profits Fund units. On Series 8, 9, 12 & 13 bonds there is an additional guarantee at five years. For series 12-15 bonds the guarantee at ten years is for 120% of the original investment less withdrawals, and 110% at five years (where applicable)	Death and regular encashments not exceeding the current rate of interim bonus	Single premium contract	Yes	The intrinsic cost at five and ten years is included in the basic reserve
With-Profit bonds series 16-19 – 5 & 10 year guarantees	194	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken. There is a capital guarantee of 100% and income guarantee of 110% after 10 years. There is also an option of 100% capital and income guarantee of 100% at duration 5. When the fund value falls below the guarantee amount, the fund value is increased to the guarantee amount.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	The intrinsic cost at five and ten years is included in the basic reserve

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
Level term assurance reinsured from William Penn Life Insurance of New York (US Term Business)	59.6	0 to 11 years	Implicit in the basic reserve	Under one of the tranches of US Term business there is a guaranteed cash sum payable on surrender	n/a	22.4	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 Longevity Swap - Pilkington scheme	Zero	Whole of Life	Zero	Value of the best estimate of the liability minus all future premiums.	n/a	Single premium contract	No	The surrender value basis agreed with the Trustees is derived using the projected, best estimate benefit cashflows and future premium amounts discounted on a predetermined basis dependent on the economic conditions at the valuation date. L&G would then be covered for each of (i) L&G's embedded value, (ii) maintenance expense allowance within the premium and (iii) cost of capital allowance within the premium. As such this would typically be a payment from the Trustees to L&G. Further, should this occur prior to December 2016 an additional charge is levied against the Trustees. The Peak 1 reserve held will at all times be equal to or greater than the guaranteed surrender value.
Non-Profit Longevity Swaps -Royal Ordinance (Crown Service) -Hadrian Trustees Limited (In respect of the Portsmouth, Fleet Support and VSEL Section) -BAE Systems	Zero	Whole of Life	Zero	Value of the best estimate of the liability minus all future premiums.	n/a	Single Premium Contract	No	The surrender value basis agreed with the Trustees is derived using the projected, best estimate benefit cashflows and future premium amounts discounted on a predetermined basis dependent on the economic conditions at the valuation date. L&G would then be covered for each of (i) L&G's embedded value, (ii) maintenance expense allowance within the premium and (iii) cost of capital allowance within the premium. As such this would typically be a payment from the Trustees to L&G. The Peak 1 reserve held will at all times be equal to or greater than the 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	516.0	31,003.1	<p>Under certain contracts there is the option to increase the level of cover without the need to provide further evidence of health, upon the occurrence of certain events. These include marriage, birth or adoption of a child, or increasing a mortgage if the policyholder is moving or improving an existing property. This option can only be exercised 3 times, with a maximum increase of £50,000 each time. For ex-NWL policies, there is no limit to the number of increases, but the sum of all increases cannot exceed £200,000.</p> <p>The policyholder is eligible for this option if the Life Assured is younger than 45 upon entry. For ex-NWL policies, this age limit is 75. It can only be exercised before age 50 (older life for joint life policies) for most policies (55 for ex-NWL policies).</p> <p>The option cannot be exercised if the policy is subject to a terminal illness or a critical illness claim, or the policyholder has been diagnosed as having such an illness as described in the policy conditions. The option cannot be exercised whilst subject to a waiver claim or if suffering from a disability as described in the policy conditions.</p>	Implicit in the Basic reserve
Flexible Mortgage Plan (Series 1 to 8, 10 to 12)	37.5	1,840.0	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	11.3	2,246.3	<p>Under certain contracts there is the option to increase the level of cover without the need to provide further evidence of health, upon the occurrence of certain events. These include marriage, birth or adoption of a child, or increasing a mortgage if the policyholder is moving or improving an existing property. An increase in cover is also allowed if there is an increase in the salary of the Life Assured. The maximum increase allowed is the lesser of (a) £350 per month and (b) a maximum percentage which is the percentage increase in the monthly salary and 10% of the original benefit. The maximum total increase permitted is the lesser of £1,050 per month and 30% of the original benefit amount.</p> <p>The policyholder is eligible for this option if the Life Assured is younger than 45 upon entry. It can only be exercised before age 50 (older life for joint life policies). The option cannot be exercised if the policy is subject to a terminal illness or a critical illness claim, or the policyholder has been diagnosed as having such an illness as described in the policy conditions. The option cannot be exercised whilst subject to a waiver claim or if suffering from a disability as described in the policy conditions.</p>	Implicit in the Basic reserve
Mortgage Payment Insurance	3.9	32.0 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	7.2	72.5 pa	There is an option to increase the level of benefit without medical evidence in the event of an increase in the insured's salary following a promotion or change of employment.	Implicit in the Basic reserve
Flexible Protection Plan (Series 3 to 6)	14.8	1,553.6	For Series 3 policies issued after 31 March 1990 and all Series 4, 5 and 6 policies, a further policy may also be affected without evidence of health on the marriage of the life assured or on the birth or legal adoption of a child. The sum assured on such a policy must not exceed one third of the initial sum assured for the original policy, and this option is only exercisable three times. This option is available only if the policy was accepted on standard terms.	Implicit in the Basic reserve

(i) Product name	(ii) In force premiums (£m)	(iii) Sum assured (£m)	(iv) Description of option	(v) Guarantee reserve (£m)
Permanent Health Insurance (Series 1, 2 and 3)	0.9	38.3pa	<p>Every three years, or otherwise at the Society's discretion, a review will take place to monitor the relationship between premium and benefit levels. Should the Society consider the premium to be insufficient the level of income benefit will be reduced, though the policyholder may affect an additional policy, on the then current terms, without medical evidence for a benefit equal to the amount of the reduction.</p> <p>For Series 1 and 2 policies, at the first policy review there is an option, subject to certain restrictions, to increase the income benefit without further medical evidence. Any increase must give a total benefit which is not more than twice the initial income benefit and which is no higher proportion of the life assured's total annual earnings than applied at outset.</p>	Implicit in the Basic reserve
Unit-Linked Term Assurance (Series 3)	2.9	768.0	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	23.5	1,382.0	<p>Under certain policies, an option is available which allows the life assured, during each consecutive two-year period from the policy date for a maximum period of ten years, to effect, without evidence of health, new Whole of Life, Endowment, Build Up or Cashbuilder policies. The total death sum assured of the new policy or policies during each two year period must not exceed the lower of £37,500 and 75% of the death sum assured of the original policy (75% of the substantive element if the option is added to a combination policy).</p> <p>Under Build Up there is a special option on a policy anniversary, provided the remaining term to the maturity date is not less than 10 years, whereby the basic sum assured may be increased without further evidence of health subject to payment of the appropriate increased premium. The increase in the sum assured must not be less than the minimum amount for which the Society would issue a new policy at the date of exercise of the option, but may not be greater than the difference between the guaranteed death sum assured and the basic sum together with the bonuses attaching at the time.</p>	Implicit in the Basic reserve

## 5. (4) Other guarantees and options

Under contracts where there is an option as to the form in which benefits may be taken, the general principle adopted (unless otherwise described below) is to assume 100% take up of the benefit which gives rise to the greater valuation liability on the stated valuation basis.

### Paid-up options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Flexible Protection Plan (Series 1 to 6), Prospects (Series 1 and 2)	Annual premium: 15.7	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: 37.6	On conversion to a paid-up policy, the guaranteed sum assured may either be maintained at the same level or reduced to zero. In the former case the monthly deductions of the cost of life cover (and critical illness cover, where elected) continue.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Permanent Health Insurance (Series 1), Critical Illness Insurance (Series 1 to 4)	Annual premium: 1.5	The policy may be surrendered or converted to a paid-up policy. On conversion to a paid-up policy the guaranteed sum assured is reduced to zero.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Build Up	Annual premium: 22.3	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: 0.3	The policyholder has the option to discontinue contributions. In this event, the amount of the member's retirement fund at that time will remain subject to the terms of the policy until the member retires, dies or leaves service.	This option does not require an additional reserve	

## Early retirement/discontinuance options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
1980 Bonus System – Group (In force)	Basic reserve: 36.5	The policy may either be surrendered for a lump sum or a "10 Year Discontinuance Option" selected. Under the 10 Year Discontinuance Option the policy will remain in force for a further 10 years from the date of discontinuance during which time any contractual annual interest and annual bonuses will continue to be added; any extractions during this period will be subject to the usual policy discontinuance terms. At the end of the 10 years the policy will terminate and the nominal value paid to the trustees. The lump sum surrender value proceeds may be applied to purchase deferred annuity benefits with the Society on enhanced terms.	Implicit in the Basic reserve	The guaranteed sum assured was taken to be the nominal cash amount accrued at the valuation date. These contracts were valued by taking the greater of the discounted value of these sums assured accumulated with any contractual interest to the expiry of the guarantee period, and the value of the discontinuance options available.
1980 Bonus System – Group (Discontinuance)	Basic reserve: 257.4	The lump sum surrender value proceeds may be applied to purchase deferred annuity benefits with the Society on enhanced terms. For schemes which discontinued after 1 January 1999, the deferred annuities will be purchased on current terms as at the purchase date. For all other discontinued schemes, the deferred annuities will be purchased on the basis agreed as at the discontinuance date, regardless of purchase date.	Implicit in the Basic reserve	For schemes which discontinued after 1 January 1999, no additional reserve has been calculated because the deferred annuity will be based on current terms. For all other schemes, the deferred annuity reserve is calculated based on the cash value of the discontinued scheme multiplied by a factor depending on the guaranteed terms for the scheme.
Personal Retirement Plan	Basic reserve: 714.8	Policyholders have the option to retire early between ages 60 and 70 when the benefits payable will be recalculated on the guaranteed terms applicable to each premium paid at the date of premium payment as if the contract was written to the modified retirement age. Prior to age 60 a transfer value may be taken on non-guaranteed terms.	Implicit in the Basic reserve	See Section 4(1)(k).
Pension Savings Plan and Company Pension Plan	Basic reserve: 3.7	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.	1.2	To meet this guarantee an additional reserve equal to any excess of the face value of the units over the mathematical reserve is held.
Group deferred annuity	Basic reserve: 7,004.9	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.
	578.8	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.	13.1	The reserve for this option is the excess of the reserve assuming the option is taken up over the reserve assuming the option is not exercised.
	339.9	Certain contracts contain an option to retire due to ill-health. These vary by scheme and are calculated as the re-valued benefits at date of ill-health retirement.	1.7	The reserve for this option is calculated as 0.5% of the reserve for the basic liability.

## Index-linking options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Flexible Protection Plan (Series 1 to 6)	Basic reserve: 119.2	On each third policy anniversary, a further policy may be affected 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: 12,448.6	Certain contracts include a guarantee where the index linked increases in deferment and in possession cannot fall below, or increase above, a specified rate, or include inflation underpin guarantees to fixed increases.	50.0	Four thousand real-world 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 80 <sup>th</sup> percentile 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, with a minimum total reserve of £50.0m applied if necessary. This resulted in a total gross reserve of £50.0m (almost all of which is reassured to LGPL).

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## 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: 898.4	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: 76.6	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: 320.9	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: 2,544.7  Basic reserve: 4,456.4	Under Investment Bond Series 1 and Portfolio Bond policies regular withdrawals may be taken by encashment of units at their bid value subject to a maximum of 7.5% of either the amount invested or the fund value. Under Series 2 contracts policyholders may elect to take a 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units, subject to a maximum of 4%.	Zero
Portfolio Bond (Series 5 to 10)	Basic reserve: 288.8	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: 2,559.0	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: 358.7	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: 4,336.0	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: 714.8	Each premium secures a guaranteed amount of annuity plus a cash sum upon retirement at age 70. The amount of benefit secured by each single premium is not guaranteed at inception. At maturity the total proceeds of a policy may be taken in cash form, on terms that are guaranteed, to purchase similar benefits from another insurer.	Implicit in the Basic reserve	See Section 4(1)(k)
Buy-Out Plan, Money Purchase Plan, High Performance Plan, Private Income Plan.	Basic reserve: 209.6	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: 469.9	The sum assured is guaranteed to be no less than the initial premium.	Implicit in the Basic reserve	Unit values have been reduced to 75% of their values at the valuation date.
Flexible Protection Plan (Series 1)	Basic reserve: 16.2	At the tenth or any subsequent policy anniversary, the policyholder may reduce the premium to £1 pa, the guaranteed sum assured to £50 and may then take a series of partial surrender values at regular intervals. The policy's share of the plan charge is reduced to zero.	Zero	No explicit provision is made as there is limited take-up of this option and the sum assured reduces to £50.
Build Up, New Cashbuilder, Other Endowment		<p>A loan option is available for up to 95% of the Surrender Value. The minimum loan, which can be taken, is £1000 initially, with further loans being a minimum of £500. Interest is charged 6 monthly in arrears, with repayment being made either throughout the term or at the end of the term.</p> <p>Under certain Build Up contracts a guaranteed maturity value has been granted after the endowment review process.</p>	<p>Zero</p> <p>3.5</p>	<p>No mathematical reserves are held – accounting provision is made instead.</p> <p>The maturity guarantee reserve is the difference between the maturity guarantee and the current basic sum assured plus bonuses declared at valuation date, discounted at the valuation rate of interest over the remaining term.</p>



Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Buy-Out Plan	Basic reserve: 170.0	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.	296.9	For the With Profit Buy Out Plan, the cost on the appropriate annuity valuation basis of providing any statutory Guaranteed Minimum Pension liability at Normal Retirement Date or earlier death is calculated and compared to the projected policy proceeds at the time of the claim. A reserve is held for any shortfall.  For the Non Profit Buy Out Plan (where the policy benefits are in terms of an annuity per annum at Normal Retirement Date as opposed to an accumulated fund as under the With Profit policy), the statutory Guaranteed Minimum Pension liability is purchased at outset and so no additional reserve is required.
Group Life, Group PHI, Group CIC	Premium: 354.2	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: 3.9	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: 238.8	The AMC is guaranteed until the member retires or transfers to another scheme.	Zero	No explicit provision is made. Changes in reserves are included in prudence margins.
US Universal Life Business - Banner	Basic reserve: 134.3	The US Universal Life Business tranche contains an interest rate guarantee which is contractually not less than 2%, 3% or 4% p.a. depending on the product type and vintage. The guarantee applies to future premiums via the Flexible Premium Option.	8.3	The expected cost of these guarantees is calculated using a stochastic model in which a number of scenarios are run. The provision included in the Peak 1 reserve is the most onerous expected investment cost less the intrinsic value of the guarantee. A prudent allowance is included for the risks inherent in the Flexible Premium Option.
US Universal Life Business - Penn	Basic reserve: 46.4	The US Universal Life Business tranche contains an interest rate guarantee which is contractually not less than 2%, 3% or 4% p.a. depending on the product type and vintage. The guarantee applies to future premiums via the Flexible Premium Option.	0.5	The expected cost of these guarantees is calculated using a stochastic model in which a number of scenarios are run. The provision included in the Peak 1 reserve is the most onerous expected investment cost less the intrinsic value of the guarantee. A prudent allowance is included for the risks inherent in the Flexible Premium Option.

### 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 (INSRU 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	2.8	2.1	4.9
Individual Products 1	1.0	47.0	0	48.0
Group Products 2	0.8	7.3	0	8.1
Individual Products 2	0.0	8.2	4.1	12.3
Unitised Life business:				
Non Profit Products 1	0.9	9.0	0	9.9
Non Profit products 2	2.5	24.5	0	27.0
With Profit Products 1	1.5	15.3	0	16.9
With Profit Products 2	4.3	28.8	0	33.1
Non-unitised business:				
All expenses attributable	54.7	63.7	n/a	118.3
Total	65.8	206.6	6.2	278.6

Note: Due to the rounding of figures to one decimal place, totals may appear not to sum correctly.

The pension business homogeneous risk groups are defined as Group business and Individual business, further split between type of administration system (denoted 1 or 2 above). The Group business is included in product codes 525, 535, 725, 735 and 755 and the Individual business in product codes 525 and 725.

The life business homogeneous risk groups are defined as non-profit business and with-profit business, further split between type of administration system (denoted 1 or 2 above). The non-profit business is included in product codes 365, 385, 700, 710, 715, 720, 795, 901 and 915 and the with-profit business in product codes 500, 505, 510, 515, 700, 710, 715 and 720.

- 6(2) Implicit allowances arise on non-linked and unit-linked contracts. For non-linked contracts, an implicit margin for future investment expenses is made when setting the valuation interest rate. For unit-linked contracts, the implicit margin is deemed to be the increase in the sterling reserve over the next 12 months. There is a small amount of business valued using a net premium approach, for which the margin between the net premium and gross premium has been ignored for the calculation of the amount given in 6(1) because it is immaterial.
- 6(3) The amount of maintenance expense at line 14 of Form 43 is £225.5m. The aggregate amount of expense loadings expected to arise in 2015 as calculated in 6(1) above exceeds this amount for the following reasons:
- the effect of one year's inflation on 2014 expenses;
  - the inclusion of prudential margins in the valuation expense assumptions;
  - the inclusion of amounts required to cover 2015 investment expenses in the figure calculated in 6(1) above of approximately £84.4m.
  - exclusion of non-recurring exceptional expenses.

- 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 £57.5m was held in this respect.

- 6(6) For unit linked business, the non-attributable expense reserve at the valuation date is set as the reserve required to meet any such expenses over the lifetime of the policies that are not deemed to be offset by emerging surpluses from that homogenous risk group.

The non attributable expense reserves at the valuation date were:

<b>Homogeneous Risk Group</b>	<b>£m</b>
Unitised Pension business:	
Group Products 1	8.0
Individual Products 1	0.0
Group Products 2	0.0
Individual Products 2	9.3
Unitised Life business:	
Non Profit Products 1	0.0
Non Profit products 2	0.0
With Profit Products 1	0.0
With Profit Products 2	0.0
<b>Total</b>	<b>17.3</b>

## **7. Mismatching reserves**

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

<b>Currency</b>	<b>Liabilities (£m)</b>	<b>Assets (£m)</b>	<b>Proportion</b>
Sterling	10,533	9,234	87.7%
US \$		378	3.6%
Euro		234	2.2%
Japanese Yen		148	1.4%
HK \$		75	0.7%
Australian \$		78	0.7%
Swiss Franc		56	0.5%
South Korean Won		31	0.3%
Taiwanese \$		30	0.3%
Canadian \$		24	0.2%
Indian Rupee		17	0.2%
Danish Krone		12	0.1%
Norwegian Krone		7	0.1%
Other		208	2.0%
Total	10,533	10,533	100.0%

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

- 7(3) A reserve has been created to cover the currency mismatch arising on business reinsured to the Society from William Penn Life Insurance Company of New York and Banner Life Insurance Company. This business is reinsured to its intra-group reinsurer Legal & General Pensions Limited (LGPL).

The currency mismatch reserve is calculated by taking 10% of the reserve to which the currency mismatch applies. A reserve of £28m gross of reinsurance (£0m at 31 December 2013), and £0m net of reinsurance (£0m at 31 December 2013) has been held. At 31 December 2013 a margin implicit in the valuation interest rate covered the currency mismatch.

For other business, 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) 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 £69.6m is held to cover this concession.

### **(ii) Reinsurance Default risk**

An additional reserve of £42.2m has been held to cover the costs to be met by Society in respect of the potential default of the Society's external reinsurance counterparties. The reserve has been calculated prospectively, by applying an annual default rate for each counterparty, to the estimated exposure to that counterparty in each year.

The projection of the estimated future exposure has been obtained by considering the amount of additional reserve that the Society would have to set up following reinsurer default. The rate used to discount future exposure is 1.50% – 2.25% 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.

### **(iii) Potential Policyholder Compensation**

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

Provision has also been made for the costs of compensation arising from sales of individual pensions contracts in connection with transfers and opt-outs from occupational pension schemes. Where redress has been made by increasing the value of the policyholder's contract with the Society, provision has been made by an increase in unit reserves. In cases where it is certain that the policyholders affected will be reinstated in their original occupational pension scheme a reserve equivalent to the cost of reinstatement on the basis prescribed is held. For those priority cases, where reinstatement is not yet certain reserves have been calculated as if policy benefits were equivalent to those offered by the occupational scheme. The value of these benefits has been calculated on a basis that is in accordance with the Government Actuary's letter to Appointed Actuaries dated 29 May 1997. The valuation rate of interest will not exceed that which would be determined according to the first method set out in that letter and with reference to the assets underlying the appropriate unit liabilities. An interest rate, net of price inflation, of 0.00% has been used (was 1.00% at 31/12/2013). 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 2014 is £201.8m.

### **(iv) EU Tax reclaims**

Additional reserves totalling £71.2m have been held 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.

**(v) With Profit Fund run off of expenses**

Additional expense reserves totalling £303.6m have been held in respect of the prudent additional cost of progressively increasing unit costs over the future run-off of the With Profit Fund.

The additional expense reserve has been calculated as the prudent projected costs in excess of existing unit costs that are expected to arise over the run off period of the With Profit Fund (prudently assuming no further management actions are taken to reduce projected expense levels).

**9. Reinsurance**

**9.(1)** 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.

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

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

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
<b>1</b>	<b>Critical Illness Insurance (Series 1 and 2)</b>  50% quota share of sums at risk with a maximum of 50% of £500,000	120	No	20	n/a
<b>2</b>	<b>Life Assurance Business (linked)</b>  Sums at risk in excess of the Society's retention	257	Yes	43	Up to £549,999
<b>3</b>	<b>Ordinary Life</b>  50% quota share over the Society's retention with a current maximum of 50% of £2.5m in respect of business from 1 July 1987, plus second surplus over the Society's retention with a maximum of £200,000 in respect of business written prior to that date.	8	No	2	n/a
<b>4</b>	<b>Flexible Mortgage Plan (Series 5 to 10) and Unit-Linked Term Assurance (Series 3)</b>  50% quota share of sums at risk on policies with Critical Illness benefit, with a maximum of 50% of £500,000 plus for business from 2 October 1995 100% of the excess with a maximum ceded of £5m (£3m in respect of business prior to 14 December 1998).	3,280	No	540	n/a
<b>5</b>	<b>Critical Illness Insurance (Series 3 &amp; 4)</b>  75% quota share of the first £500,000 sums at risk plus 100% of the excess with a maximum ceded of £5m (£2m in respect of business prior to 14 December 1998).	445	No	119	n/a
<b>6</b>	<b>Flexible Protection Plan (Series 6)</b>  75% quota share of the first £500,000 sums at risk plus 100% of the excess with a maximum ceded of £5m on policies with critical illness benefit (£3m in respect of business prior to 14 December 1998).	848	No	143	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
7	<b>Term Assurance/ Decreasing Term</b>  75% quota share with a current maximum of 75% of £200,000 in respect of business from 28 July 1997 (previously £250,000 in respect of business from 2 October 1995). In respect of business from 1 January 2000 quota share increased to 90%. This treaty does not cover policies where the sum assured increases annually in line with the Retail Prices Index.	14,490	No	24,102	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.	106	No	486	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.	655	No	2,357	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%.	3,783	No	19,207	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.	20	No	(6)	n/a
12	<b>Mortgage Payment Insurance</b>  85% quota share of the first £48,000 p.a. Prior to 20 May 2002 quota share was 75%.	1,785	No	60,348	n/a
13	<b>Term/Decreasing Term Assurance, Term/Decreasing Term Assurance with Critical Illness, Critical Illness/Decreasing Critical Illness.</b>  50% quota share of first £150,000, plus 100% of the excess with a maximum ceded of £3m in respect of Term business and 50% quota share of first £100,000, plus 100% of the excess with a maximum ceded of £1.5m in respect of Critical Illness business. Business transferred in from Alliance & Leicester Life Assurance Company.	609	No	3,181	n/a
14	<b>Term/Decreasing Term Assurance with Critical Illness.</b>  50% quota share of first £250,000 with a maximum ceded of £125,000 in respect of business from 18 January 2004, plus for business from 24 July 2005, 100% of the excess with a maximum ceded of £375,000 for personal cover and £875,000 for business cover.	4,385	No	(522)	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
15	<b>Family and Personal Income Plan with Critical Illness.</b>  50% quota share of first £2,000 per month with a maximum ceded of £1,000 per month in respect of business from 18 January 2004, plus for business from 24 July 2005, 100% of the surplus with a maximum ceded of £3,000 per month.	144	No	35	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.	18	Yes	(1,943)	Up to £50,000
17	<b>Ordinary Permanent Health Insurance</b>  Surplus over the Society's retention with a maximum of £10,200 p.a.	2	No	2	n/a
18	<b>Group Critical Illness</b>  50% quota share.	5,106	Yes	2,269	Up to £250,000
19	<b>Permanent Health Insurance (linked)</b>  75% quota share of the first £48,000 p.a. plus 100% of the excess, with a maximum ceded of £88,000 p.a.	508	No	15,657	n/a
20	<b>Term/Decreasing Term, with Critical Illness</b>  90% quota share of first £500,000 plus 100% of excess with a maximum ceded of £1 m. This treaty does not cover policies with the option to convert to whole life or endowment assurance without further medical evidence.	4,097	No	10,943	n/a
21	<b>Income Protection Benefit</b>  85% quota share of first £12,000 p.a. plus 100% of the excess with a maximum ceded of £118,200 p.a.	1,299	No	27,252	n/a
22	<b>Voluntary Group Life</b>  50% quota share.	454	Yes	190	Up to £75,000
23	<b>Whole of Life</b>  50% quota share of first £20,000 with a maximum ceded of £10,000 in respect of business from August 2004.	323	No	1,959	n/a
24	<b>Whole of Life</b>  Surplus over the Society's retention with a maximum ceded of £4,550,000 in respect of business from 22 May 2005.	77	No	(947)	n/a
25	<b>Term Assurance</b>  90% quota share of the first £200,000 with a maximum ceded of £180,000 in respect of business from 18 March 2007.	16,594	No	53,809	n/a
26	<b>Term Assurance with Critical Illness</b>  50% quota share of first £200,000 with a maximum ceded of £100,000 in respect of business from 18 March 2007.	915	No	1,937	n/a



	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
27	<b>Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness.</b>  Combination of treaties with varying proportions of reinsurance, some on a surplus only basis and others on a 90% quota share basis.	3,564	No	12,261	n/a
28	<b>Income Protection Business</b>  From January 2010, 85% quota share on the first £12,000 pa, then 100% of the excess with maximum ceded of £198,200 p.a.	3,380	Yes	10,119	Up to £1,800 p.a.
29	<b>Term Assurance with Critical Illness</b>  From 20 June 2011, 90% quota share of the first £500,000 plus 100% of excess for Reviewable CIC with a maximum ceded of £2,950,000. From 19 September 2011, 90% quota share of the first £500,000 plus 100% of excess for Guaranteed CIC.	17,049	Yes	70,554	Up to £50,000
30	<b>Family and Personal Income Plan with Critical Illness</b>  From 20 June 2011, 90% quota share of first £500,000 plus 100% of the excess, with a maximum ceded of £2,950,000 for Reviewable CIC on an equivalent lump sum basis. From 19 September 2011, 90% quota share of first £500,000 plus 100% of the excess, with a maximum ceded of £2,950,000 for Guaranteed CIC on an equivalent lump sum basis.	813	Yes	1,327	Up to £375 p.m.

#### 9. (d) B. Munich Reinsurance Company (Life)

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
31	<b>Term Assurance/Decreasing Term</b>  Surplus over the Society's retention with a maximum of £5m in respect of business from 1 <sup>st</sup> January 1995. For Level and Decreasing Term from 28 July 1997 where the original sum assured exceeds £200,000, 75% quota share of first £500,000 plus 100% of excess, with a maximum ceded of £5m. In respect of business from 30 July 2000 the quota share for Level and Decreasing Term increased to 90%. From 17 June 2001, this treaty includes Level & Decreasing Term, where the original sum assured is less than £200,000 on 90% quota share. This treaty does not cover policies with the option to convert to a whole life or endowment assurance without further medical evidence.	17,403	No	50,222	n/a
32	<b>Family and Personal Income Plan</b>  90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on an equivalent lump sum basis.	443	No	0	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
33	<b>Level Term Assurance</b>  90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £5m in respect of business from 18 <sup>th</sup> March 2007. Since November 2007 the maximum ceded has increased to £10m	16,240	No	67,521	n/a
34	<b>Guaranteed Acceptance Plan</b>  From 1 July 2013, 50% quota share of first £20,000 with a maximum ceded of £10,000.	532	Yes	36,428	Up to £10,000

#### 9. (d) C. RGA International Reinsurance Company Ltd (UK Branch)

- (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.	3,477	No	17,700	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.	84	No	(41)	n/a
37	<b>Group Life/WOPs</b>  Surplus over the Society's retention with minimum of £1 and maximum of £8.75m	1,998	Yes	1,047	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	<b>Term Assurance/ Decreasing Term with Critical Illness</b>  For contracts where the original sum assured is less than £200,000, 90% quota share with a current maximum of 90% of £200,000. This treaty does not cover policies with an option to convert to whole life or	15,123	No	69,325	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
	endowment assurance without further medical evidence.				
39	<b>Family Income Benefit with Critical Illness</b>  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.	162	No	0	n/a

**9. (d) E. RGA International Reinsurance Ltd (UK Branch), RGA Americas Reinsurance Co. Ltd, Sun Life Assurance Co. of Canada (Barbados), Partner Reinsurance Co. (Zurich)**

(l) RGA International 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	<b>Term Assurance/ Decreasing Term with Critical Illness</b>  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.  The treaty is shared 10%:20%:35%:35% between the reinsurers as listed in (E) above.  From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.  From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.	2,352	No	11,780	n/a
41	<b>Family and Personal Income Plan with Critical Illness</b>  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.  The treaty is shared 10%:20%:35%:35% between the reinsurers as listed in (E) above.  From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.  From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.	77	No	(5)	n/a

**9. (d) F. RGA International Reinsurance Company Ltd (UK Branch), RGA Americas Reinsurance Co. Ltd, Partner Reinsurance Co. (Zurich)**

(l) RGA International 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>	12,502	No	44,303	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>	82	No	(35)	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>	4,559	No	11,826	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>	45	No	(10)	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 £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>	793	No	2,515	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
47	<p><b>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>	48	No	(3)	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>	1,573	No	3,937	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>	12	No	1	n/a

**9. (d) G. RGA International Reinsurance Company Ltd (UK Branch), RGA Americas Reinsurance Co. Ltd**

- (l) RGA International 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>	1,748	No	4,286	Up to £375 p.m.
51	<p><b>Whole of Life</b></p> <p>From 1 August 2013, 100% quota share with a maximum ceded of £5m on any one case. This treaty is solely with RGA International.</p>	276	Yes	19,431	£0

**9. (d) H. Swiss Reinsurance Company, Swiss Re Europe S.A. UK Branch, RGA Americas Reinsurance Co. Ltd, Hannover Life Reassurance (Ireland) Ltd, RGA International Reinsurance Company Ltd (UK Branch).**

(l) Swiss Re Europe S.A. UK Branch and RGA International 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
52	<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 International before 14 September 2003. Business ceded with RGA International and RGA Americas Reinsurance is reassured under a single treaty. No business was reassured to RGA International or RGA Americas Reinsurance after 17 September 2006.</p>	106,756	No	375,404	n/a
53	<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 International before 14 September 2003. Business ceded with RGA International and RGA Americas Reinsurance is reassured under a single treaty. No business was reassured to RGA International or RGA Americas Reinsurance after 17 September 2006.</p>	4,381	No	210	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
54	<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>	9,300	No	18,189	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
55	<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.	100	No	30	n/a
56	<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
57	<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.	9,093	No	47,263	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
58	<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.	8,012	No	12,358	n/a
59	<b>Whole of Life</b>  From 20 April 2009 50% quota share of first £20,000 with a maximum ceded of £10,000.	111	No	1,089	Up to £10,000
60	<b>Guaranteed Acceptance Plan</b>  From 7 June 2009, 50% quota share of first £20,000 with a maximum ceded of £10,000.	2,400	No	18,756	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
61	<b>Decreasing Term Assurance</b>  From 18 March 2007, for contracts where the original sum assured is greater than or equal to £200,000, 90% quota share of the first £500,000 and then 100% of the excess with a maximum ceded of £5m on any one case. From November 2007, the maximum ceded increased to £10m.	3,409	No	9,059	n/a
62	<b>Family and Personal Income Plan</b>  90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on an equivalent lump sum basis.	1,094	No	1,692	n/a
63	<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.	22,994	Yes	95,550	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
64	<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.	1,519	No	1,913	n/a
65	<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.	847	No	1,477	n/a
66	<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.	615	No	1,105	n/a
67	<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).	4,536	No	9,807	n/a



**9. (d) N. Swiss Re Europe S.A. UK Branch, RGA International Reinsurance Company Ltd (UK Branch), RGA Americas Reinsurance Co. Ltd, Munich Reinsurance Company (Life), Partner Reinsurance Co. (Zurich)**

(l) Swiss Re Europe S.A. UK Branch, RGA International 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
68	<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.	82,852	No	296,885	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, Hannover Life Reassurance (Ireland) 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. 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
69	<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.	62,278	Yes	461,301	Up to £50,000
70	<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.	3,677	Yes	11,708	£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
71	<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.	9,638	No	20,412	Up to £100,000
72	<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.	305	No	313	Up to £1,000 pm
73	<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.	7,495	No	15,551	Up to £50,000
74	<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.	148	No	19,641	Up to £375pm
75	<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.	3	No	58	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
76	<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.	9,498	No	24,185	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
77	<b>Whole of Life</b>  From 20 July 2008, 90% quota share on the first £500,000, plus 100% of the excess, with a maximum ceded of £5m on any one case.	1,690	No	(56,673)	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
78	<b>Segregated Fund</b>  All business.	0	Yes	0	£0
79	<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.	2,075,260	Yes	6,962,673	£0
80	<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.	2,831	Yes	61,499	£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
81	<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.	7,594	Yes	104,118	£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
82	<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.	13,496	Yes	136,326	£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
83	<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.	10,071,351	Yes	44,870,881	£0

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

Reinsurance Syndicate	Share to 14 October 2014				Share to 14 October 2015			
	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m
AIG Europe Ltd	8.1%	8.1%	8.1%	8.1%	7.2%	7.2%	7.2%	7.2%
Beazley 3623	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%	8.0%	8.0%
Argo 1200	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Sirius 1945	3.2%	3.2%	3.2%	3.2%	3.1%	3.1%	3.1%	3.1%
AWAC	7.3%	7.3%	7.3%	7.3%	7.2%	7.2%	7.2%	7.2%
Markel 3000	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Arch Re	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Amlin Bermuda	1.6%	1.6%	1.6%	1.6%	1.4%	1.4%	1.4%	1.4%
Partner Re	6.0%	6.0%	6.0%	6.0%	5.9%	5.9%	5.9%	5.9%
Axis Re	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%
HCC International	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Liberty 4472	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
AmTrust 1206	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Torus 1301	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Atrium 609	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Pembroke 4000	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
RMA, on behalf of Toa Re	2.4%	2.4%	2.4%	2.4%	2.2%	2.2%	2.2%	2.2%
Lansforsakringar	0.8%	0.8%	0.8%	0.8%	0.6%	0.6%	0.6%	0.6%
Advent 780	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%
Hardy 382	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
ARK 4020	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Kiln 510	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Transatlantic Re	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
Hiscox 566 (Lineslip)	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%

<b>Acappella Consortium (Lineslip)</b>	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
<b>ANV 1861</b>	-	-	-	-	1.0%	1.0%	1.0%	1.0%
<b>Zon Re, on behalf of Lloyd's syndicates</b>	-	-	-	-	2.4%	2.4%	2.4%	2.4%
<b>RMG, on behalf of Sirius</b>	-	-	-	-	0.0%	0.0%	0.0%	0.0%
<b>Zon Re, on behalf of Chubb &amp; Son</b>	2.4%	2.4%	2.4%	2.4%				
<b>TOTAL</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(l) The reinsurers are a combination of those authorised to carry on insurance business in the United Kingdom, EEA or overseas Reinsurer.

(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
84	<p><b>Group risk catastrophe excess of loss</b></p> <p>This treaty became effective on 1 September 2011, renewed in 2014 and remains in force until 14 October 2015. It covers business written to the Group and Individual Life account and the Group Income Protection Account.</p> <p>The reinsurance limits are:</p> <ul style="list-style-type: none"> <li>• A maximum of £200m with an excess of £50m per event.</li> <li>• A maximum of £1.25m per person for Life.</li> <li>• A maximum of £6.375m per person for Group Income Protection.</li> <li>• A minimum of 8 lives per event.</li> </ul> <p>The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.</p>	1,654	Yes	n/a	n/a

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

Reinsurance Syndicate	
ARK	42.5%
Beazley	13.0%
Argo	12.8%
Kiln	7.8%
Pembroke	8.5%
Atrium	8.5%
Sirius	2.0%
Axis Re SE, Eire	5.0%
Total	100.0%

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
85	<p><b>Group Permanent Health Insurance</b></p> <p>Surplus cover of 90% for annual benefits above 80k where the life is medically underwritten.</p>	697	Yes	1,293	-

**9. (d) Y. Marias Falls Insurance Co, Limited of Hamilton, Bermuda**

(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
86	<p><b>Group Permanent Health Insurance, Claims in Payment</b></p> <p>The treaty came to effect December 2012 and remains in-force in perpetuity until expiry of ceded liabilities or cancellation of treaty.</p> <p>The future income benefits of a closed group of claimants (DHL Supply Chain UK) are entirely reinsured.</p>	0	No	8,647	n/a

#### 9. (d) Z. HSBC Life (UK) Limited

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
87	<p><b>Linked Pensions Unit Liabilities</b></p> <p>All liabilities under the Amanah fund</p>	543	Yes	1,947	£0

#### 9. (d) AA. Threadneedle Pensions Ltd

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom  
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
88	<p><b>Linked Pensions Unit Liabilities</b></p> <p>All liabilities under the Cautious Pathway fund, Balanced Pathway fund, Adventurous Pathway fund, UK Equity fund, Property fund, Multi Asset fund, Mixed fund and the Company 1 Property fund</p>	5,835	Yes	27,436	£0

#### 9. (d) AB. Allianz Global Life Limited

- (l) The reinsurer is authorised to carry on insurance business in the EEA  
(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
89	<p><b>Group Life Assurance, Dependants and Orphans Pensions and Group Income Protection</b></p> <p>Proportional reinsurance varying by each scheme. The</p>	11,404	Yes	7,780 6,319 (PHI claims still	£0

proportion ceded may vary up to 100% depending on each scheme and nature of cover.			in-force)	
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- (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 2014 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 19 February 2015.

For With Profit Annuity the reversionary bonus rates shown for 2014 are those which apply to policies for one year from the renewal date of the policy on or after 1 April 2015, and similarly for 2013.

	Mathematical Reserves	% Reversionary Bonus Rate for	% Reversionary Bonus Rate for	% Total Guaranteed Bonus Rate for
(e) Bonus series	(£000)	2014	2013	2014
<b>INDIVIDUAL NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	2,301	0.00	0.00	3.98
<b>Personal Retirement Plan</b>				
<b>Year of premium payment:</b>				
1972 – 1995	628,956	0.00	0.00	0.00
1996	7,864	0.25	0.25	0.25
1997	7,456	0.25	0.25	0.25
1998	7,094	0.25	0.25	0.25
1999 – 2000	12,088	0.25	0.25	0.25
2001	6,166	0.25	0.25	0.25
2002	6,483	1.00	1.25	1.00
2003	4,729	1.25	1.50	1.25
2004	4,228	0.75	0.75	0.75
2005	4,521	0.25	0.25	0.25
2006 - 2007	6,801	0.25	0.25	0.25
2008	3,048	0.75	0.75	0.75
2009	3,163	2.25	2.25	2.25
2010	3,033	1.75	2.00	1.75
2011	2,888	1.75	1.75	1.75

	<b>Mathematical Reserves</b>	<b>% Reversionary Bonus Rate for</b>	<b>% Reversionary Bonus Rate for</b>	<b>% Total Guaranteed Bonus Rate for</b>
<b>(e) Bonus series</b>	<b>(£000)</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
2012	2,600	2.50	2.50	2.50
2013	2,336	2.25	2.25	2.25
2014	1,298	2.25	n/a	2.25
<b>Buy Out Plan</b>				
Year of premium payment:				
1985 – 1992	336,451	0.00	0.00	5.00
1993	58,230	0.00	0.00	4.50
1994	22,456	0.00	0.00	0.00
1995	6,826	0.00	0.10	1.30
<b>With Profit Annuity</b>				
03/04/2000-17/03/2002	20,508	2.00	0.50	2.00
28/02/2002-18/04/2003	28,209	2.00	0.80	2.00
01/04/2003-29/11/2003	4,811	2.00	0.75	2.00
12/11/2003-18/08/2006	109,491	1.71	0.50	1.71
01/08/2006-05/12/2007	46,671	1.50	0.50	1.50
18/11/2007-20/01/2012	76,681	1.88	1.30	1.88
03/01/2012-18/07/2012	6,363	1.75	1.75	1.75
01/07/2012 – 28/01/2013	4,543	1.75	1.50	1.75
12/12/2012 – 30/04/2013	467	1.75	1.50	1.75
<b>Pre-1972 Personal Pensions</b>				
34				
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				
- on participating sum assured or annuity		0.50	0.50	0.50
- on bonuses already attaching		0.50	0.50	0.50
<b>Other Assurances and Deferred Annuities</b>				
777,326				
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): ANNUAL PREMIUM POLICIES</b>				
Flexible Mortgage Plan (Series 2, 4 & 5), Prospects	56,674	2.70	2.62	2.70
Flexible Mortgage Plan (Series 10 & 12)	95,802	2.35	2.32	2.35
Flexible Protection Plan (Series 3 & 4)	7,309	3.66	3.63	3.66
New Savings Plan (Series 1)	188	2.03	2.01	2.03
Flexible Mortgage Plan (Series 6 & 8)	152,293	1.08	1.30	2.13
Flexible Protection Plan (Series 5)	167	2.26	2.51	3.31
New Savings Plan (Series 2)	1,096	0.97	1.25	2.02
Regular Savings Plan (Series 1)	437	0.65	0.88	1.70
<b>UNITISED WITH-PROFITS POLICIES (LIFE): SINGLE PREMIUM POLICIES</b>				
Capital Investment Portfolio (Series 1)	27,132	2.35	2.31	2.35
Capital Investment Portfolio (Series 5)	59,323	1.75	1.50	1.75
Capital Investment Portfolio (Series 7)	236,133	2.47	2.05	2.47
With-Profit Bond (Series 1 & 4)	1,386,130	2.71	2.51	2.71
With-Profit Bond (Series 2, 3 & 5)	1,125,472	1.57	1.55	1.57



	<b>Mathematical Reserves</b>	<b>% Reversionary Bonus Rate for</b>	<b>% Reversionary Bonus Rate for</b>	<b>% Total Guaranteed Bonus Rate for</b>
<b>(e) Bonus series</b>	<b>(£000)</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
With-Profit Bond (Series 6)	18,008	2.48	2.36	2.48
With-Profit Bond (Series 7)	17,496	2.03	2.11	2.03
Capital Investment Portfolio (Series 6)	89,292	0.39	0.69	1.44
With-Profit Bond (Series 8 & 9)	50,667	4.46	4.31	4.46
With-Profit Bond (Series 10 & 11)	112,347	2.27	2.33	2.27
With-Profit Bond (Series 12 & 13)	22,828	4.83	4.69	4.83
With-Profit Bond (Series 14 & 15)	172,789	2.59	2.67	2.59
With-Profit Bond (Series 16 - 19)	194,047	1.94	1.95	1.94
<b>UNITISED WITH-PROFITS POLICIES (PENSIONS):</b>				
Trustee Investment Plan 1999 (Series 1)	170	0.00	0.00	0.00
Trustee Investment Plan 1999 (Series 2)	0	2.00	2.12	2.00
Personal Pension Plan 2000	35,908	2.69	2.65	2.69
Group AVC 2002 (Series 1)	262	2.66	2.62	2.66
Company Pension Scheme	3,175	2.14	1.90	2.14
Other contracts				
- without Contractual Minimum Addition				
Initial Units - Generation 2 & 4	7,346	0.00	0.00	0.35
Initial Units - Generation 5	21,511	0.00	0.00	0.61
Initial Units - Generation 6	27,473	0.00	0.00	0.18
Accumulation units	2,806,786	1.34	1.32	3.00
- with Contractual Minimum Addition				
Initial units	2,454	0.00	0.00	0.00
Accumulation units	242,753	0.69	1.01	1.99
<b>GROUP NON-LINKED POLICIES:</b>				
<b>Private Income Plan</b>	53,650	0.48	0.49	3.47
<b>High Performance Pension Plan</b>				
Premium Paying	161	0.00	0.00	4.25
Paid up	4,747	0.00	0.00	4.25
<b>Money Purchase Plan</b>				
Approved	1,653	0.01	0.01	4.47
Unapproved	0	0.00	0.00	0.00
<b>Money Purchase Pension Plan (In Payment)</b>	996	0.25	0.25	0.25
<b>1971 Bonus System</b>	417	0.00	0.00	0.00
<b>1980 Bonus System</b>				
Approved policies	101,897	0.98	0.92	1.15
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 2014”.

**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 2014**

**Introduction**

- 1(1) The valuation to which this actuarial investigation relates is 31 December 2014.
- 1(2) The previous valuation related to 31 December 2013.
- 1(3) An interim valuation was carried out as at 30 June 2014.

**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 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	Annuity Business	Other Business	Annuity Business	Other Business
Investment Return	% p.a.	% p.a.	% p.a.	% p.a.
- Fixed Interest and RPI Linked:				
Gilts and Approved securities	Note 2	Note 1	3.36	Note 1
Unapproved securities	Note 2	Note 1	3.36	Note 1
- Equities and Property	Note 2	Note 1	Not applicable	Note 1
Risk Discount Rate	Note 2	Note 1	4.61	Note 1
Inflation				
- Expenses / earnings	Note 2	Note 1	4.10	Note 1
- Indexation	Note 2	Note 1	3.60	Note 1

Note 1: For Linked business the long term investment return, risk discount rate and expense inflation are derived based on a full yield curve. The risk discount rate is based on the long term investment return curve + 1.25%

Note 2: Not applicable since non-par annuities were transferred out of the WP fund on 1 July 2014

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

**With-Profits Benefits Reserve Liabilities**

- 3(1) Method 1: A retrospective method has been used for all significant classes of with-profits insurance contracts. For Traditional With-Profits 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).

For Unitised With-Profits contracts, the calculation of the above asset share is still carried out, but the With-Profits Benefit Reserve for these contracts is defined as an accumulation of the allocated premiums less policyholder deductions, less partial withdrawals and transfers to shareholders, using the above asset share investment return with an adjustment applied. This adjustment is defined by reference to the Surplus Yield Adjustment, which is backsolved so that the accumulation of the above cashflows at the adjusted investment return converges to the asset share at maturity (or at a fixed term for policies without a maturity date, for example, fifteen years for many bonds). In this way, all expenses and other non-economic profits and losses are spread evenly over the assumed term of the contract. This definition of the With-Profits Benefit Reserve is used to manage payouts on Unitised With-Profits business.

The level of initial and renewal expenses on certain classes of business within asset share calculations 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, except for new business sold from 1 July 2012, where initial expenses in excess of the cap are charged to the shareholder's 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 and Contractual Minimum Addition are not bonus, and so do 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	901	21
Unitised Bonds with guaranteed annual increments #	125	6
Unitised Bonds without guaranteed annual increments	3,932	-44
Regular Premium unitised life business with guaranteed annual increments #	202	-6
Regular Premium unitised life business without guaranteed annual increments	225	-7
Unitised Pensions with guaranteed annual increments #	3,596	76
Unitised Pensions without guaranteed annual increments	563	51
Personal Retirement Plan	273	377
Buy Out Plan	132	230
Adaptable Funding Contract	49	14
With Profit Annuities	350	35
Other	100	291
Total	10,449	1,043

# 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	99.5%	0.5%

- 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	67,099	67,099
Unitised Life business	9,337,370	137,272
Unitised Pensions business	187,504	193,211
Personal Retirement Plan	16,312	141,889
Buy Out Plan	5,893	5,893
Adaptable Funding Contracts	58	37
With Profit Annuities	8,737	12,746
Total	9,622,973	558,147

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) The With-Profits Benefits Reserve for Unitised With-Profits contracts has been changed in this valuation to reflect the calculation described in 3(1) above. The new calculation is consistent with the amounts used to manage this type of business. Credit has been taken in the future policy related liabilities for the present value of Surplus Yield Adjustments to be deducted in future from the With-Profits Benefit Reserve.

- 4(3)(a) The most recent expense investigation was carried out as at 31 December 2014.

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 2014:

Expenses allocated to with-profits benefits reserve (£m)	Initial expenses	Maintenance expenses	Total expenses
Conventional Life	0.0	9.1	9.1
Unitised Life	0.7	17.2	18.0
Unitised Pensions	0.7	9.9	10.5
Personal Retirement Plan	0.0	1.4	1.4
Buy Out Plan	0.0	0.8	0.8
Adaptable Funding Contracts	0.0	1.8	1.8
With Profit Annuities	0.0	0.4	0.4
Total	1.4	40.7	42.1

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.

An additional Peak 2 liability of £36m has been held in respect of the expected additional cost for all with profits (£15m for participating and £21m for non-profit) business of progressively increasing unit costs over the future run-off of the fund. This approach will be reconsidered for future reporting exercises in the light of any mitigating management actions, for example in relation to a potential future expense deal with the shareholder.

Certain expenses charged to asset shares 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. From 2014, unit costs in respect of pension scheme deficit contributions are assumed to be capped at 2013 levels plus RPI. Where expenses are not capped the same expense deductions are applied to asset shares 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.

For new business sold from 1 July 2012, initial expenses in excess of the cap will be charged to the shareholder's fund.

For unitised with-profits business, the charging of expenses to the with-profits benefit reserve happens implicitly via the Surplus Yield Adjustment deduction from asset share investment return (see 3(1)).

4(3)(c)(iv) Expenses in excess of expense caps and certain categories of exceptional expenses are not allocated to the with-profits benefits reserve. The amounts of these incurred in 2014 are given in the table below.

Expenses allocated to other than with-profits benefits reserve	Amounts (£m)	Comments
Conventional Life / Personal Retirement Plan / Buy Out Plan	3.3	Expenses and compensation arising from reviewing mortgage endowments and other complaints.
Unitised Life	3.6	Expense Caps; Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Pensions	7.2	Expense Caps; Expenses and compensation arising from Pensions Review and other complaints;
Total	14.1	

4(4) A charge is deducted from the with-profits benefits reserve for Buy Out Plans. This deduction is in respect of the guarantee to pay Guaranteed Minimum Pensions. The amount of the charge was £0.6m (2013: £0.7m).

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 may be in respect of investment guarantees at their fifth policy anniversary, their tenth policy anniversary or both. The amount of the charge was £3.5m (2013: £6.1m).

During 2005 Society introduced a potential charge to the with-profits benefits reserve based on changes in the value of options and guarantees on with-profits participating business. Should the value of options and guarantees, after adjustment for guarantee costs met, new business and for the movement in the value of assets backing guarantee liabilities, increase when compared to the value assessed as at 30 June 2005 then Society has the right to make a charge equal to the value of that increase. Should the value of guarantees and options subsequently fall then, subject to it being prudent to do so, Society expects to refund the value of this reduction. This charge also known as DROGO (deduction in respect of guarantees and options) is limited to a maximum of 0.75% p.a. of the with-profits benefit reserve.

The valuation at 31 December 2014 reflects discontinuance of the DROGO mechanism after the Board had approved the final refund of 55bps representing the refund of the remaining past accumulated charges.

A charge of 1.25% was also levied on all Unitised With-Profits policies at 31 December 2014 to adjust their asset shares in respect of unrecovered expenses on future claims so that fairness between different groups of with-profits policies can be maintained.

- 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 2012	Ratio for claims in 2013	Ratio for claims in 2014
Death claims	126%	120%	116%
Surrender claims	103%	101%	99%
Maturity claims	106%	103%	103%

- 4(7) The mix of assets backing the asset shares during 2014 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 31/12/2014	Investment Return gross of tax, gross of investment expenses 1/1/2014 to 31/12/2014	Average With-Profit Benefit Reserve 1/1/2013 to 31/12/2014**	Weighted Return *	
With Profit Annuities (fixed part)	100% invested in fixed interest	92,768	14.72%	92,253	0.1285%	
With Profit Annuities (non-fixed part)	100% invested in 'real' assets (equities and property)	257,702	6.62%	256,754	0.1608%	
Group Pensions contracts (1980 Bonus Series) eligible for Contractual Annual Interest	50% invested in fixed interest and 50% in 'real assets'	1,453	10.59%	2,343	0.0023%	
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 and Unitised With-Profits pensions contracts with CAI will have a further 5% more invested in fixed interest securities	47,466	10.11%	45,620	0.0437%	
Personal Retirement Pension contracts		278,695	10.14%	280,942	0.2697%	
Conventional Section 32 Buy-Out Plans		134,654	10.14%	139,567	0.1340%	
Other Conventional Pensions contracts		29,119	10.15%	30,658	0.0295%	
Unitised With-Profits Pensions contracts CAI		3,322,080	10.46%	3,215,414	3.1816%	
Unitised With-Profits Pensions contracts non-CAI		854,004	10.14%	860,568	0.8262%	
Conventional Life contracts		946,745	8.20%	1,192,103	0.9256%	
Unitised With-Profits Life contracts excluding those listed below		2,133,899	9.37%	2,109,997	1.8705%	
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, with a similar real asset mix to the products above.	1,073,097	10.20%	1,055,672	1.0192%
Income Bonds pre April 2002		5% more than Unitised With-Profits Life contracts in the above, in fixed interest, with a similar real asset mix to the products above.	626,383	9.65%	625,437	0.5714%
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.	18,879	10.18%	19,257	0.0186%	
- Income Bonds - Other Bonds		22,094	9.35%	22,569	0.0200%	

With-profits insurance contract type	Asset Mix currently applied to determine investment returns	With-Profit Benefit Reserve at 31/12/2014	Investment Return gross of tax, gross of investment expenses 1/1/2014 to 31/12/2014	Average With-Profit Benefit Reserve 1/1/2013 to 31/12/2014**	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	Fixed interest – the Capital Protection Plus Growth Bond and the Capital Protection Growth Bond have 5% more invested in fixed interest than the standard growth bond, with a corresponding reduction in the real asset mix.	116,143	10.34%	115,211	0.1127%
- Other Bonds		493,772	10.10%	501,818	0.4798%
Total		10,448,953		10,566,183	9.7940%

\* 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 9,622,973. These are represented by 1,730 model points.

For each class of with-profits insurance contracts which is grouped, cash-flow projections are carried out on the grouped data on a number of bases. These projections are compared to similar projections carried out on data that has been grouped much more finely to ensure that significant attributes have not been lost. In addition key variables such as numbers of contracts, sums assured and regulatory reserve are compared to the results from ungrouped data.

- 6(3) There are no significant changes to the valuation methods for valuing the costs of guarantees, options and smoothing since the previous valuation.
- 6(4)(a)(i) The following types of guarantees, options and smoothing have been valued using a full stochastic approach.

#### **Maturity Guarantees**

These take the form of a minimum amount of benefit, including the addition of annual bonuses, which is guaranteed to be payable on maturity of the contract. In some cases the minimum amount of benefit may be expressed in the form of a guaranteed amount of annuity benefit.

## **Surrender Guarantees**

These take one of the following forms:

A guaranteed amount of the single premium less withdrawals payable on surrender from the tenth anniversary for certain With-Profits Bond contracts sold before April 2002.

A guaranteed amount of the single premium less withdrawals payable on surrender at a fixed date which is ten years after the date of initial allocation for certain With-Profits Bond contracts sold from October 2003.

For Capital Protection Bonds, launched in May 2008, a guaranteed amount of single premium less withdrawals is payable on surrender at a fixed date which is ten years after the date of initial allocation. The same guarantee may also apply five years after the date of initial allocation, if selected by the policyholder at outset. There is a charge for this guarantee if selected.

For Capital Protection Plus Bonds, launched in November 2008, a guaranteed amount is payable on surrender at a fixed date which is ten years after the date of initial allocation. The guaranteed amount is 120% of single premium less withdrawals. An optional guarantee payable at the fifth anniversary date of 110% of single premium less withdrawals may be selected by the policyholder at outset. Charges are payable for both these guarantees.

For Capital Control Bonds, launched in March 2010, a guarantee applies whereby the benefit is topped-up (without requiring the contract to be surrendered) if it is lower than the guaranteed amount. This top-up will occur at fixed dates which are 5 or 10 years after the date of initial allocation. The default guarantee is 100% of single premium less any withdrawals at 10 years, with optional guarantees of 110% (of single premium less withdrawals) at 10 years, or 100% at both 5 and 10 years, or 100% at 5 years and 110% at 10 years. Charges are payable for these guarantees.

This guarantee top-up cost is captured as a reduction to the value of future guarantee charge.

## **Death Guarantees**

These take the form of a minimum amount of benefit which is guaranteed to be payable on death. In some cases the minimum amount of benefit may be expressed in the form of a guaranteed amount of annuity benefit.

## **Annuity Guarantees**

Certain older pensions contracts contain a guaranteed annuity option at retirement.

For Personal Retirement Plan contracts the benefit which is guaranteed to be payable at retirement may be taken as either a guaranteed cash amount or a guaranteed annuity.

## **Smoothing**

Smoothing costs reflect the extent to which maturity, and for some classes of business surrender, payouts are smoothed from year to year. The cost reflects the difference between the amounts paid out and the higher of the guaranteed benefit and the relevant with-profits benefits reserve at the time, and may be positive or negative.

The table below demonstrates the extent to which guarantees are in or out of the money. The values shown are:

- The Intrinsic Guarantee cost. This represents the cost of the relevant guarantee when future investment conditions are assumed to be equal to the risk free rate of return for all asset classes.
- The Intrinsic Headroom. This represents the value of the amount by which the projected with-profits benefits reserve exceeds the projected guarantee amount, for guarantee points where the projected with-profits benefits reserve exceeds the projected guarantee. This figure is calculated on the same basis as the Intrinsic Guarantee cost.

£m	Intrinsic Guarantee cost	Intrinsic Headroom
Maturity Guarantee	399	646
Surrender Guarantee	6	791
Death Guarantee	8	Not applicable
Annuity Guarantees	185	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 v7.4.1 was used to generate the stochastic scenarios.

The UK nominal yield curve was calibrated to gilts + 10bps. The Bank of England nominal gilt yield curve was used for terms up to 25 years and thereafter, the tail was fitted to Strips. After 43 years, it was extrapolated using the Smith-Wilson method. Interest rate volatilities were calibrated, using the Enhanced LIBOR Market Model, to at-the-money swaption market data, again using the fitted curves for later years. Real interest rates were calibrated, using a 2-factor Vasicek model, to the Bank of England Inflation curve. Real rates are modelled implicitly as the difference between nominal yield and inflation.

Corporate bonds were modelled using a Jarrow, Lando & Turnbull model. Credit spreads were calibrated, by credit rating, to a market portfolio of bonds and transition probabilities were calibrated to historical data.

Equity volatilities were calibrated using the Stochastic Volatility Jump Diffusion model. Volatilities were fit to market option implied volatilities for a range of strike prices and durations up to 10 years and extrapolated thereafter. Property was modelled as a constant volatility equity-type asset. As there are no meaningful property options prices, volatility was calibrated to historic data from the IPD All UK Property Index, with volatility increased to 15% to counteract assumed smoothing bias in the data.

The model was calibrated to produce best estimate correlations between asset classes using market data from 1900 to 2014. The table below shows typical mean values for output correlations between the returns in excess of risk-free for various asset classes:

Asset	Property	Govt bonds	Overseas Equities	Nominal Short Rate	Corporate Bonds
UK Equities	0.33	0.15	0.76	-0.04	0.25
Property		0.11	0.15	-0.04	0.15
Govt bonds			0.15	-0.40	0.95
Overseas Equities				-0.05	0.24
Nominal Short Rate					-0.38

## 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	1.31%	2.35%	2.73%	2.64%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	937,218	706,315	509,570	401,165	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	74,775	207,441	296,230	387,647	177,573	351,708	458,309	575,350	533,505	708,119	839,918	985,789
3	FTSE All Share Index (p=0.8)	71,834	182,121	241,079	301,130	171,054	310,537	374,469	449,228	516,792	631,347	690,501	778,090
4	Property (p=1)	30,857	109,344	190,277	261,695	132,054	246,032	350,190	436,919	522,322	621,058	742,526	838,598
5	Property (p=0.8)	28,546	87,952	139,469	184,296	124,824	205,317	266,486	318,591	504,702	538,558	587,567	632,174
6	15 year risk free zero coupon bonds (p=1)	34,658	38,893	15,648	24,707	103,777	94,499	94,740	147,281	501,197	501,743	522,581	562,787
7	15 year risk free zero coupon bonds (p=0.8)	33,086	32,519	9,579	7,802	98,638	73,582	36,801	53,682	481,970	403,562	347,119	342,170
8	15 year corporate bonds (p=1)	36,341	43,138	29,551	47,350	108,870	114,643	118,852	165,549	501,555	501,138	523,077	567,473
9	15 year corporate bonds (p=0.8)	34,666	35,574	15,777	19,957	103,507	88,828	63,296	77,875	482,367	405,261	351,380	351,919
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	45,785	145,837	225,426	306,918	138,265	279,068	380,276	484,303	516,469	639,867	761,658	885,052
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	43,424	124,060	176,222	227,714	131,793	239,685	298,860	364,530	498,822	560,523	610,329	680,779
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	39,727	117,913	181,332	250,481	128,422	238,887	319,272	414,008	507,979	591,122	681,361	799,986
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	37,611	99,464	138,251	180,436	122,153	201,954	246,380	303,162	489,759	511,515	534,881	600,456
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)	23,835	70,910	115,391	172,129	103,223	177,225	243,024	324,162	502,912	543,869	613,372	708,700
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)	22,261	56,537	80,846	113,375	97,158	142,990	173,160	218,752	484,081	458,441	461,052	508,077
		L=15				L=20				L=25			
16	Receiver swaptions	27.05%	21.41%	18.64%	12.24%	32.62%	27.54%	22.26%	14.12%	38.57%	32.52%	24.65%	15.44%

6(4)(a)(iv) For UK, the initial equity yield is 4.65% and the initial property rental yield is 4.3%. For US, the initial equity yield is 1.95% and no property is held in the US.

6(4)(a)(v)

	Asset type (all US assets)	K=1			
N		5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period	1.81%	2.62%	2.88%	3.19%
1	Risk-free zero coupon bond	914,191	678,347	491,426	332,862
2	S&P 500 Index (p=1)	195,946	394,001	537,859	663,492

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 #	22		
Unitised Life Regular Premium business with guaranteed annual increments			7	
Unitised Life Regular Premium business without guaranteed annual increments			8	
Unitised Pensions business with guaranteed annual increments			10	7
Unitised Pensions business without guaranteed annual increments			11	7
Personal Retirement Plan	5	6	7	6
Buy Out Plan	5		6	7

# Costs relate to the residual negative with-profits benefits reserve at the end of the projection period. This arises as a result of charges to the with-profits benefits reserve relating to earlier death payments.

Table of comparison of the fit of the asset models to relevant market traded instruments.

UK Equity Implied Volatilities (FTSE 100 forward 90% strike European Put Option)

Term	1	2	3	4	5	10
Market: Total for relevant market option (%)	19.86	19.70	20.32	20.80	21.26	23.40
Model: Values (%)	18.73	19.54	20.28	20.91	21.44	23.13
Model: Excess over relevant market option (%)	-1.13	-0.16	-0.04	0.10	0.18	-0.27

Market prices for UK equity options are not readily available beyond 10 years term.

The equity model generally exhibited a reasonable fit of the equity volatility surface when compared against relevant market traded instruments across available durations and strikes. Given the current skew in the surface, weighting was applied to centre the fit about the 80-100% strike to reflect the average liability moneyness percentage.

UK Swaption Implied Volatilities (at-the-money 20 year tenor receiver swap)

Term	1	2	3	4	5	7	10	15	20	25	30
Market: Total for relevant market swaption (%)	32.64	31.21	29.98	28.77	27.87	26.79	25.20	23.65	22.80	21.98	21.11
Model: Values (%)	32.57	31.93	31.29	30.61	29.90	28.55	26.67	23.52	20.07	16.64	14.26
Model: Excess over relevant market swaption (%)	-0.07	0.73	1.31	1.83	2.03	1.76	1.46	-0.14	-2.73	-5.34	-6.85

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 Annual Interest**

For policies where Contractual Annual Interest applies, an addition is made each year to benefits at a fixed, non-discretionary rate dependent on when the underlying premium was paid.

#### **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 Contractual 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 2014. Between year-ends the mix changes in line with investment returns.

6(5)(b) Best estimates of the proportion of UK and Overseas Equities backing the with-profits benefits reserve and the future bonus rates on specified bases:

<b>Equity backing ratio of the with-profits benefits reserve</b>	Current financial year	After 5 years	After 10 years
Scenario (i) - Risk free return	44%	42%	42%
Scenario (ii) - High sensitivity	44%	42%	42%
Scenario (iii) - Low sensitivity	43%	41%	40%

<b>Scenario (i) - Risk free return</b>	2014	2019	2024
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.07%	0.81%	0.48%
Unit Life Regular premiums without guaranteed annual increments	2.45%	1.91%	1.78%
Unit Life Growth bonds with guaranteed annual increments	0.39%	0.08%	0.00%
Unit Life Growth bonds without guaranteed annual increments	1.73%	0.54%	0.10%
Unit Life Income bonds without guaranteed annual increments	2.71%	1.23%	0.35%
Unit Life Growth Capital Protection/Protection Plus/Control Bonds	1.87%	0.49%	0.21%
Unit Life Income Capital Protection/Protection Plus/Control Bonds	3.72%	2.08%	0.76%
Unitised Pensions business with guaranteed annual increments	1.20%	0.82%	0.47%
Unitised Pensions business without guaranteed annual increments	1.97%	2.36%	2.37%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.05%	0.93%	1.03%
Unit Life Regular premiums with guaranteed annual increments	1.02%	0.92%	1.02%
Unitised Pensions business with guaranteed annual increments	1.83%	1.89%	2.01%

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>	2014	2019	2024
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.07%	0.86%	0.60%
Unit Life Regular premiums without guaranteed annual increments	2.45%	2.10%	2.02%
Unit Life Growth bonds with guaranteed annual increments	0.39%	0.12%	0.00%
Unit Life Growth bonds without guaranteed annual increments	1.73%	0.71%	0.26%
Unit Life Income bonds without guaranteed annual increments	2.71%	1.42%	0.55%
Unit Life Growth Capital Protection/Protection Plus/Control Bonds	1.87%	0.71%	0.38%
Unit Life Income Capital Protection/Protection Plus/Control Bonds	3.72%	2.25%	1.07%
Unitised Pensions business with guaranteed annual increments	1.20%	0.82%	0.73%
Unitised Pensions business without guaranteed annual increments	1.97%	2.49%	2.75%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.05%	1.05%	1.15%
Unit Life Regular premiums with guaranteed annual increments	1.02%	1.04%	1.14%
Unitised Pensions business with guaranteed annual increments	1.83%	1.90%	2.01%

<b>Scenario (iii) - Low sensitivity</b>	2014	2019	2024
<b>Reversionary bonus rates p.a.</b>			
Unit Life Regular premiums with guaranteed annual increments	1.07%	0.71%	0.37%
Unit Life Regular premiums without guaranteed annual increments	2.45%	1.75%	1.57%
Unit Life Growth bonds with guaranteed annual increments	0.39%	0.05%	0.00%
Unit Life Growth bonds without guaranteed annual increments	1.73%	0.45%	0.03%
Unit Life Income bonds without guaranteed annual increments	2.71%	1.10%	0.19%
Unit Life Growth Capital Protection/Protection Plus/Control Bonds	1.87%	0.44%	0.00%
Unit Life Income Capital Protection/Protection Plus/Control Bonds	3.72%	1.94%	0.55%
Unitised Pensions business with guaranteed annual increments	1.20%	0.83%	0.34%
Unitised Pensions business without guaranteed annual increments	1.97%	2.35%	2.12%
<b>Contractual annual increments p.a.</b>			
Unit Life Growth bonds with guaranteed annual increments	1.05%	0.81%	0.91%
Unit Life Regular premiums with guaranteed annual increments	1.02%	0.80%	0.91%
Unitised Pensions business with guaranteed annual increments	1.83%	1.87%	2.01%



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			3.6%
CWP target cash endowment	surrender				3.6%
UWP savings endowment	surrender	0.0%	0.0%	6.1%	4.6%
UWP target cash endowment	surrender	0.0%	0.0%	6.1%	4.6%
UWP bond	surrender	2.1%	7.1%	6.1%	4.7%
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	0.5%	0.5%	0.5%	0.5%
CWP pension single premium	surrender	3.0%	3.0%	3.0%	3.0%
UWP individual pension regular premium	PUP	13.9%	12.3%	6.3%	5.9%
UWP individual pension regular premium	surrender	4.5%	4.5%	4.5%	4.5%
UWP individual pension single premium	surrender	3.7%	3.6%	3.6%	3.6%

An additional decrement of 8.4% for With-Profits Income Bonds and 16.4% 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%
2019	92%	54%	38%
2023	93%	59%	44%
2027	93%	64%	51%

Rates of annuitant mortality assumed:

	Males	Females
<b>Base Mortality Table</b>		
Personal Retirement Plan	78% PCMA00	71% PCFA00
Buy Out Plan	80% PCMA00	89% PCFA00
Guaranteed Annuity Options	80% PCMA00	See footnote
<b>Mortality improver</b>		
Personal Retirement Plan	CMI 2013, Base date 01/01/10 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2013, Base date 01/01/10 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Buy Out Plan	CMI 2013, Base date 01/01/10 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2013, Base date 01/01/10 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Guaranteed Annuity Options	CMI 2013, Base date 01/01/10 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	See footnote

For the base mortality assumption, the assumptions above only apply to ages 90 and below. Company specific mortality rates are used from ages 100 and above, with a smooth progression of rates between ages 91 and 100.

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 have the following four types of guarantees, where the last three are optional. A capital guarantee at the tenth policy anniversary; an optional investment guarantee of 10% at the tenth policy anniversary; an optional capital guarantee at the fifth and tenth policy anniversaries; and an optional guarantee which offers a capital guarantee at the fifth policy anniversary and an investment guarantee of 10% at the tenth policy anniversary.

All policies are assumed to mature once they reach the maturity date.

<b>Personal Retirement Plans</b>	<b>Retirement</b>
	<b>rate p.a.</b>
Age < 40	0.00%
Age 40 - 49	0.00%
Age 50 - 59	0.11%
Age 60	17.20%
Age 61 - 64	6.88%
Age 65	29.65%
Age 66 - 69	11.18%
Age 70 or later	100.00%

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: £194m
- Reserves relating to future shareholder transfers and associated tax in excess of the amounts expected to be charged to the with-profits benefits reserve: £93m
- Reserves relating to the expected increase to unit costs for participating business as the fund runs off: £15m.

No value is attributed in the first two items above to future tax relief within lines 46 and 47.

## Realistic Current Liabilities

9 Current liabilities comprise:

	£m
Claims outstanding	79
Creditors arising out of Insurance Operations	2
Tax Liabilities	166
Other Creditors	373
Accruals and deferred income	1
Other provisions	121
WPSF Property Stamp Duty Land Tax	-8
	734

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 reconciliation:

	£m
Regulatory Current Liabilities	731
Change in Tax Provisions	3
Realistic Current Liabilities	734

## Risk Capital Margin

10(a)(i) The risk capital margin is £25m.

The percentage changes in the market value of equities and real estate for the purpose of the market risk scenario for UK assets were 20.0% and 12.5% respectively. A rise in the market value of UK equities and a fall in the market value of real estate were the most onerous scenarios.

The US was the only significant territory for equities. The percentage changes in the market values derived in accordance with INSPRU 1.3.73G(1) for the purpose of the market risk scenario were 21.90% for US equities.

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 0.384%. This represented a change of 17.5% in the level of the annualised 15 year gilt yield of 2.18%. A rise in the level of yields was the more onerous change.

The US was a significant territory for fixed interest securities. The nominal change in yields assumed was 0.384% 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 41 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 2.7%
b) Debts	No change
c) Reinsurance	Increase of 0.2%
d) Analogous non-reinsurance financing arrangements	Not applicable
e) Other assets (by reference to INSPRU 1.3.78R)	No change

10(a)(iv) The average annual change in persistency experience (weighted by realistic value of liabilities) that results from applying the persistency risk scenario is a fall of 31.4% and results in an overall increase in the realistic value of liabilities of 0.6%.

10(a)(v) The asset value change in 10(a)(iii) is expected to be independent of the change in liability values in 10 (a)(iv).

10(b)(i) The 31 December 2014 valuation assumes that the DROGO mechanism (described in 4(4) above) has been discontinued and has been replaced by the estate distribution mechanism. The estate distribution mechanism is available to remove past estate distributions (enhancements to asset shares) from, or to apply negative distributions to (so that the total distribution post RCM is negative in the same way as the DROGO could be), the remaining participating policyholders in the event that there is a significant impact to working capital.

The estate distribution mechanism relies upon a high degree of expert judgement from the With Profits Actuary to interpret the impact of a particular adverse event on the With-Profit funds ability to remain within its stated risk appetite and run-off plan before making an appropriate recommendation to the Board.

The estate distribution mechanism has been used in the RCM calculation by interpreting the impact of each RCM stress in terms of an impact on the Economic Capital coverage position and to initiate an offsetting deduction from asset shares by the amount that this worsens by more than £50m.

10(b)(ii) The RCM has decreased by £85m (from £110m to £25m) as a result of the management action taken.

10(b)(iii) Not applicable as no additional assumption changes surrounding future proportions of equity assets and bonus rates have been made as a result of the management action taken.

10(b)(iv) The requirements of INSPRU 1.3.188R would have been met if these management actions had been integrated into the protection of assets and liabilities disclosed in 6(5)(a).

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	144
Approved Fixed Interest Securities	2,782
Other Fixed Interest Securities	3,078
Variable Interest Securities	20
UK Listed Equity Shares	1,320
Non-UK Listed Equity Shares	2,255
Unlisted Equity Shares	615
All other assets shown in Form 48	1,606
Assets invested in Internal Linked Funds	8
Present value of future profits on non-profit insurance contracts written in the With Profits Sub Fund	424
Total	12,251

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 2014.

- A £4m asset and £0.2m liability in respect of equity futures, with a £71m bought position and a £29m sold position
- A £9m asset and a £20m liability in respect of currency forwards selling euros and dollars for sterling with a £15m bought position and a £901m sold position
- A £28m asset and a £0m liability in respect of interest rate swaps, with a £703m bought position
- A £18m asset and a £15m liability in respect of bond futures, with a £634m bought position and a £810m sold position
- A £0m asset and £17m liability in respect of property swaps and property futures with a £142m sold position
- A £2m asset in respect of equity index put options, with a £12m bought position
- A £0.1m asset in respect of warrants

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	788
Investment Return on Opening Working Capital	14
Mismatch Profits and Losses on assets backing the future policy related liabilities	249
Modelling changes and opening adjustments	-102
Economic Assumption Changes	-316
Non-Economic Assumption Changes	-35
Policyholder Action Assumption Changes	6
Regulatory Change	0
Management Actions	-15
Impact of New Business	-12
Change in Other Liabilities of lines 47 and 51 of Form 19	-48
Other Economic Variances	9
Other Non-Economic Variances	-165
Closing Working Capital	373

Other Non-Economic variances	£m
Tax mismatch	-17
Project Zebedee	-53
Pension Scheme Deficit	-55
Miscellaneous	-40
Total	-165

Returns under the Accounts and Statements Rules

## Supplementary notes

### Legal & General Assurance Society Limited

Financial year ended 31 December 2014

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

##### **1. With-Profits Actuary**

(a) **Share and Debenture Interests**

No shares or debenture interests in the Company or share interest in the Company's ultimate holding company, Legal & General Group Plc.

(b) **Pecuniary Interest in any Transaction**

No pecuniary interest in any transaction.

(c) **Remuneration as Actuary and Emoluments, Pension or Compensation as Director**

The Actuary is a partner of KPMG LLP, an independent professional services firm. KPMG LLP invoiced Legal & General Resources Limited, a fellow subsidiary of the Company's ultimate holding company, Legal & General Group Plc, for the actuarial consulting services that the Actuary and their team of consultants provided to the Company. The fees for the period from 1 January 2014 to 31 December 2014 amounted to £880,494 excluding VAT and expenses. The Actuary received no remuneration or other benefits receivable under any contract with the Company.

(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.

**Directors' Certificate**

**Legal & General Assurance Society Limited**

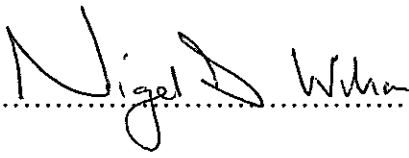
**Global business**

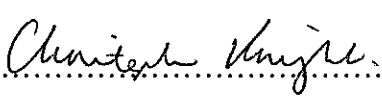
**Financial year ended 31 December 2014**

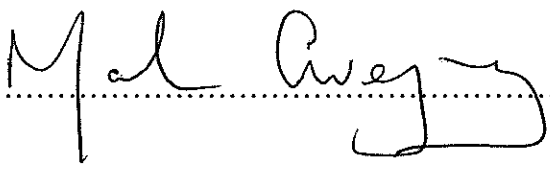
We certify that:

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 as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (b) from the beginning of financial year in question until 18 June 2014, the insurer has complied in all material respects with the requirements of PRIN; and
  - (c) from 19 June 2014 until the end of the financial year in question, the insurer has complied in all material respects with the Fundamental Rules; and
  - (d) it is reasonable to believe that the insurer has continued so to comply subsequently with the requirements of SYSC, the Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and will continue so to comply in future;
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 4.3.16AR of the FCA Handbook and SUP 4.3.16R of the PRA Handbook.

N. D. Wilson Chairman ..... 

C. J. Knight Director ..... 

M. J. Gregory Director ..... 



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

### **Global business**

#### **Financial year ended 31 December 2014**

#### **Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ('the Rules') made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 1 to 3, 11 to 20, 22 to 25, 37, 39 to 45, 48, 49, 58 and 60 including the supplementary notes on pages 1 to 57, 67 to 72, 118 to 120 and 123 to 147 ('the Forms');
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on pages 148 to 149 ('the statements'); and
- the valuation report[s] required by IPRU(INS) rule 9.31(a) on pages 151 to 249 ('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 58 to 66, 73 to 117, 121 to 122;
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36 on pages 148, 150 and 250; and
- the certificate required by IPRU(INS) rule 9.34(1) on pages 251 to 252.

#### **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 treated as being issued under section 138A of the Financial Services and Markets Act 2000 on 23 July 2013 and 3 January 2014. 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

26 March 2015