

Legal & General Assurance Society Limited

Annual Returns to Financial Services Authority for the year ended 31 December 2010



Prepared in accordance with the Accounts and Statements Rules

Appendices

ONE COLEMAN STREET, LONDON EC2R 5AA

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

Global business

Financial year ended **31 December 2010**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R1	166055	GL	31	12	2010	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising outside the long-term insurance fund	11	3071042	2768517
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	3018042	2715517
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	53000	53000

Guarantee fund

Guarantee fund requirement	21	50516	50243
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	2484	2757

Minimum capital requirement (MCR)

General insurance capital requirement	31	630	630
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	3040	3128
Capital requirements of regulated related undertakings	35	49503	49200
Minimum capital requirement (34+35)	36	52543	52328
Excess (deficiency) of available capital resources to cover 50% of MCR	37	26728	26836
Excess (deficiency) of available capital resources to cover 75% of MCR	38	13593	13754

Capital resources requirement (CRR)

Capital resources requirement	41	52543	52328
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	457	672

Contingent liabilities

Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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Covering Sheet to Form 1

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

Global business

Financial year ended **31 December 2010**

T J Breedon
Director

N D Wilson
Director

M J Gregory
Director

Date 30 March 2011

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

Global business

Financial year ended **31 December 2010**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	166055	GL	31	12	2010	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	2858937	2092191
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	3018042	2715517
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	5876979	4807708

Guarantee fund

Guarantee fund requirement	21	960950	919507
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	4916029	3888202

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	2280724	2146227
Resilience capital requirement	32		
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	2280724	2146227
Capital requirements of regulated related undertakings	35	202995	207567
Minimum capital requirement (34+35)	36	2483719	2353794
Excess (deficiency) of available capital resources to cover 50% of MCR	37	4635120	3630811
Excess (deficiency) of available capital resources to cover 75% of MCR	38	4014190	3042362

Enhanced capital requirement

With-profits insurance capital component	39	247485	
Enhanced capital requirement	40	2731204	2353795

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	2731204	2353795
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	3145775	2453913

Contingent liabilities

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	166055	GL	31	12	2010	£000
		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
		1	2	3		4

Core tier one capital

Permanent share capital	11		201430	201430	201430
Profit and loss account and other reserves	12	53000	3162772	3215772	2872640
Share premium account	13		1048914	1048914	1048914
Positive valuation differences	14				
Fund for future appropriations	15		1445654	1445654	1284034
Core tier one capital in related undertakings	16		591500	591500	980654
Core tier one capital (sum of 11 to 16)	19	53000	6450270	6503270	6387672

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31	53000	6450270	6503270	6387672
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		31103	31103	893661
Deductions in related undertakings	36		1391	1391	2881
Deductions from tier one (32 to 36)	37		32494	32494	896542
Total tier one capital after deductions (31-37)	39	53000	6417776	6470776	5491130

Components of capital resourcesName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	166055	GL	31	12	2010	£000
		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	
		1	2	3	4	

Tier two capital

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

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

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

Components of capital resourcesName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	166055	GL	31	12	2010	£000
		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	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72	53000	6417776	6470776	5491130
Inadmissible assets other than intangibles and own shares	73		540797	540797	630422
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79	53000	5876979	5929979	4860708

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81	53000	5876979	5929979	4860708
Available capital resources for 50% MCR requirement	82	53000	5876979	5929979	4860708
Available capital resources for 75% MCR requirement	83	53000	5876979	5929979	4860708

Financial engineering adjustments

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

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

Global business

Financial year ended **31 December 2010**

General insurance business

	Company registration number	GL/UK/CM	day month year			Units	
	R11	166055	GL	31	12	2010	£000
				This financial year		Previous year	
				1		2	
Gross premiums written			11			3940	3707
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			3940	3707
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16			3940	3707
Gross premiums earned			21			3884	3838
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			3884	3838
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26			3884	3838
Sub-total I (higher of sub-total A and sub-total H)			30			3940	3838
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			709	691
	Excess (if any) over 57.5M EURO x 0.02		33				
Sub-total J (32-33)			34			709	691
Claims paid in period of 3 financial years			41			112	173
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			108	112
	For insurance business accounted for on an accident year basis		43			634	580
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			257	1463
	For insurance business accounted for on an accident year basis		45			1820	2725
Sub-total C (41+42+43-44-45)			46			(1223)	(3323)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			(634)	(295)
Sub-total D (46-47)			48			(589)	(3028)
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			0.50	0.91
Premiums amount (Sub-total J x reinsurance ratio)			50			355	630
Provision for claims outstanding (before discounting and net of reinsurance)			51			675	361
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53			630	110
Greater of lines 50 and 53			54			630	630

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units
R11	166055	GL	31	12	2010	£000
			This financial year 1			Previous year 2
Gross premiums written		11	210504			118377
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13	210504			118377
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15	65044			72093
Sub-total A (13 + 1/2 14 - 2/3 15)		16	167141			70315
Gross premiums earned		21	210504			118377
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	210504			118377
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25	65044			72093
Sub-total H (23 + 1/2 24 - 2/3 25)		26	167141			70315
Sub-total I (higher of sub-total A and sub-total H)		30	167141			70315
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	30085			12657
	Excess (if any) over 57.5M EURO x 0.02	33	2344			378
Sub-total J (32-33)		34	27742			12278
Claims paid in period of 3 financial years		41	169921			166644
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	371295			359656
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	305473			293321
Sub-total C (41+42+43-44-45)		46	235743			232979
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	57790			44587
Sub-total D (46-47)		48	177952			188391
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)		49	0.75			0.81
Premiums amount (Sub-total J x reinsurance ratio)		50	20941			9928
Provision for claims outstanding (before discounting and net of reinsurance)		51	330150			329531
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52				
Brought forward amount (See instruction 4)		53	9946			9946
Greater of lines 50 and 53		54	20941			9946

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

Global business

Financial year ended **31 December 2010**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2010	£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	112			173	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22	108			112	
	For insurance business accounted for on an accident year basis		23	634			580	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24	257			1463	
	For insurance business accounted for on an accident year basis		25	1820			2725	
Claims incurred in reference period (21+22+23-24-25)			26	(1223)			(3323)	
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28					
Sub-total E (26 +1/2 27 - 2/3 28)			29	(1223)			(3323)	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)			31	(408)			(1108)	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	(106)			(288)	
	Excess (if any) over 40.3M EURO x 0.03		33					
Sub-total G (32-33)			39	(106)			(288)	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	(53)			(262)	
Higher of premiums amount and brought forward amount (11.54)			42	630			630	
General insurance capital requirement (higher of lines 41 and 42)			43	630			630	

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

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	166055	GL	31	12	2010	£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	169921			166644
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	371295			359656
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	305473			293321
Claims incurred in reference period (21+22+23-24-25)				26	235743			232979
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	208806			204919
Sub-total E (26 +1/2 27 - 2/3 28)				29	96538			96367
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	32179			32122
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	8367			8352
	Excess (if any) over 40.3M EURO x 0.03			33				
Sub-total G (32-33)				39	8367			8352
Claims amount Sub-total G x reinsurance ratio (11.49)				41	6316			6753
Higher of premiums amount and brought forward amount (11.54)				42	20941			9946
General insurance capital requirement (higher of lines 41 and 42)				43	20941			9946

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	101852	178268
	Debts and loans	22		
Other insurance dependants	Shares	23	233556	221861
	Debts and loans	24		
Non-insurance dependants	Shares	25	2431357	2455747
	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	479142	267269
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	477884	466303
Rights under derivative contracts	44	117	61
Fixed interest securities	Approved	45	127529
	Other	46	99064
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1000
	More than one month withdrawal	55	770
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61	67	331
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	2011	1538
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	300157	294389
	due in more than 12 months	79		

Other assets

Tangible assets	80	11191	14531
Deposits not subject to time restriction on withdrawal with approved institutions	81	9701	4342
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4609	
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	15627	11631

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	4294634	3918621
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Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4294634	3918621
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	118385	134372
Capital resources requirement deduction of regulated related undertakings	94	252498	256768
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	1565	3674
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(76686)	(74434)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(1497430)	(1533648)
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	3092966	2705353
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	352080	349621

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			134693	104644

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			992970	1003701
	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			4537378	4197869
Other shares and other variable yield participations		42				
Holdings in collective investment schemes		43			1143365	1046266
Rights under derivative contracts		44			90947	64746
Fixed interest securities	Approved	45			4071061	4478212
	Other	46			5695071	5323368
Variable interest securities	Approved	47			11723	7954
	Other	48			89139	160250
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			297	554
Other loans		53			5210	5322
Bank and approved credit & financial institution deposits	One month or less withdrawal	54			201475	822031
	More than one month withdrawal	55			686054	523000
Other financial investments		56				
Deposits with ceding undertakings		57				
Assets held to match linked liabilities	Index linked	58			127537	117385
	Property linked	59			25695585	23767824

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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 2010	£000
					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	33537	27284
	Intermediaries	72	24	14
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	105087	4105
	Ceded	75	11824	5290
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	623169	657643
	due in more than 12 months	79		

Other assets

Tangible assets	80	17211	12698
Deposits not subject to time restriction on withdrawal with approved institutions	81	84115	33920
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	273541	
Accrued interest and rent	84	222058	247275
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	11	435

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	44853082	42611790
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Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	44853082	42611790
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	237359	328783
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	339119	331070
Deferred acquisition costs excluded from line 89	99	788189	824037
Reinsurers' share of technical provisions excluded from line 89	100	26290093	22798968
Other asset adjustments (may be negative)	101	581015	467655
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	73088857	67362303
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	104456	29748

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	11
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			124202	96459

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			931057	868781
	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			4518869	4032666
Other shares and other variable yield participations		42				
Holdings in collective investment schemes		43			1128774	1023936
Rights under derivative contracts		44			83555	62534
Fixed interest securities	Approved	45			4024950	4311930
	Other	46			5571545	5323355
Variable interest securities	Approved	47			11723	7954
	Other	48			89139	160250
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			152	356
Other loans		53			5210	5322
Bank and approved credit & financial institution deposits	One month or less withdrawal	54			190035	749564
	More than one month withdrawal	55			596771	469720
Other financial investments		56				
Deposits with ceding undertakings		57				
Assets held to match linked liabilities	Index linked	58			38215	36901
	Property linked	59			9018171	8516152

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000
					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	1753	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		187
	Ceded	75	3	20
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	531274	558778
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	57623	33919
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	219233	242660
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	10	401

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	27142264	26501845
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Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	27142264	26501845
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	54931	55483
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	336610	327720
Deferred acquisition costs excluded from line 89	99	139403	155860
Reinsurers' share of technical provisions excluded from line 89	100	229332	185717
Other asset adjustments (may be negative)	101	(461655)	(535223)
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	27440885	26691402
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			10491	8185

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			61913	134920
	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			18509	165203
Other shares and other variable yield participations		42				
Holdings in collective investment schemes		43			14591	22330
Rights under derivative contracts		44			7392	2212
Fixed interest securities	Approved	45			46111	166282
	Other	46			123526	13
Variable interest securities	Approved	47				
	Other	48				
Participation in investment pools		49				
Loans secured by mortgages		50				
Loans to public or local authorities and nationalised industries or undertakings		51				
Loans secured by policies of insurance issued by the company		52			145	198
Other loans		53				
Bank and approved credit & financial institution deposits	One month or less withdrawal	54			11440	72467
	More than one month withdrawal	55			89283	53280
Other financial investments		56				
Deposits with ceding undertakings		57				
Assets held to match linked liabilities	Index linked	58			89322	80484
	Property linked	59			16677414	15251672

Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	31784	27284
	Intermediaries	72	24	14
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	105087	3918
	Ceded	75	11821	5270
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	91895	98865
	due in more than 12 months	79		

Other assets

Tangible assets	80	17211	12698
Deposits not subject to time restriction on withdrawal with approved institutions	81	26492	1
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	273541	
Accrued interest and rent	84	2825	4615
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1	34

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	17710818	16109945
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Analysis of admissible assetsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£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	17710818	16109945
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	182428	273300
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	2509	3350
Deferred acquisition costs excluded from line 89	99	648786	668177
Reinsurers' share of technical provisions excluded from line 89	100	26060761	22613251
Other asset adjustments (may be negative)	101	1042670	1002878
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	45647972	40670901
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	104456	29748

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Summary**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	40659462	39039778
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	848316	691241
Long term insurance business fund carried forward (11 to 13)		14	41507778	39731019
Claims outstanding	Gross	15	339988	314057
	Reinsurers' share	16	115064	117774
	Net (15-16)	17	224924	196283
Provisions	Taxation	21		
	Other risks and charges	22	174129	146293
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	31499	32435
	Reinsurance accepted	32	1288	638
	Reinsurance ceded	33	20196	9711
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	329	1
Creditors	Taxation	37	552709	654055
	Other	38	328453	439486
Accruals and deferred income		39	1156	919
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1334683	1479821
Excess of the value of net admissible assets		51	2010621	1400950
Total liabilities and margins		59	44853082	42611790

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	12083	9419
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	25645603	23740151

Total liabilities (11+12+49)		71	41994145	40519599
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	26290093	22798968
Other adjustments to liabilities (may be negative)		74	2007154	1468845
Capital and reserves and fund for future appropriations		75	2797465	2574891
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)		76	73088857	67362303

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **With Profits Part of Fund**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	24118649	23891054
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	3478	3478
Long term insurance business fund carried forward (11 to 13)		14	24122127	23894532
Claims outstanding	Gross	15	103219	101178
	Reinsurers' share	16	823	846
	Net (15-16)	17	102396	100332
Provisions	Taxation	21	72766	36174
	Other risks and charges	22	86800	73800
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	3485	4887
	Reinsurance accepted	32	65	
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	149	1
Creditors	Taxation	37	699614	724855
	Other	38	43175	265467
Accruals and deferred income		39	1066	847
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1009516	1206363
Excess of the value of net admissible assets		51	2010621	1400950
Total liabilities and margins		59	27142264	26501845

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	785	1045
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	8995291	8503133

Total liabilities (11+12+49)		71	25128165	25097417
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
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)		76		

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Non Profit & balancing items**Units **£000**

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

Mathematical reserves, after distribution of surplus		11	16540813	15148724
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	844838	687763
Long term insurance business fund carried forward (11 to 13)		14	17385651	15836487
Claims outstanding	Gross	15	236769	212879
	Reinsurers' share	16	114241	116928
	Net (15-16)	17	122528	95951
Provisions	Taxation	21	(72766)	(36174)
	Other risks and charges	22	87329	72493
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	28014	27548
	Reinsurance accepted	32	1223	638
	Reinsurance ceded	33	20196	9711
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	180	
Creditors	Taxation	37	(146905)	(70800)
	Other	38	285278	174019
Accruals and deferred income		39	90	72
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	325167	273458
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	17710818	16109945

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	11298	8374
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	16650312	15237018

Total liabilities (11+12+49)		71	16865980	15422182
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
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)		76		

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	166055	GL	31	12	2010	£000
					As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

Provisions for unearned premiums	11	1910	1853
Claims outstanding	12	742	692
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	844
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19	3929	3389

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22	423594	423649
Deposits received from reinsurers	31			
Creditors	Direct insurance business	41	317	
	Reinsurance accepted	42		
	Reinsurance ceded	43	100	90
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions	46			
Creditors	Taxation	47	5128	22732
	Foreseeable dividend	48		
	Other	49	935274	857428
Accruals and deferred income	51	107748	99585	
Total (19 to 51)	59	1476090	1406873	
Provision for "reasonably foreseeable adverse variations"	61			
Cumulative preference share capital	62			
Subordinated loan capital	63			
Total (59 to 63)	69	1476090	1406873	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	901531	838909
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(1497430)	(1533648)
Capital and reserves	84	3114306	2832128
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)	85	3092966	2705353

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/UK/CM	day	month	year	Units	
	R16	166055	GL	31	12	2010	£000
			This financial year			Previous year	
			1			2	
Transfer (to)/from the general insurance business technical account	From Form 20	11			3946	5122	
	Equalisation provisions	12			(433)	(844)	
Transfer from the long term insurance business revenue account		13			195657	145865	
Investment income	Income	14			151128	53770	
	Value re-adjustments on investments	15			50291	378025	
	Gains on the realisation of investments	16			10160		
Investment charges	Investment management charges, including interest	17			1857	9707	
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19				471570	
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			(31242)	7037	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29			377650	107698	
Tax on profit or loss on ordinary activities		31			9721	50343	
Profit or loss on ordinary activities after tax (29-31)		39			367929	57355	
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			367929	57355	
Dividends (paid or foreseeable)		51			300000	154000	
Profit or loss retained for the financial year (49-51)		59			67929	(96645)	

Analysis of derivative contractsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**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	2010	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4				
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	53225	60955	799300	781100			
	Inflation	13							
	Credit index / basket	14		15774	250000				
	Credit single name	15							
	Equity index	16	174	23	21970				
	Equity stock	17							
	Land	18							
	Currencies	19	8530	11103	4662	1342394			
	Mortality	20							
Other	21								
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	27359			243125			
	Equity stock puts	35	258	106		100463			
Other	36	1401			1819				
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	90947	87961	1077751	2467082			
Adjustment for variation margin		52							
Total (51 + 52)		53	90947	87961					

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

Global business

Financial year ended **31 December 2010**Category of assets **With Profits Part of Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	166055	GL	31	12	2010	£000	11
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	50563		57097	799300		670095	
	Inflation	13							
	Credit index / basket	14			15774	250000			
	Credit single name	15							
	Equity index	16	174		23	21957			
	Equity stock	17							
	Land	18							
	Currencies	19	4058		10511	4662		984088	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	27359					243125	
	Equity stock puts	35							
	Other	36	1401				1819		
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	83555		83405	1077738		1897308	
Adjustment for variation margin		52							
Total (51 + 52)		53	83555		83405				

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

Global business

Financial year ended **31 December 2010**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	2010	£000	12
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	2662		3858			111005	
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16					13		
	Equity stock	17							
	Land	18							
	Currencies	19	4472		592				358306
	Mortality	20							
Other	21								
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35	258		106				100463
Other	36								
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	7392		4556		13		569774
Adjustment for variation margin		52							
Total (51 + 52)		53	7392		4556				

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 fundName of insurer **Legal & General Assurance Society Limited**With-profits fund **With Profits Part of Fund**Financial year ended **31 December 2010**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	11	27142264	26501845
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	11358673	10781398
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	121404	116833
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	15662187	15603614
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	12759976	13109656
	Regulatory current liabilities of the fund	22	1009516	1206363
	Total (21+22)	29	13769492	14316019
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	525955	540436
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	14295447	14856456
Regulatory excess capital (19-39)		49	1366740	747158

Realistic excess capital

Realistic excess capital	51	758548	599875
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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)	61	608192	147283
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	360707	325669
Present value of other future internal transfers not already taken into account	65		
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)	66	247485	

Realistic balance sheetName of insurer **Legal & General Assurance Society Limited**With-profits fund **With Profits Part of Fund**Financial year ended **31 December 2010**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	11	15662187	15603614
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	551984	549722
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	16214171	16153336
Support arrangement assets	27		
Assets available to the fund (26+27)	29	16214171	16153336

Realistic value of liabilities of fund

With-profits benefit reserve	31	13052163	12902082	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	16551	21254
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	8242	21896
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	38254	33000
	Future costs of contractual guarantees (other than financial options)	41	625188	591539
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	142589	130993
	Future costs of smoothing (possibly negative)	44	98051	149444
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	320779	331006
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1156662	1169339
Realistic current liabilities of the fund	51	1052774	1241255	
Realistic value of liabilities of fund (31+49+51)	59	15261599	15312677	

Realistic balance sheet

Name of insurer **Legal & General Assurance Society Limited**
 With-profits fund **With Profits Part of Fund**
 Financial year ended **31 December 2010**
 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	62	15455623	15553461
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	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	15455623	15553461
Risk capital margin for fund (62-59)	65	194024	240784
Realistic excess capital for fund (26-(59+65))	66	758548	599875
Realistic excess available capital for fund (29-(59+65))	67	758548	599875
Working capital for fund (29-59)	68	952572	840659
Working capital ratio for fund (68/29)	69	5.87	5.20

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

Additional amount potentially available for inclusion in line 62	81	350000	400000
Additional amount potentially available for inclusion in line 63	82		

General insurance business : Summary of business carried on

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/UK/CM	day month year			units	
		R20A	166055	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category		Gross Premium written in this financial year 1	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year 4	
				Reported 2	Incurred but not reported 3			
1	Total business	1	3940	742			1910	
2	Total primary (direct) and facultative business	2		729				
3	Total treaty reinsurance accepted business	3	3940	13			1910	
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		67				
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		223				
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		344				
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		95				
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	3940	13			1910	
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	3940	742			1910	

General insurance business : Summary of business carried on

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	166055	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year			
			Reported	Incurred but not reported				
		1	2	3	4			

Primary (direct) and facultative personal lines business

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

Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42		67		
223	Motor other	43				
261	Commercial property	44		223		
262	Consequential loss	45				
263	Contractors or engineering all risks	46				
271	Employers liability	47		344		
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 2010**

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

Company registration number

GL/
UK/
CM

day month year

units

R20A

166055

GL

31

12

2010

£000

Primary (direct) and facultative marine and transport

341	Marine liability	64			
342	Marine hull	65		48	
343	Energy (on and off-shore)	66			
344	Protection and indemnity	67			
345	Freight demurrage and defence	68		47	
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	3940	13	1910
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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	Total (lines 21 to 101)	111	3940	742	1910
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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 2010****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	166055	GL	31	12	2010	£000	001
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				583	(1300)		
	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				(643)	234		
	Balance (21-22-23+24+25-26)	29				60	1066		
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31				3886	4056		
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39				3886	4056		
Balance of all years' underwriting (19+29+39)		49				3946	5122		
Allocated investment income		51							
Transfer to non-technical account (49+51)		59				3946	5122		

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

Global business

Financial year ended **31 December 2010****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	166055	GL	31	12	2010	£000	001
			Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2	Amount carried forward to next financial year 3	Amount attributable to this financial year 4			
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	580			634	54		
	Reinsurers' share	12	331	(264)		67	(529)		
	Net (11-12)	13	249		264	567	583		
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(643)		(643)		
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(643)		(643)		
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41			(643)		(643)		
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of net claims and premiumsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010****Total business**

										Company registration number	GL/UK/CM	day month year			Units	Category number	
										R23	166055	GL	31	12	2010	£000	001
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %			
Month	Year					Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)								
		1	2	3	4	5	6	7	8	9	10	11	12	13			
12	2010	11															
12	2009	12															
12	2008	13															
12	2007	14															
12	2006	15															
12	2005	16															
12	2004	17															
12	2003	18															
12	2002	19															
12	2001	20															
Prior accident years		21				264	567		74	175	583						
Reconciliation		22															
Total (11 to 22)		29				264	567		74	175	582						

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

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

Global business

Financial year ended **31 December 2010****Total business**

Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns						
		29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	99	99													
Premiums written	Gross amount	11																														3940	3940					
	Reinsurers' share	12																																				
	Net (11-12)	19																															3940	3940				
Claims paid	Gross amount	21		1																														1				
	Reinsurers' share	22																																				
	Net (21-22)	29		1																														1				
Claims management costs		39																																				
Net operating expenses	Commissions	41																																				
	Other acquisition expenses	42																																				
	Administrative expenses	43																																				
	Reinsurers' commissions and profit participations	44																																				
	Payable net (41+42+43-44)	49																																				
Technical provisions	Brought forward	Undiscounted	51		112																														1853	1965		
		Adjustment for discounting	52																																			
	Carried forward	Undiscounted	53		108																																1910	2018
		Adjustment for discounting	54																																			
	Increase (decrease) in the financial year (53-54-51+52)		59		(4)																															(1853)	1910	53
Balance on each underwriting year (19-29-39-49-59)		69		3																															1853	2030	3886	

General insurance business (underwriting year accounting) : Analysis of technical provisionsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010****Total business**Company registration number
GL/UK/CM
day month year
Units
Category number

Underwriting year ended		Prior underwriting years	MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		MM		YY		Total all previous columns	
			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	99	99		
Reported claims outstanding	Gross amount	11	93																									93
	Reinsurers' share	12																										
Claims incurred but not reported	Gross amount	13	15																									15
	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	108																									108
Provision for unearned premiums		22																										1910
Provision for unexpired risks		23																										
Deferred acquisition costs		24																										
Other technical provisions (particulars to be specified by way of supplementary note)		25																										
Total (21+22+23-24+25)		29	108																									1910

Equalisation provisionsName of insurer **Legal & General Assurance Society Limited**

Global business

Financial year ended **31 December 2010**

						Company registration number			GL/UK/CM	day month year			Units
						R37	166055	GL	31	12	2010	£000	
Calculation of the maximum provision	Business grouping A (property)	Business grouping B (business interruption)	Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non-proportional treaty)	All business groupings				Credit insurance business			
	1	2	3	4	5	6				7			
Total net premiums written in the previous 4 years	11				7676								
Net premiums written in the current year	12				3940								
Maximum provision	13				2904	2904							

Calculation of the transfer to/from the provision

Equalisation provision brought forward	21				844	844				
Transfers in	22				433	433				
Total abnormal loss	23									
Provisional transfers out	24									
Excess of provisional transfer out over fund available	25									
Provisional amount carried forward (21+22-24+25)	26					1277				
Excess, if any, of 26 over 13	27									
Equalisation provision carried forward (26-27)	28					1277				
Transfer in/(out) for financial year (28-21)	29					433				

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day month year			Units
	R39	166055	GL	31	12	2010	£000
	Business grouping A (property) 1	Business grouping B (business interruption) 2	Business grouping C (marine and aviation) 3	Business grouping D (nuclear) 4		Business grouping E (non-proportional treaty) 5	
Other than credit business							
Net premiums written	11						3940
Claims net of reinsurance	12						
Trigger claims value	13						3940
Abnormal loss	19						
Trigger claims ratio		72.5%	72.5%	95%	25%		100%

Credit business

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

Long-term insurance business : Revenue account

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

Earned premiums	11	2219414	2976071
Investment income receivable before deduction of tax	12	1564495	1598542
Increase (decrease) in the value of non-linked assets brought into account	13	357449	1090303
Increase (decrease) in the value of linked assets	14	1944933	3018468
Other income	15		
Total income	19	6086291	8683384

Expenditure

Claims incurred	21	3609099	3298167
Expenses payable	22	558423	593443
Interest payable before the deduction of tax	23	9498	8781
Taxation	24	(63145)	(14023)
Other expenditure	25		
Transfer to (from) non technical account	26	195657	145865
Total expenditure	29	4309532	4032233

Business transfers - in	31		105131
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1776759	4756282
Fund brought forward	49	39731019	34974737
Fund carried forward (39+49)	59	41507778	39731019

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 2010**
 Units **£000**

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

Income

Earned premiums	11	785395	1393797
Investment income receivable before deduction of tax	12	953144	979951
Increase (decrease) in the value of non-linked assets brought into account	13	385763	577398
Increase (decrease) in the value of linked assets	14	708687	1134758
Other income	15		
Total income	19	2832989	4085904

Expenditure

Claims incurred	21	2398244	2267956
Expenses payable	22	145258	178207
Interest payable before the deduction of tax	23	2760	3654
Taxation	24	13475	27984
Other expenditure	25		
Transfer to (from) non technical account	26	45657	45865
Total expenditure	29	2605394	2523666

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	227595	1562238
Fund brought forward	49	23894532	22332294
Fund carried forward (39+49)	59	24122127	23894532

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 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	1434019	1582274
Investment income receivable before deduction of tax	12	611351	618591
Increase (decrease) in the value of non-linked assets brought into account	13	(28314)	512905
Increase (decrease) in the value of linked assets	14	1236246	1883710
Other income	15		
Total income	19	3253302	4597480

Expenditure

Claims incurred	21	1210855	1030211
Expenses payable	22	413165	415236
Interest payable before the deduction of tax	23	6738	5127
Taxation	24	(76620)	(42007)
Other expenditure	25		
Transfer to (from) non technical account	26	150000	100000
Total expenditure	29	1704138	1508567

Business transfers - in	31		105131
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1549164	3194044
Fund brought forward	49	15836487	12642443
Fund carried forward (39+49)	59	17385651	15836487

Long-term insurance business : Analysis of premiums

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	1236383	1251487	8407	2496277	2292823
Single premiums	12	1001691	3111737	405	4113833	3980905

Reinsurance - external

Regular premiums	13	426234	31331	215	457780	422751
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	102592	399299	5145	507036	126185
Single premiums	16	3441	3419380	3059	3425880	2748721

Net of reinsurance

Regular premiums	17	707557	820857	3047	1531461	1743887
Single premiums	18	998250	(307643)	(2654)	687953	1232184

Total

Gross	19	2238074	4363224	8812	6610110	6273728
Reinsurance	20	532267	3850010	8419	4390696	3297657
Net	21	1705807	513214	393	2219414	2976071

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 2010**
 Units **£000**

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

Gross

Regular premiums	11	166728	370417		537145	616617
Single premiums	12	404746	218749		623495	889965

Reinsurance - external

Regular premiums	13	1971	(26025)		(24054)	(5445)
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15		399299		399299	118230
Single premiums	16					

Net of reinsurance

Regular premiums	17	164757	(2857)		161900	503832
Single premiums	18	404746	218749		623495	889965

Total

Gross	19	571474	589166		1160640	1506582
Reinsurance	20	1971	373274		375245	112785
Net	21	569503	215892		785395	1393797

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 2010**
 Units **£000**

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

Gross

Regular premiums	11	1069655	881070	8407	1959132	1676206
Single premiums	12	596945	2892988	405	3490338	3090940

Reinsurance - external

Regular premiums	13	424263	57356	215	481834	428196
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	102592		5145	107737	7955
Single premiums	16	3441	3419380	3059	3425880	2748721

Net of reinsurance

Regular premiums	17	542800	823714	3047	1369561	1240055
Single premiums	18	593504	(526392)	(2654)	64458	342219

Total

Gross	19	1666600	3774058	8812	5449470	4767146
Reinsurance	20	530296	3476736	8419	4015451	3184872
Net	21	1136304	297322	393	1434019	1582274

Long-term insurance business : Analysis of claims

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 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	647628	206145		853773	836730
Disability periodic payments	12	35082			35082	32846
Surrender or partial surrender	13	1440759	1430089	5296	2876144	2122956
Annuity payments	14	3633	1394981		1398614	1292695
Lump sums on maturity	15	646887	685656		1332543	1338985
Total	16	2773989	3716871	5296	6496156	5624212

Reinsurance - external

Death or disability lump sums	21	301485	5417		306902	309226
Disability periodic payments	22	1334			1334	1187
Surrender or partial surrender	23	126	(114679)		(114553)	416
Annuity payments	24	2	6330		6332	2689
Lump sums on maturity	25	(14)			(14)	(143)
Total	26	302933	(102932)		200001	313375

Reinsurance - intra-group

Death or disability lump sums	31	89	168620		168709	169289
Disability periodic payments	32					
Surrender or partial surrender	33	3422	1049957	5074	1058453	512388
Annuity payments	34		1235011		1235011	1132205
Lump sums on maturity	35		224883		224883	198788
Total	36	3511	2678471	5074	2687056	2012670

Net of reinsurance

Death or disability lump sums	41	346054	32108		378162	358215
Disability periodic payments	42	33748			33748	31659
Surrender or partial surrender	43	1437211	494811	222	1932244	1610152
Annuity payments	44	3631	153640		157271	157801
Lump sums on maturity	45	646901	460773		1107674	1140340
Total	46	2467545	1141332	222	3609099	3298167

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 2010**
 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	146285	32110		178395	165605
Disability periodic payments	12					
Surrender or partial surrender	13	540477	761810		1302287	931091
Annuity payments	14	1343	153632		154975	155441
Lump sums on maturity	15	638915	485087		1124002	1132289
Total	16	1327020	1432639		2759659	2384426

Reinsurance - external

Death or disability lump sums	21	1489			1489	1500
Disability periodic payments	22					
Surrender or partial surrender	23		209035		209035	76378
Annuity payments	24					
Lump sums on maturity	25	(14)			(14)	(143)
Total	26	1475	209035		210510	77735

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		150905		150905	38735
Annuity payments	34					
Lump sums on maturity	35					
Total	36		150905		150905	38735

Net of reinsurance

Death or disability lump sums	41	144796	32110		176906	164105
Disability periodic payments	42					
Surrender or partial surrender	43	540477	401870		942347	815978
Annuity payments	44	1343	153632		154975	155441
Lump sums on maturity	45	638929	485087		1124016	1132432
Total	46	1325545	1072699		2398244	2267956

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 2010**
 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	501343	174035		675378	671125
Disability periodic payments	12	35082			35082	32846
Surrender or partial surrender	13	900282	668279	5296	1573857	1191865
Annuity payments	14	2290	1241349		1243639	1137254
Lump sums on maturity	15	7972	200569		208541	206696
Total	16	1446969	2284232	5296	3736497	3239786

Reinsurance - external

Death or disability lump sums	21	299996	5417		305413	307726
Disability periodic payments	22	1334			1334	1187
Surrender or partial surrender	23	126	(323714)		(323588)	(75962)
Annuity payments	24	2	6330		6332	2689
Lump sums on maturity	25					
Total	26	301458	(311967)		(10509)	235640

Reinsurance - intra-group

Death or disability lump sums	31	89	168620		168709	169289
Disability periodic payments	32					
Surrender or partial surrender	33	3422	899052	5074	907548	473653
Annuity payments	34		1235011		1235011	1132205
Lump sums on maturity	35		224883		224883	198788
Total	36	3511	2527566	5074	2536151	1973935

Net of reinsurance

Death or disability lump sums	41	201258	(2)		201256	194110
Disability periodic payments	42	33748			33748	31659
Surrender or partial surrender	43	896734	92941	222	989897	794174
Annuity payments	44	2288	8		2296	2360
Lump sums on maturity	45	7972	(24314)		(16342)	7908
Total	46	1142000	68633	222	1210855	1030211

Long-term insurance business : Analysis of expenses

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	201557	20281		221838	248610
Commission - other	12	34375	14707		49082	41388
Management - acquisition	13	153462	76932	410	230804	238785
Management - maintenance	14	95376	92644	665	188685	193999
Management - other	15	22287	12960		35247	46361
Total	16	507057	217524	1075	725656	769143

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	1			1	1
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	1			1	1

Reinsurance - intra-group

Commission - acquisition	31	36	91225	414	91675	103477
Commission - other	32		74731	826	75557	72222
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	36	165956	1240	167232	175699

Net of reinsurance

Commission - acquisition	41	201521	(70944)	(414)	130163	145133
Commission - other	42	34374	(60024)	(826)	(26476)	(30835)
Management - acquisition	43	153462	76932	410	230804	238785
Management - maintenance	44	95376	92644	665	188685	193999
Management - other	45	22287	12960		35247	46361
Total	46	507020	51568	(165)	558423	593443

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 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	21663	1313		22976	41057
Commission - other	12	4832	4594		9426	9081
Management - acquisition	13	10671	9179		19850	26426
Management - maintenance	14	28901	44086		72987	84991
Management - other	15	12080	7939		20019	16652
Total	16	78147	67111		145258	178207

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41	21663	1313		22976	41057
Commission - other	42	4832	4594		9426	9081
Management - acquisition	43	10671	9179		19850	26426
Management - maintenance	44	28901	44086		72987	84991
Management - other	45	12080	7939		20019	16652
Total	46	78147	67111		145258	178207

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 2010**
 Units **£000**

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

Gross

Commission - acquisition	11	179894	18968		198862	207553
Commission - other	12	29543	10113		39656	32307
Management - acquisition	13	142791	67753	410	210954	212359
Management - maintenance	14	66475	48558	665	115698	109008
Management - other	15	10207	5021		15228	29709
Total	16	428910	150413	1075	580398	590936

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	1			1	1
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	1			1	1

Reinsurance - intra-group

Commission - acquisition	31	36	91225	414	91675	103477
Commission - other	32		74731	826	75557	72222
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	36	165956	1240	167232	175699

Net of reinsurance

Commission - acquisition	41	179858	(72257)	(414)	107187	104076
Commission - other	42	29542	(64618)	(826)	(35902)	(39916)
Management - acquisition	43	142791	67753	410	210954	212359
Management - maintenance	44	66475	48558	665	115698	109008
Management - other	45	10207	5021		15228	29709
Total	46	428873	(15543)	(165)	413165	415236

Long-term insurance business : Linked funds balance sheet

Name of insurer **Legal & General Assurance Society Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	16770250	16181592
Directly held assets in collective investment schemes of connected companies	12	5528905	4896746
Directly held assets in other collective investment schemes	13	3495555	2769525
Total assets (excluding cross investment) (11+12+13)	14	25794710	23847863
Provision for tax on unrealised capital gains	15	(34604)	(53464)
Secured and unsecured loans	16		
Other liabilities	17	116803	95357
Total net assets (14-15-16-17)	18	25712511	23805970

Directly held linked assets

Value of directly held linked assets	21	8430	8589
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Total

Value of directly held linked assets and units held (18+21)	31	25720941	23814559
Surplus units	32	66575	115750
Deficit units	33	24048	94810
Net unit liability (31-32+33)	34	25678414	23793619

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

Total business

Financial year ended **31 December 2010**Units **£000**

Financial year 1	Previous year 2
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Income

Value of total creation of units	11	3641102	3550572
Investment income attributable to the funds before deduction of tax	12	903534	913502
Increase (decrease) in the value of investments in the financial year	13	1944378	3017498
Other income	14		70256
Total income	19	6489014	7551828

Expenditure

Value of total cancellation of units	21	4177326	3380546
Charges for management	22	203106	171227
Charges in respect of tax on investment income	23	165531	184595
Taxation on realised capital gains	24	15806	(85350)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	18860	89397
Other expenditure	26	1844	1596
Total expenditure	29	4582473	3742011

Increase (decrease) in funds in financial year (19-29)	39	1906541	3809817
Internal linked fund brought forward	49	23805970	19996153
Internal linked funds carried forward (39+49)	59	25712511	23805970

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

Total business

Financial year ended **31 December 2010**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	378764	273548	227	652539	604622
Single premium business	12	16672	76505	18	93195	89393
Total	13	395436	350053	245	745734	694015

**Amount of new regular
premiums**

Direct insurance business	21	129273	407071	572	536916	427807
External reinsurance	22					
Intra-group reinsurance	23	102592			102592	
Total	24	231865	407071	572	639508	427807

**Amount of new single
premiums**

Direct insurance business	25	986540	3001309	405	3988255	3955136
External reinsurance	26					
Intra-group reinsurance	27	13206			13206	4831
Total	28	999746	3001309	405	4001461	3959967

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
175	Group Conventional Deferred Annuity With-Profits		70		
300	Regular Premium Non-Profit WL/EA	20852	5827		
325	Level Term Assurance	155323	53097		
330	Decreasing Term Assurance	78549	20174		
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	24201	10862		
340	Other Accelerated Critical Illness (Guaranteed Premiums)	20500	10237		
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	12546	6120		
345	Other Accelerated Critical Illness (Reviewable Premiums)	15026	6311		
350	Stand-alone Critical Illness (Guaranteed Premiums)		1		
360	Income Protection Non-Profit (Guaranteed Premiums)	6852	2683		
365	Income Protection Non-Profit (Reviewable Premiums)	669	183		
410	Group Life	4251	1658		
420	Group Income Protection	35033	10031		
430	Group Critical Illness	4791	1405		
435	Miscellaneous Non-Profit		8		

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	With-Profit Bond			8551	405773
510	Life UWP Endowment Regular Premium - Savings		6		
700	Investment Bond			54	7276
700	Portfolio Bond			7855	546714
700	Select Portfolio Bond			47	2614
700	Discounted Gift Portfolio Bond			165	24163
710	Life Property Linked Whole Life Regular Premium	79	542		
715	Life Property Linked Endowment Regular Premium - Savings		5		
795	Miscellaneous Property Linked	92	53		

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

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
325	Level Term Assurance - US Term business		102592		
700	International Portfolio Bond				13206

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
165	Personal Retirement Plan		103		186
200	With-Profit Immediate Annuities In Payment			640	25941
325	Level Term Assurance	2	7		
330	Decreasing Term Assurance	2			
390	Deferred Annuities - Group - Bulk Purchase			1668	60911
400	Annuities In Payment - Group - Other			7131	83490
400	Annuities In Payment - Individual - Compulsory Purchase			22307	616897
400	Annuities In Payment - Individual - Other			12183	255232
401	Annuities In Payment - Group - Bulk Purchase			15007	470907
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life			1879	98094
405	Annuities In Payment - Individual - Compulsory Purchase - Annuity Plus			1633	70883
410	Group Life	120582	24328		
435	Miscellaneous Non-Profit	77777	16429		
525	Personal Pension Plan	181	482		97
525	Section 32 Buy-Out		0	566	898

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Self Employed Plan		37		36
530	Executive Pension Plan		35		314
530	Pension Savings Plan		25		135
530	Personal Pension Plan		1061		1079
530	Section 32 Buy-Out				3800
535	Group Money Purchase Pensions UWP	60	110		85
540	Group Money Purchase Pensions UWP - Increments		162		188
555	1980 Bonus System - Group				1646
555	Other Group Deposit Administration With-Profits		21		
560	1980 Bonus System - Group		530		
565	DWP National Insurance Rebates UWP				36897
725	Pension Savings Plan		3		19
725	Personal Pension Plan	7052	32427		11958
725	Section 32 Buy-Out		0	941	6176
725	Stakeholder	21615	88276		34976

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
725	Group SIPP	40894	167539		190904
725	Portfolio Plus SIPP	3467	11629		272616
730	Executive Investment Retirement Plan		11		562
730	Executive Pension Plan		100		1231
730	Pension Savings Plan		50		225
730	Personal Investment Pension Plan		16		87
730	Personal Pension Plan		16982		49826
730	Section 32 Buy-Out				11301
730	Self Employed Plan		36		181
730	Stakeholder		25148		75507
730	Group SIPP		6219		18914
730	Portfolio Plus SIPP		432		27010
730	Individual Pensions Property Linked		112		1
735	Group Money Purchase Pensions Property Linked	1916	9474	6210	111039
740	Group Money Purchase Pensions Property Linked - Increments		5287		11672

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
745	DWP National Insurance Rebates Property Linked				56899
755	Trustee Investment Plan				10016
905	Annuities In Payment - Group - RPI-linked - Other			182	3183
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase			695	11530
905	Other RPI-linked Annuity - Individual			99	2227
906	Annuities In Payment - Group - RPI-linked - Bulk Purchase			2814	143991
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase			2550	221540

Long-term insurance business : Analysis of new business

Name of insurer

Legal & General Assurance Society Limited

Total business

Financial year ended

31 December 2010

Units

£000

Overseas / 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
325	Level Term Assurance	186	72		
725	Individual Pensions Property Linked	41	239	18	405
730	Individual Pensions Property Linked		261		

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 2010**
 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	10491	12422	619	4.98	
Approved fixed interest securities	12	420060	420060	18352	3.72	
Other fixed interest securities	13	1897345	1897345	106382	5.58	
Variable interest securities	14	31409	34071	335	1.63	
UK listed equity shares	15	62925	64266	2513	4.24	
Non-UK listed equity shares	16	2749	2749	278	6.16	
Unlisted equity shares	17	75057	75057			
Other assets	18	890618	884684	1176	0.13	
Total	19	3390654	3390654	129655	3.74	

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

Land and buildings	21	124202	2156665	108499	5.03	18.92
Approved fixed interest securities	22	3717361	3717361	170354	3.48	8.42
Other fixed interest securities	23	3910671	3911158	218339	5.41	10.44
Variable interest securities	24	69617	120180	760	3.35	2.56
UK listed equity shares	25	2169925	2200585	87376	4.38	13.79
Non-UK listed equity shares	26	2162361	2162361	66648	4.41	16.18
Unlisted equity shares	27	1057331	116746			25.42
Other assets	28	2427838	1254250	(17792)	(1.42)	0.72
Total	29	15639306	15639306	634184	4.01	12.72

Overall return on with-profits assets

Post investment costs but pre-tax	31					12.55
Return allocated to non taxable 'asset shares'	32					12.60
Return allocated to taxable 'asset shares'	33					12.52

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 2010**
 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	373126	373126	16174	3.77	
Other fixed interest securities	13	1772430	1772430	101070	5.67	
Variable interest securities	14	31409	31409	335	1.77	
UK listed equity shares	15	57609	58460	2421	4.49	
Non-UK listed equity shares	16	2700	2700	273	6.16	
Unlisted equity shares	17					
Other assets	18	209298	208447	911	0.44	
Total	19	2446572	2446572	121184	4.86	

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

Land and buildings	21	124202	2156665	108499	5.03	18.92
Approved fixed interest securities	22	3717361	3717361	170354	3.48	8.42
Other fixed interest securities	23	3910671	3911158	218339	5.41	10.44
Variable interest securities	24	69617	120180	760	3.35	2.56
UK listed equity shares	25	2169925	2200585	87376	4.38	13.79
Non-UK listed equity shares	26	2162361	2162361	66648	4.41	16.18
Unlisted equity shares	27	1057331	116746			25.42
Other assets	28	2427838	1254250	(17792)	(1.42)	0.72
Total	29	15639306	15639306	634184	4.01	12.72

Overall return on with-profits assets

Post investment costs but pre-tax	31					12.55
Return allocated to non taxable 'asset shares'	32					12.60
Return allocated to taxable 'asset shares'	33					12.52

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 2010**
 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	10491	12422	619	4.98	
Approved fixed interest securities	12	46934	46934	2178	3.29	
Other fixed interest securities	13	124915	124915	5312	4.25	
Variable interest securities	14		2662			
UK listed equity shares	15	5316	5806	92	1.73	
Non-UK listed equity shares	16	49	49	5	6.16	
Unlisted equity shares	17	75057	75057			
Other assets	18	681320	676237	265	0.04	
Total	19	944082	944082	8471	0.83	

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					
Total	29					

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 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1597229	11.04	3.37	3.34

Other approved fixed interest securities	21	2540192	8.59	3.59	3.56
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Other fixed interest securities

AAA/Aaa	31	632293	5.43	3.09	3.03
AA/Aa	32	908622	7.28	5.13	5.01
A/A	33	1986102	8.17	5.44	5.18
BBB/Baa	34	1169787	7.35	5.79	5.27
BB/Ba	35	165243	4.89	7.01	4.51
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	946456	6.33	6.76	6.40
Total other fixed interest securities	39	5808503	7.17	5.47	5.12

Approved variable interest securities	41	11771	17.11	0.52	0.49
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Other variable interest securities	51	142480	5.81	3.18	2.95
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Total (11+21+39+41+51)	61	10100175	8.13	4.63	4.41
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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 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1572002	11.12	3.38	3.35

Other approved fixed interest securities	21	2518485	8.58	3.58	3.55
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Other fixed interest securities

AAA/Aaa	31	602933	5.69	3.21	3.15
AA/Aa	32	905371	7.30	5.14	5.03
A/A	33	1928355	8.08	5.43	5.18
BBB/Baa	34	1138916	7.34	5.79	5.27
BB/Ba	35	165243	4.89	7.01	4.53
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	942770	6.36	6.79	6.43
Total other fixed interest securities	39	5683588	7.18	5.49	5.15

Approved variable interest securities	41	11771	17.11	0.52	0.49
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Other variable interest securities	51	139818	5.74	3.24	3.01
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Total (11+21+39+41+51)	61	9925664	8.15	4.63	4.42
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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 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	25227	5.75	2.64	2.61
Other approved fixed interest securities	21	21707	9.79	4.06	4.03
Other fixed interest securities					
AAA/Aaa	31	29360	0.14	0.58	0.52
AA/Aa	32	3251	0.13	0.62	0.34
A/A	33	57747	11.04	5.73	5.32
BBB/Baa	34	30871	7.92	5.74	5.45
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	3686	0.59	0.94	0.09
Total other fixed interest securities	39	124915	7.12	4.25	3.94
Approved variable interest securities	41				
Other variable interest securities	51	2662	9.65		
Total (11+21+39+41+51)	61	174511	7.29	3.93	3.70

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 2010**
 Units **£000**

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

Gross

Form 51 - with-profits	11	2788776	940082		3728858	4153686
Form 51 - non-profit	12	1426699	18689860	4864	20121423	17658468
Form 52	13	4366544	4445283		8811828	8713850
Form 53 - linked	14	10795415	15905746	62382	26763543	24354288
Form 53 - non-linked	15	104478	308903	1748	415130	438007
Form 54 - linked	16	95305	6801369		6896675	6246875
Form 54 - non-linked	17					
Total	18	19577218	47091245	68994	66737457	61565173

Reinsurance - external

Form 51 - with-profits	21	838			838	800
Form 51 - non-profit	22	1551768	123483		1675251	1506107
Form 52	23	184	74		258	399
Form 53 - linked	24		168375		168375	430056
Form 53 - non-linked	25	738	169		907	791
Form 54 - linked	26	5984	220		6204	4407
Form 54 - non-linked	27					
Total	28	1559512	292320		1851832	1942560

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	123800	16550902	4864	16679566	14464887
Form 52	33		(1565)		(1565)	763
Form 53 - linked	34	10498	897268	41800	949566	184080
Form 53 - non-linked	35	1973	50758	1748	54479	52103
Form 54 - linked	36		6762937		6762937	6125083
Form 54 - non-linked	37					
Total	38	136271	24260300	48412	24444983	20826917

Net of reinsurance

Form 51 - with-profits	41	2787938	940082		3728020	4152886
Form 51 - non-profit	42	(248869)	2015476		1766606	1687473
Form 52	43	4366361	4446774		8813135	8712687
Form 53 - linked	44	10784917	14840103	20583	25645603	23740151
Form 53 - non-linked	45	101767	257976		359743	385112
Form 54 - linked	46	89322	38213		127534	117385
Form 54 - non-linked	47					
Total	48	17881435	22538624	20583	40440642	38795695

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 2010**
 Units **£000**

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

Gross

Form 51 - with-profits	11	2788776	940082		3728858	4153686
Form 51 - non-profit	12	18105	2015476		2033581	1927620
Form 52	13	4366544	4445283		8811828	8713850
Form 53 - linked	14	1104349	8119783		9224131	8685898
Form 53 - non-linked	15	33750	257976		291726	313889
Form 54 - linked	16		38213		38213	36901
Form 54 - non-linked	17					
Total	18	8311524	15816813		24128337	23831842

Reinsurance - external

Form 51 - with-profits	21	838			838	800
Form 51 - non-profit	22					
Form 52	23	184	74		258	399
Form 53 - linked	24		50646		50646	44747
Form 53 - non-linked	25	137			137	145
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	1158	50720		51878	46090

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		(1565)		(1565)	763
Form 53 - linked	34		178195		178195	138017
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		176630		176630	138781

Net of reinsurance

Form 51 - with-profits	41	2787938	940082		3728020	4152886
Form 51 - non-profit	42	18105	2015476		2033581	1927620
Form 52	43	4366361	4446774		8813135	8712687
Form 53 - linked	44	1104349	7890942		8995291	8503133
Form 53 - non-linked	45	33613	257976		291589	313744
Form 54 - linked	46		38213		38213	36901
Form 54 - non-linked	47					
Total	48	8310366	15589463		23899829	23646971

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 2010**
 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	1408593	16674384	4864	18087842	15730848
Form 52	13					
Form 53 - linked	14	9691066	7785963	62382	17539412	15668390
Form 53 - non-linked	15	70728	50927	1748	123403	124118
Form 54 - linked	16	95305	6763157		6858462	6209974
Form 54 - non-linked	17					
Total	18	11265694	31274432	68994	42609120	37733330

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	1551768	123483		1675251	1506107
Form 52	23					
Form 53 - linked	24		117729		117729	385310
Form 53 - non-linked	25	601	169		770	647
Form 54 - linked	26	5984	220		6204	4407
Form 54 - non-linked	27					
Total	28	1558353	241600		1799954	1896470

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	123800	16550902	4864	16679566	14464887
Form 52	33					
Form 53 - linked	34	10498	719073	41800	771371	46063
Form 53 - non-linked	35	1973	50758	1748	54479	52103
Form 54 - linked	36		6762937		6762937	6125083
Form 54 - non-linked	37					
Total	38	136271	24083670	48412	24268353	20688137

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	(266975)			(266975)	(240146)
Form 52	43					
Form 53 - linked	44	9680568	6949161	20583	16650312	15237018
Form 53 - non-linked	45	68154			68154	71369
Form 54 - linked	46	89322			89322	80484
Form 54 - non-linked	47					
Total	48	9571069	6949161	20583	16540813	15148724

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 2010**
 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	2912	48999	308				38644
120	New Cashbuilder	52386	132568	1863				116163
120	Other Conventional Endowment With-Profits Savings	3729	39168	462				34620
125	Build Up	174906	5053757	95104				2546475
165	Conventional Deferred Annuity With-Profits	89	38	1				704
175	Group Conventional Deferred Annuity With-Profits	169	2271	100				2387
210	Additional Reserves With-Profits							49783
300	Regular Premium Non-Profit WL/EA	288	538					1363
320	Group Deposit Administration Non-Profit	28	30					514
390	Deferred Annuity Non-Profit	608	127	1				2592
395	Annuity Non-Profit (PLA)	1393	1526					13636

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional Whole Life With-Profits		933					822
120	Conventional Endowment With-Profits Savings		916					16

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 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional Pensions Endowment With-Profits	45	231					259
165	Personal Retirement Plan	22421	61092	4120				643628
165	Other Conventional Deferred Annuity With-Profits	110	61	0				1023
175	Group Conventional Deferred Annuity With-Profits		4					126
185	Group Conventional Pensions Endowment With-Profits	104	498	0				593
200	With-Profit Immediate Annuities In Payment	8051	20453					271874
200	Other Annuity With-Profits (CPA)	39	138					712
210	Additional Reserves With-Profits							21867
300	Regular Premium Non-Profit WL/EA	75	202					473
315	Individual Deposit Administration Non-Profit	657	19815					33686
320	1980 Bonus System - Group		67254					137801
320	Other Group Deposit Administration Non-Profit	38	398					531
390	Deferred Annuities - Group	49845	14981					250351
390	Other Deferred Annuity Non-Profit	59	28					892
400	Annuities In Payment - Group	30197	84427					843699

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 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuities In Payment - Individual - Personal Retirement Plan	16686	39280					468091
400	Annuities In Payment - Individual - Other	7467	9350					122255
400	Contingent Annuities - Group	6931	33777					137794
400	Contingent Annuities - Individual	1187	2944					10814
440	Additional Reserves Non-Profit							9089

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 2010**
 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	62864	514126	19343				92089
325	Level Term Assurance	1286556	178902314	406265				354040
325	Level Term Assurance - US Term business	135538	28563212	46688				123788
330	Decreasing Term Assurance	682784	75862509	180727				(5400)
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)	182962	12845175	73935				5249
340	Other Accelerated Critical Illness (Guaranteed Premiums)	173240	13805113	75420				116391
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)	129947	10423705	56454				(21059)
345	Other Accelerated Critical Illness (Reviewable Premiums)	102963	7652757	42237				(6872)
350	Stand-alone Critical Illness (Guaranteed Premiums)	32304	1828680	9826				97311
355	Stand-alone Critical Illness (Reviewable Premiums)	32265	1796973	7948				118655
360	Income Protection Non-Profit (Guaranteed Premiums)	7948	106125	3557				29159
365	Income Protection Non-Profit (Reviewable Premiums)	48076	369298	10023				70765
385	Income Protection Claims In Payment							18548
390	Deferred Annuity Non-Profit	2174	268	2				4615
395	Annuity Non-Profit (PLA)	3170	1002					8373

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 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
410	Group Life	30311	10316607	13604				8768
420	Group Income Protection	188236	4250566	57948				72768
425	Group Income Protection Claims In Payment	1695	26192					220004
430	Group Critical Illness	69546	5436709	8363				6421
435	Miscellaneous Non-Profit	369	3764	67				58
440	Additional Reserves Non-Profit							94921

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 2010**
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		224334	2069				61040
325	Level Term Assurance		159639174	264102				708717
330	Decreasing Term Assurance		67300018	109656				193913
340	Decreasing Term Assurance with Critical Illness Insurance (Guaranteed Premiums)		8324877	32142				60054
340	Other Accelerated Critical Illness (Guaranteed Premiums)		9675140	35976				143213
345	Decreasing Term Assurance with Critical Illness Insurance (Reviewable Premiums)		9303212	26340				46746
345	Other Accelerated Critical Illness (Reviewable Premiums)		6870024	16981				46321
350	Stand-alone Critical Illness (Guaranteed Premiums)		1640575	7095				88330
355	Stand-alone Critical Illness (Reviewable Premiums)		1434476	4265				105606
360	Income Protection Non-Profit (Guaranteed Premiums)		86547	2193				18258
365	Income Protection Non-Profit (Reviewable Premiums)		294795	2343				59193
385	Income Protection Claims In Payment							13800
390	Deferred Annuity Non-Profit		2					33
395	Annuity Non-Profit (PLA)		0					1
410	Group Life							4

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

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Non Profit & balancing items**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
420	Group Income Protection		42381	578				2916
425	Group Income Protection Claims In Payment		126					828
430	Group Critical Illness		2705775	4423				2794

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular Premium Non-Profit WL/EA		12	0				6
325	Level Term Assurance - US Term business		28563212	46688				123788
330	Decreasing Term Assurance		27					0
390	Deferred Annuity Non-Profit		0					5

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

Name of insurer **Legal & General Assurance Society Limited**
Total business / subfund **Non Profit & balancing items**
Financial year ended **31 December 2010**
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	540	250	4				673
305	Single Premium Non-Profit WL/EA		26					0
325	Level Term Assurance	42516	8148771	17207				24862
330	Decreasing Term Assurance	10825	1621974	3102				734
390	Deferred Annuities - Group - Bulk Purchase	75971	157431					2081873
390	Deferred Annuities - Group - Other	8226	5230					80737
390	Other Deferred Annuity Non-Profit	169	251					2139
400	Annuities In Payment - Group - Bulk Purchase	103506	520314					5259439
400	Annuities In Payment - Group - Other	27392	117866					1424720
400	Annuities In Payment - Individual - Compulsory Purchase	168131	320850					4723542
400	Annuities In Payment - Individual - Other	77716	113111					1575602
400	Contingent Annuities - Group - Bulk Purchase	47454	223460					676895
400	Contingent Annuities - Group - Other	6358	69276					167867
400	Contingent Annuities - Individual	20049	31481					96936
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life	5519	19246					367983

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 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life	13	54					234
410	Group Life	1900983	166544250	195911				109151
435	Miscellaneous Non-Profit	229707	2460594	60647				35079
440	Additional Reserves Non-Profit							45920

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 2010**
 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		13					40
325	Level Term Assurance		7126916	9768				26703
330	Decreasing Term Assurance		1463222	1714				4513
400	Annuities In Payment - Individual - Other		98					1398
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		6246					87592
410	Group Life		3415868	3756				1922
435	Miscellaneous Non-Profit		96524	2279				1315

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 2010**
 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		236	4				633
305	Single Premium Non-Profit WL/EA		26					0
325	Level Term Assurance		1021855	7439				(1841)
330	Decreasing Term Assurance		158752	1388				(3779)
390	Deferred Annuities - Group - Bulk Purchase		157431					2081873
390	Deferred Annuities - Group - Other		5230					80737
390	Other Deferred Annuity Non-Profit		251					2139
400	Annuities In Payment - Group - Bulk Purchase		520314					5259439
400	Annuities In Payment - Group - Other		117866					1424720
400	Annuities In Payment - Individual - Compulsory Purchase		320850					4723542
400	Annuities In Payment - Individual - Other		113012					1574205
400	Contingent Annuities - Group - Bulk Purchase		223460					676895
400	Contingent Annuities - Group - Other		69276					167867
400	Contingent Annuities - Individual		31481					96936
405	Annuities In Payment - Individual - Compulsory Purchase - Impaired Life		13000					280391

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
405	Contingent Annuities - Individual - Compulsory Purchase - Impaired Life		54					234
410	Group Life		163128382	192154				107229
435	Miscellaneous Non-Profit		2364070	58368				33764
440	Additional Reserves Non-Profit							45920

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 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level Term Assurance	1576	232839	462				4714
440	Additional Reserves Non-Profit							150

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

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Non Profit & balancing items**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level Term Assurance		232839	462				4714
440	Additional Reserves Non-Profit							150

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

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **With Profits Part of Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Capital Investment Portfolio	25046	554999		549504	510218	199	510417
500	With-Profit Bond	193674	3747650		3710545	3455099	5558	3460657
500	Other Life UWP Single Premium				2571	2571		2571
505	Life UWP Whole Life Regular Premium	3037	91073	1108	16732	16634	452	17085
510	Life UWP Endowment Regular Premium - Savings	276	2201	157	2217	2198	1	2199
515	Flexible Mortgage Plan	43103	1180172	27870	359888	355931	2480	358411
555	Group Deposit Administration With-Profits	1575	15595	1174	15595	12578	2626	15204

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP Whole Life Regular Premium		1637	12			2	2
515	Flexible Mortgage Plan		222965	1091			182	182

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 2010**
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	1753	72162	1306	63835	62999	16833	79833
525	Pension Savings Plan	7333	66609	1979	64491	62589	23	62612
525	Personal Pension Plan	261957	3072937	29127	2994585	3025783	120077	3145860
525	Section 32 Buy-Out	28027	256541		246335	245074	81909	326983
525	Self Employed Plan	9247	94987	2035	92619	91491	69	91560
535	Group Money Purchase Pensions UWP	6644	58188	1205	56264	55946	4037	59983
545	Buy-Out Plan	8974	197437		197437	463985	10298	474282
545	Other Individual Deposit Administration With-Profits	79	3138	1	3138	3138	2012	5150
555	1980 Bonus System - Group	1111	62785	4671	62785	63014	50000	113014
555	Other Group Deposit Administration With-Profits	2999	44176	1582	44176	44438	26011	70449
571	Trustee Investment Plan UWP				3208	3162	4	3166
610	Additional Reserves						12391	12391

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
575	Bulk Reinsurance						74	74

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
575	Bulk Reinsurance						(1565)	(1565)

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 2010**
 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	14792	567914		539226	539226	25210	564436
700	Other Life Property Linked Single Premium	805	26228		26027	26027	25	26052
710	Life Property Linked Whole Life Regular Premium	12482	412801	4186	64881	64881	6494	71374
715	Life Property Linked Endowment Regular Premium - Savings	53	797	25	797	797		797
720	Flexible Mortgage Plan	26466	1189288	23589	469332	469332	1820	471153
800	Additional Reserves Property Linked					4086	200	4286

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life Property Linked Whole Life Regular Premium		5702	32			5	5
720	Flexible Mortgage Plan		119786	789			132	132

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 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Executive Pension Plan	3163	207547	3327	185495	184128	31950	216078
725	Pension Savings Plan	8728	144617	3541	133996	131468	10743	142211
725	Personal Pension Plan	345834	6655354	269066	6842008	6813322	147931	6961253
725	Section 32 Buy-Out	34383	482921		465108	465108	21727	486835
725	Self Employed Plan	11183	160586	2601	151956	149078	9394	158472
735	Group Money Purchase Pensions Property Linked	19526	345407	39143	352513	352348	10097	362445
755	Trustee Investment Plan				24330	24330	877	25207
800	Additional Reserves Property Linked						25258	25258

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual Pensions Property Linked				50646	50646		50646

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

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **With Profits Part of Fund**
 Financial year ended **31 December 2010**
 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	Individual Pensions Property Linked				178195	178195		178195

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 2010**
 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	15932	485063		478382	478395	5184	483578
700	Capital Preservation Plan	2577	149426		149360	149360	154	149514
700	Investment Bond	97071	3547743		3514057	3503083	30682	3533765
700	Portfolio Bond	57745	2838016		5238467	5122170	17426	5139597
700	Discounted Gift Portfolio Bond	1085	157197		155879	151594	410	152004
700	International Portfolio Bond		14800		14800	14800		14800
700	Select Portfolio Bond	46	2996		2967	2580	387	2967
700	Other Life Property Linked Single Premium	29	610		4277	4440	1391	5831
710	Life Property Linked Whole Life Regular Premium	37736	1918004	16837	109211	109206	4513	113719
715	Life Property Linked Endowment Regular Premium - Savings	490	20290	185	28911	28952	289	29241
720	Flexible Mortgage Plan	11655	418134	9661	150466	158894	968	159862
795	Miscellaneous Property Linked	45179	1628472	5662	4754	4754	5699	10453
800	Additional Reserves Property Linked				1	(37162)	3627	(33535)

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life Property Linked Whole Life Regular Premium		339473	1349			225	225
720	Flexible Mortgage Plan		77924	326			54	54
795	Miscellaneous Property Linked		534318	1933			322	322

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
710	Life Property Linked Whole Life Regular Premium		24697	156	10497	10497	156	10654
800	Additional Reserves Property Linked				1	1	1817	1818

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 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Executive Investment Retirement Plan	625	61792	154	61258	60070	4258	64328
725	Personal Investment Pension Plan	4693	106447	930	107857	106477	859	107336
725	Section 32 Buy-Out	11	530		530	530	(0)	530
725	Stakeholder	262769	4779686	455812	5238470	5238470	8893	5247364
725	Individual Pensions Property Linked		63890		63890	63890	12778	76668
725	Portfolio Plus SIPP	14146	1143908	32176	1138364	1138364	6272	1144635
725	Group SIPP	45015	456254	186691	454345	454345	13902	468247
735	Group Money Purchase Pensions Property Linked	11300	238262	10	238047	238039	892	238931
750	Income Drawdown Property Linked	2694	314346		312622	312622	2695	315317
755	Trustee Investment Plan		93686	12	173156	173156	378	173534

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual Pensions Property Linked				117729	117729	169	117898

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 2010**
 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		61792	154			4258	4258
725	Personal Investment Pension Plan		106447	930			859	859
725	Section 32 Buy-Out		530				(0)	(0)
725	Stakeholder		4779686	455812			8893	8893
725	Individual Pensions Property Linked		63890		719073	719073	12778	731850
725	Portfolio Plus SIPP		1143908	32176			6272	6272
725	Group SIPP		456254	186691			13902	13902
735	Group Money Purchase Pensions Property Linked		238262	10			892	892
750	Income Drawdown Property Linked		314346				2695	2695
755	Trustee Investment Plan		93686	12			378	378
795	Miscellaneous Property Linked						(169)	(169)

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 2010
Units	£000
Overseas / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual Pensions Property Linked	5518	85900	8611	62382	62382	1748	64130

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 2010**
 Units **£000**
 Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual Pensions Property Linked		85900	8611	41800	41800	1748	43548

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

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **With Profits Part of Fund**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Annuities In Payment - Group - RPI-linked - Other	149	1375		15248	15248		15248
905	Other RPI-linked Annuity - Group	59	607		3039	3039		3039
905	Other RPI-linked Annuity - Individual	569	1134		19697	19697		19697
915	Additional Reserves Index Linked				228	228		228

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 2010**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index Linked Income Protection Claims In Payment				8531	8531		8531
902	Group Index Linked Income Protection Claims In Payment	368	6465		58223	58223		58223
905	Index Linked Annuity	191	1560		23227	23227		23227
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	6	129		5130	5130		5130
915	Additional Reserves Index Linked				195	195		195

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 2010**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
901	Index Linked Income Protection Claims In Payment				5984	5984		5984

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 2010**
 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	31629	283771		3354526	3354526		3354526
905	Annuities In Payment - Group - RPI-linked - Other	1871	10426		244708	244708		244708
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase	12808	12018		274992	274992		274992
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase	18180	165538		558117	558117		558117
905	Other RPI-linked Annuity - Group	584	2098		12024	12024		12024
905	Other RPI-linked Annuity - Individual	3096	4015		56385	56385		56385
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase	38479	115617		2213269	2213269		2213269
915	Additional Reserves Index Linked				49135	49135		49135

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 2010**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Other RPI-linked Annuity - Individual		10		220	220		220

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 2010**
 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		283771		3354526	3354526		3354526
905	Annuities In Payment - Group - RPI-linked - Other		10426		244708	244708		244708
905	Annuities In Payment - Individual - RPI-linked - Compulsory Purchase		12018		274992	274992		274992
905	Contingent Annuities - Group - RPI-linked - Bulk Purchase		165538		558117	558117		558117
905	Other RPI-linked Annuity - Group		2098		12024	12024		12024
905	Other RPI-linked Annuity - Individual		4005		56165	56165		56165
907	Deferred Annuities - Group - RPI-linked - Bulk Purchase		115617		2213269	2213269		2213269
915	Additional Reserves Index Linked				49135	49135		49135

Long-term insurance business : Unit prices for internal linked fundsName of insurer **Legal & General Assurance Society Limited**

Total business

Financial year ended **31 December 2010**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit management charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Money Builder (Investec) Fund	04 - life - other managed fund	123437	Gen 3	2.20	11.4619	12.0978	5.55
Managed	02 - life - balanced managed fund	1075881	Gen2 A	1.00	16.8866	18.3335	8.57
Property	07 - life - property	676007	Gen2 A	1.00	7.3106	8.1356	11.28
Distributor	04 - life - other managed fund	787641	Gen2 A	1.00	1.2703	1.3158	3.58
Accumulator	04 - life - other managed fund	4409044	Gen2 A	1.00	2.7261	2.9599	8.57
Cautious Managed	04 - life - other managed fund	187098	Gen 3	1.30	1.6230	1.7514	7.91
Rising Income Accumulation	04 - life - other managed fund	160392	Gen2 A	1.00	1.4009	1.5178	8.35
Growth Accumulation	04 - life - other managed fund	692271	Gen2 A	1.00	1.4102	1.5253	8.16
L&G Life Invesco Perpetual High Income Fund	04 - life - other managed fund	102289	GenQ A	2.17	1.0994	1.3701	24.63
Exempt Equity	15 - individual pension - UK equity	376544	Gen6 A	0.50	52.3936	57.2486	9.27
Exempt Managed	12 - individual pension - balanced managed fund	5830798	Gen6 A	0.50	35.0348	38.9579	11.20
Exempt Property	17 - individual pension - property	612429	GenQ A		1.7011	1.9338	13.68
Exempt Far Eastern	16 - individual pension - overseas equity	160157	GenQ A		1.7070	2.0456	19.84
Exempt European	16 - individual pension - overseas equity	116719	Gen6 A	0.50	7.1653	7.5587	5.49
Exempt Consensus	11 - individual pension - stock market managed fund	352126	GenQ A		1.5229	1.7272	13.42
Exempt Distribution	14 - individual pension - other managed fund	1213036	GenQ A		1.6460	1.8511	12.47
Newton Higher Income	15 - individual pension - UK equity	139528	GenQ A		1.9510	2.1400	9.69
Newton Balanced	12 - individual pension - balanced managed fund	182619	GenQ A		1.8180	2.0240	11.33

Long-term insurance business : Index linked business

Name of insurer **Legal & General Assurance Society Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	107571	17.11
Other variable interest securities	12	11135	3.85
Approved fixed interest securities	13	195	4.67
Other fixed interest securities	14	228	7.18
Cash and deposits	15	8408	
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
Total (11 to 19)	20	127537	

Credit rating of other fixed interest and other variable interest securities

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

Long-term insurance business: Analysis of valuation interest rateName of insurer **Legal & General Assurance Society Limited**Subfund **With Profits Part of Fund**Financial year ended **31 December 2010**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	34778	2.25	2.71	4.69
UKL participating WP F51, 52 & 53 assurances	7237160	2.25	2.62	4.13
UKP non participating WP F51 & 53 assurances	272885	3.00	3.00	4.69
UKP participating WP F51 Product Code 165 Personal Retirement Plan	633495	4.25	4.25	4.66
UKP participating WP Other F51, 52 & 53 assurances	4480496	3.00	3.00	4.13
UKP non participating WP F51 annuities in payment	1624386	4.79	4.79	5.06
Miscellaneous	801943			
Total	15085144			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Legal & General Assurance Society Limited**Subfund **Non Profit & balancing items**Financial year ended **31 December 2010**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	(699060)	7.60	7.60	
UKL NP F51 & 53 temporary assurances	48866			
UKL NP F51 & 53 assurances	8670	3.00	3.00	
UKL NP F51 & 53 assurances	58027	2.25	2.81	
UKL NP F51 & 53 assurances	2088	2.00	2.00	
UKL NP F51 & 53 assurances	2274	1.25	1.56	
UKL NP F51 & 53 assurances	33303			
UKL NP F51 & 53 PHI	347396	3.00	3.00	
UKL NP F51 & 53 PHI	(386)			
Miscellaneous	0			
Total	(198822)			

Long-term insurance business : Distribution of surplus

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	41507778	39731019
Bonus payments in anticipation of a surplus	12	192091	168701
Transfer to non-technical account	13	195657	145865
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	41895526	40045586
Mathematical reserves	21	40440642	38795695
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1454883	1249890

Composition of surplus

Balance brought forward	31	691241	13991
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	763642	1235899
Total	39	1454883	1249890

Distribution of surplus

Bonus paid in anticipation of a surplus	41	192091	168701
Cash bonuses	42		
Reversionary bonuses	43	218820	244083
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	410910	412784
Net transfer out of fund / part of fund	47	195657	145865
Total distributed surplus (46+47)	48	606567	558649
Surplus carried forward	49	848316	691241
Total (48+49)	59	1454883	1249890

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 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	24122127	23894532
Bonus payments in anticipation of a surplus	12	192091	168701
Transfer to non-technical account	13	45657	45865
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	24359874	24109098
Mathematical reserves	21	23899829	23646971
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	460045	462127

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	456567	458649
Total	39	460045	462127

Distribution of surplus

Bonus paid in anticipation of a surplus	41	192091	168701
Cash bonuses	42		
Reversionary bonuses	43	218820	244083
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	410910	412784
Net transfer out of fund / part of fund	47	45657	45865
Total distributed surplus (46+47)	48	456567	458649
Surplus carried forward	49	3478	3478
Total (48+49)	59	460045	462127

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **Legal & General Assurance Society Limited**
 Total business / subfund **Non Profit & balancing items**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	17385651	15836487
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	150000	100000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	17535651	15936487
Mathematical reserves	21	16540813	15148724
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	994838	787763

Composition of surplus

Balance brought forward	31	687763	10513
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	307075	777250
Total	39	994838	787763

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	100000
Total distributed surplus (46+47)	48	150000	100000
Surplus carried forward	49	844838	687763
Total (48+49)	59	994838	787763

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 2011**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	7066	465		UWP	N	4500
Endowment assurance	15	11145	921		UWP	N	6750
Endowment assurance	20	19175	2974		UWP	N	9000
Endowment assurance	25	35876	9703		CWP	N	13062
Regular premium pension	5	12995	210		UWP	N	
Regular premium pension	10	31100	2160		UWP	N	
Regular premium pension	15	48232	3966		UWP	N	
Regular premium pension	20	77142	8565		UWP	N	
Single premium pension	5	11297	0		UWP	N	
Single premium pension	10	15341	1710		UWP	N	
Single premium pension	15	22098	3979		UWP	N	
Single premium pension	20	40381	6220		UWP	N	

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

Name of insurer **Legal & General Assurance Society Limited**
Original insurer **Legal & General Assurance Society Limited**
Date of surrender value **01 March 2011**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	2893	18	43	UWP	Y	11250
Endowment assurance	10	6884	370	50	UWP	Y	11250
Endowment assurance	15	10343	669	50	UWP	Y	11250
Endowment assurance	20	18039	2282	50	UWP	Y	11250
With-profits bond	2	11118	1114	0	UWP	Y	
With-profits bond	3	9878	0	318	UWP	Y	
With-profits bond	5	11300	0	0	UWP	Y	
With-profits bond	10	13379	933	0	UWP	Y	
Single premium pension	2	11456	743	0	UWP	Y	
Single premium pension	3	10937	121	0	UWP	Y	
Single premium pension	5	10818	0	467	UWP	Y	
Single premium pension	10	15341	1710	0	UWP	Y	

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

Global business

Financial year ended **31 December 2010**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%	28439424	28439424		
Classes I (other), II and IX	12	0.1%	251861338	245114405		129210
Classes I (other), II and IX	13	0.15%	5309570	586186	0.51	4086
Classes I (other), II and IX	14	0.3%	307794839	44138790		473716
Classes III, VII and VIII	15	0.3%	7506796	6031014	0.80	18093
Total	16		600911968	324309818		625105

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					20941
						9946

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	23943360	22558885	0.94	225589
Classes III, VII and VIII (investment risk)	33	1%	15549923	15548884	1.00	155489
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	8213583	7822713	0.95	78227
Classes III, VII and VIII (other)	35	25%				8154
Class IV (other)	36	1%	705490	407780	0.85	5997
Class V	37	1%				
Class VI	38	1%				
Total	39					473455

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	123788	123788		
Classes I (other), II and IX	42	3%	23943360	22558885	0.94	676767
Classes III, VII and VIII (investment risk)	43	3%	15549923	15548884	1.00	466467
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	8213583	7822713		
Classes III, VII and VIII (other)	45	0%	18420144	17704893		
Class IV (other)	46	3%	705490	407780	0.85	17990
Class V	47	0%				
Class VI	48	3%				
Total	49		66956287	64166943		1161223

Long term insurance capital requirement	51					2280724
						2146227

Supplementary notes**Legal & General Assurance Society Limited****Financial year ended 31 December 2010*****0101* Modification of the return**

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

The Financial Services Authority, on the application of the firm, made a direction in September 2010, under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to allow the firm to:

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

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

	Other than LT business £'000	LT business £'000	Total £'000
Admissible assets per Form 13	4,294,634	44,853,082	49,147,716
Liabilities per Forms 14 & 15	(1,476,090)	(41,994,145)	(43,470,235)
Net admissible assets	<u>2,818,544</u>	<u>2,858,937</u>	<u>5,677,481</u>
Solvency margin for dependants	252,498		252,498
Total capital resources after deductions	<u>3,071,042</u>	<u>2,858,937</u>	<u>5,929,979</u>

***0310* Net valuation differences**

	£'000
Positive valuation differences - assets	147,096
Positive valuation differences - liabilities	793,117
Negative valuation differences - assets	(664,418)
Negative valuation differences - liabilities	(306,898)
Total	<u>(31,103)</u>

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

Supplementary notes

Legal & General Assurance Society Limited

Financial year ended 31 December 2010

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

Negative valuation differences for assets arise mainly from a contingent loan made to Legal & General Pensions Limited, a wholly owned subsidiary of the Company, which is not recognised as an asset as it is dependent on the emergence of future surplus within the long term fund of Legal & General Pensions Limited. Additionally negative valuation differences for assets result from the difference between the UK statutory valuation and the local solvency valuation for other overseas subsidiaries owned by the Company.

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

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

	2010 £'000
Form 3 L12 as at 1 January	2,872,640
Profit or loss retained per Form 16 L59	67,929
Change in value of shareholders' retained capital	60,955
Change in value of subsidiaries in revaluation reserve	214,288
Change in value of exchange reserves in revaluation reserve	(41)
Form 3 L12 as at 31 December	<u>3,215,771</u>

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

- (i) There are no unlisted investments.
- (ii) There are no listed investments that are not readily realisable.
- (iii) There are no units or beneficial interests in collective investment schemes that are:
 - (a) not schemes falling within the UCITS directive;
 - (b) not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act;
 - (c) do not employ derivative contracts unless they meet the criteria in INSPRU 3.2.5R;
 - (d) do not employ contracts or assets having the effect of derivative contracts unless they have the effect of derivative contracts that meet the criteria in INSPRU 3.2.5R; and
 - (e) do not include assets other than admissible assets among their property; with the exception of the Irish Hedge funds, with the value of £107.42m
- (iv) There are no reversionary interests.

Supplementary notes

Legal & General Assurance Society Limited

Financial year ended 31 December 2010

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

The Company has no hybrid securities.

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

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

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

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

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

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

- (a) These limits are for approved counterparties and are graded by counterparty and duration, but the maximum individual counterparty exposure was £1,300m on at the end of 2010.
- (b) Limits are also established for unapproved counterparties for the purpose of investing in Commercial Paper issued by such counterparties. The maximum limit for such counterparties is £45m at the end of 2010.

These limits were not exceeded during the financial year.

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

As at 31 December 2010, 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 2010

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

		£'000
(i)	Unlisted investments falling within:	
	Line 41	139,419
	Line 46	21,531
		<u>160,950</u>

Line 41 includes UK venture capital of £139.419m.

Line 46 includes unquoted UK debentures of £21.531m.

- (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 the hybrid security Norfolk Southern 6 15/03/2105 of £1.460m that has a redemption period in excess of 75 years.

***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 2010, there is no counterparty exposure in excess of 5% of the sum of the Company's base capital resources requirement and its long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded except for UK Government Gilts and the European Investment Bank (EIB).

Counterparty	Nature of investments	Exposure £,000
UK Government	Treasury Gilts	1,716,760
EIB (European Investment Bank)	Fixed Interest Bonds	827,440

Supplementary notes

Legal & General Assurance Society Limited

Financial year ended 31 December 2010

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

The aggregate value of these assets is nil.

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

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

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

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

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

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

	£'000
Banner Trust	85,126
William Penn Trust	188,414
	<u>273,541</u>

***1318* Other asset adjustments**

Long Term Fund	£'000
Elimination of negative assets	(529)
Presentation of tax recoverable assets	(417,698)
Deferred expenses	15,358
Cumulative deferred taxation on insurance contracts DAC	(86,875)
Deferred taxation	103,438
Presentation of sundry linked assets and liabilities	88,022
Presentation of other sundry assets	55
Presentation of amounts owed by/to group undertakings	879,244
	<u>581,015</u>
Other than Long Term Fund	£'000
Deficits in related undertakings	(423,594)
Presentation of amounts owed by/to group undertakings	(1,073,836)
	<u>(1,497,430)</u>

Supplementary notes

Legal & General Assurance Society Limited

Financial year ended 31 December 2010

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

The investment managers of the UK authorised insurance companies in the Legal & General Group have been given counterparty limits as authorised by the Executive Risk Committee of the Group. These limits for cash deposits, money market investments, foreign exchange and interest rate management transactions (including exposures related to derivatives, stock lending and cash balances with custodial banks) are limited to approved counterparties and graded by counterparty and duration, and the maximum aggregate counterparty exposure is £802m.

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 2010 when these limits were exceeded except for UK Government Gilts and the European Investment Bank (EIB). The limits for these two Approved Counterparties set by the Company are “No Maximum Limit” and 10% respectively and these were not exceeded throughout the year.

***1321* Life Fund Limited Partnership**

The Company has an English limited partnership agreement with Legal & General Property Partners (Life Fund) Limited relating to the Legal & General Life Fund Limited Partnership. The Company owns 99.99% of the equity shares in this Limited Partnership, the value of which (£1,003.575m) (2009: £937.474m) has been presented within Line 25.

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

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

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

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

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

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

(i) Charges over assets

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

(ii) Potential deferred tax liability on capital gains

In providing their certificate, the directors have had regard to a potential deferred tax liability of £105.66m in respect of net capital gains on long-term non-linked capital assets. This liability would crystallise on the disposal of these assets. However, the provision set up in

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respect of this liability has been fully offset by a deferred tax asset in respect of other timing differences, which have been calculated in accordance with Financial Reporting Standard 19, Deferred Tax.

(iii) Contingent liabilities

Provision for the liabilities arising under contracts with policyholders is based on certain assumptions. The variance of actual experience from that assumed may result in such liabilities differing from the provisions made for them. Liabilities may also arise in respect of claims relating to the interpretation of such contracts, or the circumstances in which policyholders have entered into them (together in this paragraph "liabilities"). The extent of such liabilities is influenced by a number of factors including the actions and requirements of the FSA, ombudsman rulings, industry compensation schemes and court judgments. The continuing general profile and emphasis being given by the FSA and other bodies to the suitability of the past sales of endowment policies in the context of some mortgage transactions has led to the continuing receipt of claims from holders of endowment policies. The Company receives claims and becomes involved in actual or threatened litigation and regulatory issues from time to time. Provision for liabilities continues to be made and is regularly reviewed. However, it is not possible to predict, with certainty, the extent and timing of the financial impact to which these claims, litigation or issues may give rise. The Company nevertheless considers that it makes prudent provision, as and when circumstances calling for such provision become clear, and that each has adequate capital and reserves to meet all reasonably foreseeable eventualities.

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

Commitments in respect of investments, relating to property development and Private Equity of £223.503m (2009: £133.553m) have not been included in Form 14.

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

(v) Fundamental uncertainties affecting the business

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

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

A provision of £0.529m has been made in respect of a deficit in Insurebeam Limited, a subsidiary of Legal & General Assurance Society Limited.

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

	£'000
Differences in provisions between FSA & UK GAAP	1,095,957
Pension deficit	(173,600)
Negative assets reported within Form 14	(529)
Deferred income	535,758
Presentation of tax recoverable assets	(417,698)
Presentation of sundry linked assets and liabilities	88,022
Presentation of amounts owed by/to group undertakings	879,244
	<hr/> <u>2,007,154</u>

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

The value of with-profits non-linked assets has increased by £137.085m.

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

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

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

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

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

(i) Charges over assets

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

(ii) Potential deferred tax liability on capital gains

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

(iii) Contingent liabilities

In 1975 the Company was required by the Institute of London Underwriters (ILU) to execute the ILU form of guarantee in respect of policies issued through the ILU's Policy Signing Office on behalf of NRG Victory Reinsurance Company Ltd (Victory), a company which was then a subsidiary of the Company. In 1990, Nederlandse Reassurantie Groep Holding NV (the assets and liabilities of which have since been assumed by Nederlandse Reassurantie Groep

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NV under a statutory merger in the Netherlands) acquired Victory and provided an indemnity to the Company against any liability the Company may have as a result of the ILU's requirement, and the ILU agreed that its requirement of the Company would not apply to policies written or renewed after the acquisition. Whether the Company has any liability as a result of the ILU's requirement and, if so, the amount of its potential liability is uncertain. The Company has made no payment or provision in respect of this matter.

- (iv) Guarantees, indemnities, commitments other than in the course of insurance business
Commitments in respect of investments, relating to property development of £1.262m (2009: Nil) have not been included in Form 15.

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

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

- (v) Fundamental uncertainties affecting the business
In the opinion of the directors, there are no other fundamental uncertainties necessary for a proper understanding of the financial position of the Company.

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

The provision of £423.594m 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)**

	£'000
Deficits in related undertakings	(423,594)
Presentation of amounts owed by/to group undertakings	(1,073,836)
	<u>(1,497,430)</u>

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

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

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

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

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

***1603* Other charges**

Other charges include Solvency II development costs of £25.461m and other miscellaneous operating charges of £5.780m.

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

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

- (i) There was no excess variation margin received by the Long term Business Fund of the Company as at 31 December 2010;
- (ii) No variation margin was shown in Form 13;
- (iii) No amount recorded in Form 13 had been reduced to reflect a liability to repay excess variation margin received by the Company.

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

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

Fixed interest securities with embedded options with a total value of £2,925.214m 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 £1.369m were reported in Line 41.

Convertible stocks with total value £0.612m were reported in Line 46.

Floating rate notes with total value £99.530m reported in Line 48.

Assets, excluding approved securities, with variable redemption dates with total value £2,750.230m were reported in Lines 46 and 48.

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***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
11	Aircraft liability	01-Jan-88
12	Liability for ships	14-Oct-91
13	General liability	31-Dec-95
14	Credit	01-Jan-95
15	Suretyship	01-Jan-95
16	Miscellaneous financial loss	31-Dec-95
17	Legal expenses	01-Jan-95

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

During 2010, Legal & General Assurance Society Limited accepted non-proportional household reinsurance business from a wholly owned subsidiary Legal & General Insurance Limited.

The transaction relates to property catastrophe excess of loss reinsurance cover for the period 1 July 2010 to 30 June 2011, which was brokered by Aon Limited.

A premium of £3.940m was accepted for a 70 % share of the GBP £15m excess £30m layer, a 50% share of the GBP £55m excess £45m layer and a 10% share of the GBP £135m excess £100m layer.

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

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

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***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.

***2402* Underwriting year accounting**

Risk category non-proportional property (560):

- (i) Is accounted for on an underwriting basis as it relates to a catastrophe cover treaty for the period 1 July 2010 to 30 June 2011 and claim liabilities would only arise if there was a catastrophe event during this period.
- (ii) There is no other business within this risk category during 2010.
- (iii) The provision for outstanding claims has not been calculated as no claims have been incurred during the year. Claim liabilities would only arise if a catastrophe event occurred during the period 1 July 2010 to 30 June 2011.

***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.

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

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

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

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

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

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

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

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

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

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

***4006* Allocation of income**

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

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

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***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.

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

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

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 2010, under this arrangement, premium of £3.528bn (2009: £2.748bn) was paid to Legal & General Pensions Limited by the Company and Legal & General Pensions Limited paid £2.535bn (2009: 1.974bn) claims and £167.232m (2009: £175.699m) expenses to the Company.

There is a contingent loan from the Company to Legal & General Pensions Limited. The amount of loan outstanding at the 31 December 2010 was £580.956m (2009: £962.422m). In addition the loan has accrued £10.544m arrears of interest, which has been carried forward to 2011.

In March 2010, the Company received an ex-gratia payment of £399.698m from Legal & General Pensions Limited under the contingent loan agreement.

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

The investment income reported on Line 12 includes £253.221m relating to linked assets.

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4401 Basis of valuation of assets

For the purpose of this return the assets have been valued on a basis similar to that required for assets being valued in accordance with the Valuation of Assets Rules within GENPRU 1.3.

4402 Rights and liabilities under derivative contracts

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

Fund Name	£'m
Aggressive Growth Fund	0.042
Asia Pac XJAP Inc Fund	0.044
Asian Income Fund	0.009
Cautious Managed Fund	0.047
Credit Opportunities Fund	0.086
Fixed Interest Fund	0.002
Fixed Int Fund	0.009
Index Fund	0.261
International Fund	0.066
Managed Fund	0.836
Exempt Managed Fund	4.250
Overseas BD (Active) Fund	0.059
Overseas Bond (Active) Fund	0.162
Pacific Growth Active Fund	0.467
UK Index Fund	0.080
UK100 IDX (D) Fund	0.045

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

Fund Name	£'m
Aggressive Growth Fund	0.006
Cautious Managed Fund	0.047
Credit Opportunities Fund	5.399
Emerging Markets Fund	1.129
Fixed Interest Fund	0.001
Fixed Int Fund	0.004
Managed Fund	0.562
Exempt Managed Fund	3.795
Overseas BD (Active) Fund	0.045
Overseas Bond (Active) Fund	0.105

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

Fund Name	£'m
Distribution Fund	15.082
Credit Opportunities Fund	29.793
UK Fixed Income Distribution	9.046
Euro Fixed Income Distribution	3.114
Distribution Fixed Interest	0.770

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 2010.
- (b) No amount recorded in Form 44 had been reduced to reflect a liability to repay excess variation margin received by the Company.

***4405* Negative liquidity**

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

Fund Name	Net Asset Value £'m	Liquidity Ratio
Target Return (N)	11.755	0.78
Money Fund (Issue 1)	123.437	0.35
US Equity Index	493.996	0.05
Soc Gen Balanced	11.575	0.39
Soc Gen European Equity	17.569	0.26
Newton Higher Income	139.528	0.08
Schroders UK MID250 Fund	10.776	0.51
Life First State Asia Pacific		
Leaders Fund	28.423	0.41
Life First State Global Emerg		
Markets Leaders Fund	13.841	0.40
Life M&G Global Basics Fund	18.852	0.36
Life JP Morgan Natural		
Resources Fund	18.862	0.31
Life M&G Managed Growth		
Fund	11.315	0.23
Life Jupiter Merlin Worldwide		
Portfolio Fund	10.002	0.05

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

Fund Name	Net Asset Value £'m	Liquidity Ratio
Target Return (N)	11.755	0.78
Growth Fund	1.204	0.59
Investec UK Blue Chip Fund	1.420	1.22
Schroders UK MID250 Fund	10.776	0.51

4502 Other income and expenditure

Other expenditure incurred by internal linked funds includes custodian fees of £0.706m and professional valuation fees of £0.411m.

4701 Group schemes where no member records are available

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

Product code	Number of new group schemes
410	5
755	52

4702 Details of approximations used to apportion between product codes

No approximations were used to apportion between product codes.

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

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

4704 Income Protection Benefit

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

4801 With-profits business

- (a) The 'asset share' philosophy does not include any variation of asset mix by duration of policy.
- (b) The block of business included here is the total with-profits business (excluding non-profit business in the with-profits part of the fund). The asset mix for this block of business is: Land and buildings 16%, Approved fixed interest securities 8%, Other fixed interest securities 30%, Variable interest securities 0%, UK listed equity shares 24%, Non-UK listed equity shares 16%, Unlisted equity shares 1% and Other assets 5%.

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***4802* Treatment of expected income**

The expected income has been included in column 3 on assets where the payment of interest is in default. The amount of such income included is £3.738m.

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

£0.917bn of callable bonds are assumed to be redeemed, in line with market expectation, on the date the coupon becomes variable. For £0.226bn of fixed interest bonds, with a choice of redemption dates, for each bond a comparison of the coupon and the current gross redemption yield was made to determine the most likely redemption date. For £0.049bn of floating rate notes which can be redeemed over a period, the average term to redemption expected by the market was used. For a further £0.002bn of bonds not covered above, the redemption date was chosen in line with market expectation.

***4804* Significant yield differences**

The yields on £0.566m of assets in lines 18 and 28 differ from the weighted average yield by type of asset by more than 1.5%.

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

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

***4807* Life Fund Limited Partnership**

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 (£926.425m) (2009: £937.474m) has been presented within Line 17 and 27.

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

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

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

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

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

Product code	Number of group schemes
320	57
390	34
410	561
420	141
435	73

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

No approximations were made in determining counts.

***5103* Details of miscellaneous business**

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

Product code	Type of business	Gross mathematical reserves (£000)
435	Widows' and Orphans' Pensions – Group - Approved	35,079

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

No approximations were used to apportion between product codes.

***5105* Deferred annuities**

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

***5106* Decreasing Term Assurances, Decreasing Term Assurance and Critical Illness Insurance, Decreasing Critical Illness Insurance**

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

***5107* Low start and progressive contracts**

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

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***5108* Income Protection Benefit**

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

***5109* Personal Retirement Plan**

Under this product the benefits purchased are an annuity plus three times the amount of the annual annuity in tax-free cash. Only the annuity benefit is shown in Form 51. The tax-free cash benefit is £219.123m.

***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	69

***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.

***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.

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- (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.

***5301* 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
750	112
755	1,332

***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.

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***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.

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

No approximations were used to apportion between product codes.

***5405* Risk premium reinsurance**

The treatment is as shown in note 5206.

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

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

***5701* Negative mathematical reserves**

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

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

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***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.

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Rule 9.25: Major treaty reinsurers

During 2010, the Company received a premium of £3.940m from a wholly owned subsidiary, Legal & General Insurance Limited of One Coleman Street, London EC2R 5AA.

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

Rule 9.26: Major facultative reinsurers

The Company has no major facultative reinsurers.

Rule 9.27: Major cedants

The Company has no major general business reinsurance cedants.

Rule 9.32: Additional information on business ceded

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

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

Maximum net probable loss to the Company

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

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

Reinsurers share of gross premiums

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

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

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

Supplementary notes

Legal & General Assurance Society Limited

Financial year ended 31 December 2010

Rule 9.29: Additional information on derivative contracts

- (a) Investment objectives and guidelines are set for each fund, which reflect the specific objectives of the fund in terms of its asset structure, permitted holdings and performance targets. Compliance with the relevant regulations in respect of derivatives is taken into full account of during drafting. The overriding principles are to have adequate controls in place to ensure that the Company is not exposed excessively to risks related to derivative contracts. Specific guidelines are set and reviewed at least annually, which are summarised below:
- (i) The use of derivatives must be appropriately justified as efficient portfolio management or as a reduction of investment risk.
 - (ii) Adequate cover must be maintained to enable obligations to be met and rights to be exercised.
 - (iii) The use of derivatives must be regularly monitored to ensure compliance with guidelines and that the effects on economic exposure and counterparty exposure are within limits.
 - (iv) Monitoring and valuation procedures must enable all reporting of derivative contracts to be completed satisfactorily.
- (b) The guidelines contain details on when use of derivative contracts may be made.
- (c) The Company has not used any derivative contracts during the last year, which were not, at the time the contracts were entered into, reasonably likely to be exercised.
- (d) The Company has not at any time during the financial year used any derivative contract that does not fall within the definition of a permitted derivative.
- (e) The Company received £1.175m of underwriting commission.

Returns under the Accounts and Statements Rules

Supplementary notes

Legal & General Assurance Society Limited

Financial year ended 31 December 2010

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 2010

1. Introduction

- 1(1) This investigation was made as at 31 December 2010.
- 1(2) The previous investigation was made as at 31 December 2009.
- 1(3) No interim valuations (for the purposes of rule 9.4) have been carried out since 31 December 2009.

2. Product range

2(1) New products

Portfolio Regular Investment Plan

This product is a Unit linked whole of life contract (included in product code 710).

The product has a 10 year limited premium term. Premiums can be paid regularly either monthly or yearly during this period. The higher of a pre-determined Sum Assured and the value of units will be paid upon death. The product has a qualifying life assurance wrapper status provided terms and conditions are met. The product invests in Generation 27 units.

The key charges applied to the product are:

- Life cover is charged on a risk premium basis and taken by unit deduction. The life cover charge will vary in line with changes in any reinsurance premiums.
- Adviser charges are applied as agreed between the policyholder and the adviser, as a percentage of premium. These are taken from the premium prior to allocation to units.
- A regular policy fee, which will reduce after 5 years in force.

An option is available after 5 years to extend the premium payment term for a further 10 years.

The product opened to new business on 25 October 2010.

Select Portfolio Bond

The product is a Unit linked whole of life contract (included in product code 700).

The product is a single premium with whole of life assurance. 101% of unit value is payable on death. This product invests in Generation 27 units.

The key charges applied to the product are:

- An explicit product charge taken by unit deduction.
- A charge to pay for adviser fee agreed between adviser and policyholder. The charge is in the form of reduced initial allocation.
- Early surrender penalties (3%, 2.5%, 2.0%, 1.5%, 1.0%) over the first 5 years to recover outstanding initial expenses. These can be set to zero.

In addition the charges vary according to the case size of business written.

The product opened to new business on 6 September 2010.

US Term Business

A block of conventional level term assurance business written by William Penn Life Insurance Company of New York and Banner Life Insurance Company has been reinsured to Legal and General Assurance Society under a quota share agreement. The business is reinsured to LGPL.

The term assurance business has regular premiums paid for a fixed term of one of 10, 15 or 20 years with the sum assured fixed at outset. After the original term is over, the policy is automatically renewed annually, up to a specified age. The premiums are reviewed each year at this point, and the policyholder has the option to lapse the policy.

The reinsurance arrangement commenced on 29 December 2010, in respect of an in force block of business. New business written by William Penn and Banner is not covered by the arrangement.

2(2) Changes to existing products.

With-profits Bond

Capital Control Bond is a new variant of With-profits Bond which launched for sale on 1 March 2010.

For Capital Control Bond, if the guarantee amount is higher than the value of units, the total value of the units will be increased to the guarantee amount. Previously, this only applied on surrender.

Some variants of the product have a capital guarantee of 100% and a guarantee to return 10% of the initial investment after 10 years. There is also an option of a capital guarantee of 100% after 5 years.

The guarantees are paid for by an explicit variable charge.

The new versions are:

Series 16 - Income Bond Generation 1

Series 17 - Growth Bond Generation 1

Series 18 - Income Bond Generation 2

Series 19 - Growth Bond generation 2

2(3) Products withdrawn

Capital Protection Bond (including the Capital Protection Plus Bond) was withdrawn in May 2010

2(4) New bonus series

Recurrent single premiums paid in 2010 under the Personal Retirement Plan are deemed to be a new bonus series. New bonus pools created for contributions received in 2010 on other existing products are not deemed to be new bonus series.

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

2(5) Changes to options or guarantees.

There have not been any changes to existing options or guarantees during 2010 except those mentioned in 2(2).

2(6) Changes to charging methods

There were no changes to charging methods during 2010.

2(7) With-profits Business

The with-profits part of the long term fund is open to new with-profits business.

3. Discretionary charges and benefits

3(1) Market Value Reductions

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

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

	Product	Period during 2010 when a market value reduction was applied	Investment years to which a market value reduction was applied
1.	Flexible Protection Plan (Series 3 to 5)	01.01.2010 to 31.03.2010	2005 - 2008 pools
		01.04.2010 to 29.06.2010	2006 – 2007 pools
		30.06.2010 to 02.08.2010	2005 – 2008 pools
		03.08.2010 to 20.09.2010	2006 – 2008 pools
		21.09.2010 to 31.12.2010	2006– 2007 pools
2.	Regular Premium Life – Flexible Mortgage Plan (Series 2, 4, 5, 6, 8, 10 and 12); Prospects (Series 1 & 2); Regular Savings Plan (Series 2); New Savings Plan (Series 1)	01.01.2010 to 17.02.2010	2005 - 2008 pools
		18.02.2010 to 07.03.2010	1999 - 2000 pools; 2005 – 2008 pools
		08.03.2010 to 31.12.2010	2006 - 2008 pools
3.	Capital Investment Portfolio (Series 1, 5 & 6)	01.01.2010 to 17.02.2010	2006 - 2008 pools
		18.02.2010 to 07.03.2010	1993 - 2002 pools; 2005 – 2008 pools
		08.03.2010 to 31.03.2010	2006 - 2008 pools
		01.04.2010 to 29.06.2010	2006 - 2007 pools
		30.06..2010 to 20.09.2010	2006 - 2008 pools
		21.09.2010 to 31.12.2010	2006 - 2007 pools
4.	Capital Investment Portfolio (Series 7)	01.01.2010 to 31.12.2010	1997 - 2008 pools
5.	Company Pension Plan; Company Pension Plan 1990; Company Pension Plan 250; Trustee Investment Plan; Trustee Investment Plan 1995; Personal Pension Plan; Personal Pension Plan 1990; Pension Savings Plan; Pension Savings Plan 1988; Pension Savings Plan 1990; Group Pension Savings Plan; Group Pension Savings Plan 1988; Group Pension Savings Plan 1990; Personal Pension Plan 1995; Executive Pension Plan 1995; Pension Savings Plan 1995; Group Pension Savings Plan 1995	01.01.2010 to 17.02.2010	2005 - 2008 pools
		18.02.2010 to 07.03.2010	1990 pool; 1994 - 1995 pools; 1997 – 2001 pools; 2004 - 2008 pools
		08.03.2010 to 31.03.2010	2005 - 2008 pools
		01.04.2010 to 29.06.2010	2005 - 2007 pools
		30.06.2010 to 02.08.2010	2005 - 2008 pools
		03.08.2010 to 20.09.2010	2005 – 2007 pools
		21.09.2010 to 31.12.2010	2006 - 2007 pools
6.	With Profit Bond (Series 2, 3, and 5)	01.01.2010 to 17.02.2010	2000 to 2001 (Quarter 1) pools; 2005 (Quarter 3) to 2008 (Quarter 3) pools
		18.02.2010 to 07.03.2010	1999 to 2008 (Quarter 3) pools
		08.03.2010 to 31.03.2010	2000 (Quarter 3) pool; 2005 (Quarter 3) to 2008 (Quarter 3) pools
		01.04.2010 to 29.06.2010	2006 (Quarter 1) to 2008 (Quarter 3) pools
		30.06.2010 to 02.08.2010	2000 (Quarter 3) to 2000 (Quarter 4) pools; 2005 (Quarter 3) to 2008 (Quarter 3) pools
		03.08.2010 to 20.09.2010	2000 (Quarter 3) pool; 2005 (Quarter 4) to 2008 (Quarter 3) pools
		21.09.2010 to 31.12.2010	2006 (Quarter 1) to 2008 (Quarter 3) pools

	Product	Period during 2010 when a market value reduction was applied	Investment years to which a market value reduction was applied
7.	With Profit Bond (Series 1 and 4)	01.01.2010 to 07.03.2010	1999 to 2008 (Quarter 4) pools
		08.03.2010 to 31.12.2010	1999 to 2008 (Quarter 3) pools
8.	With Profit Bond (Series 6)	1.1.2010 to 31.12.2010	2003 (Quarter 4) to 2005 (Quarter 3) pools
9.	With Profit Bond (Series 7)	01.01.2010 to 17.02.2010	2003 (Quarter 4) to 2004 (Quarter 2) pools; 2005 (Quarter 2) to 2005 (Quarter 3) pools
		18.02.2010 to 07.03.2010	2003 (Quarter 4) to 2005 (Quarter 3) pools
		08.03.2010 to 31.03.2010	2004 (Quarter 1) to 2004 (Quarter 2) pools; 2005 (Quarter 2) to 2005 (Quarter 3) pools
		01.04.2010 to 29.06.2010	2005 (Quarter 3) pool
		30.06.2010 to 02.08.2010	2003 (Quarter 4) to 2004 (Quarter 2) pools; 2005 (Quarter 2) to 2005 (Quarter 3) pools
10.	With Profit Bond (Series 8 and 9)	01.01.2010 to 17.02.2010	2008 (Quarter 2) to 2008 (Quarter 3) pools
		18.02.2010 to 07.03.2010	2008 (Quarter 2) to 2008 (Quarter 4) pools
		08.03.2010 to 31.12.2010	2008 (Quarter 2) to 2008 (Quarter 3) pools
11.	With Profit Bond (Series 10 and 11)	01.01.2010 to 02.08.2010	2008 (Quarter 2) to 2008 (Quarter 3) pools
		03.08.2010 to 20.09.2010	2008 (Quarter 2) to 2008 (Quarter 3) pools; 2010 Quarter 2 pool
		21.09.2010 to 31.12.2010	2008 (Quarter 2) to 2008 (Quarter 3) pools
12.	With Profit Bond (Series 14 and 15 - Capital Protection)	18.02.2010 to 07.03.2010	2009 (Quarter 4) pool
13	With Profit Bond (With Profit Bond Series 17)	30.06..2010 to 02.08.2010	2010 (Quarter 1) pool
14.	Group AVC 2002 (Series 1)	01.01.2010 to 07.03.2010	2005 - 2008 pools
		08.03.2010 - 20.09.010	2006 - 2008 pools
		21.09.2010 to 31.12.2010	2006 - 2007 pools
15.	Company Pension Scheme 2002	01.01.2010 to 17.02.2010	2005 - 2008 pools
		18.02.2010 to 07.03.2010	2004 - 2008 pools
		08.03.2010 to 31.03.2010	2005 - 2008 pools
		01.04.2010 to 29.06.2010	2006 - 2008 pools
		30.06.2010 to 02.08.2010	2005 - 2008 pools
		03.08.2010 to 20.09.2010	2006 - 2008 pools
		21.09.2010 to 31.12.2010	2006 - 2007 pools
16	Personal Pension Plan 2000	01.01.2010 to 17.02.2010	2005 to 2008 pools
		18.02.2010 to 07.03.2010	2000 pool; 2002 pool; 2004 to 2008 pools
		08.03.2010 to 31.03.2010	2005 to 2008 pools
		01.04.2010 to 29.06.2010	2006 to 2007 pools
		30.06.2010 to 20.09.2010	2005 to 2008 pools
		21.09.2010 to 31.12.2010	2006 to 2007 pools
17.	Trustee Investment Plan 1999 (Series 1 and 2)	01.01.2010 to 17.02.2010	2005 (Quarter 1) to 2008 (Quarter 3) pools

Product	Period during 2010 when a market value reduction was applied	Investment years to which a market value reduction was applied
	18.02.2010 to 07.03.2010	1999 to 2001 (Quarter 4) pools; 2004 (Quarter 2) to 2008 (Quarter 3) pools; 2009 (Quarter 4) pools
	08.03.2010 to 31.03.2010	2005 (Quarter 1) to 2008 (Quarter 3) pools
	01.04.2010 to 20.09.2010	2005 (Quarter 3) to 2008 (Quarter 3) pools
	21.09.2010 to 31.12.2010	2005 (Quarter 4) to 2008 (Quarter 2) 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 2010 as a result of reviewing the cost of risk (note that no changes have been made to ex-Nationwide Life reviewable business and these policies are not included in the table below):

Product	Gross Annual Premium Prior To Review (£000)	Range of Premium Changes	Maximum Benefit Reduction
Level Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	2	n/a	11%
- Premium Change	383	-19% to 15%	n/a
- No change implemented	3,488	n/a	n/a
Decreasing Term Assurance with Critical Illness Insurance:			
- Benefit Reduction	7	n/a	7%
- Premium Change	797	-19% to 12%	n/a
- No change implemented	6,031	n/a	n/a
Family and Personal Income Plan with Critical Illness Insurance:			
- Premium Change	41	-9% to 11%	n/a
- No change implemented	133	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 2010 reviews were undertaken on policies with contract dates in 2005.

Reviews of the cost of risk were performed on Mortgage Payment Insurance, Level Critical Illness and Decreasing Critical Illness Insurance in 2010. However, no changes to premiums or benefits were made.

The following table shows the in force premium as at 31 December 2010 on all conventional reviewable protection products:

Product	Gross Annual Premium at 31.12.2010 (£000)
Mortgage Payment Insurance	10,023
Term Assurance with Critical Illness Insurance	41,452
Decreasing Term Assurance with Critical Illness Insurance	53,174
Family and Personal Income Plan with Critical Illness Insurance	999
Level Critical Illness Insurance	431
Decreasing Critical Illness Insurance	120

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 2010 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>
	%	%
Non-Exempt Building Society Fund:		
Generation 1	not applicable	0.05
Generation 2	not applicable	0.05
Generation 3	not applicable	0.05
Generation 21	not applicable	0.05
Generation 27	not applicable	0.1
Exempt Building Society Fund:		
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
Exempt Special Deposit Fund:		
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
Cash (Euro) Fund:		
	Not applicable	0.01

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

Service charges for Corporate Pensions increased during 2010. Increases in charges are based on the Office for National Statistics Average Earnings Index which showed an increase of 2.35% for the period July 2009 to July 2010.

The monthly administration charges per member were increased during 2010 as follows:

Company Pension Plan and Company Pension Plan 1990 for schemes set up between 1 January 1990 and 31 December 1991 increased from £5.67 per month to £5.80 per month

Company Pension Plan 250 (premium paying members) increased from £6.18 per month to £6.32 per month.

The initial charge for new members joining a Company Pension Plan 1990 scheme (set up between 1 January 1990 and 31 December 1991) increased from £54.89 to £56.17.

3(5) Changes to benefit charges on linked policies

There have been no changes to unit-linked benefit charges during 2010.

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

For Personal Pension Plan 2000, management charges can vary from one pension plan to the next as, for example, different employers may have negotiated different terms. Also, as a tiered charging structure is being used, charges can vary from one year to the next because of an increase in fund size.

Allowance is made for the actual past and expected future expenses when setting bonus rates for all participating with-profits business other than Personal Pension Plan 2000. Should actual expenses be different from those expected previously, or future expense assumptions change, bonus rates will also be affected. As bonus rates are smoothed, the effect of any such changes will be spread over a period, together with contributions from other sources of profit or loss, of which investment returns are by far the most important.

Annual Management Charges have changed on the following internal linked life funds during 2010:

Life Fund name	End 10 AMC	End 09 AMC	Increase (decrease) in AMC	Value of units allocated to policyholders £000s
L&G Life F&C Stewardship Growth Fund	2.08%	2.19%	-0.11%	4,602
L&G Life Gartmore Portfolio Cautious Strategy Fund	3.05%	2.78%	0.27%	42,809
L&G Life Jupiter Merlin Income Portfolio Fund	3.10%	3.26%	-0.16%	98,532
L&G Life New Star European Growth Fund	2.48%	2.46%	0.02%	9,638
L&G Life Barclays Cautious Portfolio Fund	2.30%	2.30%	0.00%	2,623
L&G Life Barclays Balanced Portfolio Fund	2.44%	2.44%	0.00%	1,772
L&G Life Barclays Growth Portfolio Fund	2.52%	2.52%	0.00%	533
L&G Life Britannic UK Property Fund	2.55%	2.34%	0.21%	4,694
L&G Life Gartmore Portfolio Active Strategy Fund	3.60%	3.35%	0.25%	-
L&G Life Insight Wealth Builder Balanced Fund	2.79%	2.80%	-0.01%	400
L&G Life Insight Wealth Builder Growth Fund	3.14%	2.70%	0.44%	338
L&G Life Insight Wealth Builder High Income Fund	2.73%	3.06%	-0.33%	437
L&G Life Merrill Lynch Income Portfolio Fund	2.18%	2.31%	-0.13%	777
L&G Life Aberdeen Asia Pacific Fund	2.45%	2.75%	-0.30%	870
L&G Life Cazenove European Fund	1.93%	2.09%	-0.16%	4,996
L&G Life F&C Multi Manager Balanced Fund	3.10%	2.96%	0.14%	-
L&G Life F&C Multi Manager Cautious Fund	2.75%	2.86%	-0.11%	-
L&G Life F&C Multi Manager Distribution Fund	2.53%	2.75%	-0.22%	-
L&G Life First State British Small Companies Fund	2.48%	2.19%	0.29%	-
L&G Life First State Global Resources Fund	1.95%	2.09%	-0.14%	3,685
L&G Life Henderson Pacific Capital Growth Fund	2.08%	2.19%	-0.11%	509
L&G Life Lazard UK Omega Fund	2.23%	2.09%	0.14%	-
L&G Life M&G Managed Growth Fund	2.41%	2.28%	0.13%	11,273
L&G Life Norwich Union Property Fund	2.54%	2.26%	0.28%	17,123
L&G Life SG Technology Fund	2.12%	2.29%	-0.17%	160
L&G Life SVM UK Opportunities Fund	2.59%	2.39%	0.20%	1,087
L&G Life Aberdeen Property Fund	2.18%	2.05%	0.13%	1,872
L&G Life Insight UK Corporate Bond Fund	2.16%	1.98%	0.18%	147
L&G Life New Star Active Portfolio Fund	2.90%	3.01%	-0.11%	4,101
L&G Life Cavendish Grant Balanced Income Fund	2.66%	2.81%	-0.15%	-
L&G Life Cavendish Grant Cautious Growth	2.59%	3.07%	-0.48%	-

Life Fund name	End 10 AMC	End 09 AMC	Increase (decrease) in AMC	Value of units allocated to policyholders £000s
Fund				
L&G Life Cavendish Grant Strategic Growth Fund	3.36%	3.19%	0.17%	-
L&G Life First State Indian Subcontinent Fund	2.90%	2.86%	0.04%	3,155
L&G Life Insight Diversified Target Return Fund	3.09%	2.70%	0.39%	9,487
L&G Life CF Midas Balanced Growth Fund	2.32%	2.19%	0.13%	3,738
L&G Life CF Midas Balanced Income Fund	2.49%	2.23%	0.26%	4,831
L&G Life New Star Tri-star Fund	3.01%	2.85%	0.16%	352
L&G Life Cazenove Multi Manager Diversity Fund	2.83%	2.62%	0.21%	12,758
L&G Life First State Asian Property Sec Fund	2.63%	2.37%	0.26%	122
L&G Life First State Global Property Sec Fund	2.41%	2.52%	-0.11%	784
L&G Life Neptune Japan Opportunities Fund	2.12%	2.41%	-0.29%	834
L&G Life Cazenove Multi Manager Global (EX UK) Fund	2.64%	2.85%	-0.21%	312
L&G Life Cazenove Multi Manager Managed Equity Fund	3.27%	3.06%	0.21%	465
L&G Life Cazenove Multi Manager UK Growth Fund	2.75%	2.80%	-0.05%	45
L&G Life Credit Suisse Multi Manager Multi Asset Distribution Portfolio	2.85%	3.15%	-0.30%	170
L&G Life Thames River Balanced Managed Fund	3.56%	4.50%	-0.94%	2,549
L&G Life MFM Maze Balanced Managed Fund	3.13%	3.61%	-0.48%	-
L&G Life MFM Maze Cautious Managed Fund	3.17%	3.86%	-0.69%	-
L&G Life Schroder Diversified Target Return Fund	3.01%	2.74%	0.27%	273
L&G Life Henderson Multi-Manager Income & Growth Fund	3.44%	3.22%	0.22%	7,586
L&G Life SWIP Multi-Manager Diversity Fund	2.71%	2.87%	-0.16%	2,760
L&G Life SWIP Multi-Manager Select Boutiques Fund	3.15%	3.45%	-0.30%	348
L&G Life Thames River Distribution Fund	3.00%	3.79%	-0.79%	6,642

Annual Management Charges have changed on the following internal linked pension funds during 2010:

Pension Fund name	End 10 AMC	End 09 AMC	Increase (decrease) in AMC	Value of units allocated to policyholders £000s
L&G Pension Aberdeen Property	1.32%	1.19%	0.13%	1,181
L&G Pension AEGON Ethical Equity Fund	1.23%	1.33%	-0.10%	1,790
L&G Pension Ignis UK Property Fund	1.73%	1.52%	0.21%	2,067
L&G Pension Cazenove European Fund	0.98%	1.14%	-0.16%	4,061
L&G Pension Aberdeen MM Cautious Mgd Portfolio	1.80%	1.90%	-0.10%	645
L&G Pension F&C Multi Manager Cautious Fund	1.38%	1.49%	-0.11%	3
L&G Pension F&C Stewardship Growth Fund	1.13%	1.24%	-0.11%	878
L&G Pension CF Noble UK Smaller Companies Fund	1.53%	1.24%	0.29%	24

Pension Fund name	End 10 AMC	End 09 AMC	Increase (decrease) in AMC	Value of units allocated to policyholders £000s
L&G Pension First State Global Resources Fund	1.00%	1.14%	-0.14%	2,986
L&G Pension Gartmore Multi Manager Cautious Fund	2.00%	1.73%	0.27%	572
L&G Pension Henderson Asia Pacific Capital Growth Fund	1.13%	1.24%	-0.11%	411
L&G Pension Insight Sterling Corporate Bond	1.11%	0.93%	0.18%	213
L&G Pension Insight Wealth Builder Balanced Fund	1.90%	1.91%	-0.01%	562
L&G Pension Insight Diversified Dynamic Return Fund	2.05%	1.71%	0.34%	239
L&G Pension Insight Diversified High Income Fund	1.58%	1.91%	-0.33%	192
L&G Pension Jupiter Merlin Income Portfolio Fund	2.15%	2.31%	-0.16%	6,927
L&G Pension M&G Managed Growth Fund	1.31%	1.18%	0.13%	8,067
L&G Pension BlackRock Income Portfolio Fund	1.11%	1.24%	-0.13%	394
L&G Pension New Star Active Portfolio	2.00%	2.21%	-0.21%	1,469
L&G Pension New Star European Growth Fund	1.46%	1.44%	0.02%	2,991
L&G Pension Aviva Property Fund	1.48%	1.15%	0.33%	6,261
L&G Pension GLG Technology Fund	1.17%	1.34%	-0.17%	267
L&G Pension SVM UK Opportunities Fund	1.64%	1.44%	0.20%	421
L&G Pension Chartwell Strategic Growth Fund	2.25%	2.08%	0.17%	1
L&G Pension First State Indian Subcontinent Fund	1.95%	1.91%	0.04%	5,852
L&G Pension Insight Diversified Target Return Fund	2.14%	1.75%	0.39%	2,054
L&G Pension Midas Balanced Growth Fund	1.37%	1.24%	0.13%	1,949
L&G Pension Midas Balanced Income Fund	1.60%	1.34%	0.26%	1,014
L&G Pension New Star Cautious Portfolio Fund	1.96%	1.90%	0.06%	10
L&G Pension Cazenove MultiManager Diversity Fund	1.81%	1.60%	0.21%	3,589
L&G Pension First State Asian Property Secur Fund	1.60%	1.34%	0.26%	248
L&G Pension First State Global Property Secur Fund	1.18%	1.29%	-0.11%	508
L&G Pension Neptune Japan Opportunities Fund	1.17%	1.47%	-0.30%	593
L&G Pension Cazenove Multi Manager Global (EX UK) Fund	1.69%	1.90%	-0.21%	726
L&G Pension Cazenove Multi Manager Diversity Tactical Fund	2.22%	2.11%	0.11%	201
L&G Pension Cazenove Multi Manager UK Growth Fund	1.80%	1.85%	-0.05%	4
L&G Pension Thames River Balanced Managed Fund	2.50%	3.44%	-0.94%	967
L&G Pension Schroder Diversified Target Return Fund	1.87%	1.60%	0.27%	236
L&G Pension Henderson Multi-Manager Income & Growth Fund	2.30%	2.23%	0.07%	439
L&G Pension SWIP Multi-Manager Diversity Fund	1.63%	1.89%	-0.26%	181
L&G Pension SWIP Multi-Manager Select Boutiques Fund	2.17%	2.47%	-0.30%	1
L&G Pension Thames River Distribution	2.06%	2.80%	-0.74%	494

Pension Fund name	End 10 AMC	End 09 AMC	Increase (decrease) in AMC	Value of units allocated to policyholders £000s
Fund				
L&G Pension Thames River Global Boutiques Fund	2.70%	2.94%	-0.24%	25

3(7) Unit Pricing of Internal Linked Funds

(a) Unit Pricing Methods

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

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

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

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

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

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

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

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

For policies allocated to Generation 3, 21 or 27 units (non-exempt funds) or Generation J, K, 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 has been in a net inflow position over the previous quarter, the creation price described in (i) above is used for both allocations of units to and deallocations of units from policies.

If a fund has been in a net outflow position over the previous quarter, the cancellation price described in (i) above is used for both allocations of units to and deallocations of units from policies.

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

For non-exempt externally invested funds (invested outside the Legal and General Group) and Sterling denominated exempt externally invested funds, the choice of basis on a given valuation day is

determined by the relevant external provider, depending on the inflow or outflow of investments over all their clients.

(iv) Timing of Asset Valuations

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

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

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

(b) Different Pricing Bases Applying to Different Policies

On any valuation day the same pricing basis applies to all transactions in any given fund.

(c) Assets in Collective Investment Schemes

(i) Internal Collective Investment Schemes

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

(ii) External Collective Investment Schemes

For exempt externally invested funds for Stakeholder business, the valuations of the underlying collective investment schemes are carried out at 12 noon, based on the portfolio valuation at that time. Policyholder actions notified prior to 12 noon are processed overnight using the prices calculated that day. Policyholder actions notified after 12 noon are processed the following night using the prices calculated the next day.

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

3(8) Tax Deductions

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

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

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

3(9) Tax Provisions

On the disposal of any investment of a non-exempt internal linked fund, a provision is made in the pricing of that fund equal to the capital gains tax that would be charged/credited in respect of that

disposal if that internal linked fund had constituted the whole of the Society's long term linked business.

The provision in respect of any unrealised gains on investments (except authorised unit trust holdings) of any non-exempt internal linked fund which is priced on a cancellation basis is calculated as above as if the assets were disposed of on the valuation date. The calculation for assets held by funds which are priced on a creation basis is as above but at a reduced tax rate to allow for a delay before the realisation of the assets.

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

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

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

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

The table below shows the percentages of indexed gains held as provisions in the valuation of non-exempt internal linked funds during 2010.

Realised Capital Gains	
Authorised Unit Trust Holdings (deemed disposal on 30/12/2010) Far Eastern, Pacific Growth, UK Smaller Companies, UK Alpha, Moneybuilder, Asia Pacific ex Japan, UK Equity Index, Pacific Index, European Index, Japanese Index, US Index, Global 100 Index and Nationwide Balanced Funds	17.78% on gains
Japanese Active Fund	0% on gains
All Other Internal Funds (NB No funds had realised losses in 2010)	1.75% to 16.73% on gains
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
Unrealised Capital Gains	
Authorised Unit Trust Holdings Gains up to 30/12/2010:	
All Internal Funds	17.44% to 18.15% on gains
UK 100 Index, UK Alpha, Ethical, Pacific Growth Active, Japanese Active, Growth, UK Smaller Companies, Active Opportunities, UK Equity Index, Pacific Index, European Index, Japanese Index, US Index, Global 100 Index, Nationwide Balanced and Nationwide UK Growth Funds	0% on losses

All other Internal Funds	11.61% to 18.40% on losses
Authorised Unit Trust Holdings Gains after 30/12/2010:	
All Internal Funds	17.44% to 18.15% on gains
UK Alpha, Ethical, Pacific Growth Active, Japanese Active, Growth, UK Smaller Companies, Active Opportunities, Moneybuilder, UK Equity Index, Pacific Index, European Index, Japanese Index, US Index, Global 100 Index, Nationwide Balanced and Nationwide UK Growth Funds	0% on losses
All Other Internal Funds	6.65% to 15.72% on losses
UK Fixed Interest Stocks	20.00% on gains 20.00% on losses
Other Assets	16.00% on gains less any tax credits brought forward; 20.00% on losses, subject to restriction and discounting of any tax credits carried forward

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

For non-exempt externally invested funds, provisions for future tax liabilities on unrealised gains are currently held at the rate of 20% of taxable gains, discounted at 3.5% per annum to the date of payment. For most of these funds no credit is given where unrealised losses have occurred, unless these can be offset or carried back against other gains.

3(10) Allowances in respect of Holdings in Internal Linked Funds

No allowances are received by the company in respect of purchases, sales or holdings of units in authorised unit trusts. Any double charging of management charges is eliminated, by crediting to the internal linked fund any such charges levied on the unit trusts, to the benefit of policyholders.

4. Valuation Methods and Bases

4(1) Valuation Methods

(a) General

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

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

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

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

(b) Unit Liabilities for Property-Linked Contracts

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

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

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

(c) Non-Unit Liabilities for Property Linked Contracts

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

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

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

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

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

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

(d) Treatment of negative values and surrender values

For certain term assurances, negative liabilities were not eliminated, in accordance with INSPRU 1.2.24R. However, for all other contracts, negative values, where these occurred, were eliminated. In addition, for individual conventional policies the valuation liabilities were increased so as to ensure that those liabilities were not less than the current surrender values, exclusive of any allowance for future reversionary bonus or terminal bonus. For accumulating with-profits business, the valuation liabilities

were increased so as to ensure that those liabilities were not less than the lower of the surrender value allowing for all discretionary adjustments that the policyholder might reasonably expect (i.e. interim bonus, final bonus and market value reductions) and the surrender value disregarding all discretionary adjustments.

(e) Expense reserves

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

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

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

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

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

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

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

(f) Unit-Linked Charges

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

(g) Extra premiums

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

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

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

(h) Waiver of premium benefit

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

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

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

(i) Recurrent single premiums

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

(j) Accumulating with-profits business

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

(k) Specific Non Property-Linked Contracts

Term Assurance

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

RPI-Linked Annuities

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

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

Deferred Annuities

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

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

Group Deferred Annuities

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

Deferred Retirements

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

1980 Bonus System

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

High Performance Pension Plan and Money Purchase Plan

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

Buy-Out Plan

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

Private Income Plan

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

Personal Retirement Plan

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

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

liabilities, it is assumed that 20% of tax-free cash will be used to purchase additional annuity benefits, increasing to 100% over 20 years.

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

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

Mortgage Payment Insurance

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

Segregated Fund Policies

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

(I) Specific Property-Linked Contracts

Capital Preservation Plan

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

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

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

Critical Illness

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

4(2) Interest Rates

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

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

Product Code	Product Type	31.12.2010	31.12.2009
		<i>%</i>	<i>%</i>
100	WP conventional whole life	2.25	2.75
120	Cashbuilder	2.25	2.75
120	Other WP savings endowments	2.25	2.75
125	Build Up	2.25	2.75

Product Code	Product Type	31.12.2010	31.12.2009
		%	%
165	Personal Retirement Plan	4.25/4.25 ⁽⁴⁾	3.50/3.50 ⁽⁴⁾
200	WP Annuity	3.00	3.50
300	NP regular premium endowments and whole life	2.25	2.25
315	WP Non Participating Buy-Out Plan	3.00/3.00 ⁽⁴⁾	3.50/3.50 ⁽⁴⁾
315	WP Non Participating Private Income Plan	3.00	3.50
320	WP Non Participating 1980 Bonus System – Group	3.00	3.50
325	Pension Term Assurance	3.50/7.60 ⁽⁵⁾	3.75/7.60 ⁽⁵⁾
325	Term Assurance	2.25/7.60 ⁽⁵⁾	2.25/7.60 ⁽⁵⁾
325	Term Assurance – US	2.75	n/a
330	Decreasing Term Assurance	2.25/7.60 ⁽⁵⁾	2.25/7.60 ⁽⁵⁾
330	Pension Decreasing Term Assurance	3.50/7.60 ⁽⁵⁾	3.75/7.60 ⁽⁵⁾
330	Family Income Benefit	2.25/7.60 ⁽⁵⁾	2.25/7.60 ⁽⁵⁾
340	Accelerated Critical Illness - guaranteed premiums	2.25/7.60 ⁽⁵⁾	2.25/7.60 ⁽⁵⁾
345	Accelerated Critical Illness - reviewable premiums	2.25/7.60 ⁽⁵⁾	2.25/7.60 ⁽⁵⁾
350	Stand-alone Critical Illness - guaranteed premiums	3.00	3.00
355	Stand-alone Critical Illness - reviewable premiums	3.00	3.00
360	Permanent Health Insurance - Individual - Non-Linked	3.00	3.00
365	Permanent Health Insurance - Individual – Linked	3.00	3.00
385	PHI Claims in Payment - Individual - Non-Linked	3.00	3.00
385	PHI Claims in Payment - Individual – Linked	3.00	3.00
390	Non Profit Deferred Annuities - Group - Bulk Purchase	4.975	5.49
390	Non Profit Deferred Annuities - Group – Other	4.975	5.49
390	WP Non Participating Deferred Annuities – Group	3.00	3.50
390	Non Profit Deferred Retirements	4.975	5.49
390	WP Non Participating Deferred Retirements	4.79	5.05
395	Non Profit Post-1991 Annuities – Group	2.00	2.00
395	Non Profit Pre-1992 Annuities – Group	3.00	3.00
395	WP Non Participating Post-1991 Annuities – Group	3.79	4.05
395	WP Non Participating Pre-1992 Annuities – Group	4.79	5.05
400	Personal Retirement Plan Annuities	4.79	5.05
400	Other WP Non Participating Annuities	4.79	5.05
400	Non Profit Annuities - Individual - Compulsory Purchase	4.975	5.49
400	Non Profit Annuities - Group - Bulk Purchase	4.975	5.49
400	Other Non Profit Annuities	4.975	5.49
405	Non Profit Annuities – Lifestyle Life	4.975	5.49
405	Non Profit Annuities – Enhanced Life	4.975	5.49
410	Group Life Assurance – Unapproved	2.25	2.25
410	Group Life Assurance – Approved	3.50	3.75
420	Permanent Health Insurance – Group	3.00	3.00
425	Permanent Health Insurance - Group - Claims in Payment	3.00	3.00
435	Widows' and Orphans' Pensions – Group - Approved	3.50	3.75
500	Capital Investment Portfolio	2.25	2.75
500	With-Profit Bond	2.25	2.75
505	Flexible Protection Plan	2.25	2.75
505	Prospects	2.25	2.75
510	Regular Savings Plan, New Savings Plan	2.25	2.75
515	Flexible Mortgage Plan	2.25	2.75
525	Individual UWP pensions - Accumulation units	3.00	3.50
525	Individual UWP pensions - Initial units	2.25 – 2,50 ⁽¹⁾	2.75 - 3.00 ⁽²⁾
535	Individual UWP pensions - Accumulation units	3.00	3.50
535	Individual UWP pensions - Initial units	2.25 -2.50 ⁽¹⁾	2.75 - 3.00 ⁽²⁾
545	Buy-Out Plan	3.00 / 3.00 ⁽⁴⁾	3.50 / 3.50 ⁽⁴⁾
545	Private Income Plan – Individual	3.00	3.50

Product Code	Product Type	31.12.2010	31.12.2009
		%	%
555	Money Purchase Plan	3.00	3.50
555	High Performance Pension Plan	3.00	3.50
555	Private Income Plan – Group	3.00	3.50
555	1980 Bonus System – Group	3.00	3.50
571	Trustee Investment Plan	3.00	3.50
700	Portfolio Bond, Investment Bond	-(³)	-(³)
700	Other Life Property-Linked Single Premium	-	-
710	Life Property-Linked Whole of Life Regular Premium	-	-
710	Other Life Property-Linked Whole of Life Regular Premium	4.00	4.00
715	Life Property-Linked Endowment Regular Premium – savings	-	-
720	Life Property-Linked Endowment Regular Premium – cash	-	-
725	Overseas Pensions	3.50	3.75
725	Individual Property-Linked pensions - Accumulation units	-	-
725	Individual Property-Linked pensions - Generation 2 initial units	3.75	3.75
725	Individual Property-Linked pensions - Generation 5 initial units	3.25	3.25
725	Individual Property-Linked pensions - Generation 6 initial units	4.00	4.00
735	Group Property-Linked pensions - Accumulation units	-	-
735	Group Property-Linked pensions - Generation 2 initial units	3.75	3.75
735	Group Property-Linked pensions - Generation 5 initial units	3.25	3.25
735	Group Property-Linked pensions - Generation 6 initial units	4.00	4.00
750	Income Drawdown – Property Linked – Accumulation units	-	-
755	Trustee Investment Plan	-	-
795	Unit-Linked Term Assurance	-	-
901	PHI Claims in payment - RPI Linked	0.40	0.50
902	PHI Claims in payment – Group – RPI Linked	0.40	0.50
905	Index Linked Annuities in payment – Pensions	1.04	1.31
905	Index Linked Annuities in payment – Non Pensions	0.40	0.50
907	Deferred Annuities – Group - RPI-linked – Bulk Purchase	1.04	1.31

(1) Generation 2 units 2.25%
Generation 5 units 1986 – 1991 2.50%
Generation 5 units 1992+ 2.25%
Generation 6 units 1990 – 1994 2.25%
Generation 6 units 1995+ 2.50%

(2) Generation 2 units 2.75%
Generation 5 units 1986 – 1991 3.00%
Generation 5 units 1992+ 2.75%
Generation 6 units 1990 – 1994 2.75%
Generation 6 units 1995+ 3.00%

(3) Accumulation units that are credited in respect of single premiums paid under Investment Bonds (Series 1 and 2), Portfolio Bonds (Series 1 to 4) and Discounted Gift Bonds are actuarially funded for the first 5 policy years. The units are reduced by 5% at policy inception, reducing in monthly steps to 0% at the end of 5 years.
Accumulation units that are credited in respect of single premiums paid under Portfolio Bonds (Series 8 and 10) are actuarially funded for the first 7 policy years. The units are reduced by 14% at policy inception, reducing in monthly steps to 0% at the end of 7 years.

(4) First rate is in-deferment, second rate is in-possession.

- (5) First rate is used if the product group is treated as a liability, second rate if the product group is treated as an asset.

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

	Non-Profit		With-Profits	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Life	2.25%	2.25%	2.25%	2.75%
Pensions	3.50%	3.75%	3.00%	3.50%
Overseas	3.50%	3.75%	n/a	n/a

4(3) Yield Risk Adjustments

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

Where different assumptions have been made depending upon whether the assets are held by the Society or its intra-group reinsurer Legal & General Pensions Ltd (LGPL). The deductions have been denoted (a) and (b) respectively.

Type of security	Yield Deduction
Approved fixed and variable	3 bps p.a
Unapproved fixed and variable:	
(a)	35 bps p.a
(b)	40 bps p.a

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

Adjustments by credit rating

Credit rating	Yield Deduction	
	31.12.2010	
	(a)	(b)
AAA	6 bps p.a	5 bps p.a
AA	11 bps p.a	9 bps p.a
A	25 bps p.a	24 bps p.a
BBB	52 bps p.a	55 bps p.a
Lower rated (BB to CCC)	248 bps p.a	319 bps p.a
Unrated	36 bps p.a	32 bps p.a

Furthermore, given recent economic uncertainty in the credit markets, an additional short term allowance in respect of a temporary recessionary increase in defaults has been included in the liabilities. For annuity business an additional reserve of £564m gross of reinsurance (£37m net of reinsurance) has been held. For annuity business reassured to LGPL the total allowance for default is equivalent to approximately 64bps p.a. over the lifetime of the credit assets held. For participating business the additional allowance has been made by a further reduction in the risk adjusted yield to 70 bps p.a. in total.

Dividend yields have been reduced by 3.75% of the yield to reflect uncertainty over future dividends, together with an additional 0.1% deduction to reflect the non payment of dividends by BP plc.

Land investments were segmented by category of tenant, and default rates were applied according to the status of the tenant to arrive at an overall risk adjustment of 6.5% of the available yield.

For property sale and leaseback assets, when calculating the yield on the property, prudent deductions from income have been made in accordance with the credit rating of the tenant, in line with Legal &

General's standard default probabilities. Furthermore the residual value on the underlying property 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 2010, an additional allowance for scheme specific mortality has been applied where deemed appropriate.

Product Code	Product Type	31.12.2010	31.12.2009
100	WP conventional whole life	Nn	Nn
120	Cashbuilder	K	K
120	Other WP savings endowments	K	K
125	Build Up	K	K
165	Personal Retirement Plan	H/D	H/D
200	WP Annuity	C	C
300	Whole of Life Protection Plan	Ff	Ff
300	NP regular premium endowments and other whole life	R	R
315	WP Non Participating Buy-Out Plan	Q/B	Q/B
320	WP Non Participating 1980 Bonus System – Group	-	-
325	Pension Term Assurance	I	I
325	Term Assurance	J	J
325	Overseas Term Assurance	Ll	Ll
325	Term Assurance - US	Qq	n/a
330	Decreasing Term Assurance	J	J
340	Accelerated Critical Illness - guaranteed premiums	T	T
345	Accelerated Critical Illness - reviewable premiums	T	T
350	Stand-alone Critical Illness - guaranteed premiums	U	U
355	Stand-alone Critical Illness - reviewable premiums	U	U
360	Income Protection Benefit	W/Ii	W/Ii
360	Other Permanent Health Insurance - Individual - Non-Linked	W/Gg	W/Gg
365	Mortgage Payment Insurance	W/Hh	W/Hh
365	Other Permanent Health Insurance - Individual - Linked	X/Jj	X/Jj
385	Claims in Payment - Individual - Non-Linked	M	M
385	Claims in Payment - Individual – Linked	L	L
390	Non Profit Deferred Annuities - Group - Bulk Purchase	P/A	P/A
390	Non Profit Deferred Annuities - Group – Other	P/B	P/B
390	WP Non Participating Deferred Annuities – Group	P/B	P/B
390	Non Profit Deferred Retirements – Group – Bulk Purchase	A	A
390	Non Profit Deferred Retirements – Other	B	B
390	WP Non Participating Deferred Retirements	B	B
395	Non Profit Annuities (PLA)	B	B
395	WP Non Participating Annuities (PLA)	B	B

Product Code	Product Type	31.12.2010	31.12.2009
400	Personal Retirement Plan Annuities	D	D
400	Other WP Non Participating Annuities	B	B
400	Non Profit Annuities - Individual - Compulsory Purchase	C	C
400	Non Profit Annuities - Group - Bulk Purchase	A	A
400	Other Non Profit Annuities	B	B
405	Non Profit Annuities – Lifestyle Life	C	C
405	Non Profit Annuities – Enhanced Life	B	B
410	Group Life Assurance	Mm	Mm
420	Permanent Health Insurance – Group	Mm	Mm
425	Permanent Health Insurance - Group - Claims in Payment	N	N
435	Widows’ and Orphans’ Pensions - Group	Mm	Mm
500	Capital Investment Portfolio	Pp	Pp
500	With-Profit Bond	Y	Y
505	Flexible Protection Plan	Bb	Bb
505	Prospects	Z	Z
510	Regular Savings Plan, New Savings Plan	Z	Z
515	Flexible Mortgage Plan	Aa	Aa
525	Individual UWP pensions	F	F
535	Group Money Purchase Pensions UWP	F	F
545	Buy-Out Plan	Q/B	Q/B
545	Private Income Plan – Individual	G	G
555	Money Purchase Plan	-	-
555	High Performance Pension Plan	-	-
555	Private Income Plan – Group	G	G
555	1980 Bonus System – Group	-	-
571	Trustee Investment Plan UWP	F	F
700	With Profit Bond	Y	Y
700	Capital Investment Portfolio and Capital Preservation Plan	Pp	Pp
700	Investment Bond and Portfolio Bond	Oo	Oo
710	Flexible Protection Plan	Bb	Bb
710	Prospects	Z	Z
710	Property-Linked Permanent Health Insurance	X	X
710	Property-Linked Critical Illness	Dd	Dd
710	Other Life Property-Linked Whole of Life Regular Premium	I	I
715	Regular Savings Plan, New Savings Plan	Z	Z
715	Capital Accumulation Plan	Z	Z
720	Flexible Mortgage Plan	Aa	Aa
725	Overseas Pensions	Kk	Kk
725	Other Individual Property-Linked pensions	F	F
735	Group Property-Linked pensions	F	F
750	Income Drawdown – Property Linked	F	F
755	Trustee Investment Plan	F	F
795	Unit-Linked Term Assurance (Series 1 and 2)	Cc	Cc
795	Unit-Linked Term Assurance (Series 3)	Aa	Aa
901	PHI Claims in payment - RPI Linked – Individual	L	L
902	PHI Claims in payment - RPI Linked – Group	N	N
905	Annuities - Individual - RPI-linked - Personal Retirement Plan	D	D
905	Annuities - Individual - RPI-linked - Compulsory Purchase	C	C
905	Annuities - Individual - RPI-linked – Other	B	B
905	Annuities – Group - RPI-linked - Bulk Purchase	A	A
905	Annuities – Group - RPI-linked – Other	B	B
907	Deferred Annuities - Group - RPI-linked – Bulk	P/A	P/A

Code Letters used for the 2010 Mortality / Morbidity Basis

- A** 89% of PCMA00 for males and 93% of PCFA00 for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- B** 82% of PCMA00 for males and 86% of PCFA00 for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- C** 69% of PCMA00 for males and 73% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 47% of the ultimate for males and 34% for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- D** 74% of PCMA00 for males and 55% of PCFA00 for females. Allowance for future improvement commencing 31.12.2008 as per CMIB's mortality improvement model (CMI 2009) with the following parameters:
Males: Long Term Rate of 2% p.a. up to age 85 tapering to 0% at 120;
Females: Long Term Rate of 1.5% p.a. up to age 85 tapering to 0% at 120.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** A1967-70 Ultimate with no age adjustment
- J** If a life has no terminal illness cover and:
(i) has been coded as a smoker 116% TMS00 or TFS00 Select 5 for males and females respectively is applied;
(ii) has been coded as a non-smoker 136% TMN00 or TFN00 Select 5 for males and females respectively is applied;
(iii) is un-coded 103% TM00 or TF00 Select 5 for males and females respectively is applied.
- If a life has terminal illness cover and:
(i) has been coded as a smoker 96% TMS00 or TFS00 Select 5 for males and females respectively is applied;
(ii) has been coded as a non-smoker 93% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- K** 125% of AM92 or AF92 Ultimate for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- L** 35% CMI Report No. 12 termination rates.
- M** A1967-70 Ultimate rated up 5 years.
- N** 60% CMI Report No. 12 termination rates.
- P** 88% of modified PCMA00 and PNMA00 for males and 92% of PCFA00 and PNFA00 for females in deferment.
- Q** 51.45% of A1967 / 70 Ultimate rated down 3 years for males and 49.49% of A1967 / 70 Ultimate rated down 6 years for females in deferment.

- R** A1967-70 Ultimate rated down 2 years. In joint life cases the second life is assumed to be 3 years younger than the first life.
- T** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and including death decrements. If a life has been coded as a smoker 99% of the table is applied; if a life has been coded as a non-smoker 68% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 at 0.5% p.a. for males and 0.75% p.a. for females. For guaranteed contracts, the rates are assumed to deteriorate by a further 1% p.a. for policy durations of 6 years and above.
- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 126% of the table is applied; if a life has been coded as a non-smoker 106% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 at 1% p.a. for males and 1.75% p.a. for females.
- W** 40% AM80 select 5.
- X** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker a loading of 75% is used; if a life has been coded as a non-smoker a loading of 30% is used.
- Y** 110% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 60% of AM92 or AF92 Ultimate for males and females respectively.
- Aa** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 175% of this table is used; if a life has been coded as a non-smoker 85% of this table is used; if a life is un-coded 110% of this table is used. If the contract provides additional critical illness benefits an additional loading of 265% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 195% of this table is used; if a life has been coded as a non-smoker 90% of this table is used; if a life is un-coded 110% of this table is used. If the contract provides additional critical illness benefits an additional loading of 225% is applied.
- Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 220% of this table is used; if a life has been coded as a non-smoker 125% of this table is used.
- Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 510% of this table is used; if a life has been coded as a non-smoker 275% of this table is used.
- Ff** If a life has been coded as a smoker, 96% TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, 93% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- Gg** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
 Inception: $x\%$ of CMIR12 Method B (select 5) rates, where $x=a.b.c.d.100$ and
 $a=1+\text{loading to standard premium rates (e.g. for occupation, female, medical)}$
 $b=0.8$
 $c=1.7$ if the deferred period is 26 weeks, 1 for all other deferred periods
 $d=1$ for occupation classes I and II, 2.4 for occupation classes III, IV and uncoded
 Termination: 35% of CMIR12 rates
- Hh** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
 Inception: $x\%$ of CMIR12 Method B (select 5) rates, where $x=a.b.c.d.e.f.100$ and
 $a=1.00$
 $b=0.8$ if the deferred period is 4 weeks, 0.9 if the deferred period is 8 weeks, 1.0 if the deferred period is 13 weeks, 1.4 if the deferred period is 26 weeks and 1.6 if the deferred period is 52 weeks.
 $c=1$ for occupation class I, 1.5 for occupation class II, 1.8 for occupation class III and 2.8 for occupation class IV.
 $d=0.9$ for non-smokers, 1.2 for smokers

e=1 for males, 1.5 for females
f=1+medical loading (where appropriate)
Termination: 35% of CMIR12 rates

- Ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.f.100 and
a=1.21 for policies where additional incapacity benefits are selected, 1.1 otherwise.
b=0.8 if the deferred period is 4 weeks, 1.3 if the deferred period is 13 weeks, 1.4 if the
deferred period is 26 weeks and 1.6 if the deferred period is 52 weeks.
c=1 for occupation class I, 1.5 for occupation class II, 2.25 for occupation class III and 3 for
occupation class IV.
d=1 for non-smokers, 1.3 for smokers
e=1 for males, 1.75 for females
f=1+medical loading (where appropriate)
Termination: 35% of CMIR12 rates
- Jj** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.100 and
a=0.40
b=1.0 if the deferred period is 4 weeks, 1.5 if the deferred period is 13 weeks, 4.0 if the
deferred period is 26 weeks and 5.3 if the deferred period is 52 weeks.
c=1 for occupation class I, 1.5 for occupation class II, 2.7 for occupation class III and 4.5 for
occupation class IV.
d=0.9 for non-smokers, 1.2 for smokers
e=1 for males, 3 for females
Termination: 35% of CMIR12 rates
- Kk** 40% Sterbetafel DAV 1994, Germany, for males and females.
- Ll** Sterbetafel DAV 1994, Germany, for males and females. If a life has been coded as a smoker
65% of this table is used; if a life has been coded as a non-smoker 35% of this table is used; if
a life is coded as a preferred life 28% of this table is used.
- Mm** Group Life, Group PHI and Group Widows and Orphans Pension business is valued using a
claims ratio approach rather than an explicit mortality/morbidity table and assumption. The
long term claims ratio assumption is set in line with the long term target profitability of the
business, with an additional margin for prudence. However, claims ratios are actively
monitored to ensure that observed claims ratios are within the required range to maintain this
profitability target, and the long term assumption used in the valuation is compared against
experience to assess credibility.
- Nn** 125% of AM92 or AF92 Ultimate rated down 2 years for males and females
respectively. In joint life cases the second life is assumed to be 3 years younger than
the first life.
- Oo** 100% of AM92 or AF92 Ultimate for males and females respectively.
- Pp** 75% of AM92 or AF92 Ultimate for males and females respectively.
- Qq** Mortality rates are based upon percentages of the Society of Actuaries (“SOA”) 1985-90
experience tables, with percentages varying by policy issuance date, age, sex and underwriting
type. The percentages vary from 26.79% to 70.23% for males and 30.02% to 70.75% for
females.

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

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

Code Letters used for the 2009 Mortality / Morbidity Basis

- A** 90% of PCMA00 for males and 94% of PCFA00 for females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- B** 87% of PCMA00 for males and 88% of PCFA00 for females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- C** 65% of PCMA00 for males and 60% of PCFA00 for females with an allowance for temporary initial selection, initial rates of mortality being 60% of the ultimate for both males and females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- D** 76% of PCMA00 for males and 69% of PCFA00 for females. Allowance for future improvement commencing 31.12.2007 as per CMI Working Paper 30 projection MC for males with a minimum of 2% p.a. up to age 90 tapering to 0% at 120 and 75% of CMI Working Paper 30 projection MC for females with a minimum of 1.5% p.a up to age 90 tapering to 0% at 120.
- F** A1967-70 Ultimate rated down 4 years for females.
- G** A1967-70 Ultimate rated down 2 years.
- H** 20% of A1967-70 Ultimate rated down 4 years for females.
- I** A1967-70 Ultimate with no age adjustment
- J** If a life has no terminal illness cover and:
(iv) has been coded as a smoker 114% TMS00 or TFS00 Select 5 for males and females respectively is applied;
(v) has been coded as a non-smoker 115% TMN00 or TFN00 Select 5 for males and females respectively is applied;
(vi) is un-coded 129% TM00 or TF00 Select 5 for males and females respectively is applied.
- If a life has terminal illness cover and:
(iii) has been coded as a smoker 105% TMS00 or TFS00 Select 5 for males and females respectively is applied;
(iv) has been coded as a non-smoker 95% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- K** 125% of AM92 or AF92 Ultimate for males and females respectively. In joint life cases the second life is assumed to be 3 years younger than the first life.
- L** 35% CMI Report No. 12 termination rates.
- M** A1967-70 Ultimate rated up 5 years.
- N** 58.88% CMI Report No. 12 termination rates.
- P** 67% of AM92 Ultimate for males and 70% of AF92 Ultimate for females in deferment.
- Q** 52% of A1967 / 70 Ultimate rated down 3 years for males and 50% of A1967 / 70 Ultimate rated down 6 years for females in deferment.
- R** A1967-70 Ultimate rated down 2 years. In joint life cases the second life is assumed to be 3 years younger than the first life.

- T** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and including death decrements. If a life has been coded as a smoker 101% of the table is applied; if a life has been coded as a non-smoker 66% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 at 0.5% p.a. for males and 0.75% p.a. for females. An additional loading for guaranteed level term contracts of 0.85% multiplied by policy term less 5 years is applied. The corresponding loading for guaranteed decreasing term contracts is 0.65% multiplied by policy term less 5 years.
- U** CIBT93M Ultimate and CIBT93F Ultimate for males and females respectively and excluding death decrements. If a life has been coded as a smoker 154% of the table is applied; if a life has been coded as a non-smoker 106% of the table is applied. Rates are assumed to deteriorate (increase) from a base year of 2007 at 1% p.a. for males and 1.75% p.a. for females.
- W** 40% AM80 select 5.
- X** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker a loading of 75% is used; if a life has been coded as a non-smoker a loading of 20% is used.
- Y** 110% of AM92 or AF92 Ultimate for males and females respectively.
- Z** 60% of AM92 or AF92 Ultimate for males and females respectively.
- Aa** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 180% of this table is used; if a life has been coded as a non-smoker 85% of this table is used; if a life is un-coded 105% of this table is used. If the contract provides additional critical illness benefits an additional loading of 265% is applied.
- Bb** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 210% of this table is used; if a life has been coded as a non-smoker 90% of this table is used; if a life is un-coded 110% of this table is used. If the contract provides additional critical illness benefits an additional loading of 270% is applied.
- Cc** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 195% of this table is used; if a life has been coded as a non-smoker 115% of this table is used.
- Dd** AM92 or AF92 Ultimate for males and females respectively. If a life has been coded as a smoker 620% of this table is used; if a life has been coded as a non-smoker 255% of this table is used.
- Ff** If a life has been coded as a smoker, 105% TMS00 or TFS00 Select 5 for males and females respectively is applied. If a life has been coded as a non-smoker, 95% TMN00 or TFN00 Select 5 for males and females respectively is applied.
- Gg** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
 Inception: $x\%$ of CMIR12 Method B (select 5) rates, where $x=a.b.c.d.100$ and
 $a=1+\text{loading to standard premium rates (e.g. for occupation, female, medical)}$
 $b=0.8$
 $c=1.7$ if the deferred period is 26 weeks, 1 for all other deferred periods
 $d=1$ for occupation classes I and II, 2.4 for occupation classes III, IV and uncoded
 Termination: 35% of CMIR12 rates
- Hh** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
 Inception: $x\%$ of CMIR12 Method B (select 5) rates, where $x=a.b.c.d.e.f.100$ and
 $a=1.00$
 $b=0.8$ if the deferred period is 4 weeks, 0.9 if the deferred period is 8 weeks, 1.0 if the deferred period is 13 weeks, 1.4 if the deferred period is 26 weeks and 1.6 if the deferred period is 52 weeks.
 $c=1$ for occupation class I, 1.5 for occupation class II, 1.8 for occupation class III and 2.8 for occupation class IV.
 $d=0.9$ for non-smokers, 1.2 for smokers
 $e=1$ for males, 1.5 for females

f=1+medical loading (where appropriate)
Termination: 35% of CMIR12 rates

- Ii** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.f.100 and
a=1.21 for policies where additional incapacity benefits are selected, 1.1 otherwise.
b=0.8 if the deferred period is 4 weeks, 1.3 if the deferred period is 13 weeks, 1.4 if the
deferred period is 26 weeks and 1.6 if the deferred period is 52 weeks.
c=1 for occupation class I, 1.5 for occupation class II, 2.25 for occupation class III and 3 for
occupation class IV.
d=1 for non-smokers, 1.3 for smokers
e=1 for males, 1.75 for females
f=1+medical loading (where appropriate)
Termination: 35% of CMIR12 rates
- Jj** CMI Report No 12 (CMIR12) inception and termination rates as follows:-
Inception: x% of CMIR12 Method B (select 5) rates, where x=a.b.c.d.e.100 and
a=0.40
b=1.0 if the deferred period is 4 weeks, 1.5 if the deferred period is 13 weeks, 4.0 if the
deferred period is 26 weeks and 5.3 if the deferred period is 52 weeks.
c=1 for occupation class I, 1.5 for occupation class II, 2.7 for occupation class III and 4.5 for
occupation class IV.
d=0.9 for non-smokers, 1.2 for smokers
e=1 for males, 3 for females
Termination: 35% of CMIR12 rates
- Kk** 40% Sterbetafel DAV 1994, Germany, for males and females.
- Ll** Sterbetafel DAV 1994, Germany, for males and females. If a life has been coded as a smoker
65% of this table is used; if a life has been coded as a non-smoker 35% of this table is used; if
a life is coded as a preferred life 28% of this table is used.
- Mm** Group Life, Group PHI and Group Widows and Orphans Pension business is valued using a
claims ratio approach rather than an explicit mortality/morbidity table and assumption. The
long term claims ratio assumption is set in line with the long term target profitability of the
business, with an additional margin for prudence. However, claims ratios are actively
monitored to ensure that observed claims ratios are within the required range to maintain this
profitability target, and the long term assumption used in the valuation is compared against
experience to assess credibility.
- Nn** 125% of AM92 or AF92 Ultimate rated down 2 years for males and females
respectively. In joint life cases the second life is assumed to be 3 years younger than
the first life.
- Oo** 100% of AM92 or AF92 Ultimate for males and females respectively.
- Pp** 75% of AM92 or AF92 Ultimate for males and females respectively.

Expectations of life – Immediate Annuities

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

Age	Code letter							
	A		B		C		D	
	Male	Female	Male	Female	Male	Female	Male	Female
65	22.9	24.2	23.6	24.9	26.0	27.5	24.6	28.9
75	13.8	15.0	14.5	15.6	17.0	18.8	15.3	19.2

Expectations of life – Deferred Annuities

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

Age	Code letter			
	A		B	
	Male	Female	Male	Female
45	26.0	26.6	26.8	27.3
55	24.4	25.4	25.2	26.1

Allowance made for future changes in mortality

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

4(5) Table of morbidity bases

See the table in section 4(4).

Allowance made for future changes in morbidity

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

4(6) Table of expense bases

The following annual per policy maintenance expenses have been assumed in the calculation of mathematical reserves at 31 December 2010. Equivalent figures for 31 December 2009 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	31.12.2010		31.12.2009	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
120	Cashbuilder	£58.18	£58.18	£48.31	£48.31
120	Other WP savings endowments	£53.46	£53.46	£44.29	£44.29
125	Build Up	£58.79	£58.79	£44.15	£44.15
165	Personal Retirement Plan	£98.42		£116.84	
325	Pension Term Assurance	£9.49		£9.17	
325	Term Assurance	£9.70		£9.37	
330	Decreasing Term Assurance	£9.70		£9.37	
340	Accelerated Critical Illness - guaranteed premiums	£12.37		£11.95	
345	Accelerated Critical Illness - reviewable premiums	£12.37		£11.95	
350	Stand-alone Critical Illness - guaranteed premiums	£24.95		£24.11	
355	Stand-alone Critical Illness - reviewable premiums	£24.95		£24.11	
360	Income Protection Benefit ⁽²⁾	£10.95		£10.58	
365	Mortgage Payment Insurance ⁽²⁾	£10.95		£10.58	

Product Code	Product Type	31.12.2010		31.12.2009	
		Premium Paying	Paid Up/ Single Premium	Premium Paying	Paid Up/ Single Premium
365	Other Permanent Health Insurance - Individual - Linked ⁽²⁾	-		-	
385	Claims in Payment - Individual - Non-Linked ⁽²⁾	-		-	
385	Claims in Payment - Individual - Linked ⁽²⁾	-		-	
400	Immediate Annuities - Non Profit and WP Non Participating		£17.96		£17.92
500	Life UWP single premium bonds		£16.69		£15.85
510	Regular Savings Plan, New Savings Plan	£30.83	£15.41	£30.97	£15.48
515	Flexible Mortgage Plan	£19.05	£9.53	£17.66	£8.83
525	UWP Individual Personal Pension and Self Employed Plan ⁽³⁾				
525	UWP Executive Pension Plan and Directors Plan	£183.61	£93.01	£158.00	£80.03
525	UWP Free Standing Pension Savings Plan	£20.93	£11.01	£22.77	£11.98
525	UWP Buy-Out Plan	-	£6.26	-	£14.29
535	UWP Group Personal Pension Plan ⁽⁴⁾				
535	UWP Company Pension Plan	£97.62	£50.75	£53.39	£27.76
535	UWP Company Sponsored Pension Savings Plan	£101.85	£53.91	£70.46	£37.29
545	Buy-Out Plan	-	£61.94	-	£118.68
545	Private Income Plan - Individual ⁽¹⁾	-		-	
700	Life Property-Linked single premium		£31.13		£19.49
715	Regular Savings Plan, New Savings Plan	£30.83	£15.41	£30.97	£15.48
715	Capital Accumulation Plan	£31.13	£15.57	£19.49	£9.74
720	Flexible Mortgage Plan	£19.05	£9.53	£17.66	£8.83
725	Property-Linked Individual Personal Pension and Self Employed Plan ⁽³⁾				
725	Property-Linked Personal Investment Pensions Plan	£26.17	£13.78	£23.55	£12.40
725	Property-Linked Executive Pension Plan and Directors Plan	£183.61	£93.01	£158.00	£80.03
725	Property-Linked Executive Investment Retirement Plan	£308.36	£156.30	£255.64	£129.58
725	Property-Linked Free Standing Pension Savings Plan	£20.93	£11.01	£22.77	£11.98
735	Property-Linked Group Personal Pension Plan ⁽⁴⁾				
735	Property-Linked Company Pension Plan	£97.62	£50.75	£53.39	£27.76
735	Property-Linked Company Sponsored Pension Savings Plan	£101.85	£53.91	£70.46	£37.29
735	Group pension Savings Plan	£101.85	£53.91	£70.46	£37.29
755	Trustee Investment Plan	-	£164.91		£102.43

⁽¹⁾ In this case, an aggregate expense reserve is held so no per policy expense assumption is required. The aggregate reserves are as follows.

	31 December 2010	31 December 2009
Private Income Plan - Individual	£73,966	£226,607

⁽²⁾ For policies currently paying premiums an additional reserve is held in respect of maintenance expenses which would arise on any future claims. For claims currently in payment a reserve is held in respect of future maintenance expenses arising from the current claim. In both cases, claims expenses are assumed to be 12.14% (12.14% at 31 December 2009) of the claim amount for Income Protection Benefit and non-linked Permanent Health Insurance and 5.97% (5.97% at 31 December 2009) of the

claim amount for Mortgage Payment Insurance. The claims expenses are 6.75% (6.75% at 31 December 2009) of the claim amount for other Permanent Health Insurance.

- (3) The expense basis varies according to the underlying administration system and by sub-product. The expense basis is either £23.62 premium paying and £12.43 paid up, £30.42 premium paying and £16.01 paid up (£8.90 for GPP leavers) or £125.76 premium paying and £66.20 paid up as appropriate.
- (4) The expense basis varies according to the type of administration. The expense basis is either £33.40 premium paying and £17.57 paid up or £25.92 premium paying and £13.64 paid up as appropriate.

4(7) Unit Growth Rates

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

	Percentage
Unit Growth – Gross	5.00% p.a
Unit Growth – Net	4.70% p.a
Future Expense Inflation	3.50% p.a
Future Increase in policy charges	0.00% p.a

4(8) Future bonus rates

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

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

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

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

Non-Linked Contracts

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

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

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

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 - 5	6 – 10	11 - 15	16 – 20
Level term	lapse	13.9%	9.4%	6.0%	3.1%
Decreasing term	lapse	14.1%	9.5%	6.4%	6.0%
Accelerated critical illness	lapse	21.2%	10.7%	5.5%	5.2%
Pension Term (level and decreasing)	lapse	12.7%	8.5%	6.0%	5.6%
Whole of Life (conventional Non Profit)	lapse	4.1%	1.9%	0.9%	0.0%

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

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

Product Group	x%
Level and Decreasing term	33%
Accelerated critical illness	13%

US Term Business

Product		Average lapse / surrender / paid-up rate for the policy years			
		1 - 5	6 - 10	11 - 15	16 - 20
Penn 10Yr Term Preferred Plus Non Smoker	lapse	3.7%	2.2%	100%	100%
Penn 10Yr Term Preferred Non Smoker	lapse	4.6%	3.0%	100%	100%
Penn 10Yr Term Standard Plus Non Smoker	lapse	4.9%	3.0%	100%	100%
Penn 10Yr Term Standard Non Smoker	lapse	6.5%	3.6%	100%	100%
Penn 10Yr Term Smoker	lapse	7.7%	4.2%	100%	100%
Penn 15Yr Term Preferred Plus Non Smoker	lapse	1.8%	1.5%	1.4%	100%
Penn 15Yr Term Preferred Non Smoker	lapse	3.0%	1.8%	1.8%	100%
Penn 15Yr Term Standard Plus Non Smoker	lapse	3.4%	2.1%	2.1%	100%
Penn 15Yr Term Standard Non Smoker	lapse	4.8%	2.9%	2.8%	100%
Penn 15Yr Term Smoker	lapse	6.9%	3.6%	3.5%	100%
Penn 20Yr Term Preferred Plus Non Smoker	lapse	2.2%	1.4%	1.4%	1.4%
Penn 20Yr Term Preferred Non Smoker	lapse	2.7%	1.5%	1.4%	1.4%
Penn 20Yr Term Standard Plus Non Smoker	lapse	3.0%	1.8%	1.8%	1.8%
Penn 20Yr Term Standard Non Smoker	lapse	4.4%	2.2%	2.1%	2.1%
Penn 20Yr Term Smoker	lapse	7.3%	3.2%	2.8%	2.8%
Banner 10Yr Term Preferred Plus Non Smoker	lapse	2.8%	2.8%	100%	100%
Banner 10Yr Term Preferred Non Smoker	lapse	4.2%	3.9%	100%	100%
Banner 10Yr Term Standard Plus Non Smoker	lapse	4.8%	3.8%	100%	100%
Banner 10Yr Term Standard Non Smoker	lapse	5.6%	3.8%	100%	100%
Banner 10Yr Term Smoker	lapse	8.1%	3.8%	100%	100%
Banner 15Yr Term Preferred Plus Non Smoker	lapse	2.8%	2.8%	2.8%	100%
Banner 15Yr Term Preferred Non Smoker	lapse	4.2%	3.9%	2.8%	100%
Banner 15Yr Term Standard Plus Non Smoker	lapse	4.8%	3.8%	2.8%	100%
Banner 15Yr Term Standard Non Smoker	lapse	5.6%	3.8%	2.8%	100%
Banner 15Yr Term Smoker	lapse	8.1%	3.8%	2.8%	100%
Banner 20Yr Term Preferred Plus Non Smoker	lapse	2.8%	2.8%	2.8%	2.8%
Banner 20Yr Term Preferred Non Smoker	lapse	4.2%	3.9%	2.8%	2.8%
Banner 20Yr Term Standard Plus Non Smoker	lapse	4.8%	3.8%	2.8%	2.8%
Banner 20Yr Term Standard Non Smoker	lapse	5.6%	3.8%	2.8%	2.8%
Banner 20Yr Term Smoker	lapse	8.1%	3.8%	2.8%	2.8%

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	0.0%	1.7%	2.2%	4.4%
UWP target cash endowment	surrender	3.2%	3.2%	3.2%	2.6%
UL savings endowment	surrender	0.0%	1.7%	2.2%	4.4%
UL target cash endowment	surrender	3.2%	3.2%	3.2%	2.6%
UWP Bond	surrender	1.1%	2.0%	2.5%	2.4%
UL Bond	surrender	2.6%	6.3%	3.9%	3.5%
UWP individual pension regular premium	surrender	1.2%	1.1%	1.1%	1.1%
UWP individual pension single premium	surrender	3.4%	3.3%	3.2%	3.2%
UL individual pension regular premium	surrender	2.2%	1.6%	1.4%	1.4%
UWP Trustee Investment Plan regular premium	surrender	1.4%	1.4%	1.4%	1.4%
UL Trustee Investment Plan regular premium	surrender	1.3%	1.3%	1.3%	1.3%
UL individual pension single premium	surrender	4.0%	3.5%	2.7%	2.7%
UWP group pension regular premium	surrender	2.1%	2.1%	2.0%	2.0%
UWP group pension single premium	surrender	11.2%	11.2%	11.2%	11.2%
UL group pension regular premium	surrender	2.1%	1.9%	1.3%	1.3%
UL group pension single premium	surrender	7.6%	7.6%	7.6%	7.6%
UWP Trustee Investment Plan single premium	surrender	6.4%	5.3%	3.8%	3.8%
UL Trustee Investment Plan single premium	surrender	6.8%	5.8%	4.3%	4.3%

For regular premium unit-linked life contracts, sterling reserves assume that policies lapse once unit holdings have been exhausted by deductions, provided the policy is at least 10 years from inception. This is consistent with policy administration processes.

For unit-linked life bonds where the policyholder is taking automatic income withdrawals at the valuation date, sterling reserves are calculated assuming that that level of withdrawal continues indefinitely.

On some unitised pension contracts, income withdrawals may be taken. For those policies taking income at the valuation date, it is assumed that that rate of withdrawal continues throughout the life of the contract, subject to limits specified by the Government Actuary's Department. For contracts not taking income withdrawal at the valuation date, it is assumed that a proportion will elect to do so in future, at a rate in line with the Government Actuary's Department limits.

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

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

4(10) Any other material basis assumptions

(i) Early Retirement and Transfers

For Personal Retirement Pension contracts, valuation provisions are calculated allowing for prudent rates of transfer and early retirement. All policyholders are assumed to retire by age 70.

The assumed annual rates of future discontinuance are derived from recent office experience with a suitable margin for prudence and are detailed below.

Age	Early Retirement (over the year)	Early Retirement (during birth month)	Transfer
Less than 60	0.0%	0.0%	0.0%
60	5.8%	4.6%	1.4%
61 – 64	3.5%	0.5%	0.6%
65	8.9%	7.9%	1.8%
66 – 69	4.8%	1.3%	0.3%
70	0.0%	100.0% *	3.1%

* 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 70th birthday.

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

(ii) Proportions Married

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

The rates of proportions married are set with reference to GAD rates with a prudential margin.

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

4(11) Allowance for derivatives

Society (and its reinsurer Legal & General Pensions Ltd) hold interest rate derivatives (in sterling and in overseas currencies), inflation derivatives, credit default swaps and property total return swaps which affect the overall portfolio yield. These impacts are considered in setting the valuation interest rate.

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

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

5. Options and guarantees

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

Provision for guaranteed annuity options has been made by holding a reserve for the excess cost of providing an annuity on the guaranteed basis. This excess cost is calculated on both a deterministic basis and a stochastic basis (using both a real world and market consistent calibration). The reserve held is the higher of the three results.

For the deterministic basis, the assumed rates of option take-up in the year following the reporting date have been set by reference to the Society's current experience together with a margin for prudence. The rate of take-up increases linearly such that after 15 years it is assumed that 95% of policyholders elect to take the guaranteed benefits (100% for some products). The guaranteed value has been compared with an annuity calculated using a 4.5% interest rate and the mortality basis defined by mortality code B in Section 4(4). Under certain contracts policyholders may select the rate at which the annuity is guaranteed to escalate; when calculating the annuity value in these cases an assumption has been made for the proportion of policyholders selecting different rates of escalation in each year following the valuation.

5.(1)(b) Guaranteed annuity rate options

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed annuity rate ¹	(vi) Increments	(vii) Form of annuity ²	(viii) Retirement ages
Money Purchase Plan	21.4	0 to 44 years	1.5	Currently £6.29 annuity for each £100 cash. The guaranteed basis may be revised at any time and the revised terms applied to all funds following that date.	Yes	As selected by the policyholder and permitted by legislation	55 to 65
Private Income Plan	37.8	0 to 33 years	22.8	£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	51.8	0 to 44 years	0.2	£9.60 annuity for each £100 cash for annuities purchased prior to the tenth 1st January following the commencement of the policy. Currently £5.65 annuity for each £100 cash for annuities purchased after the tenth 1st January following the commencement of the policy.	No	As selected by the policyholder and permitted by legislation	60 to 66

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

² 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	120.2	0 to 28 years	0.0	Guaranteed cash sum on surrender after 10 years. The policyholder has the option to continue paying premiums after 10 years in which case the guaranteed cash sum will increase usually by 10% (simple) per annum.	Death and maturity	1.9	No	Guaranteed cash sum is valued using an increase of 10.5% (simple) per annum. No credit is taken for future premiums after 10 years.
Investment Bond (Series 1 and 2)	3,533.5	Whole of life	Implicit in the Basic reserve	For those policies invested in the Protected UK Growth Fund, a minimum of 80% of the highest fund value ever reached (subject to an absolute minimum of 80% of the initial amount invested in units) less any early surrender charge, will be paid on surrender provided there have been no previous withdrawals. The protection is reduced proportionately upon partial withdrawal of funds and, in all cases, depends upon a third party honouring contracts they have made with the Society and only remains in force whilst the policy is invested in the Protected UK Growth fund, the protection being removed upon switch to another internal linked fund.	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	Implicit in unit price of close matching assets.
With-Profit Bond (Series 1, 2 and 3)	197.8	Whole of life	Implicit in the Basic reserve	From the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	No specific additional reserve held. The valuation method values the guaranteed benefits.
With-Profit Bond (Series 4, 5, 6 and 7)	2,695.4	Whole of life	Implicit in the Basic reserve	For contracts sold prior to 1 April 2002, from the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of the With-Profits Fund or any partial surrenders are taken. For Series 6 and 7 policies there is a Fixed Date, which is ten years after the initial date of allocation, when the surrender value of the contract is guaranteed to be no less than the original premium reduced by the amount of	Death and regular encashments not exceeding the current rate of interim bonus	Single premium contract	Yes – but no guarantee attaches.	No specific additional reserve held. The valuation method values the guaranteed benefits.

(i) Product name	(ii) Basic reserve (£m)	(iii) Spread of o/s durations	(iv) Guarantee reserve (£m)	(v) Guaranteed amount	(vi) MVA free conditions	(vii) In force premiums (£m)	(viii) Increments	(ix) Method and basis
				any regular withdrawals.				
Portfolio Bond (Series 1 to 10)	5,139.6	Whole of life	Implicit in the Basic reserve	For those policies invested in the Protected UK Growth Fund, a minimum of 80% of the highest fund value ever reached (subject to an absolute minimum of 80% of the initial amount invested in units) less any early surrender charge, will be paid on surrender provided there have been no previous withdrawals. The protection is reduced proportionately upon partial withdrawal of funds and, in all cases, depends upon a third party honouring contracts they have made with the Society and only remains in force whilst the policy is invested in the Protected UK Growth fund, the protection being removed upon switch to another internal linked fund.	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	Implicit in unit price of close matching assets.
Build Up, Other Endowment, Whole of Life	2,651.6	0 to 24 years; 0 to 30 years; Whole of Life	Implicit in the Basic reserve	Under certain Build Up, Endowment and Whole of Life contracts there is a guaranteed cash sum payable on surrender	Death and maturity	96.3	No	Reserves are calculated with an underpin being the greater of the guaranteed surrender value and the non-guaranteed surrender value (the latter being subject to the prevailing market conditions).
Portfolio bonds - MoneyBuilder	123.4	Whole of life	2.6	For those monies invested in the Money Builder (Investec) Fund continuously for 5 years, the Society guarantees that on surrender (at certain dates) an amount of at least that originally invested (reduced in proportion to the amount of units cashed in for regular withdrawals, surrenders or switches out of the fund) will be payable. Note that £123.4m basic reserve covered by this guarantee forms part of the £5,139.6m basic reserve for Portfolio Bond (Series 1 to 10).	n/a	Single premium contract	Additional single premiums may be paid on then current terms.	The guarantee reserve covers the time-value of the guarantee. The intrinsic cost after five years is included in the basic reserve.
With-Profit bonds series 8-15 – 5 & 10 year guarantees	445.4	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases when investments are switched out of With-Profits Fund units. On Series 8, 9, 12 & 13 bonds there is an additional guarantee at five years. For series	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
				12-15 bonds the guarantee at ten years is for 120% of the original investment less withdrawals, and 110% at five years (where applicable)				
With-Profit bonds series 16-19 – 5 & 10 year guarantees	121.9	Whole of life	Implicit in the basic reserve	At the tenth anniversary of the payment of any single premium, the amount on final encashment is guaranteed to be no less than the amount of initial investment less the amount of all previous regular withdrawals. The guarantee ceases if the investment is switched out of With-Profits Fund units or any partial surrenders are taken. There is a capital guarantee of 100% and income guarantee of 110% after 10 years. There is also an option of 100% capital and income guarantee of 100% at duration 5. When the fund value falls below the guarantee amount, the fund value is increased to the guarantee amount.	Death and regular encashments not exceeding the current rate of interim bonus.	Single premium contract	Yes	The intrinsic cost at five and ten years is included in the basic reserve
Level term assurance reinsured from William Penn Life Insurance of New York (US Term Business)	62.5	0 to 13 years	Implicit in the basic reserve	Under US Term Business there is a guaranteed cash sum payable on surrender.	n/a	19.6	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.

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	354.8	37,529.0	Under certain contracts there is the option to increase the level of cover without the need to provide further evidence of health, upon the occurrence of certain events. These include marriage, birth or adoption of a child, or increasing a mortgage if the policyholder is moving or improving an existing property. This option can only be exercised 3 times, with a maximum increase of £50,000 each time. For ex-NWL policies, there is no limit to the number of increases, but the sum of all increases cannot exceed £200,000. The policyholder is eligible for this option if the Life Assured is younger than 45 upon entry. For ex-NWL policies, this age limit is 75. It can only be exercised before age 50 (older life for joint life policies) for most policies (55 for ex-NWL policies). The option cannot be exercised if the policy is subject to a terminal illness or a critical illness claim, or the policyholder has been diagnosed as having such an illness as described in the policy conditions. The option cannot be exercised whilst subject to a waiver claim or if suffering from a disability as described in the policy conditions.	Implicit in the Basic reserve
Flexible Mortgage Plan (Series 1 to 8, 10 to 12)	61.1	2,787.6	If the life assured's mortgage changes while the policy is in full force, a further policy may be effected without medical evidence, subject to limits imposed by the Society.	Implicit in the Basic reserve
Family and Personal Income Plan and Family and Personal Income Plan Standalone Critical Illness Cover	9.2	2,289.4	Under certain contracts there is the option to increase the level of cover without the need to provide further evidence of health, upon the occurrence of certain events. These include marriage, birth or adoption of a child, or increasing a mortgage if the policyholder is moving or improving an existing property. An increase in cover is also allowed if there is an increase in the salary of the Life Assured. The maximum increase allowed is the lesser of (a) £350 per month and (b) a maximum percentage which is the percentage increase in the monthly salary and 10% of the original benefit. The maximum total increase permitted is the lesser of £1,050 per month and 30% of the original benefit amount. The policyholder is eligible for this option if the Life Assured is younger than 45 upon entry. It can only be exercised before age 50 (older life for joint life policies). The option cannot be exercised if the policy is subject to a terminal illness or a critical illness claim, or the policyholder has been diagnosed	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)
			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.	
Mortgage Payment Insurance	7.7	55.8 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	1.2	14.9 pa	There is an option to increase the level of benefit without medical evidence in the event of an increase in the insured's salary following a promotion or change of employment.	Implicit in the Basic reserve
Flexible Protection Plan (Series 3 to 6)	17.0	2,158.2	For Series 3 policies issued after 31 March 1990 and all Series 4, 5 and 6 policies, a further policy may also be effected without evidence of health on the marriage of the life assured or on the birth or legal adoption of a child. The sum assured on such a policy must not exceed one third of the initial sum assured for the original policy, and this option is only exercisable three times. This option is available only if the policy was accepted on standard terms.	Implicit in the Basic reserve
Permanent Health Insurance (Series 1, 2 and 3)	1.2	54.0 pa	<p>Every three years, or otherwise at the Society's discretion, a review will take place to monitor the relationship between premium and benefit levels. Should the Society consider the premium to be insufficient the level of income benefit will be reduced, though the policyholder may effect an additional policy, on the then current terms, without medical evidence for a benefit equal to the amount of the reduction.</p> <p>For Series 1 and 2 policies, at the first policy review there is an option, subject to certain restrictions, to increase the income benefit without further medical evidence. Any increase must give a total benefit which is not more than twice the initial income benefit and which is no higher proportion of the life assured's total annual earnings than applied at outset.</p>	Implicit in the Basic reserve
Unit-Linked Term Assurance (Series 3)	4.2	1,381.1	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	97.9	5,266.8	<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: 18.2	On conversion to a paid-up policy, the guaranteed sum assured may either be maintained at the same level or reduced to zero. In the former case the monthly deductions of the cost of life cover continue.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Flexible Mortgage Plan (Series 1 to 12)	Annual premium: 61.2	On conversion to a paid-up policy, the guaranteed sum assured may either be maintained at the same level or reduced to zero. In the former case the monthly deductions of the cost of life cover (and critical illness cover, where elected) continue.	Zero	No additional reserve is held in respect of policies being made paid up in the future. For a paid-up policy the monthly administration charge, plus other appropriate charges, are deducted from the unit fund. Once the fund runs out the policy is lapsed, so no additional cost arises.
Permanent Health Insurance (Series 1), Critical Illness Insurance (Series 1 to 4)	Annual premium: 2.0	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: 95.1	A paid-up value and surrender value are available. On conversion to paid-up, the special guarantee on death is cancelled. Bonuses cannot be surrendered for cash except when the entire policy is surrendered.	Zero	No additional reserve is held in respect of future paid-up policies. Reserves are underpinned by the non-guaranteed surrender value. Theoretically this would be the actuarially equivalent to the paid-up value. Release of any reserve on the cancellation of the special guarantee on death should offset any unlikely strain in the paid-up value basis due to approximations made.
Money Purchase Plan, High Performance Plan, Private Income Plan.	Annual premium: 2.8	The policyholder has the option to discontinue contributions. In this event, the amount of the member's retirement fund at that time will remain subject to the terms of the policy until the member retires, dies or leaves service.	This option does not require an additional reserve	

Early retirement/discontinuance options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
1980 Bonus System – Group	Basic reserve: 51.8	The policy may either be surrendered for a lump sum or a "10 Year Discontinuance Option" selected. Under the 10 Year Discontinuance Option the policy will remain in force for a further 10 years from the date of discontinuance during which time any contractual annual interest and annual bonuses will continue to be added; any extractions during this period will be subject to the usual policy discontinuance terms. At the end of the 10 years the policy will terminate and the nominal value paid to the trustees. The lump sum surrender value proceeds may be applied to purchase deferred annuity benefits with the Society on enhanced terms.	Implicit in the Basic reserve	The guaranteed sum assured was taken to be the nominal cash amount accrued at the valuation date. These contracts were valued by taking the greater of the discounted value of these sums assured accumulated with any contractual interest to the expiry of the guarantee period, and the value of the discontinuance options available.
Personal Retirement Plan	Basic reserve: 643.6	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: 7.3	For certain schemes that have converted to linked contracts, for any discontinuance before maturity we guarantee to pay at least the value of the units i.e. no market value reduction factor will be applied to With-Profits units on early discontinuance.	2.5	To meet this guarantee an additional reserve equal to any excess of the face value of the units over the mathematical reserve is held.
Group deferred annuity	Basic reserve: 4,547.5	Certain contracts include a cash option on guaranteed terms. These vary by scheme and are expressed as a cash amount for £1 p.a. annuity. For retirements other than normal retirement age the factors are no more or less generous than those at normal retirement age.	Zero	The calculation for this option assumes neutral cost and the company incurs no financial loss if the policyholder exercises this option.
	478.1	Certain contracts include an option to retire early on generous terms. These vary by scheme and are calculated as re-valued benefits at date of early retirement discounted by a rate from NRD to date of early retirement.	26.8	The reserve for this option is the excess of the reserve assuming the option is taken up over the reserve assuming the option is not exercised.
	181.5	Certain contracts contain an option to retire due to ill-health. These vary by scheme and are calculated as the re-valued benefits at date of ill-health retirement.	0.9	The reserve for this option is calculated as 0.5% of the reserve for the basic liability.

Index-linking options

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Flexible Protection Plan (Series 1 to 6)	Basic reserve: 107.3	On each third policy anniversary, a further policy may be effected on the then current terms and conditions without evidence of health for a sum assured not exceeding the current sum assured multiplied by the proportionate increase in the Index of Retail Prices over the preceding three years. This option is available only if the policy was accepted on standard terms and if the option has been exercised on each previous occasion.	Implicit in the Basic reserve	None calculated as premiums increased in line with increments in sum assured.
Group deferred annuity, Immediate Annuities in Payment, PHI Claims in	Basic reserve: 6,629.8	Certain contracts include a guarantee where the index linked increases in deferment and in possession cannot fall below, or increase above, a specified rate.	49.6	Two thousand market consistent stochastic simulations of future changes in the RPI Index are produced. For sample policies the discounted

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)	Method and basis
Payment				value of benefits payable under each simulation is expressed as a percentage loading to the discounted value of benefits that match the RPI Index. The mean percentage is then calculated for each sample benefit type and then a weighted average loading for the portfolio is derived. These loadings are then applied to the relevant basic reserves. This resulted in a total gross reserve of £49.6m (almost all of which is reassured to LGPL).

Withdrawal options

Current rates of withdrawal are allowed for in sterling reserve calculations. For policies invested in property-linked units where the withdrawal option is considered to be broadly neutral no provision is required for future withdrawals.

For Capital Investment Portfolio (Series 1, 5 and 6) policies invested in With-Profits Fund units, in the gross premium valuation the maximum rate of withdrawal is assumed to be payable on all contracts in future as a MVR is guaranteed not to apply to regular encashments not exceeding 7.5%pa.

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)
Capital Investment Portfolio (Series 1, 5, 6 and 7)	Basic reserve: 1,074.9	Regular withdrawals may be taken by encashment of units at their bid value. Policies invested in the Distributor Fund have the 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising within that fund paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Alternatively, if the policy is invested in the With-Profits Fund, the amount of withdrawal can be related to interim bonus rates.	Zero
Capital Investment Portfolio (Series 2, 3, and 4)	Basic reserve: 90.8	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: 392.8	Under Series 9 policies regular withdrawals may be taken by encashment of units at their bid value. Policies invested in the Distributor Fund have the 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising within that fund paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Regular withdrawals may not be taken under Series 8 policies although policies invested in the Distributor Fund may take the 'natural' income referred to above. Under Series 10 contracts, in addition to the 'natural' income the policyholder may take regular withdrawals of 3% of either the single premium or the bid value of units.	Zero
Investment Bond (Series 1 and 2) Portfolio Bond (Series 1, 2, 3 and 4)	Basic reserve: 3,533.8 Basic reserve: 4,965.2	Under Investment Bond Series 1 and Portfolio Bond policies regular withdrawals may be taken by encashment of units at their bid value subject to a maximum of 7.5% of either the amount invested or the fund value. Under Series 2 contracts policyholders may elect to take a 'natural' income (which depends on the dividend, rents etc. payable on the underlying investments) arising paid to them at regular intervals. Otherwise policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units, subject to a maximum of 4%.	Zero

Product name	Amount of business (£m)	Description of option/guarantee	Additional reserve (£m)
Portfolio Bond (Series 5 to 10)	Basic reserve: 174.4	Under Portfolio Bond policies regular withdrawals may be taken by encashment of units at their bid value subject to a maximum of 7.5% p.a. of either the amount invested or the fund value. Policyholders may elect to take a 'natural' income (which depends on the dividend, rents, etc. payable on the underlying investments) paid to them at regular intervals.	Zero
With-Profit Bond (Series 1 to 7)	Basic reserve: 2,919.4	Regular withdrawals may be taken by encashment of units at their bid value. Policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Additionally for Series 1, 4 and 6, if the policy is invested in the With-Profits Fund units, the amount of withdrawal can be related to interim bonus rates.	Zero
With-Profit Bond (Series 8 to 15)	Basic reserve: 445.4	Regular withdrawals may be taken by encashment of units at their bid value. Policies have the option to make partial withdrawals which are payable at regular intervals. The amount of withdrawal can be selected as a percentage of either the single premium or the bid value of units. Additionally for Series 1, 4 and 6, if the policy is invested in the With-Profits Fund units, the amount of withdrawal can be related to interim bonus rates.	Zero
Self Invested Personal Pension (Group and Individual), Trustee Investment Plan, Trustee Buyout Plan and Portfolio Plus Pensions	Basic Reserve: 2,259.5	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: 643.6	Each premium secures a guaranteed amount of annuity plus a cash sum upon retirement at age 70. The amount of benefit secured by each single premium is not guaranteed at inception. At maturity the total proceeds of a policy may be taken in cash form, on terms that are guaranteed, to purchase similar benefits from another insurer.	Implicit in the Basic reserve	See Section 4(1)(k)
Individual Permanent Health Insurance, Mortgage Payment Insurance, Income Protection benefit	Basic reserve: 22.1	Under certain conditions an option to take commuted benefits is offered on non-guaranteed terms.	Zero	The regular income benefit is valued. The commutation option is assumed to be cost neutral.
Buy-Out Plan, Money Purchase Plan, High Performance Plan, Private Income Plan.	Basic reserve: 289.1	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: 204.4	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: 16.7	At the tenth or any subsequent policy anniversary, the policyholder may reduce the premium to £1 pa, the guaranteed sum assured to £50 and may then take a series of partial surrender values at regular intervals. The policy's share of the plan charge is reduced to zero.	Zero	No explicit provision is made as there is limited take-up of this option and the sum assured reduces to £50.
Build Up, New Cashbuilder, Other Endowment		A loan option is available for up to 95% of the Surrender Value. The minimum loan, which can be taken, is £1000 initially, with further loans being a minimum of £500. Interest is charged 6 monthly in arrears, with repayment being made either throughout the term or at the end of the term. Under certain Build Up contracts a guaranteed maturity value has been granted after the endowment review process.	Zero 2.9	No mathematical reserves are held – accounting provision is made instead. The maturity guarantee reserve is the difference between the maturity guarantee and the current basic sum assured plus bonuses declared at valuation date, discounted at the valuation rate of interest over the remaining term.
Buy-Out Plan	Basic reserve: 227.4	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.	252.2	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: 336.5	Premium rates are guaranteed for a given period (usually 2 years)	Zero for CIC Implicit in the Basic reserve for all others	A loading is applied where appropriate to the office premium to allow for any expected variation in the scheme's age profile over the rate guarantee period.
Mortgage Payment Insurance	Basic reserve: 10.2	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.

Switching

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

6. Expense Reserves

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

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

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

Homogeneous Risk Group	Implicit Allowances £m	Explicit allowances £m	Non-attributable Expenses £m	Total £m
Unitised Pension business:				
Group Products 1	0.5	5.4	2.4	8.4
Individual Products 1	1.0	47.2	0	48.2
Group Products 2	0.8	5.9	0	6.7
Individual Products 2	0.1	11.3	0	11.4
Unitised Life business:				
Non Profit Products 1	1.2	10.9	0	12.1
Non Profit products 2	6.5	29.9	0	36.4
With Profit Products 1	0.4	25.3	0	25.7
With Profit Products 2	0.0	32.8	0	32.8
Non-unitised business:				
All expenses attributable	23.6	67.6	n/a	91.2
Total	34.0	236.5	2.4	272.9

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 £188.7m. The aggregate amount of expense loadings expected to arise in 2011 as calculated in 6(1) above exceeds this amount for the following reasons:
- (i) the effect of one year's inflation on 2010 expenses;
 - (ii) the inclusion of prudential margins in the valuation expense assumptions;
 - (iii) the inclusion of amounts required to cover 2011 investment expenses in the figure calculated in 6(1) above of approximately £55.7m.
- 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 £66.1m was held in this respect.

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

The non attributable expense reserves at the valuation date were:

Homogeneous Risk Group	£m
Unitised Pension business:	
Group Products 1	34.0
Individual Products 1	0.0
Group Products 2	0.0
Individual Products 2	0.0
Unitised Life business:	
Non Profit Products 1	0.0
Non Profit products 2	0.0
With Profit Products 1	0.0
With Profit Products 2	0.0
Total	34.0

7. Mismatching reserves

- 7(1)** The sum of the mathematical reserves (other than liabilities for property linked benefits) and the liabilities in respect of deposits received from reinsurers as shown in Form 14, analysed by reference to

the currencies in which the liabilities are expressed to become payable, together with the value of the assets, analysed by reference to currency, which match such liabilities are as follows:

Currency	Liabilities (£m)	Assets (£m)	Proportion
Sterling	15,014	13,371	89.1%
Euro		351	2.3%
Japanese Yen		369	2.5%
US \$		296	2.0%
HK \$		107	0.7%
Australian \$		93	0.6%
Swiss Franc		78	0.5%
South Korean Won		66	0.4%
Other		283	1.9%
Total	15,014	15,014	100.0%

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

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

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

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

No additional reserve has therefore been held.

8. Other Special Reserves

(i) Unrealised capital gains tax

For the purposes of Form 58, having regard to margins elsewhere in the valuation, no additional provision, other than as stated in Section 3(9) above, is generally considered necessary for the prospective liability to tax on unrealised gains. Any additional reserve, as calculated according to 3(9), is included in Form 53, net of any provisions for tax on deemed disposals already included as an accounting provision. At end 2010, the Form 53 liabilities included a deferred tax asset of £34.6m in relation to unrealised losses.

(ii) Converted policies reserve

A reserve is held in respect of certain High Performance Pension Plan, Private Income Plan and Money Purchase Plan policies that have converted to Section 32 Buy Out 1995, Executive Pension Plan 1995, Personal Pension Plan 1995 and Group Pension Savings Plan 1995 contracts. The Society currently operates a procedure to ensure that on death, or at retirement, the benefits paid to outgoing policyholders will have a value that is no less than that which would have been available if the conversion had not taken place. A reserve of £42.6m is held to cover this concession.

(iii) Reinsurance Default risk

An additional reserve of £36.5m has been held to cover the costs to be met by Society in respect of the potential default of the Society's external reinsurance counterparties. The reserve has been calculated prospectively, by applying an annual default rate for each counterparty, to the estimated exposure to that counterparty in each year.

The projection of the estimated future exposure has been obtained by considering the amount of additional reserve that the Society would have to set up following reinsurer default. The rate used to discount future exposure is 2.25% – 3.00% except for classes of business where mathematical reserves are negative, where 7.60% is used.

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

(iv) Potential Policyholder Compensation

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

Provision has also been made for the costs of compensation arising from sales of individual pensions contracts in connection with transfers and opt-outs from occupational pension schemes. Where redress has been made by increasing the value of the policyholder's contract with the Society, provision has been made by an increase in unit reserves. In cases where it is certain that the policyholders affected will be reinstated in their original occupational pension scheme a reserve equivalent to the cost of reinstatement on the basis prescribed is held. For those priority cases, where reinstatement is not yet certain reserves have been calculated as if policy benefits were equivalent to those offered by the occupational scheme. The value of these benefits has been calculated on a basis that is in accordance with the Government Actuary's letter to Appointed Actuaries dated 29 May 1997. The valuation rate of interest has been determined according to the first method set out in that letter and with reference to the assets underlying the appropriate unit liabilities and a rate, net of price inflation, of 1.75% has been used. For Phase 2 contracts, the reserve held has generally been based upon the assumption that existing policy benefits will be enhanced. An additional reserve has also been held for the potential cost of compensation arising from sales of Free Standing Additional Voluntary Contribution contracts. The total provision for the above items at end 2010 is £176.7m.

9. Reinsurance

- 9.(1)** Apart from treaty 9. (d) X below, no premiums for reinsurance ceded on a facultative basis were payable during the report period to reinsurers who are not authorised to carry on insurance business in the United Kingdom. For Treaty 9. (d) X:
- (a) The amount of premium paid under the treaty on a facultative basis during the year was £11,000. There is no deposit back arrangement under this treaty.
 - (b) Not Applicable
- 9.(2)** Below are details of the reinsurance treaties where the Society was the cedant and under which business was in force at the date of the investigation.
- 9 (d) A. Swiss Re Europe S.A. UK Branch** (from 11 July 2006 GE Frankona was incorporated into Swiss Re Life and Health, and from 1 January 2008, Swiss Re Life & Health became Swiss Re Europe S.A.)
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom
 - (m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
1	Critical Illness Insurance (Series 1 and 2) 50% quota share of sums at risk with a maximum of 50% of £500,000	132	No	22	n/a
2	Life Assurance Business (linked) Sums at risk in excess of the Society's retention	245	Yes	41	Up to £549,999
3	Ordinary Life 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.	18	No	14	n/a
4	Flexible Mortgage Plan (Series 5 to 10) and Unit-Linked Term Assurance (Series 3) 50% quota share of sums at risk on policies with Critical Illness benefit, with a maximum of 50% of £500,000 plus for business from 2 October 1995 100% of the excess with a maximum ceded of £5m (£3m in respect of business prior to 14 December 1998).	4,237	No	686	n/a
5	Critical Illness Insurance (Series 3 & 4) 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).	465	No	140	n/a
6	Flexible Protection Plan (Series 6) 75% quota share of the first £500,000 sums at risk plus 100% of the excess with a maximum ceded of £5m on policies with critical illness benefit (£3m in respect of business prior to 14 December 1998).	1,034	No	172	n/a
7	Term Assurance/ Decreasing Term 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.	21,767	No	34,131	n/a
8	Term Assurance 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.	177	No	484	n/a
9	Term Assurance with Critical Illness 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.	944	No	2,595	n/a
10	Critical Illness/ Decreasing Critical Illness 90% quota share of first £500,000, plus 100% of excess	5,491	No	61,383	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
	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%.				
11	Family and Personal Income Plan (Critical Illness) 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.	39	No	89	n/a
12	Mortgage Payment Insurance 85% quota share of the first £48,000 p.a. Prior to 20 May 2002 quota share was 75%.	2,420	No	61,888	n/a
13	Term/Decreasing Term Assurance, Term/Decreasing Term Assurance with Critical Illness, Critical Illness/Decreasing Critical Illness. 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.	976	No	7,423	n/a
14	Term/Decreasing Term Assurance with Critical Illness. 50% quota share of first £250,000 with a maximum ceded of £125,000 in respect of business from 18 January 2004, plus for business from 24 July 2005, 100% of the excess with a maximum ceded of £375,000 for personal cover and £875,000 for business cover.	5,876	No	3,105	n/a
15	Family and Personal Income Plan with Critical Illness. 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.	251	No	156	n/a
16	Whole of Life 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.	6	Yes	(338)	Up to £50,000
17	Group Life/WOPS Surplus over the Society's retention with minimum of £100,000 and maximum of £8,900,000.	2,726	No	1,505	n/a
18	Ordinary Permanent Health Insurance Surplus over the Society's retention with a maximum of £10,200 p.a.	9	No	84	n/a
19	Group Critical Illness 50% quota share.	4,423	Yes	2,794	Up to £250,000
20	Permanent Health Insurance (linked) 75% quota share of the first £48,000 p.a. plus 100% of the excess, with a maximum ceded of £88,000 p.a.	650	No	13,875	n/a
21	Term/Decreasing Term, with Critical Illness	5,829	No	14,819	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
	90% quota share of first £500,000 plus 100% of excess with a maximum ceded of £1m. This treaty does not cover policies with the option to convert to whole life or endowment assurance without further medical evidence.				
22	Income Protection Benefit 85% quota share of first £12,000 p.a. plus 100% of the excess with a maximum ceded of £118,200 p.a.	2,014	No	20,123	n/a
23	Voluntary Group Life 50% quota share.	441	Yes	225	Up to £75,000
24	Whole of Life 50% quota share of first £20,000 with a maximum ceded of £10,000 in respect of business from August 2004.	392	No	1,311	n/a
25	Whole of Life Surplus over the Society's retention with a maximum ceded of £4,550,000 in respect of business from 22 May 2005.	54	No	5,005	n/a
26	Term Assurance 90% quota share of the first £200,000 with a maximum ceded of £180,000 in respect of business from 18 March 2007.	12,734	No	42,246	n/a
27	Term Assurance with Critical Illness 50% quota share of first £200,000 with a maximum ceded of £100,000 in respect of business from 18 March 2007.	1,225	No	2,047	n/a
28	Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness. Combination of treaties with varying proportions of reinsurance, some on a surplus only basis and others on a 90% quota share basis.	5,104	No	31,620	n/a
29	Income Protection Business From January 2010, 85% quota share on the first £200,000 pa, then 100% of the excess with maximum ceded of £170,000 p.a.	342	Yes	0	Up to £30,000

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
30	Term Assurance/Decreasing Term Surplus over the Society's retention with a maximum of	25,068	No	59,945	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
	£5m in respect of business from 1 st 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.				
31	Family and Personal Income Plan 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.	555	No	(696)	n/a
32	Level Term Assurance 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 th March 2007. Since November 2007 the maximum ceded has increased to £10m	12,713	No	54,342	n/a

9. (d) C. RGA Reinsurance UK Ltd

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

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
33	Term/ Decreasing Term with Critical Illness 90% quota share of first £500,000 plus 100% excess with a maximum ceded of £2.5m. From 21 January 2001, 90% quota share of first £500,000, plus 100% of excess with a maximum ceded of £5m for business greater than or equal to £200,000. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.	4,908	No	23,120	n/a
34	Family and Personal Income Plan with Critical Illness 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.	123	No	83	n/a
35	Group Life/WOPs Surplus over the Society's retention with minimum of £1 and maximum of £8.75m	736	Yes	401	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
36	<p>Term Assurance/ Decreasing Term with Critical Illness</p> <p>For contracts where the original sum assured is less than £200,000, 90% quota share with a current maximum of 90% of £200,000. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p>	21,570	No	86,811	n/a
37	<p>Family Income Benefit with Critical Illness</p> <p>For contracts where the original monthly benefit is less than £1,500, 90% quota share with a current maximum of 90% of £1,500 per month.</p>	248	No	91	n/a

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

(l) RGA Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
38	<p>Term Assurance/ Decreasing Term with Critical Illness</p> <p>From 1 July 2002, for contracts where the original sum assured is £200,000 or more, 90% quota share of first £500,000 plus 100% excess with a maximum ceded of £2.5m. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%:20%:35%:35% between the reinsurers as listed in (E) above.</p> <p>From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.</p> <p>From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas picking up their share.</p>	3,358	No	13,040	n/a
39	<p>Family and Personal Income Plan with Critical Illness</p> <p>From 1 July 2002, for contracts where the original monthly benefit is £1,500 or more, 90% quota share of first £3,750 per month plus 100% of the excess, with a maximum ceded of £2.5m on an equivalent lump sum basis. This treaty does not cover policies where the original benefit is less than £1,500 per month.</p> <p>The treaty is shared 10%:20%:35%:35% between the reinsurers as listed in (E) above.</p> <p>From 1 October 2008, Sun Life withdrew from the Reviewable critical illness treaty and RGA Americas picked up their share.</p> <p>From 1 July 2009 Sun Life withdrew from the Guaranteed critical illness treaty with RGA Americas</p>	120	No	84	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
picking up their share.				

9. (d) F. RGA Reinsurance UK Ltd, RGA Americas Reinsurance Co. Ltd, Partner Reinsurance Co. (Zurich)

(l) RGA Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not

(m) The Society and the reinsurers are not connected

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
<p>40 Term Assurance/ Decreasing Term with Critical Illness</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>	19,052	No	46,796	n/a
<p>41 Family Income Benefit with Critical Illness</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>	128	No	56	n/a
<p>42 Term Assurance/ Decreasing Term with Critical Illness</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>	7,518	No	10,324	n/a
<p>43 Family Income Benefit with Critical Illness.</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>	63	No	48	n/a
<p>44 Term Assurance/ Decreasing Term with Critical Illness</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>	1,257	No	2,509	n/a

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
	The treaty is shared 10%: 55%: 35% between the reinsurers as listed in (F) above.				
45	<p>Family and Personal Income Plan with Critical Illness</p> <p>From 25 July 2004, for contracts where the original monthly benefit is £1,500 or more, 90% quota share of first £3,750 per month, with a maximum ceded of £500,000 on an equivalent lump sum basis. This treaty does not cover policies where is the original benefit is less than £1,500 per month.</p> <p>The treaty is shared 10%:55%:35% between the reinsurers as listed in (F) above.</p>	78	No	73	n/a
46	<p>Term Assurance/ Decreasing Term with Critical Illness</p> <p>From 20 November 2005, for contracts where the original sum assured is less than £200,000, 90% quota share. This treaty does not cover policies with an option to convert to whole life or endowment assurance without further medical evidence.</p> <p>The treaty is shared 10%: 40%: 50% between the reinsurers as listed in (F) above.</p>	2,402	No	3,081	n/a
47	<p>Family and Personal Income Plan with Critical Illness</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>	20	No	16	n/a

9. (d) G. RGA Reinsurance UK Ltd, RGA Americas Reinsurance Co. Ltd

- (l) RGA Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.
- (m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
48	<p>Family Income Benefit</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>	666	Yes	4,998	Up to £375 p.m.

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

- (l) Swiss Re Europe S.A. UK Branch and RGA Reinsurance UK Ltd are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
49	Term Assurance/Decreasing Term Assurance The Society has five treaties with varying proportions of the business reassured under each treaty. Business ceded to Swiss Reinsurance Company and Swiss Re Europe S.A. UK Branch is reassured under a single treaty. From 28 April 2002, the overall effect is to achieve 90% quota share of the first £500,000 plus 100% of the excess, with a maximum ceded of £5m on any one case. No business has been reassured to Swiss Reinsurance Company after 31 December 2002. No business has been reassured to Swiss Re Europe S.A. UK Branch after 9 November 2003. No business was reassured with RGA Reinsurance UK Ltd before 14 September 2003. Business ceded with RGA Reinsurance UK Ltd and RGA Americas Reinsurance is reassured under a single treaty. No business was reassured to RGA UK Ltd or RGA Americas Reinsurance after 17 September 2006.	140,201	No	391,453	n/a
50	Family and Personal Income Plan (Term Assurance) The Society has five treaties with varying proportions of the business reassured under each treaty. Business ceded to Swiss Reinsurance Company and Swiss Re Europe S.A. UK Branch is reassured under a single treaty. From 28 April 2002, the overall effect is to achieve 90% quota share of the first £3,750 per month plus 100% of the excess, with a maximum ceded of £5m on any one case on an equivalent lump sum basis. No business has been reassured to Swiss Reinsurance Company after 31 December 2002. No business has been reassured to Swiss Re Europe S.A. UK Branch after 9 November 2003. No business was reassured with RGA Reinsurance UK Ltd before 14 September 2003. Business ceded with RGA Reinsurance UK Ltd and RGA Americas Reinsurance is reassured under a single treaty. No business was reassured to RGA UK Ltd or RGA Americas Reinsurance after 17 September 2006.	4,871	No	6,832	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
51	Term Assurance/ Decreasing Term with Critical Illness 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.	12,578	No	27,132	n/a
52	Family and Personal Income Plan with Critical Illness 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.	199	No	181	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
53	Pension Term Assurance/ Decreasing Term 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.	7,718	No	31,165	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
54	Decreasing Term Assurance From 18 March 2007, for contracts where the original sum assured is less than £200,000, 90% quota share with a maximum ceded of £180,000 on any one case.	6,409	No	19,103	n/a
55	Whole of Life From 20 April 2009 50% quota share of first £20,000 with a maximum ceded of £10,000.	65	Yes	715	Up to £10,000
56	Guaranteed Acceptance Plan From 7 June 2009, 50% quota share of first £20,000 with a maximum ceded of £10,000.	250	Yes	5,214	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
57	Decreasing Term Assurance From 18 March 2007, for contracts where the original sum assured is greater than or equal to £200,000, 90% quota share of the first £500,000 and then 100% of the excess with a maximum ceded of £5m on any one case. From November 2007, the maximum ceded increased to £10m.	2,505	No	11,421	n/a
58	Family and Personal Income Plan	752	No	3,841	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
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.				

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
59 Decreasing Term Assurance with Critical Illness 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.	2,134	No	3,166	n/a
60 Term Assurance/Decreasing Term Assurance with Critical Illness 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.	1,101	No	2,456	n/a
61 Term Assurance/Decreasing Term Assurance with Critical Illness 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.	843	No	2,112	n/a
62 Term Assurance/Decreasing Term Assurance 90% quota share on the first £1m and then 100% of the excess to £5m /£10m (by age).	6,324	No	16,197	n/a

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

(l) Swiss Re Europe S.A. UK Branch, RGA Reinsurance UK Ltd and Munich Reinsurance Company (Life) are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
63 Term Assurance/Decreasing Term Assurance From 20 July 2008, the Society has five treaties with varying proportions of the business reassured under	43,213	Yes	221,121	Up to £50,000

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
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.				

9. (d) O. Scor Global Life Reinsurance UK Ltd, Scor Global Life Reinsurance Ireland Ltd

(l) Scor Global Life Reinsurance UK Ltd is authorised to carry on insurance business in the United Kingdom. The other reinsurer listed here is not.

(m) The Society and the reinsurers are not connected

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
64 Term Assurance/Decreasing Term Assurance with Critical Illness 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.	5,690	Yes	16,606	Up to £100,000
65 Family and Personal Income Plan with Critical Illness 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.	184	Yes	390	Up to £1,000 pm
66 Term Assurance/Decreasing Term Assurance with Critical Illness From 20 July 2008, 90% quota share on the first £500,000, with a maximum ceded of £2,750,000 on any one case.	6,848	Yes	21,338	Up to £50,000
67 Family and Personal Income Plan with Critical Illness 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.	162	Yes	258	Up to £375pm

9. (d) P.Scor Global Life Reinsurance UK Ltd, Scor Global Life Reinsurance Ireland Ltd, XL Re, Royal Bank of Canada

(l) Scor Global Life Reinsurance UK Ltd and XL Re are authorised to carry on insurance business in the United Kingdom. The other reinsurers listed here are not.

(m) The Society and the reinsurers are not connected

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
68 Term Assurance, Decreasing Term Assurance, Term Assurance with Critical Illness, Decreasing Term Assurance with Critical Illness, Stand Alone Critical Illness. Combination of treaties with varying proportions of reinsurance, on a 90% quota share basis to either £500,000 or to £1m with 100% of the excess.	13,943	No	137,143	n/a

9. (d) Q. Cologne Reinsurance Company United Kingdom Branch Ltd

(l) Cologne Reinsurance Company UK is not authorised to carry on insurance business in the United Kingdom

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
69	Whole of Life 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.	444	Yes	49,080	Up to £50,000

9. (d) R. Legal & General Assurance (Pensions Management) Ltd (“L&G (PMC)”)

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

(m) The reinsurer is a connected company of the insurer.

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
70	Segregated Fund All business.	10	Yes	0	£0
71	Linked Pensions Unit Liability 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.	399,299	Yes	895,872	£0
72	Overseas Linked Unit Liabilities All liabilities under the L&G (PMC) European Equity Index and L&G (PMC) World Equity funds. The value of the reinsurance cover is determined by reference to the prices of certain of the L&G (PMC) internal linked funds.	5,145	Yes	41,800	£0

9. (d) S. J P Morgan Life Assurance Ltd (“JPMLAL”)

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

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
73	Linked Pensions Unit Liabilities 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.	986	Yes	84,409	£0

9. (d) T. Deutsche Asset Management Life & Pensions Limited (“Deutsche”)

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

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
74	Linked Pensions Unit Liabilities 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.	6,776	Yes	84,040	£0

9. (d) U. Legal & General Pensions Limited

- (l) The reinsurer is authorised, as an Insurance Special Purpose Vehicle (ISPV), to carry on insurance business in the United Kingdom
(m) The Society and the reinsurer are connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
75	All liabilities under: <ul style="list-style-type: none"> • Non-Linked non-profit Pension Business • Non-Linked non-profit Overseas Life Assurance Business • Life Reinsurance Business and <ul style="list-style-type: none"> • Non-Unit Liabilities for Linked Pension Business and Overseas Life Assurance Business. except any liabilities arising as a result of mis-selling claims. The premiums payable and amounts ceded are net of premiums paid and recoveries received from other (external) reinsurances on this business.	3,528,462	Yes	23,507,480	£0

9. (d) V. Partner Re Europe Ltd

- (g) A deposit back arrangement exists in this reinsurance treaty.
(l) The reinsurer is not authorised to carry on insurance business in the United Kingdom
(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
76	Non profit Immediate Annuities for Impaired lives From September 2006, 50% of the annuity is reinsured (on a risk premium basis) for cases with an office single premium of less than £250,000 for pension annuities where the annuitant or the annuitant and spouse have medical condition(s) and/or lifestyle condition(s) or habits that are expected to lead to a reduction in life expectancy. For office premiums in excess of £250,000 reinsurance is dealt with facultatively. Healthy spouses and dependants are not included in the reinsurance treaty. From 16 January 2009, 50% of the annuity is reinsured (on a risk premium basis) for cases with an office single premium of less than £1,000,000 for pension annuities where the annuitant or the annuitant and spouse have	48,236	Yes	87,592	50% of annuity payments

medical condition(s) and/or lifestyle condition(s) or habits that are expected to lead to a reduction in life expectancy. For office premiums in excess of £1,000,000 reinsurance is dealt with facultatively. Healthy spouses and dependants are not included in the reinsurance treaty.				
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9. (d) W. A combination of reinsurers, comprising:

Reinsurance Company	Share to 1 September 2010		Share from 1 September 2010			
	£50m xs £50m	£50m xs £100m	£50m xs £50m	£50m xs £100m	£50m xs £150m	£50m xs £200m
AIG Europe (UK) Ltd	15.000%	22.500%				
Chartis			8.20%	8.20%	8.20%	8.20%
Transatlantic Reinsurance Company, New York, USA (London Branch)	8.500%		5.91%	5.91%	5.91%	5.91%
Transatlantic Reinsurance Company, New York, USA on behalf of Momentum Underwriting Ltd		8.505%				
Sirius International Insurance Corporation	9.000%	8.135%	3.94%	3.94%	3.94%	3.94%
Mapfre Re Compania De Reaseguros	3.700%	3.698%	2.96%	2.96%	2.96%	2.96%
HCC International Insurance Company	4.160%	5.177%				
Underwriter ATR (syndicate 0570) at Lloyd's	3.860%	4.807%				
Underwriter AFB (syndicate 3623) at Lloyd's	8.500%					
Underwriter BGT (syndicate 1301) at Lloyd's	3.500%					
Underwriter ARK (syndicate 4020) at Lloyd's	5.000%	2.774%				
M. Petzold Esq. and Others (Syndicate 1400 at Lloyd's)		9.614%				
Max Denmark APS on behalf of Syndicate 1400 at Lloyds	9.610%					
Allied World Assurance Company	8.000%	7.999%				
Hannover Ruckversicherungs	11.890%	14.791%				
Arch Insurance Company (Europe) Ltd	9.280%	12.000%	7.88%	7.88%	7.88%	7.88%
Atrium Syndicate			1.48%	1.48%	1.48%	1.48%
AWAC			7.88%	7.88%	7.88%	7.88%
Argo Syndicate			3.20%	3.20%	3.20%	3.20%
Alterra Syndicate			8.37%	8.37%	8.37%	8.37%
Partner Re			7.88%	7.88%	7.88%	7.88%
Houston Casualty			1.28%	1.28%	1.28%	1.28%
Ark Syndicate			2.46%	2.46%	2.46%	2.46%
Broadgate Syndicate			1.73%	1.73%	1.73%	1.73%
Beazley Syndicate			6.56%	6.56%	6.56%	6.56%
Kiln Syndicate (A.W)			1.23%	1.23%	1.23%	1.23%
Advent Syndicate			0.98%	0.98%	0.98%	0.98%
Sagicor Syndicate			1.97%	1.97%	1.97%	1.97%
Presidio obo Hardy Syndicate			2.96%	2.96%	2.96%	2.96%
Amlin Bermuda			1.97%	1.97%	1.97%	1.97%
Zon Re obo Chubb & Son			2.46%	2.46%	2.46%	2.46%
Langsforsakring			0.98%	0.98%	0.98%	0.98%
RMA obo Toa Re			2.95%	2.95%	2.95%	2.95%
General Ins Corp of India			4.92%	4.92%	4.92%	4.92%
Axis UK			9.85%	9.85%	9.85%	9.85%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
77	<p>Group risk catastrophe excess of loss</p> <p>The treaty in force from 1 September 2009 until 31st August 2010 covered business written to the Group and Individual Life account and the Group Income Protection Account.</p> <p>The reinsurance limits were:</p> <ul style="list-style-type: none"> • A maximum of £100m with an excess of £50m per event. • A maximum of £1.25m per person for Life. 	1,660	Yes	n/a	n/a

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
<ul style="list-style-type: none"> A maximum of £6m per person for Group Income Protection. A minimum of 8 lives per event. <p>The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.</p> <p>The treaty was renegotiated on 1 September 2010 and remains in force until 31 August 2011. It covers business written to the Group and Individual Life account and the Group Income Protection Account.</p> <p>The reassurance limits are:</p> <ul style="list-style-type: none"> A maximum of £200m with an excess of £50m per event. A maximum of £1.25m per person for Life. A maximum of £6.375m per person for Group Income Protection. A minimum of 8 lives per event. <p>The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.</p>				

9. (d) X. Zurich Insurance Company Ltd

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

(m) The Society and the reinsurer are not connected

(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
<p>78 Group risk catastrophe excess of loss</p> <p>This treaty became effective on 17th January 2009 and remains until 16 January 2010, and covers specific Group Life and Group Income Protection cover.</p> <p>The reassurance limits are:</p> <ul style="list-style-type: none"> A maximum of £250m with an excess of £200m per event. A maximum of £1.2m per person for Life. A maximum of £1.5m per person for Group Income Protection. <p>The exclusions include:</p> <ul style="list-style-type: none"> Nuclear terrorism, wars, invasions and hostilities among others. 	2	No	n/a	n/a
<p>79 Group risk catastrophe excess of loss</p> <p>This treaty became effective on 14th April 2009 and remains until 13 April 2010, and covers specific Group Life and Group Income Protection cover.</p> <p>The reassurance limits are:</p> <ul style="list-style-type: none"> A maximum of £225m with an excess of £200m per event. A maximum of £1.2m per person for Life. A maximum of £1.5m per person for Group Income Protection. <p>The exclusions include:</p>	9	No	n/a	n/a

	<ul style="list-style-type: none"> Nuclear terrorism, wars, invasions and hostilities among others. 				
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9. (d) Y. A combination of reinsurers, comprising:

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

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

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
80	<p>Group risk catastrophe excess of loss</p> <p>This treaty became effective on 17th January 2009 and remains until 16 January 2010, and covers specific Group Life and Group Income Protection cover.</p> <p>The reinsurance limits are:</p> <ul style="list-style-type: none"> A maximum of £300m with an excess of £250m per event. A maximum of £1.2m per person for Life. A maximum of £1.5m per person for Group Income Protection. <p>The exclusions include:</p> <ul style="list-style-type: none"> Nuclear terrorism, wars, invasions and hostilities among others. 	4	No	n/a	n/a

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

Reinsurance Company	
Underwriter ARK (syndicate 4020) at Lloyd's	47.61%
Underwriter KLN (syndicate 0510) at Lloyd's	14.29%
Underwriter SJC (syndicate 2003) at Lloyd's	14.29%
Underwriter HMA (syndicate 1200) at Lloyd's	14.29%
Underwriter AFB (syndicate 3623) at Lloyd's	9.52%
Total	100.00%

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

(m) The Society and the reinsurer are not connected

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
81	Group Permanent Health Insurance Surplus over the Society's retention with a minimum of £20,000 p.a. and a maximum of £382,500 p.a.	578	Yes	1,627	Up to £150,000 p.a.

9. (d) AA. HISCOX Insurance Company Ltd

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

	(e) Nature and extent of cover	(f) Premiums payable during report period (£000)	(h) Open to new business	(j) Mathematical reserves ceded (£000)	(k) Retention for new policies
82	Group risk catastrophe excess of loss This treaty became effective on 20 th October 2010 and remains until 19 October 2011 and covers specific Group Life and Group Income Protection cover. The reinsurance limits are: <ul style="list-style-type: none"> • A maximum of £32.5m with an excess of £300m per event. • A maximum of £1.2m per person for Life. • A maximum of £1.5m per person for Group Income Protection. The exclusions include: Nuclear terrorism, wars, invasions and hostilities among others.	29	Yes	n/a	n/a

- (g) Apart from Treaty 76, no deposit back arrangements exist with any of the above reinsurers. The amount deposited back under treaty 76 was £ 85,753,000
- (n) No material legal risk attaches to any of the treaties above. The Society has credit risk exposure to each of the reinsurers above, but none exceeds internal exposure limits such that the reduction in 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 2010 and which had not become a claim (including attainment of normal retirement age (retirement for High Performance Pension Plan annual bonuses), cancellation or surrender) before 17 February 2011.

For With Profit Annuity the reversionary bonus rates shown for 2010 are those which apply to policies for one year from the renewal date of the policy on or after 1 April 2011, and similarly for 2009.

Bonus series	Mathematical Reserves (000's)	% Reversionary Bonus Rate for 2010	% Reversionary Bonus Rate for 2009	% Total Guaranteed Bonus Rate for 2010
INDIVIDUAL NON-LINKED POLICIES:				
Private Income Plan	£5,150	0.00	0.00	3.86
Personal Retirement Plan				
Year of premium payment:				
1972 – 1995	£564,323	0.00	0.00	0.00
1996	£7,899	1.00	1.50	1.00
1997	£7,525	0.75	1.25	0.75
1998	£7,166	0.25	1.00	0.25
1999 – 2000	£12,425	0.25	0.50	0.25
2001	£6,215	1.00	1.50	1.00
2002	£6,082	2.75	3.00	2.75
2003	£4,764	2.75	3.25	2.75
2004	£4,560	2.25	2.75	2.25
2005	£5,065	1.25	2.00	1.25
2006 - 2007	£8,233	0.75	1.75	0.75
2008	£3,639	2.25	2.75	2.25
2009	£3,514	3.75	3.75	3.75
2010	£2,216	3.50	n/a	3.50
Buy Out Plan				
Year of premium payment:				
1985 – 1992	£379,980	0.00	0.00	5.00
1993	£62,519	0.00	0.00	4.50
1994	£24,884	1.00	1.75	1.00
1995	£6,899	0.40	0.60	2.00
With Profit Annuity				
03/04/2000-17/03/2002	£22,858	0.50	0.50	0.50
28/02/2002-18/04/2003	£30,301	0.93	1.52	0.93
01/04/2003-29/11/2003	£4,928	1.75	2.00	1.75
12/11/2003-18/08/2006	£113,520	1.17	1.31	1.17
01/08/2006-05/12/2007	£47,877	0.50	0.50	0.50
18/11/2007-16/02/2011	£52,525	2.39	1.09	2.39
Pre-1972 Personal Pensions	£88			

Bonus series	Mathematical Reserves (000's)	% Reversionary Bonus Rate for 2010	% Reversionary Bonus Rate for 2009	% Total Guaranteed Bonus Rate for 2010
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		1.00	1.00	1.00
- on participating sum assured or annuity		1.00	1.00	1.00
- on bonuses already attaching				
Other Assurances and Deferred Annuities	£2,740,083			
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
UNITISED WITH-PROFITS POLICIES (LIFE):				
ANNUAL PREMIUM POLICIES				
Flexible Mortgage Plan (Series 2, 4 & 5), Prospects	£77,162	3.23	3.56	3.23
Flexible Mortgage Plan (Series 10 & 12)	£106,874	3.09	3.53	3.09
Flexible Protection Plan (Series 3 & 4)	£7,481	3.97	4.16	3.97
New Savings Plan (Series 1)	£384	2.66	2.99	2.66
Flexible Mortgage Plan (Series 6 & 8)	£183,639	1.43	1.63	2.73
Flexible Protection Plan (Series 5)	£157	2.39	2.34	3.69
New Savings Plan (Series 2)	£927	1.17	1.33	2.47
Regular Savings Plan (Series 1)	£888	0.98	1.13	2.28
UNITISED WITH-PROFITS POLICIES (LIFE):				
SINGLE PREMIUM POLICIES				
Capital Investment Portfolio (Series 1)	£34,330	2.83	3.01	2.83
Capital Investment Portfolio (Series 5)	£78,795	2.00	2.50	2.00
Capital Investment Portfolio (Series 7)	£278,590	2.59	2.98	2.59
With-Profit Bond (Series 1 & 4)	£1,502,099	3.23	3.78	3.23
With-Profit Bond (Series 2, 3 & 5)	£1,344,113	2.28	2.77	2.28
With-Profit Bond (Series 6)	£23,536	3.66	4.71	3.66
With-Profit Bond (Series 7)	£24,865	2.79	3.07	2.79
Capital Investment Portfolio (Series 6)	£118,702	0.64	0.94	1.94
With-Profit Bond (Series 8 & 9)	£62,379	4.26	4.14	4.26
With-Profit Bond (Series 10 & 11)	£140,515	2.86	3.07	2.86
With-Profit Bond (Series 12 & 13)	£27,895	4.50	4.25	4.50
With-Profit Bond (Series 14 & 15)	£215,238	2.76	3.25	2.76
With-Profit Bond (Series 16)	£19,629	4.25	-	4.25
With-Profit Bond (Series 17)	£52,611	3.00	-	3.00
With-Profit Bond (Series 18)	£7,040	4.19	-	4.19
With-Profit Bond (Series 19)	£42,654	2.89	-	2.89
UNITISED WITH-PROFITS POLICIES (PENSIONS):				
Trustee Investment Plan 1999 (Series 1)	£2,896	3.33	1.75	3.33
Trustee Investment Plan 1999 (Series 2)	£93	2.67	2.33	2.67
Personal Pension Plan 2000	£45,662	3.57	3.81	3.57
Group AVC 2002 (Series 1)	£402	3.57	3.97	3.57
Company Pension Scheme	£4,292	2.67	3.34	2.67
Other contracts				
- without Contractual Minimum Addition				

Bonus series	Mathematical Reserves (000's)	% Reversionary Bonus Rate for 2010	% Reversionary Bonus Rate for 2009	% Total Guaranteed Bonus Rate for 2010
Initial Units - Generation 2 & 4	£10,790	0.01	0.01	0.36
Initial Units - Generation 5	£24,462	0.01	0.00	0.61
Initial Units - Generation 6	£37,081	0.00	0.00	0.18
Accumulation units	£3,114,486	1.76	1.88	3.44
- with Contractual Minimum Addition				
Initial units	£3,003	0.00	0.00	0.00
Accumulation units	£412,952	1.00	0.92	2.60
GROUP NON-LINKED POLICIES:				
Private Income Plan	£53,772	0.40	0.40	3.72
High Performance Pension Plan				
Premium Paying	£182	0.00	0.00	4.25
Paid up	£5,976	0.00	0.00	4.25
Money Purchase Plan				
Approved	£10,038	1.30	1.16	3.67
Unapproved	£15,204	1.30	1.22	2.87
Money Purchase Pension Plan (In Payment)	£753	0.75	1.00	0.75
1971 Bonus System	£483	0.00	0.00	4.25
1980 Bonus System				
Approved policies	£113,014	0.95	1.63	1.80
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 2010”.

**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 2010**

Introduction

- 1(1) The valuation to which this actuarial investigation relates is 31 December 2010.
- 1(2) The previous valuation related to 31 December 2009.
- 1(3) An interim valuation was carried out as at 30 June 2010.

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 2010 and 31 December 2009 are as follows:

	31 December 2010		31 December 2009	
	Annuity Business	Other Business	Annuity Business	Other Business
Investment Return	% p.a.	% p.a.	% p.a.	% p.a.
- Fixed Interest:				
Gilts	4.09	4.09	4.55	4.55
Approved securities	4.09	4.09	4.55	4.55
Unapproved securities	5.02	4.09	5.78	4.55
- RPI Linked				
Gilts	4.09	4.09	4.55	4.55
Approved securities	4.09	4.09	4.55	4.55
Unapproved securities	5.02	4.09	5.78	4.55
- Equities and Property	4.09	4.09	4.55	4.55
Risk Discount Rate	5.80	4.99	6.34	5.50
Inflation				
- Expenses / earnings	4.10	4.10	4.60	4.60
- Indexation	3.60	3.60	3.60	3.60

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

With-Profits Benefits Reserve Liabilities

- 3(1) Method 1: A single retrospective method has been used for all significant classes of with-profits insurance contracts. This method is the calculation of an asset share. Asset shares are calculated by assessing the premiums received net of payments to policyholders, expenses and other deductions (for example for the cost of guarantees and options, and transfers to shareholders). These sums are then accumulated with investment returns, allowing for tax (including an allowance for tax in relation to unrealised capital gains or losses).

The level of initial and renewal expenses on certain classes of business has been capped at a level below that borne by the With Profits Sub Fund. The balancing amounts are met from the working capital of the With Profits Sub Fund. Initial expense caps apply to most Unitised Life contracts written since 1995, some conventional life contracts sold in the late 1980s and early 1990s and most Unitised Pensions contracts written since 1995. Renewal expense caps apply to most Unitised Pensions contracts written since 1997 and to a limited number of Unitised Life savings contracts.

For most business the level of shareholder transfer charged to asset shares has been restricted to a level below 10% of the Distributed Surplus. For most business sold before 1995 the deduction prior to 2005 was calculated as the transfer to shareholders determined assuming a 95:5 article plus tax as a result of the shareholder transfer consistent with the Shareholder Transfer being 10% of Distributed Surplus. For business sold since 1995 the percentage varies according to the type and version of the contract.

From 2005 onwards no charge is made in respect of the tax on the shareholder transfer and the percentage charged in respect of shareholder transfer varies according to the type and version of the contract.

Contractual Annual Interest is not bonus, and so does not generate a transfer to shareholders.

Method 2: For some minor classes of with-profits contracts a prospective method has been used. For these contracts the regulatory reserve has been used as a prudent approximation to the total of the with-profits benefits reserve and the future policy related liabilities. These minor classes are included within the following table under "Other".

The following table shows the amounts of with-profits benefits reserve and the future policy related liabilities for each class of product.

£m	With-profits benefits reserve	Future policy related liabilities
Conventional Life	3,500	133
Unitised Bonds with guaranteed annual increments #	126	1
Unitised Bonds without guaranteed annual increments	3,979	79
Regular Premium unitised life business with guaranteed annual increments #	211	1
Regular Premium unitised life business without guaranteed annual increments	233	4
Unitised Pensions with guaranteed annual increments #	3,405	180
Unitised Pensions without guaranteed annual increments	584	33
Personal Retirement Plan	315	294
Buy Out Plan	188	156
Adaptable Funding Contract	93	5
With Profit Annuities	306	39
Other	113	232
Total	13,052	1,157

These contracts may also contain some monies on which no guaranteed annual increments are credited.

3(2) The amounts shown above equal the amounts shown at lines 31 and 49 of Form 19.

With-Profits Benefits Reserve – Retrospective Method

4(1) The following table shows the proportions of the with-profits benefits reserve which have been valued on an individual basis and on a grouped basis.

	Proportion valued on an individual basis	Proportion valued on a grouped basis
Method 1	99%	1%

4(1)(c) Where contracts have been grouped this is achieved by averaging the underlying policy data. The grouping process is designed to ensure that key features relevant to calculation of the with-profits benefits reserve and the future policy related liabilities are retained. Relevant key features include contract type, maturity year, year of investment and the presence and extent of certain guarantees.

The following table shows the relationship between the number of model points and the number of individual policies that they represent:

	Number of individual policies	Number of model points
Conventional Life	228,588	228,588
Unitised Life business	13,225,485	203,414
Unitised Pensions business	248,060	309,262
Personal Retirement Plan	22,196	190,282
Buy Out Plan	8,974	8,974
Adaptable Funding Contracts	96	33
With Profit Annuities	8,051	11,678
Total	13,741,450	952,231

For Unitised Life business, the number of individual policies exceeds the number of model points despite no grouping of data across individual lives. This is due to clustering on some contracts, where, for administrative reasons, each individual sale involves setting up a large number of identical policies.

For Unitised Pensions, the number of model points exceeds the number of individual policies because individual policies can have increments associated with them, for which separate model points are created.

For Personal Retirement Plan the number of model points exceeds the number of policies. This is a consequence of individual policies consisting of multiple premium tranches which are separately identified.

For With Profit Annuities the number of model points exceeds the number of policies. This is a consequence of some individual policies containing multiple benefits which are separately identified.

The grouping process is validated by comparing calculated regulatory reserves, numbers of policies in-force and current level of benefit against the results from ungrouped data. As a further validation the historic accumulation of pool values for accumulating with-profits contracts is compared against current pool values.

4(2)(a) There has been no significant change to the valuation method used to value the with-profits benefits reserve.

4(3)(a) The most recent expense investigation was carried out as at 31 December 2010.

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 2010:

Expenses allocated to with-profits benefits reserve (£m)	Initial expenses	Maintenance expenses	Total expenses
Conventional Life	0.0	18.5	18.5
Unitised Life	37.7	18.5	56.2
Unitised Pensions	1.6	11.0	12.6
Personal Retirement Plan	0.0	2.7	2.7
Buy Out Plan	0.0	1.0	1.0
Adaptable Funding Contracts	0.0	2.5	2.5
With Profit Annuities	1.0	0.4	1.4
Total	40.3	54.6	95.0

4(3)(c)(i) Initial expenses consist of acquisition commission, selling costs, underwriting and setting up costs when processing new business.

4(3)(c)(ii) Maintenance expenses include all other ongoing costs of administering existing policies including an allocation of Society's fixed costs and renewal commission.

4(3)(c)(iii) Expenses are attributed to with-profits policies in accordance with allocation bases determined by the Society to give a fair apportionment of expenses between contract classes. From 1999 commission has been charged as incurred. In earlier years it had been apportioned. The remaining expenses are generally allocated on the basis of an apportionment of the cost incurred in acquiring and administering the policies. The basis of apportionment is regularly reviewed for fairness and varies according to the category of expense. For example, for individual business sales expenses are generally apportioned in accordance with initial commission generated and administration expenses in accordance with numbers of policies processed within broad policy types.

Certain expenses charged to the with-profits benefits reserve for most unitised with-profits life and pensions business written since 1995 and for some conventional life business written in the late 1980s and early 1990s have been capped at a level below that actually incurred. The levels of the expense caps vary by product type and vintage. Where expenses are not capped the same expense deductions are applied to the with-profits benefits reserve as are borne by the With Profits Sub Fund, suitably apportioned. Expenses in excess of the cap are charged to the Working Capital of the With Profits Sub Fund.

4(3)(c)(iv) Expenses in excess of expense caps and certain categories of exceptional expense are not allocated to the with-profits benefits reserve. The amounts of these incurred in 2010 are given in the table below.

Expenses allocated to other than with-profits benefits reserve	Amounts (£m)	Comments
Conventional Life	5.9	Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Life	1.3	Expense Caps; Expenses and compensation arising from reviewing mortgage endowments and other complaints
Unitised Pensions	2.5	Expense Caps; Expenses and compensation arising from Pensions Review and other complaints
Total	9.7	

4(4) A charge is deducted from the with-profits benefits reserve for Buy Out Plans. This deduction is in respect of the guarantee to pay Guaranteed Minimum Pensions. The amount of the charge was £0.9m (2009: £0.9m).

A charge is deducted from the with-profits benefits reserve for certain Capital Protection Bonds, Capital Protection Plus Bonds and Capital Control Bonds. This deduction is in respect of an optional investment guarantee at their fifth policy anniversary. The amount of the charge was £4.4m (2009: £2.8m).

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

A charge of 0.2% was taken from the with-profits benefits reserve as at 31 December 2010. A provision for a refund of 0.11% of the with-profits benefits reserve has been made as at 31 December 2010.

4(5) No charges are deducted from the With Profits Sub Fund for non-insurance risk.

4(6) A table showing the average over the preceding three financial years of claims paid out on with-profits insurance contracts compared to the with-profits benefits reserve for those claims:

Ratio of claims to with-profits benefits reserve plus any past miscellaneous surplus less any past miscellaneous deficit	Ratio for claims in 2008	Ratio for claims in 2009	Ratio for claims in 2010
Death claims	128%	136%	126%
Surrender claims	107%	102%	103%
Maturity claims	109%	109%	101%

- 4(7) The mix of assets backing the asset shares during 2010 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 31/12/2010	Investment Return gross of tax, gross of investment expenses 1/1/2010 to 31/12/2010	Average With-Profit Benefit Reserve 1/1/2009 to 31/12/2010**	Weighted Return *
With Profit Annuities (fixed part)	100% invested in fixed interest	76,322	9.98%	72,013	0.0554%
With Profit Annuities (non-fixed part)	100% invested in 'real' assets (equities and property)	229,660	15.67%	216,667	0.2616%
Group Pensions contracts (1980 Bonus Series) eligible for Contractual Annual Interest	50% invested in fixed interest and 50% in 'real assets'	14,968	13.22%	21,723	0.0221%
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.	77,877	13.02%	88,341	0.0886%
Personal Retirement Pension contracts	Though the percentage invested in fixed interest for two different pensions products or two different life products will be the same, the fixed interest return allocated to each product will take account of the average outstanding duration of liabilities under that product.	319,113	12.69%	317,680	0.3107%
Conventional Section 32 Buy-Out Plans		190,093	11.84%	193,514	0.1765%
Other Conventional Pensions contracts		43,437	13.01%	46,915	0.0470%
Unitised With-Profits Pensions contracts		3,995,189	12.86%	3,917,144	3.8826%
Conventional Life contracts excluding those listed below		3,554,049	11.83%	3,720,846	3.3923%
Unitised With-Profits Life contracts excluding those listed below		2,972,870	13.39%	2,966,909	3.0624%
April 2002 and later With Profit Income Bonds and switches into With-Profits from 2003 on July 1997 and later Investment Bonds		10% more than Unitised With-Profits Life contracts in the row above, in fixed interest, and 5% less in respectively UK equities (including ventures) and overseas equities.	983,039	12.68%	923,473
October 2003 and later With Profit Bonds which have a ten year money back guarantee	Part of each issue is invested in a derivative in order to provide the guarantee. The remainder of the asset share is invested in the normal asset classes in the same proportions as the similar product without the guarantee would be invested.	21,126	11.62%	22,497	0.0201%
- Income Bonds - Other Bonds		27,617	11.72%	28,731	0.0259%

With-profits insurance contract type	Asset Mix currently applied to determine investment returns	With-Profit Benefit Reserve at 31/12/2010	Investment Return gross of tax, gross of investment expenses 1/1/2010 to 31/12/2010	Average With-Profit Benefit Reserve 1/1/2009 to 31/12/2010**	Weighted Return *
Capital Protection Plus (available from November 2008), Capital Protection Bonds (available post 1/1/09), and Capital Control Bonds (available from March 2010)	The asset mix for the two versions of Capital Protection Plus & Capital Protection Bonds are determined relative to the asset mix for standard income and growth bonds respectively, with differences as follows:				
- Income Bonds	Overseas equities and property – 2.5% more invested in these asset classes than under the standard income and growth bonds;	105,841	12.79%	87,768	0.0865%
- Other Bonds	UK equities – 5% less than the standard income bond version and 10% less than the standard growth bond version; Fixed interest – the Capital Protection Plus Growth Bond has 5% more invested in fixed interest than the standard growth bond. The asset mix for Capital Control Bonds and Capital Control Plus Bonds are the same as per those for the equivalents for Capital Protection (& Plus) Bonds.	440,961	13.24%	352,901	0.3601%
Total		13,052,163		12,977,122	12.6942%

* 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.
- 6(2)(b)(ii) All contracts are valued on a grouped basis.
- 6(2)(b)(iii) Contracts are grouped by averaging the underlying policy data. The grouping process is designed to ensure that key features relevant to the guarantees and options to be valued are retained. Relevant key features include contract type, maturity year, year of investment and the presence and extent of certain guarantees.

The number of contracts valued is 13,741,450. These are represented by 1,789 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 has been a significant change to the valuation methods for valuing the costs of guarantees, options and smoothing since the previous valuation. The change is:

- Improvements to the economic scenario generation process to reflect a review of asset correlations.

- 6(4)(a)(i) The following types of guarantees, options and smoothing have been valued using a full stochastic approach.

Maturity Guarantees

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

Surrender Guarantees

These take one of the following forms:

A guaranteed amount of the single premium less withdrawals payable on surrender from the tenth anniversary for certain With-Profits Bond contracts sold before April 2002.

A guaranteed amount of the single premium less withdrawals payable on surrender at a fixed date which is ten years after the date of initial allocation for certain With-Profits Bond contracts sold from October 2003.

For Capital Protection Bonds, launched in May 2008, a guaranteed amount of single premium less withdrawals is payable on surrender at a fixed date which is ten years after the date of initial allocation. The same guarantee may also apply five years after the date of initial allocation, if selected by the policyholder at outset. There is a charge for this guarantee if selected.

For Capital Protection Plus Bonds, launched in November 2008, a guaranteed amount is payable on surrender at a fixed date which is ten years after the date of initial allocation. The guaranteed amount is 120% of single premium less withdrawals. An optional guarantee payable at the fifth anniversary date of 110% of single premium less withdrawals may be selected by the policyholder at outset. Charges are payable for both these guarantees.

For Capital Control Bonds, launched in March 2010, a guaranteed amount is payable on surrender at a fixed date which is either five or ten years after the date of initial allocation. The guaranteed amount is 100% of single premium less withdrawals. Three optional guarantees payable at the fifth or tenth anniversary dates (or applied to both anniversary dates) of 110% or 100% (depending on the option selected) of single premium less withdrawals may be selected by the policyholder at outset. Charges are payable for these optional guarantees.

Death Guarantees

These take the form of a minimum amount of benefit which is guaranteed to be payable on death. In some cases the minimum amount of benefit may be expressed in the form of a guaranteed amount of annuity benefit.

Annuity Guarantees

Certain older pensions contracts contain a guaranteed annuity option at retirement.

For Personal Retirement Plan contracts the benefit which is guaranteed to be payable at retirement may be taken as either a guaranteed cash amount or a guaranteed annuity.

Smoothing

Smoothing costs reflect the extent to which maturity, and for some classes of business surrender, payouts are smoothed from year to year. The cost reflects the difference between the amounts paid out and the 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	327	1,001
Surrender Guarantee	28	812
Death Guarantee	11	Not applicable
Annuity Guarantees	127	0

Death guarantee costs represent the excess of the amount paid over the amount charged to the with-profits benefits reserve. This amount can never be less than zero.

6(4)(a)(ii) The Barrie & Hibbert Economic Scenario Generator v7 was used to generate the stochastic scenarios.

The UK nominal yield curve was calibrated to gilts + 10bps. The Bank of England nominal yield data was used for terms up to 24 years and thereafter, the tail was fitted to Strips and long bond yields. Interest rate volatilities were calibrated, using the Enhanced LIBOR Market Model, to at-the-money swaption market data, again using fitted curves for later years. Real interest rates were calibrated, using a 2-factor Vasicek model, to the Bank of England real yield curve + 10bps and long indexed linked gilts yields + 10bps beyond 25 years. Inflation was modelled implicitly as the difference between nominal and real interest rates.

Corporate bonds were modelled using a Jarrow, Lando & Turnbull model. Credit spreads were calibrated, by credit rating, to a market portfolio of bonds and transition probabilities were calibrated to historical data.

Equity volatilities were calibrated using a Stochastic Volatility Jump Diffusion model. Volatilities were fit to market option implied volatilities for a range of strike prices and durations up to 10 years and extrapolated thereafter. Property was modelled as a constant volatility equity-type asset. As there are no meaningful property options prices, volatility was calibrated to historic data from the IPD All UK Property Index, with volatility increased to 15% to counteract assumed smoothing bias in the data.

The model was calibrated to produce best estimate correlations between asset classes using market data from 1900 to 2009. The table below shows typical mean values for output correlations between the returns in excess of risk-free for various asset classes:

Asset	Property	Government bonds	Overseas Equities	Nominal Short Rate	Corporate Bonds
UK Equities	0.35	0.21	0.78	-0.16	0.53
Property		0.12	0.17	-0.09	0.25
Government bonds			0.23	-0.56	0.83
Overseas Equities				-0.18	0.48
Nominal Short Rate					-0.46

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	2.44%	4.33%	4.56%	4.47%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	886,242	529,495	328,225	216,507	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	112,264	252,310	355,229	430,799	219,485	401,802	526,431	620,812	550,226	756,129	906,610	1,025,801
3		FTSE All Share Index (p=0.8)	106,170	205,283	261,449	291,705	207,863	328,845	390,640	423,647	521,927	624,417	676,586	707,609
4		Property (p=1)	32,825	105,214	176,529	239,342	134,234	239,285	330,553	408,449	521,922	613,862	715,265	806,111
5		Property (p=0.8)	28,701	70,232	103,833	129,989	121,158	170,290	206,677	233,385	489,856	470,153	478,343	490,447
6		15 year risk free zero coupon bonds (p=1)	16,311	17,435	15,992	19,129	85,170	80,929	89,570	117,833	500,193	498,397	505,216	522,451
7		15 year risk free zero coupon bonds (p=0.8)	14,175	9,133	4,768	2,705	74,690	41,447	23,930	17,493	464,853	324,464	233,750	191,406
8		15 year corporate bonds (p=1)	20,167	25,545	31,181	40,259	93,716	104,127	118,596	144,385	499,265	496,663	509,109	528,704
9		15 year corporate bonds (p=0.8)	17,728	13,737	10,289	8,856	82,739	57,569	43,589	37,756	464,357	331,019	251,779	213,549
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	69,543	172,119	259,955	330,732	167,855	308,509	417,123	503,160	521,705	662,990	786,933	892,091
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	64,592	133,182	180,393	209,911	156,337	240,441	291,528	324,384	490,626	527,795	560,713	584,716
12		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	61,119	149,272	223,123	285,131	154,154	275,591	371,673	449,399	512,117	620,122	731,731	826,433
13		Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	56,572	113,835	150,017	172,991	143,101	211,526	252,389	279,156	480,139	486,737	510,477	527,734
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)	33,794	89,251	143,292	193,542	116,729	199,543	274,250	341,928	503,086	555,994	632,736	708,503
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	30,331	62,011	84,249	101,225	105,777	141,083	167,840	188,351	468,944	414,106	408,013	415,457
			L=15				L=20				L=25			
16		Receiver swaptions	6.00%	6.19%	5.56%	4.74%	7.28%	7.63%	6.90%	5.95%	8.49%	8.91%	8.12%	7.07%

6(4)(a)(iv) For UK, the initial equity yield is 3.05% and the initial property rental yield is 4.3%. For US, the initial equity yield is 1.87% and no property is held in the US. For Japan, the initial equity yield is 1.68% and no property is held in Japan.

6(4)(a)(v)

Asset type (all US assets)		K=1			
N		5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period	2.15%	4.40%	4.81%	4.61%
1	Risk-free zero coupon bond	899,094	524,331	309,143	206,371
2	S&P 500 Index (p=1)	222,421	417,588	550,838	637,758

Asset type (all JPY assets)		K=1			
N		5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period	0.54%	1.76%	2.22%	2.22%
1	Risk-free zero coupon bond	973,564	769,724	577,959	463,039
2	Nikkei 225 Index (p=1)	226,126	403,063	526,168	618,861

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 #	8		
Unitised Life Regular Premium business with guaranteed annual increments			8	
Unitised Life Regular Premium business without guaranteed annual increments			7	
Unitised Pensions business with guaranteed annual increments			9	7
Unitised Pensions business without guaranteed annual increments			8	7
Personal Retirement Plan	6	6	7	6
Buy Out Plan	7		7	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 (%)	23.70	24.39	24.92	25.40	25.87	27.36
Model: Values (%)	23.58	24.27	24.88	25.39	25.81	27.10
Model: Excess over relevant market option (%)	-0.12	-0.13	-0.05	-0.01	-0.05	-0.26

[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 90% 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 (%)	19.46	17.50	17.33	16.16	14.34	13.55	12.81	12.80	11.82	12.90	12.46
Model: Values (%)	19.99	17.95	16.88	16.21	15.72	14.96	14.04	12.82	11.85	11.08	10.42
Model: Excess over relevant market swaption (%)	0.53	0.45	-0.45	0.06	1.38	1.42	1.24	0.02	0.03	-1.82	-2.04

[Market prices for UK swaptions are not readily available beyond 30 years term.]

In fitting the swaption volatility surface, most weight is placed on the 20 year tenor swaption volatilities, as this is reflective of annuity guarantees.

6(4)(a)(vii) The asset model was validated by projecting future income, gains and losses on asset values and comparing the net present value of these amounts to the current asset values. These tests were performed for different asset classes and across the entire portfolio. The net present values of the projected cashflows are consistent with the current asset values.

6(4)(a)(viii) 2000 projections were made of the assets and liabilities. To ensure reasonable convergence confidence intervals were assessed on the guarantee costs. These tests gave satisfactory results.

6(4)(b) Not applicable

6(4)(c) Not applicable

6(5)(a) Projection of the liabilities includes the setting of future bonus rates. These are set as follows:

Contractual Minimum Addition

For policies where a Contractual Minimum Addition applies, this is set by reference to the relevant investment conditions using the same approach as that adopted in practice.

Reversionary Bonus

Conventional Classes: Rates are set by calculating the affordable rate based on the difference between the with-profits benefits reserve and a bonus reserve valuation with allowance for target levels of future terminal bonus.

Unitised Classes: For the majority of Society's unitised contracts distinct reversionary bonus rates are calculated for monies invested with different roll-up guarantees and for major product groups. The rate of reversionary bonus each year is based on an assessment of the supportable rate of reversionary bonus over either five or seven years and incorporates Society's view of investment returns over this period, allowance for sharing of miscellaneous profits and for a target level of terminal bonus. The extent to which the new rate of reversionary bonus moves towards this supportable rate depends on the level of supportable terminal bonus relative to target terminal bonus with a more rapid move to the target level if the current level of supportable terminal bonus is low. The final level of reversionary bonus is limited so that increases do not generate reversionary bonus levels higher than are supportable over the longer term.

For income bonds, where there is no terminal bonus payable, this approach is modified slightly to allow for the fact that the target level of terminal bonus is nil.

Where a Contractual Annual Interest or Guaranteed Minimum Addition applies, the rate of reversionary bonus is reduced by the relevant amount, subject to a minimum of zero.

Terminal Bonus

For all classes these are set with the intention that payouts will trend to the with-profits benefits reserve over the long-term. Smoothing applies by restricting the amount of investment return variance, compared to the expected long-term rate, which is passed on to policyholders.

When calculating the costs of guarantees, options and smoothing using a stochastic projection approach it is necessary to project the asset mix assumed to back the with-profits benefits reserve. For the majority of Society's business, a mix has been assumed that varies by major product class and also depends on the relationship between the with-profits benefits reserve and the value of guarantees for each product class. Subject to maximum and minimum levels of fixed interest investment a higher level of fixed interest holdings has been assumed when the value of guarantees is greater relative to the with-profits benefits reserve, with this level reducing as the with-profits benefits reserve increases relative to the guarantees. The appropriate mix is reassessed and adjustments made to the mix assumed at the end of each calendar year of the projection and between year-ends the mix changes in line with investment returns.

For one major product class, Unitised Life business, the asset mix is rebalanced at the end of each year to a mix based on that held to back this business at 1 January 2010. Between year-ends the mix changes in line with investment returns.

6(5)(b) Best estimates of the proportion of UK and Overseas Equities backing the with-profits benefits reserve and the future bonus rates on specified bases:

Equity backing ratio of the with-profits benefits reserve	Current financial year	After 5 years	After 10 years
Scenario (i) - Risk free return	42%	45%	47%
Scenario (ii) - High sensitivity	43%	44%	46%
Scenario (iii) - Low sensitivity	42%	44%	46%

Scenario (i) - Risk free return	2010	2015	2020
Reversionary bonus rates p.a.			
Unit Life Regular premiums with guaranteed annual increments	1.41%	0.79%	0.87%
Unit Life Regular premiums without guaranteed annual increments	3.07%	2.52%	2.92%
Unit Life Growth bonds with guaranteed annual increments	0.64%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.44%	0.88%	1.16%
Unit Life Income bonds without guaranteed annual increments	3.07%	1.10%	1.86%
Unitised Pensions business with guaranteed annual increments	1.55%	1.09%	1.23%
Unitised Pensions business without guaranteed annual increments	2.60%	3.74%	3.40%
Contractual annual increments p.a.			
Unit Life Growth bonds with guaranteed annual increments	1.30%	1.64%	1.67%
Unit Life Regular premiums with guaranteed annual increments	1.25%	1.60%	1.64%
Unitised Pensions business with guaranteed annual increments	1.76%	1.82%	1.89%

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.

Scenario (ii) - High sensitivity	2010	2015	2020
Reversionary bonus rates p.a.			
Unit Life Regular premiums with guaranteed annual increments	1.41%	1.14%	1.33%
Unit Life Regular premiums without guaranteed annual increments	3.07%	3.20%	3.67%
Unit Life Growth bonds with guaranteed annual increments	0.64%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.44%	1.43%	1.78%
Unit Life Income bonds without guaranteed annual increments	3.07%	1.60%	2.09%
Unitised Pensions business with guaranteed annual increments	1.55%	1.36%	1.80%
Unitised Pensions business without guaranteed annual increments	2.60%	3.98%	4.36%
Contractual annual increments p.a.			
Unit Life Growth bonds with guaranteed annual increments	1.30%	1.86%	1.89%
Unit Life Regular premiums with guaranteed annual increments	1.25%	1.81%	1.87%
Unitised Pensions business with guaranteed annual increments	1.76%	1.84%	1.88%

Scenario (ii) - Low sensitivity	2010	2015	2020
Reversionary bonus rates p.a.			
Unit Life Regular premiums with guaranteed annual increments	1.41%	0.80%	0.74%
Unit Life Regular premiums without guaranteed annual increments	3.07%	2.33%	2.46%
Unit Life Growth bonds with guaranteed annual increments	0.64%	0.00%	0.00%
Unit Life Growth bonds without guaranteed annual increments	2.44%	0.75%	0.63%
Unit Life Income bonds without guaranteed annual increments	3.07%	1.18%	1.67%
Unitised Pensions business with guaranteed annual increments	1.55%	0.94%	0.83%
Unitised Pensions business without guaranteed annual increments	2.60%	3.23%	2.65%
Contractual annual increments p.a.			
Unit Life Growth bonds with guaranteed annual increments	1.30%	1.42%	1.44%
Unit Life Regular premiums with guaranteed annual increments	1.25%	1.38%	1.42%
Unitised Pensions business with guaranteed annual increments	1.76%	1.80%	1.90%

6(6) Summary of the surrender and paid-up assumptions used to determine the costs in 6 (4) (a), (b) and (c)

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	No policies at these durations remain inforce			3.5%
CWP target cash endowment	surrender				3.5%
UWP savings endowment	surrender	6.5%	6.4%	6.4%	5.2%
UWP target cash endowment	surrender	6.5%	6.4%	6.4%	5.2%
UWP bond	surrender	2.3%	6.3%	6.9%	6.5%
UWP bond	automatic withdrawals	100% of current			
CWP pension regular premium	PUP	7.1%	7.1%	7.1%	7.1%
CWP pension regular premium	surrender	0.7%	0.7%	1.0%	1.0%
CWP pension single premium	surrender	3.0%	3.0%	3.0%	3.0%
UWP individual pension regular premium	PUP	14.3%	10.6%	8.8%	7.2%
UWP individual pension regular premium	surrender	2.6%	2.6%	2.6%	2.6%
UWP individual pension single premium	surrender	6.1%	6.1%	6.2%	6.1%

An additional decrement of 4.0% for With-Profits Income Bonds and 8.0% for With-Profits Growth Bonds has been assumed on the fifth policy anniversary to allow for the point at which surrender reductions (other than Market Value Adjustment Factors) cease to be applied.

Assumed take-up rates for guaranteed annuity options:

Annuity Valuation Yield	2.50%	5.00%	7.50%
2015	91%	52%	33%
2019	91%	57%	39%
2023	92%	61%	46%

Rates of annuitant mortality assumed:

	Males	Females
Base Mortality Table		
Personal Retirement Plan	83% PCMA00	62% PCFA00
Buy Out Plan	86% PCMA00	90% PCFA00
Guaranteed Annuity Options	86% PCMA00	See footnote
Mortality improver		
Personal Retirement Plan	CMI 2009, Base date 31/12/08 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2009, Base date 31/12/08 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Buy Out Plan	CMI 2009, Base date 31/12/08 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	CMI 2009, Base date 31/12/08 with a long term rate of 1.0% at ages up to 85 tapering to 0% at 120
Guaranteed Annuity Options	CMI 2009, Base date 31/12/08 with a long term rate of 1.5% at ages up to 85 tapering to 0% at 120	See footnote

For Guaranteed Annuity Options on female lives, the reserves are calculated on the same mortality basis as for the male lives. A test is carried out to ensure that the resultant reserve calculated is not less than that which would be calculated on an appropriate female mortality basis.

- 6(7) Assumptions are made regarding the foreseeable actions that would be taken by policyholders in the projection of assets and liabilities.

With-Profits Bonds series 6 and 7, Capital Protection Bonds and Capital Protection Plus Bonds have an investment guarantee at their tenth policy anniversary. Capital Protection Bonds and Capital Protection Plus Bonds also have an optional investment guarantee at their fifth policy anniversary. Policies are assumed to surrender at each date where a guarantee applies if the asset share is less than 95% of the guaranteed benefit. Capital Control Bonds and Capital Control Plus Bonds have the following four types of guarantees, where the last three are optional. A capital guarantee at the tenth policy anniversary; an optional investment guarantee of 10% at the tenth policy anniversary; an optional capital guarantee at the fifth and tenth policy anniversaries; and an optional guarantee which offers a capital guarantee at the fifth policy anniversary and an investment guarantee of 10% at the tenth policy anniversary.

All policies are assumed to mature once they reach the maturity date.

Personal Retirement Plans	Retirement rate p.a.
Age < 40	0.0%
Age 40 - 49	0.0%
Age 50 - 59	0.1%
Age 60	19.8%
Age 61 - 64	8.1%
Age 65	30.9%
Age 66 - 69	12.2%
Age 70 or later	100.0%

Nil early retirement decrements have been assumed on Unitised With-Profits Pensions business. The cost of guarantees, smoothing and options is more onerous at maturity than on early retirement.

Nil early retirement decrements have been assumed for Buy Out Plan business. Early retirement is not allowed under the contract if the fund is insufficient to purchase the Guaranteed Minimum Pension.

The maturity benefit defined under the Personal Retirement Plan is a given annuity benefit plus a cash sum equal to three times the initial level of annuity. All policies are assumed to take this cash benefit at

retirement. At the policyholder's discretion the annuity benefit may be taken as a cash transfer payment. We assume that the more onerous of the two benefits will be payable.

Financing Costs

7 Not applicable

Other Long Term Insurance Liabilities

8 The following items are included in lines 46 and 47 of Form 19:

- Reserves relating to future costs in respect of regulatory reviews and other compensation: £179m
- Reserves relating to future shareholder transfers and associated tax in excess of the amounts expected to be charged to the with-profits benefits reserve: £142m.

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

Realistic Current Liabilities

9 Current liabilities comprise:

	£m
Claims outstanding	102
Creditors arising out of Insurance Operations	4
Tax Liabilities	816
Other Creditors	43
Accruals and deferred income	1
Other provisions	87
	1,053

Tax Liabilities include tax on assets backing future policy related liabilities and reserves relating to the possibility that, in certain situations, tax relief may not be available on losses incurred.

The following table provides a reconciliation:

	£m
Regulatory Current Liabilities	1,010
Change in Tax Provisions	43
Realistic Current Liabilities	1,053

Risk Capital Margin

10(a)(i) The risk capital margin is £194m.

The percentage changes in the market value of equities and real estate for the purpose of the market risk scenario for UK assets were 20.0% and 12.5% respectively. A rise in the market value of UK equities and a fall in the market value of real estate were the most onerous scenarios.

The US and Japan were significant territories for equities. The percentage changes in the market values derived in accordance with INSPRU 1.3.73G(1) for the purpose of the market risk scenario were 20.0% for US equities and 27.9% for Japanese equities. A fall in the market value of overseas equities in significant territories was the most onerous scenario; for the purposes of the Risk Capital Margin a 0% movement in overseas equities in significant territories was applied in scenarios where UK equities rose.

There were no other significant territories for the purposes of INSPRU 1.3.62R(1)(a).

10(a)(ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.698%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 4.09%. 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 0.698% 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 62 basis points.

The change in value for the With Profits Sub Fund's assets as a result of applying the credit risk scenario was as follows:

a) Bonds	Reduction of 3.5%
b) Debts	No change
c) Reinsurance	Reduction of 0.2%
d) Analogous non-reinsurance financing arrangements	Not applicable
e) Other assets (by reference to INSPRU 1.3.78R)	Reduction of 3.5%

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 31.3% and results in an overall increase in the realistic value of liabilities of 0.6%.

10(a)(v) The asset value change in 10(a)(iii) is expected to be independent of the change in liability values in 10(a)(iv).

10(b)(i) When calculating the risk capital margin the management actions assumed were consistent with the management actions that would have applied in the base with-profits benefits reserve calculation.

10(b)(ii) Not applicable as no additional actions or assumption changes have been made.

10(b)(iii) Not applicable as no additional actions or assumption changes have been made.

10(b)(iv) Not applicable as no additional actions or assumption changes have been made.

10(c)(i) All assets held to cover the risk capital margin are held in Society's With Profits Sub Fund. These assets may be analysed as follows:

Type of Asset	£m
Land and Buildings	124
Approved Fixed Interest Securities	3,449
Other Fixed Interest Securities	3,973
Variable Interest Securities	70
UK Listed Equity Shares	2,170
Non-UK Listed Equity Shares	2,162
Unlisted Equity Shares	1,057
All other assets shown in Form 48	2,428
Assets invested in Internal Linked Funds	23
Present value of future profits on non-profit insurance contracts written in the With Profits Sub Fund	0
Total	15,456

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 2010.
- £22m of bought equity futures
 - A £4m asset and a £11m liability in respect of currency forwards selling euros and dollars for sterling with a £5m bought position and a £984m sold position.
 - A £51m asset and a £57m liability in respect of interest rate swaps, with a £799m bought position and a £670m sold position.
 - A £16m liability in respect of property swaps with a £250m bought position
 - A £27m asset in respect of equity index put options with a £243m sold position.
 - A £1m asset in respect of warrants with a £2m bought position

There were no derivative positions held outside the With Profits Sub Fund to cover the risk capital margin.

Analysis of Working Capital

- 13 A reconciliation of the significant movements in the working capital of the with-profits fund is as follows:

	£m
Opening Working Capital	841
Investment Return on Opening Working Capital	32
Mismatch Profits and Losses on assets backing the future policy related liabilities	225
Modelling changes and opening adjustments	6
Economic Assumption Changes	-81
Non-Economic Assumption Changes	-35
Policyholder Action Assumption Changes	-16
Regulatory Change	0
Management Actions	33
Impact of New Business	-11
Change in Other Liabilities of lines 47 and 51 of Form 19	-7
Other Economic Variances	-5
Other Non-Economic Variances	-30
Closing Working Capital	953

Returns under the Accounts and Statements Rules

Directors' Certificate

Legal & General Assurance Society Limited

Global business

Financial year ended 31 December 2010

We certify that:

1. the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
2. we are satisfied that:
 - (a) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (b) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future;
3. in our opinion premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
4. the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
5. the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COB 20.3; and

6. we have, in preparing the return, taken and paid due regard to-
- (a) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (b) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

T. J. Breedon

Chairman

N. D. Wilson

Director

M. J. Gregory

Director

Legal & General Assurance Society Limited

Global business

Financial year ended 31 December 2010

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ('the Rules') made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 1 to 3, 11 to 20, 22 to 25, 37, 39 to 45, 48, 49, 56, 58, and 60, (including the supplementary notes) on pages 3 to 59, 69 to 74, 119, 122 to 124, 127 to 145 and 149 ('the Forms');
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on pages 151 to 152 ('the statements'); and
- the valuation reports required by IPRU(INS) rule 9.31(a) and INSPRU 1.3 on pages 154 to 243 ('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 60 to 68, 75 to 118, 120 to 121, 125 to 126, 144 and 146 to 150;
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A and 9.36 on pages 151, 153 and 248; and
- the certificate required by IPRU(INS) rule 9.34(1) on pages 244 to 245.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports under the provisions of the Rules. The requirements of the Rules have been modified by directions issued under section 148 of the Financial Services and Markets Act 2000 on 6 June 2008 and 17 September 2010. 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

30 March 2011

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

(a) **Share and Debenture Interests**

No share or debenture interests in the Company. However, the Actuary had the following share interests in the Company's ultimate holding company, Legal & General Group Plc:

<u>As at 1 January 2010</u>	<u>As at 31 December 2010</u>
165,353	186,744*

In addition, on 31 December 2010 under Legal & General Group Plc's share option schemes, the Actuary had options outstanding to subscribe for 157,704 ordinary shares of 2½p each.

The Actuary participates in the Group's Performance Share Plan for 2008, 2009 and 2010 in respect of a conditional base award totalling 417,515 shares.

During 2008, 2009 and 2010, the Actuary participated in the Group's Share Bonus Plan in respect of a conditional base award totalling 75,067 shares which have been included in his share interest figure shown above*.

(b) **Pecuniary Interest in any Transaction**

Details of interests held by the Actuary with the Company or other subsidiaries of Legal & General Group Plc:

- (i) ISA issued by a subsidiary of Legal & General Group Plc. 6,217 units in L&G UK Index Trust,
- (ii) Personal Equity Plan issued by a subsidiary of Legal & General Group Plc. 9,344 units in L&G UK Index Trust and 9,337 units in L&G European Index Trust.

(c) **Remuneration as Actuary and Emoluments, Pension or Compensation as Director**

No remuneration or any other benefits receivable under any contract with the Company. However, the total remuneration and value of any other benefits received by the Actuary from Legal & General Resources Limited a fellow subsidiary of the Company's ultimate holding company, Legal & General Group Plc, during the period ended 31 December 2010 amounted to £187,270.

(d) **Any Other Pecuniary Benefit**

No other pecuniary benefits received or receivable from the Company.

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

The Company has made a request to the Actuary to furnish to it the particulars pursuant to Paragraph 9.36 of IPRU (INS) Volume 1 and the information requested is set out above.