

# **LONDON LIFE LIMITED**

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

**31 December 2010**

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

## Contents

### Balance Sheet and Profit and Loss Account

Form 2	Statement of solvency - long-term insurance business	3
Form 3	Components of capital resources	5
Form 13	Analysis of admissible assets	8
Form 14	Long term insurance business liabilities and margins	23
Form 15	Liabilities (other than long term insurance business)	28
Form 16	Profit and loss account (non-technical account)	29
Form 17	Analysis of derivative contracts	30
Form 18	With-profits insurance capital component for the fund	35
Form 19	Realistic balance sheet	37

### Long Term Insurance Business: Revenue Account and Additional Information

Form 40	Revenue account	41
Form 41	Analysis of premiums	46
Form 42	Analysis of claims	51
Form 43	Analysis of expenses	56
Form 44	Linked funds balance sheet	61
Form 45	Revenue account for internal linked funds	62
Form 46	Summary of new business	63
Form 47	Analysis of new business	64
Form 48	Assets not held to match linked liabilities	66
Form 49	Fixed and variable interest assets	70
Form 50	Summary of mathematical reserves	73
Form 51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	78
Form 52	Valuation summary of accumulating with-profits contracts	89
Form 53	Valuation summary of property linked contracts	91
Form 54	Valuation summary of index linked contracts	97
Form 55	Unit prices for internal linked funds	100
Form 57	Analysis of valuation interest rate	101
Form 58	Distribution of surplus	104
Form 59	With-profits payouts on maturity (normal retirement)	109
Form 60	Long-term insurance capital requirement	113

<b>Supplementary notes to the return</b>	114
--	-----

<b>Additional information on derivative contracts</b>	131
---	-----

<b>Additional information on controllers</b>	132
--	-----

<b>Abstract of the Valuation Report</b>	134
---	-----

<b>Abstract of the Realistic Report</b>	157
---	-----

<b>Statement of information on the with-profits actuary</b>	189
---	-----

<b>Directors' Certificate</b>	190
-------------------------------	-----

<b>Auditor's Report</b>	192
-------------------------	-----

**Statement of solvency - long-term insurance business**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units
	R2	1179800	GL	31	12	2010
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>
				1		2

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	167180	125017
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	170321	162531
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	337501	287548

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	18099	18327
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	319402	269220

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	54297	54982
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	3040	3128
Individual minimum capital requirement	<b>34</b>	54297	54982
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	54297	54982
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	236464	238228
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	296778	246312

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	37404	24313
Enhanced capital requirement	<b>40</b>	91701	79295

**Capital resources requirement (CRR)**

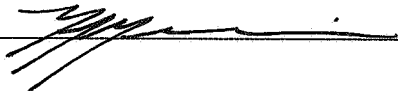
Capital resources requirement (greater of 36 and 40)	<b>41</b>	91701	79295
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	245800	208253

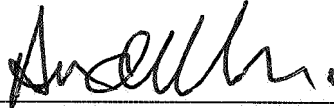
**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
--	-----------	--	--

**Covering Sheet to Form 2**

Name of insurer **LONDON LIFE LIMITED**  
Global business  
Financial year ended **31 December 2010**

  
\_\_\_\_\_ M J Merrick *Chief Executive*

  
\_\_\_\_\_ A Moss *D. General*

  
\_\_\_\_\_ J J Yates *D. General*

Date **22 March 2011**  
\_\_\_\_\_



## Components of capital resources

Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**

R3	Company registration number	GL/UK/CM	day month year			Units
			31	12	2010	
	1179800	GL				£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		18800	18800	18800
Profit and loss account and other reserves	12		189736	189736	184396
Share premium account	13				
Positive valuation differences	14		56890	56890	62250
Fund for future appropriations	15		6477	6477	7517
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		271903	271903	272963

**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				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		271903	271903	272963
Investments in own shares	32				
Intangible assets	33		8290	8290	7244
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		8290	8290	7244
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		263612	263612	265719

## Components of capital resources

Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	1179800	GL	31	12	2010	£000
			General insurance business  1	Long-term insurance business  2	Total as at the end of this financial year 3	Total as at the end of the previous year 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			113052	113052	65758
Upper tier two capital in related undertakings	47					
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>			113052	113052	65758

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

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>			113052	113052	65758
Excess tier two capital	62					
Further excess lower tier two capital	63					
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>			113052	113052	65758

## Components of capital resources

Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/UK/CM	day month year			Units
R3	1179800	GL	31	12	2010	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

## Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		376664	376664	331477
Inadmissible assets other than intangibles and own shares	73		7426	7426	10508
Assets in excess of market risk and counterparty limits	74		31738	31738	33421
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		337501	337501	287548

## Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		337501	337501	287548
Available capital resources for 50% MCR requirement	82		263612	263612	265719
Available capital resources for 75% MCR requirement	83		337501	337501	287548

## Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92		16000	16000	19000
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		67071	67071	57817
Any other charges on future profits	95				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>		83071	83071	76817

**Analysis of admissible assets**Name of insurer **LONDON LIFE 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	1179800	GL	31	12	2010	£000	1
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
						<b>1</b>	<b>2</b>	
Land and buildings				<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	250	250
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>	25412	87503
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	146064	73933
Rights under derivative contracts	<b>44</b>	201	17
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	

**Analysis of admissible assets**Name of insurer **LONDON LIFE 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	1179800	GL	31	12	2010	£000	1
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						1	2

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

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

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	79	332
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		2844
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	41	46

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	172047	164925
---	----	--------	--------

**Analysis of admissible assets**Name of insurer **LONDON LIFE 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	1179800	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	172047	164925
Admissible assets in excess of market and counterparty limits	92	31738	33421
Inadmissible assets directly held	93	8290	7244
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		
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		(1)
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	212075	205589

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	35	
---	-----	----	--

**Analysis of admissible assets**Name of insurer **LONDON LIFE 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	1179800	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				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	Shares			21				
	Debts and loans			22				
Other insurance dependants	Shares			23				
	Debts and loans			24				
Non-insurance dependants	Shares			25				
	Debts and loans			26				
Other group undertakings	Shares			27				
	Debts and loans			28			17545	17545
Participating interests	Shares			29				
	Debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41			5162	2467
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43			483802	394998
Rights under derivative contracts				44			99346	66741
Fixed interest securities	Approved			45			700735	700115
	Other			46			354095	335967
Variable interest securities	Approved			47			64669	7847
	Other			48			499785	607933
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			1718	1932
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54			20752	12717
	More than one month withdrawal			55				
Other financial investments				56				
Deposits with ceding undertakings				57				
Assets held to match linked liabilities	Index linked			58			3867	54745
	Property linked			59			336156	319772

**Analysis of admissible assets**Name of insurer **LONDON LIFE 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	1179800	GL	31	12	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	1	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	70	378
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	9291	2499
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	8074	157297
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	22634	18317
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	408	964

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	2628110	2702234
---	----	---------	---------



**Analysis of admissible assets**Name of insurer **LONDON LIFE 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	1179800	GL	31	12	2010	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2628110	2702234
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	7426	10508
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		2714
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	620408	602019
Other asset adjustments (may be negative)	<b>101</b>	(265)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	3255679	3317475
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	3588	201

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

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

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	1179800	GL	31	12	2010	£000	15
							<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
							<b>1</b>	<b>2</b>
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	Shares			21				
	Debts and loans			22				
Other insurance dependants	Shares			23				
	Debts and loans			24				
Non-insurance dependants	Shares			25				
	Debts and loans			26				
Other group undertakings	Shares			27				
	Debts and loans			28				
Participating interests	Shares			29				
	Debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41		5162		2467
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		277291		159489
Rights under derivative contracts				44		64637		43834
Fixed interest securities	Approved			45		521076		539702
	Other			46		191837		183322
Variable interest securities	Approved			47				
	Other			48		381493		501915
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		1718		1932
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				
Deposits with ceding undertakings				57				
Assets held to match linked liabilities	Index linked			58				
	Property linked			59				

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2010	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	70	378
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	8779	18798
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6578	155808
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11495	10671
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	408	964

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1470544	1619280
---	----	---------	---------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2010	£000	15
					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	1470544	1619280
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	3699	3808
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		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	75823	73225
Other asset adjustments (may be negative)	101		(15026)
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	1550066	1681287
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	2538	2073

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Life Non Profit**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2010		
	1179800	GL				£000	12
						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		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	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		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	6428	15113
Rights under derivative contracts		44	286	325
Fixed interest securities	Approved	45	22434	25275
	Other	46	27676	16048
Variable interest securities	Approved	47	1143	1168
	Other	48	2195	521
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	2140	1696
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	253	177
	Property linked	59	11995	12318

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Life Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2010	£000	12
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					1	2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	6	2
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	105	238
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1515	1248
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	76176	74129
---	----	-------	-------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Life Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	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	76176	74129
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	3727	6700
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		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	13845	13701
Other asset adjustments (may be negative)	101	(265)	(275)
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	93483	94255
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1050	2

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Pension Non Profit**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	1179800	GL	31	12	2010	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				
<b>Investments in group undertakings and participating interests</b>							
UK insurance dependants	Shares		21				
	Debts and loans		22				
Other insurance dependants	Shares		23				
	Debts and loans		24				
Non-insurance dependants	Shares		25				
	Debts and loans		26				
Other group undertakings	Shares		27				
	Debts and loans		28			17545	17545
Participating interests	Shares		29				
	Debts and loans		30				
<b>Other financial investments</b>							
Equity shares			41				
Other shares and other variable yield participations			42				
Holdings in collective investment schemes			43			200083	220396
Rights under derivative contracts			44			34423	22582
Fixed interest securities	Approved		45			157225	135138
	Other		46			134582	136597
Variable interest securities	Approved		47			63526	6679
	Other		48			116097	105497
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			18612	11021
	More than one month withdrawal		55				
Other financial investments			56				
Deposits with ceding undertakings			57				
Assets held to match linked liabilities	Index linked		58			3614	54568
	Property linked		59			324161	307454



**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Pension Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2010	£000	13
					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	1	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	506	531
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1391	1251
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	9624	6398
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
---	----	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1081390	1025657
---	----	---------	---------

**Analysis of admissible assets**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Pension Non Profit**

Company registration number	GL/UK/CM	day month year			Units	Category of assets	
R13	1179800	GL	31	12	2010	£000	13
					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	1081390	1025657
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
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		2714
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	530740	515093
Other asset adjustments (may be negative)	101		(1531)
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	1612130	1541932
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		14

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

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

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

Mathematical reserves, after distribution of surplus	<b>11</b>	1388465	1351892	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>	191	184	
Balance of surplus/(valuation deficit)	<b>13</b>	54128	59259	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	1442784	1411335	
Claims outstanding	Gross	<b>15</b>	6020	6318
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	6020	6318
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>	559583	542023	
Creditors	Direct insurance business	<b>31</b>	15	2543
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	49	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>	10853	5904
	Other	<b>38</b>	604179	729031
Accruals and deferred income	<b>39</b>	2229	980	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>	2398	4100	
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1185326	1290899	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	2628110	2702234	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2552	346
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	336156	319772

Total liabilities (11+12+49)	<b>71</b>	2573982	2642975
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	620411	602019
Other adjustments to liabilities (may be negative)	<b>74</b>	54809	64964
Capital and reserves and fund for future appropriations	<b>75</b>	6477	7517
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	3255679	3317475

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Life With Profit**Units **£000**

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

Mathematical reserves, after distribution of surplus	<b>11</b>	281685	289411	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>	191	184	
Balance of surplus/(valuation deficit)	<b>13</b>	38128	40259	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	320004	329854	
Claims outstanding	Gross	<b>15</b>	2211	2388
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	2211	2388
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	5	961
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	18	
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>			
Creditors	Taxation	<b>37</b>		5904
	Other	<b>38</b>	136179	155717
Accruals and deferred income	<b>39</b>	649	255	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>	560	958	
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	139622	166183	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	459626	496037	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>		131
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	421498	455778
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	9748	9554
Other adjustments to liabilities (may be negative)	<b>74</b>	36794	33574
Capital and reserves and fund for future appropriations	<b>75</b>	3893	4468
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	471933	503374

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Pension With Profit**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	548843	539774	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	2584	3050	
Long term insurance business fund carried forward (11 to 13)	14	551427	542824	
Claims outstanding	Gross	15	3809	3930
	Reinsurers' share	16		
	Net (15-16)	17	3809	3930
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23	25172	30351	
Creditors	Direct insurance business	31	9	1582
	Reinsurance accepted	32		
	Reinsurance ceded	33	31	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	427515	540994
Accruals and deferred income	39	1117	420	
Provision for "reasonably foreseeable adverse variations"	41	1838	3142	
Total other insurance and non-insurance liabilities (17 to 41)	49	459491	580419	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1010918	1123243	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		216
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	1008334	1120193
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	66078	63671
Other adjustments to liabilities (may be negative)	74	1137	(9000)
Capital and reserves and fund for future appropriations	75	2584	3049
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	1078133	1177913

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

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

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

Mathematical reserves, after distribution of surplus	<b>11</b>	62014	62659
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>	4000	4000
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	66014	66659
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	7879
	Other	<b>38</b>	2207
Accruals and deferred income	<b>39</b>	76	63
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	10162	7470
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	76176	74129

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	420	272
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	11995	12318

Total liabilities (11+12+49)	<b>71</b>	72176	70129
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	13845	13701
Other adjustments to liabilities (may be negative)	<b>74</b>	7462	10425
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	93483	94255

**Long term insurance business liabilities and margins**Name of insurer **LONDON LIFE LIMITED**

Global business

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

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

Mathematical reserves, after distribution of surplus	<b>11</b>	495923	460048
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>	9416	11950
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	505339	471998
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>	534411	511672
Creditors	Direct insurance business	<b>31</b>	1
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	2974
	Other	<b>38</b>	38278
Accruals and deferred income	<b>39</b>	387	242
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	576051	553659
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	1081390	1025657

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2132	1822
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	324161	307454

Total liabilities (11+12+49)	<b>71</b>	1071974	1013707
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	530740	515093
Other adjustments to liabilities (may be negative)	<b>74</b>	9416	13133
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	1612130	1541933

**Liabilities (other than long term insurance business)**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R15</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
				<b>1</b>		<b>2</b>	

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>		938
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>		781
Accruals and deferred income		<b>51</b>		7
<b>Total (19 to 51)</b>		<b>59</b>		1726
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
<b>Total (59 to 63)</b>		<b>69</b>		1726

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>			1
---	-----------	--	--	---

Amounts deducted from technical provisions for discounting	<b>82</b>			
Other adjustments (may be negative)	<b>83</b>			(1)
Capital and reserves	<b>84</b>		210349	203196
<b>Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)</b>	<b>85</b>		212075	205589



**Profit and loss account (non-technical account)**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1179800	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					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			503	588	
Investment income	Income		14			6774	8123	
	Value re-adjustments on investments		15			158		
	Gains on the realisation of investments		16			860	1867	
Investment charges	Investment management charges, including interest		17			11	33	
	Value re-adjustments on investments		18				116	
	Loss on the realisation of investments		19					
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			(2)	24	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			8282	10453	
Tax on profit or loss on ordinary activities			31			2175	(1174)	
Profit or loss on ordinary activities after tax (29-31)			39			6107	11627	
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			6107	11627	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			6107	11627	

**Analysis of derivative contracts**Name of insurer **LONDON LIFE 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	
		<b>R17</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>1</b>
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							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19		201		531	16545	38986	
	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							
	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		201		531	16545	38986	
Adjustment for variation margin		52							
Total (51 + 52)		53		201		531			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**Analysis of derivative contracts**Name of insurer **LONDON LIFE 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	1179800	GL	31	12	2010	£000	10
<b>Derivative contracts</b>					Value as at the end of this financial year		Notional amount as at the end of this financial year		
				Assets	Liabilities		Bought / Long	Sold / Short	
				1	2		3	4	
Futures and contracts for differences	Fixed-interest securities	11			67		24376		
	Interest rates	12	91826	68866		1677653	714531		
	Inflation	13	481	17			21187		
	Credit index / basket	14							
	Credit single name	15	705			12774			
	Equity index	16	44			13436	5716		
	Equity stock	17							
	Land	18							
	Currencies	19	3065	2576		62915	322838		
	Mortality	20							
	Other	21		1255		28500	10000		
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	3225			512030			
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	99346	72780		2331684	1074272		
Adjustment for variation margin		52		66					
Total (51 + 52)		53	99346	72847					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**Analysis of derivative contracts**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Life Non Profit**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>12</b>
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	75		964			29427	
	Inflation	13	145		5			4768	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	66		28			4729	
	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							
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	286		997			38924	
Adjustment for variation margin		52							
Total (51 + 52)		53	286		997				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**Analysis of derivative contracts**Name of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **Pension Non Profit**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R17</b>		<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>13</b>
<b>Derivative contracts</b>		Value as at the end of this financial year				Notional amount as at the end of this financial year		
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4			
Futures and contracts for differences	Fixed-interest securities	11		67	24376			
	Interest rates	12	32697	19467	480100	268854		
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15	705		12774			
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19	1021	2458	34518	210798		
	Mortality	20						
	Other	21		401		10000		
In the money options	Swaptions	31						
	Equity index calls	32						
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	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	34423	22393	551768	489652		
Adjustment for variation margin		52		67				
Total (51 + 52)		53	34423	22460				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

**Analysis of derivative contracts**Name of insurer **LONDON LIFE LIMITED**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1179800	GL	31	12	2010	£000	15
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	59054		48435		1197553		416250
	Inflation	13	336		12				16419
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	44				13436		5716
	Equity stock	17							
	Land	18							
	Currencies	19	1978		90		28397		107311
	Mortality	20							
Other	21			854		28500			
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41	3225				512030		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	64637		49391		1779916		545696
Adjustment for variation margin		52							
Total (51 + 52)		53	64637		49390				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**With-profits insurance capital component for the fund**Name of insurer **LONDON LIFE LIMITED**With-profits fund **Life With Profit**Financial year ended **31 December 2010**Units **£000**

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

**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	11	459626	496037
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	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	459626	496037
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	281876	289595
	Regulatory current liabilities of the fund	22	139622	166183
	Total (21+22)	29	421498	455778
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	11643	12016
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	433141	467794
Regulatory excess capital (19-39)		49	26485	28243

**Realistic excess capital**

Realistic excess capital	51		
--------------------------	----	--	--

**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	26485	28243
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	3432	3930
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	23053	24313

**With-profits insurance capital component for the fund**Name of insurer **LONDON LIFE LIMITED**With-profits fund **Pension With Profit**Financial year ended **31 December 2010**Units **£000**

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

**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	1010918	1123243
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	1010918	1123243
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	548843	539774
	Regulatory current liabilities of the fund	<b>22</b>	459491	580419
	Total (21+22)	<b>29</b>	1008334	1120193
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	20642	21454
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	1028976	1141647
Regulatory excess capital (19-39)		<b>49</b>	(18058)	(18404)

**Realistic excess capital**

Realistic excess capital	<b>51</b>		(5400)
--------------------------	-----------	--	--------

**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	(18058)	(13004)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>	34558	5466
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	2149	2596
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	14351	



**Realistic balance sheet**Name of insurer **LONDON LIFE LIMITED**With-profits fund **Life With Profit**Financial year ended **31 December 2010**Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	11	459626	496037
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		
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	459626	496037
Support arrangement assets	27		
Assets available to the fund (26+27)	29	459626	496037

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	260103	284832	
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		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	13901	13388
	Future costs of non-contractual commitments	42	8591	9068
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	(1008)	2134
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	38978	21390
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	60462	45980	
Realistic current liabilities of the fund	51	139061	165225	
Realistic value of liabilities of fund (31+49+51)	59	459626	496037	

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Life With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	459626	496037
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	459626	496037
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	63677	49789
Additional amount potentially available for inclusion in line 63	<b>82</b>		

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Pension With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	11	1010918	1123243
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		
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	1010918	1123243
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1010918	1123243

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	386301	409596	
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		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	110923	104410
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	12345	12398
	Future costs of smoothing (possibly negative)	44	(6046)	(6405)
	Financing costs	45	45052	20826
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	4689	5141
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	166963	136370	
Realistic current liabilities of the fund	51	457654	577277	
Realistic value of liabilities of fund (31+49+51)	59	1010918	1123243	

**Realistic balance sheet**

Name of insurer **LONDON LIFE LIMITED**  
 With-profits fund **Pension With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	1010918	1128643
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	1010918	1128643
Risk capital margin for fund (62-59)	65		5400
Realistic excess capital for fund (26-(59+65))	66		(5400)
Realistic excess available capital for fund (29-(59+65))	67		(5400)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	140054	112742
Additional amount potentially available for inclusion in line 63	82		

**Long-term insurance business : Revenue account**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Income**

Earned premiums	11	11371	13943
Investment income receivable before deduction of tax	12	81085	88321
Increase (decrease) in the value of non-linked assets brought into account	13	113013	(4142)
Increase (decrease) in the value of linked assets	14	29784	36532
Other income	15		
<b>Total income</b>	<b>19</b>	<b>235253</b>	<b>134654</b>

**Expenditure**

Claims incurred	21	92509	108517
Expenses payable	22	8891	9810
Interest payable before the deduction of tax	23	3087	7575
Taxation	24	4932	20600
Other expenditure	25	67252	27933
Transfer to (from) non technical account	26	503	588
<b>Total expenditure</b>	<b>29</b>	<b>177174</b>	<b>175023</b>

Business transfers - in	31	7532	
Business transfers - out	32	34162	26658
Increase (decrease) in fund in financial year (19-29+31-32)	39	31449	(67027)
Fund brought forward	49	1411335	1478362
Fund carried forward (39+49)	59	1442784	1411335

**Long-term insurance business : Revenue account**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Income**

Earned premiums	11	5809	6576
Investment income receivable before deduction of tax	12	14262	13433
Increase (decrease) in the value of non-linked assets brought into account	13	20145	(4909)
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>40216</b>	<b>15100</b>

**Expenditure**

Claims incurred	21	37590	47442
Expenses payable	22	2419	2055
Interest payable before the deduction of tax	23	1018	1744
Taxation	24	8307	2000
Other expenditure	25		
Transfer to (from) non technical account	26	137	233
<b>Total expenditure</b>	<b>29</b>	<b>49471</b>	<b>53474</b>

Business transfers - in	31		
Business transfers - out	32	595	323
Increase (decrease) in fund in financial year (19-29+31-32)	39	(9850)	(38697)
Fund brought forward	49	329854	368551
Fund carried forward (39+49)	59	320004	329854

**Long-term insurance business : Revenue account**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	2592	1735
Investment income receivable before deduction of tax	12	29443	39331
Increase (decrease) in the value of non-linked assets brought into account	13	41587	(10957)
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>73622</b>	<b>30109</b>

**Expenditure**

Claims incurred	21	24040	31625
Expenses payable	22	4944	4246
Interest payable before the deduction of tax	23	2102	6152
Taxation	24		
Other expenditure	25		24782
Transfer to (from) non technical account	26	366	355
<b>Total expenditure</b>	<b>29</b>	<b>31452</b>	<b>67160</b>

Business transfers - in	31		
Business transfers - out	32	33567	39028
Increase (decrease) in fund in financial year (19-29+31-32)	39	8603	(76079)
Fund brought forward	49	542824	618903
Fund carried forward (39+49)	59	551427	542824

**Long-term insurance business : Revenue account**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Income**

Earned premiums	11	1074	1301
Investment income receivable before deduction of tax	12	3140	3270
Increase (decrease) in the value of non-linked assets brought into account	13	(416)	(799)
Increase (decrease) in the value of linked assets	14	1175	1407
Other income	15		13600
<b>Total income</b>	<b>19</b>	<b>4973</b>	<b>18779</b>

**Expenditure**

Claims incurred	21	5583	4774
Expenses payable	22	175	421
Interest payable before the deduction of tax	23	1	
Taxation	24	454	100
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>6213</b>	<b>5295</b>

Business transfers - in	31	595	323
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(645)	13807
Fund brought forward	49	66659	52852
Fund carried forward (39+49)	59	66014	66659



**Long-term insurance business : Revenue account**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

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

**Income**

Earned premiums	11	1896	4331
Investment income receivable before deduction of tax	12	34240	32660
Increase (decrease) in the value of non-linked assets brought into account	13	51697	12523
Increase (decrease) in the value of linked assets	14	28609	35125
Other income	15		11182
<b>Total income</b>	<b>19</b>	<b>116442</b>	<b>95821</b>

**Expenditure**

Claims incurred	21	25296	24676
Expenses payable	22	1353	3088
Interest payable before the deduction of tax	23	(34)	52
Taxation	24	(3829)	18500
Other expenditure	25	67252	27933
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>90038</b>	<b>74249</b>

Business transfers - in	31	6937	12370
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	33341	33942
Fund brought forward	49	471998	438056
Fund carried forward (39+49)	59	505339	471998

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

Name of insurer **LONDON LIFE 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	6958	3140		10098	11804
Single premiums	12		872		872	415

**Reinsurance - external**

Regular premiums	13	75	(6)		69	178
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16		(470)		(470)	(1902)

**Net of reinsurance**

Regular premiums	17	6883	3146		10029	11626
Single premiums	18		1342		1342	2317

**Total**

Gross	19	6958	4012		10970	12219
Reinsurance	20	75	(476)		(401)	(1724)
Net	21	6883	4488		11371	13943

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 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	5860			5860	6651
Single premiums	12					1

**Reinsurance - external**

Regular premiums	13	51			51	76
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	5809			5809	6575
Single premiums	18					1

**Total**

Gross	19	5860			5860	6652
Reinsurance	20	51			51	76
Net	21	5809			5809	6576

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 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		1550		1550	1923
Single premiums	12		589		589	97

**Reinsurance - external**

Regular premiums	13		17		17	37
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16		(470)		(470)	248

**Net of reinsurance**

Regular premiums	17		1533		1533	1886
Single premiums	18		1059		1059	(151)

**Total**

Gross	19		2139		2140	2020
Reinsurance	20		(453)		(453)	285
Net	21		2592		2592	1735

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 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	1098			1098	1377
Single premiums	12					

**Reinsurance - external**

Regular premiums	13	24			24	76
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	1074			1074	1301
Single premiums	18					

**Total**

Gross	19	1098			1098	1377
Reinsurance	20	24			24	76
Net	21	1074			1074	1301

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 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		1590		1590	1853
Single premiums	12		283		283	317

**Reinsurance - external**

Regular premiums	13		(23)		(23)	(11)
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					(2150)

**Net of reinsurance**

Regular premiums	17		1613		1613	1864
Single premiums	18		283		283	2467

**Total**

Gross	19		1873		1873	2170
Reinsurance	20		(23)		(23)	(2161)
Net	21		1896		1896	4331

## Long-term insurance business : Analysis of claims

Name of insurer **LONDON LIFE 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	6969	2107		9076	9563
Disability periodic payments	12	310			310	377
Surrender or partial surrender	13	6933	27534		34467	37272
Annuity payments	14	1338	54497		55835	55438
Lump sums on maturity	15	27135	9365		36500	51387
<b>Total</b>	<b>16</b>	<b>42685</b>	<b>93503</b>		<b>136188</b>	<b>154037</b>

**Reinsurance - external**

Death or disability lump sums	21	235			235	801
Disability periodic payments	22					
Surrender or partial surrender	23	(760)			(760)	847
Annuity payments	24					
Lump sums on maturity	25	37			37	149
<b>Total</b>	<b>26</b>	<b>(488)</b>			<b>(488)</b>	<b>1797</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		44167		44167	43723
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>44167</b>		<b>44167</b>	<b>43723</b>

**Net of reinsurance**

Death or disability lump sums	41	6734	2107		8841	8762
Disability periodic payments	42	310			310	377
Surrender or partial surrender	43	7693	27534		35227	36425
Annuity payments	44	1338	10330		11668	11715
Lump sums on maturity	45	27098	9365		36463	51238
<b>Total</b>	<b>46</b>	<b>43173</b>	<b>49336</b>		<b>92509</b>	<b>108517</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 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	6366			6366	6521
Disability periodic payments	12					
Surrender or partial surrender	13	5927			5927	6223
Annuity payments	14					
Lump sums on maturity	15	24794			24794	36462
<b>Total</b>	<b>16</b>	<b>37087</b>			<b>37087</b>	<b>49206</b>

**Reinsurance - external**

Death or disability lump sums	21	235			235	801
Disability periodic payments	22					
Surrender or partial surrender	23	(775)			(775)	814
Annuity payments	24					
Lump sums on maturity	25	37			37	149
<b>Total</b>	<b>26</b>	<b>(503)</b>			<b>(503)</b>	<b>1764</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Death or disability lump sums	41	6131			6131	5720
Disability periodic payments	42					
Surrender or partial surrender	43	6702			6702	5409
Annuity payments	44					
Lump sums on maturity	45	24757			24756	36313
<b>Total</b>	<b>46</b>	<b>37590</b>			<b>37590</b>	<b>47442</b>



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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 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		1117		1117	1462
Disability periodic payments	12					
Surrender or partial surrender	13		14749		14749	17683
Annuity payments	14		11140		11140	11367
Lump sums on maturity	15		2318		2318	5563
<b>Total</b>	<b>16</b>		<b>29324</b>		<b>29324</b>	<b>36075</b>

**Reinsurance - external**

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		5284		5284	4450
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>5284</b>		<b>5284</b>	<b>4450</b>

**Net of reinsurance**

Death or disability lump sums	41		1117		1117	1462
Disability periodic payments	42					
Surrender or partial surrender	43		14749		14749	17683
Annuity payments	44		5856		5856	6917
Lump sums on maturity	45		2318		2318	5563
<b>Total</b>	<b>46</b>		<b>24040</b>		<b>24040</b>	<b>31625</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 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	603		603	355
Disability periodic payments	12	310		310	377
Surrender or partial surrender	13	1006		1006	1240
Annuity payments	14	1338		1338	1326
Lump sums on maturity	15	2341		2341	1509
<b>Total</b>	<b>16</b>	<b>5598</b>		<b>5598</b>	<b>4807</b>

**Reinsurance - external**

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23	15		15	33
Annuity payments	24				
Lump sums on maturity	25				
<b>Total</b>	<b>26</b>	<b>15</b>		<b>15</b>	<b>33</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Death or disability lump sums	41	603		603	355
Disability periodic payments	42	310		310	377
Surrender or partial surrender	43	991		991	1207
Annuity payments	44	1338		1338	1326
Lump sums on maturity	45	2341		2341	1509
<b>Total</b>	<b>46</b>	<b>5583</b>		<b>5583</b>	<b>4774</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 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		990	990	1225
Disability periodic payments	12				
Surrender or partial surrender	13		12785	12785	12126
Annuity payments	14		43357	43357	42745
Lump sums on maturity	15		7047	7047	7853
<b>Total</b>	<b>16</b>		<b>64179</b>	<b>64179</b>	<b>63949</b>

**Reinsurance - external**

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		38883	38883	39273
Lump sums on maturity	35				
<b>Total</b>	<b>36</b>		<b>38883</b>	<b>38883</b>	<b>39273</b>

**Net of reinsurance**

Death or disability lump sums	41		990	990	1225
Disability periodic payments	42				
Surrender or partial surrender	43		12785	12785	12126
Annuity payments	44		4474	4474	3472
Lump sums on maturity	45		7047	7047	7853
<b>Total</b>	<b>46</b>		<b>25296</b>	<b>25296</b>	<b>24676</b>

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

Name of insurer **LONDON LIFE 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					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	2594	6297	8891	9879	
Management - other	15					
<b>Total</b>	<b>16</b>	<b>2594</b>	<b>6297</b>	<b>8891</b>	<b>9879</b>	

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					12
Management - other	25					
<b>Total</b>	<b>26</b>					<b>12</b>

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					57
Management - other	35					
<b>Total</b>	<b>36</b>					<b>57</b>

**Net of reinsurance**

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	2594	6297	8891	9810	
Management - other	45					
<b>Total</b>	<b>46</b>	<b>2594</b>	<b>6297</b>	<b>8891</b>	<b>9810</b>	

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 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				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	2419		2419	2057
Management - other	15				
<b>Total</b>	<b>16</b>	<b>2419</b>		<b>2419</b>	<b>2057</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				2
Management - other	25				
<b>Total</b>	<b>26</b>				<b>2</b>

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	2419		2419	2055
Management - other	45				
<b>Total</b>	<b>46</b>	<b>2419</b>		<b>2419</b>	<b>2055</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 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				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		4944	4944	4306
Management - other	15				
<b>Total</b>	<b>16</b>		<b>4944</b>	<b>4944</b>	<b>4306</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				3
Management - other	25				
<b>Total</b>	<b>26</b>				<b>3</b>

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				57
Management - other	35				
<b>Total</b>	<b>36</b>				<b>57</b>

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		4944	4944	4246
Management - other	45				
<b>Total</b>	<b>46</b>		<b>4944</b>	<b>4944</b>	<b>4246</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 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				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	175		175	428
Management - other	15				
<b>Total</b>	<b>16</b>	<b>175</b>		<b>175</b>	<b>428</b>

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				7
Management - other	25				
<b>Total</b>	<b>26</b>				<b>7</b>

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	175		175	421
Management - other	45				
<b>Total</b>	<b>46</b>	<b>175</b>		<b>175</b>	<b>421</b>

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

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 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				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		1353	1353	3088
Management - other	15				
<b>Total</b>	<b>16</b>		<b>1353</b>	<b>1353</b>	<b>3088</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		1353	1353	3088
Management - other	45				
<b>Total</b>	<b>46</b>		<b>1353</b>	<b>1353</b>	<b>3088</b>



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

Name of insurer **LONDON LIFE 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	35462	31948
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	300454	287456
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>335916</b>	<b>319404</b>
Provision for tax on unrealised capital gains	15	(286)	(402)
Secured and unsecured loans	16		
Other liabilities	17	46	34
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>336156</b>	<b>319772</b>

**Directly held linked assets**

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

**Total**

Value of directly held linked assets and units held (18+21)	31	336156	319772
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>336156</b>	<b>319772</b>

**Long-term insurance business : Revenue account for internal linked funds**

Name of insurer **LONDON LIFE LIMITED**  
 Total business  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	2211	1921
Investment income attributable to the funds before deduction of tax	12	10038	11105
Increase (decrease) in the value of investments in the financial year	13	29622	36532
Other income	14	31	35
<b>Total income</b>	<b>19</b>	<b>41902</b>	<b>49593</b>

**Expenditure**

Value of total cancellation of units	21	23798	22872
Charges for management	22	736	683
Charges in respect of tax on investment income	23	862	887
Taxation on realised capital gains	24	10	
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	111	218
Other expenditure	26		
<b>Total expenditure</b>	<b>29</b>	<b>25517</b>	<b>24660</b>

Increase (decrease) in funds in financial year (19-29)	39	16385	24933
Internal linked fund brought forward	49	319771	294839
Internal linked funds carried forward (39+49)	59	336156	319772

**Long-term insurance business : Summary of new business**Name of insurer **LONDON LIFE 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					
Single premium business	12					
<b>Total</b>	<b>13</b>					

**Amount of new regular  
premiums**

Direct insurance business	21	3	30		34	34
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>3</b>	<b>30</b>		<b>34</b>	<b>34</b>

**Amount of new single  
premiums**

Direct insurance business	25		657		657	414
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>		<b>657</b>		<b>657</b>	<b>414</b>





**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **LONDON LIFE 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					
Approved fixed interest securities	12	185891	185891	8503	4.22	
Other fixed interest securities	13	166184	166184	9836	5.30	
Variable interest securities	14	183777	183777	2631	2.18	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	281692	281692	2414	0.86	
<b>Total</b>	<b>19</b>	<b>817544</b>	<b>817544</b>	<b>23384</b>	<b>2.82</b>	

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

Land and buildings	21		45203	498	1.10	
Approved fixed interest securities	22	526755	531559	22829	2.54	2.07
Other fixed interest securities	23	196409	201913	12351	5.81	0.05
Variable interest securities	24	382722	346180	17868	5.44	
UK listed equity shares	25		15351	502	3.27	
Non-UK listed equity shares	26		2196	51	2.32	
Unlisted equity shares	27	5162	1526	60	3.95	
Other assets	28	359496	326616	32	1.94	0.55
<b>Total</b>	<b>29</b>	<b>1470544</b>	<b>1470544</b>	<b>54191</b>	<b>3.50</b>	<b>0.88</b>

**Overall return on with-profits assets**

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

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **12 Life Non Profit**  
 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	22970	22970	1090	3.76	
Other fixed interest securities	13	28571	28571	1811	4.63	
Variable interest securities	14	3419	3419	149	3.47	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	8968	8968	54	0.60	
<b>Total</b>	<b>19</b>	<b>63928</b>	<b>63928</b>	<b>3104</b>	<b>3.69</b>	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
<b>Total</b>	<b>29</b>					

**Overall return on with-profits assets**

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

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **13 Pension Non Profit**  
 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	162921	162921	7413	4.29	
Other fixed interest securities	13	137613	137613	8025	5.44	
Variable interest securities	14	180359	180359	2481	2.16	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	272724	272724	2360	0.87	
<b>Total</b>	<b>19</b>	<b>753616</b>	<b>753616</b>	<b>20280</b>	<b>2.75</b>	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
<b>Total</b>	<b>29</b>					

**Overall return on with-profits assets**

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



**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **15 With Profit 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				
Other fixed interest securities	13				
Variable interest securities	14				
UK listed equity shares	15				
Non-UK listed equity shares	16				
Unlisted equity shares	17				
Other assets	18				
<b>Total</b>	<b>19</b>				

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

Land and buildings	21		45203	498	1.10	
Approved fixed interest securities	22	526755	531559	22829	2.54	2.07
Other fixed interest securities	23	196409	201913	12351	5.81	0.05
Variable interest securities	24	382722	346180	17868	5.44	
UK listed equity shares	25		15351	502	3.27	
Non-UK listed equity shares	26		2196	51	2.32	
Unlisted equity shares	27	5162	1526	60	3.95	
Other assets	28	359496	326616	32	1.94	0.55
<b>Total</b>	<b>29</b>	<b>1470544</b>	<b>1470544</b>	<b>54191</b>	<b>3.50</b>	<b>0.88</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					5.40
Return allocated to non taxable 'asset shares'	32					4.30
Return allocated to taxable 'asset shares'	33					6.96

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **LONDON LIFE 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
<b>UK Government approved fixed interest securities</b>	<b>11</b>	519529	7.35	2.53	2.53
<b>Other approved fixed interest securities</b>	<b>21</b>	174950	11.77	4.19	4.18
<b>Other fixed interest securities</b>					
AAA/Aaa	31	36718	12.99	4.40	4.26
AA/Aa	32	55402	10.92	5.33	4.89
A/A	33	150509	8.92	5.45	4.83
BBB/Baa	34	70279	9.34	6.25	5.09
BB/Ba	35	12191	6.88	9.90	7.97
B/B	36	13293	4.61	5.78	0.53
CCC/Caa	37	48	38.35	3.82	
Other (including unrated)	38	1086	27.72	7.74	
<b>Total other fixed interest securities</b>	<b>39</b>	339526	9.60	5.66	4.76
<b>Approved variable interest securities</b>	<b>41</b>	59150	7.77	3.08	3.08
<b>Other variable interest securities</b>	<b>51</b>	467389	2.83	4.47	4.18
<b>Total (11+21+39+41+51)</b>	<b>61</b>	1560545	7.00	4.00	3.71

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **13 Pension Non Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	32788	15.56	4.17	4.17

<b>Other approved fixed interest securities</b>	<b>21</b>	130133	12.66	4.32	4.30
---	-----------	--------	-------	------	------

**Other fixed interest securities**

AAA/Aaa	31	19271	16.24	4.48	4.33
AA/Aa	32	13583	11.81	5.29	4.83
A/A	33	59247	9.00	5.28	4.69
BBB/Baa	34	27046	8.47	5.55	4.44
BB/Ba	35	5172	5.17	9.77	7.08
B/B	36	13293	4.61	5.78	0.53
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	137613	9.62	5.44	4.29

<b>Approved variable interest securities</b>	<b>41</b>	59150	7.77	3.08	3.08
--	-----------	-------	------	------	------

<b>Other variable interest securities</b>	<b>51</b>	121208	5.27	1.71	1.40
---	-----------	--------	------	------	------

<b>Total (11+21+39+41+51)</b>	<b>61</b>	480893	9.52	3.82	3.41
-------------------------------	-----------	--------	------	------	------

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **LONDON LIFE LIMITED**  
 Category of assets **15 With Profit Fund**  
 Financial year ended **31 December 2010**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	486741	6.79	2.42	2.42

<b>Other approved fixed interest securities</b>	<b>21</b>	44817	9.19	3.84	3.81
---	-----------	-------	------	------	------

**Other fixed interest securities**

AAA/Aaa	31	17447	9.40	4.31	4.19
AA/Aa	32	41819	10.63	5.34	4.91
A/A	33	91262	8.87	5.56	4.92
BBB/Baa	34	43233	9.89	6.69	5.49
BB/Ba	35	7019	8.15	9.99	8.62
B/B	36				
CCC/Caa	37	48	38.35	3.82	
Other (including unrated)	38	1086	27.72	7.74	
<b>Total other fixed interest securities</b>	<b>39</b>	201913	9.58	5.81	5.08

<b>Approved variable interest securities</b>	<b>41</b>				
--	-----------	--	--	--	--

<b>Other variable interest securities</b>	<b>51</b>	346180	1.98	5.44	5.16
---	-----------	--------	------	------	------

<b>Total (11+21+39+41+51)</b>	<b>61</b>	1079652	5.87	4.08	3.85
-------------------------------	-----------	---------	------	------	------

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE 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	284635	600010		884646	878641
Form 51 - non-profit	12	54350	655914		710264	682427
Form 52	13	6612	9608		16220	17343
Form 53 - linked	14	25006	324161		349166	332614
Form 53 - non-linked	15	281	5200		5481	5686
Form 54 - linked	16	253	58341		58594	54745
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>371137</b>	<b>1653234</b>		<b>2024370</b>	<b>1971456</b>

**Reinsurance - external**

Form 51 - with-profits	21	9717	8		9725	9545
Form 51 - non-profit	22	835	101		936	966
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>10552</b>	<b>109</b>		<b>10661</b>	<b>10511</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31		69716		69716	66714
Form 51 - non-profit	32	4000	485327		489327	479753
Form 52	33					
Form 53 - linked	34	13010			13010	12842
Form 53 - non-linked	35	30			30	17
Form 54 - linked	36		54727		54727	51183
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>17040</b>	<b>609770</b>		<b>626810</b>	<b>610509</b>

**Net of reinsurance**

Form 51 - with-profits	41	274918	530286		805204	802383
Form 51 - non-profit	42	49515	170486		220001	201708
Form 52	43	6612	9608		16220	17343
Form 53 - linked	44	11995	324161		336156	319771
Form 53 - non-linked	45	251	5200		5450	5669
Form 54 - linked	46	253	3614		3867	3562
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>343544</b>	<b>1043354</b>		<b>1386899</b>	<b>1350436</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 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	284635		284635	291837
Form 51 - non-profit	12				
Form 52	13	6612		6612	6950
Form 53 - linked	14				
Form 53 - non-linked	15	30		30	17
Form 54 - linked	16				
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	<b>291278</b>		<b>291278</b>	<b>298804</b>

**Reinsurance - external**

Form 51 - with-profits	21	9717		9717	9537
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>9717</b>		<b>9717</b>	<b>9537</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35	30		30	17
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	<b>30</b>		<b>30</b>	<b>17</b>

**Net of reinsurance**

Form 51 - with-profits	41	274918		274918	282300
Form 51 - non-profit	42				
Form 52	43	6612		6612	6950
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	<b>281530</b>		<b>281530</b>	<b>289249</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 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		600010		600010	586804
Form 51 - non-profit	12		2809		2809	3050
Form 52	13		9608		9608	10393
Form 53 - linked	14					
Form 53 - non-linked	15		4729		4729	4955
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>		<b>617156</b>		<b>617156</b>	<b>605202</b>

**Reinsurance - external**

Form 51 - with-profits	21		8		8	7
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>		<b>8</b>		<b>8</b>	<b>7</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31		69716		69716	66714
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>		<b>69716</b>		<b>69716</b>	<b>66714</b>

**Net of reinsurance**

Form 51 - with-profits	41		530286		530286	520083
Form 51 - non-profit	42		2809		2809	3050
Form 52	43		9608		9608	10393
Form 53 - linked	44					
Form 53 - non-linked	45		4729		4729	4955
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>		<b>547432</b>		<b>547432</b>	<b>538481</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 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	54350		54350	54825
Form 52	13				
Form 53 - linked	14	25006		25006	25160
Form 53 - non-linked	15	251		251	198
Form 54 - linked	16	253		253	177
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>	<b>79859</b>		<b>79859</b>	<b>80360</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	835		835	859
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>835</b>		<b>835</b>	<b>859</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32	4000		4000	4000
Form 52	33				
Form 53 - linked	34	13010		13010	12842
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>	<b>17010</b>		<b>17010</b>	<b>16842</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	49515		49515	49965
Form 52	43				
Form 53 - linked	44	11995		11995	12318
Form 53 - non-linked	45	251		251	198
Form 54 - linked	46	253		253	177
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>	<b>62014</b>		<b>62014</b>	<b>62658</b>



**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 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		653105	653105	624553
Form 52	13				
Form 53 - linked	14		324161	324161	307454
Form 53 - non-linked	15		471	471	516
Form 54 - linked	16		58341	58341	54568
Form 54 - non-linked	17				
<b>Total</b>	<b>18</b>		<b>1036078</b>	<b>1036078</b>	<b>987091</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22		101	101	107
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>		<b>101</b>	<b>101</b>	<b>107</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		485327	485327	475753
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		54727	54727	51183
Form 54 - non-linked	37				
<b>Total</b>	<b>38</b>		<b>540054</b>	<b>540054</b>	<b>526936</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42		167677	167677	148693
Form 52	43				
Form 53 - linked	44		324161	324161	307454
Form 53 - non-linked	45		471	471	516
Form 54 - linked	46		3614	3614	3385
Form 54 - non-linked	47				
<b>Total</b>	<b>48</b>		<b>495923</b>	<b>495923</b>	<b>460048</b>























































## Long-term insurance business: Analysis of valuation interest rate

Name of insurer **LONDON LIFE LIMITED**Subfund **Pension With Profit**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
UKP WP code 155 / 185	83853	1.90	1.90	2.21
UKP WP code 155 / 165 / 175 / 200 / 205	249062	4.60	4.60	4.93
UKP WP code 165	11633	4.85	4.85	5.57
UKP WP code 200	318	4.50	4.50	5.18
UKP WP code 200	63623	5.65	5.65	6.64
UKP WP code 155 / 165 / 205	88398	4.30	4.30	4.59
UKP NP code 400 / 435	2809	4.60	4.60	4.92
UKP WP code 525	9860	2.95	2.95	3.41
UKP WP code 725 / 210	39287	3.40	3.40	3.74
<b>Total</b>	<b>548843</b>			

**Long-term insurance business: Analysis of valuation interest rate**

Name of insurer **LONDON LIFE LIMITED**

Subfund **Pension Non Profit**

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
UKP NP code 300/325/330/390/410/440	89263	4.10	4.10	4.21
UKP NP code 400	78414	4.32	4.32	4.43
UKP NP code 745/725	471	3.40	3.40	3.52
<b>Total</b>	168148			

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

Name of insurer **LONDON LIFE 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	1442784	1411335
Bonus payments in anticipation of a surplus	12	2774	3656
Transfer to non-technical account	13	503	588
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1446061	1415579
Mathematical reserves	21	1386901	1350438
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	59160	65141

**Composition of surplus**

Balance brought forward	31	59259	49902
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(99)	15239
Total	39	59160	65141

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	2774	3656
Cash bonuses	42	191	184
Reversionary bonuses	43	1564	1454
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	4529	5294
Net transfer out of fund / part of fund	47	503	588
Total distributed surplus (46+47)	48	5032	5882
Surplus carried forward	49	54128	59259
Total (48+49)	59	59160	65141

**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 **LONDON LIFE LIMITED**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	320004	329854
Bonus payments in anticipation of a surplus	12	884	1756
Transfer to non-technical account	13	137	233
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	321025	331842
Mathematical reserves	21	281531	289250
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	39494	42592

**Composition of surplus**

Balance brought forward	31	40259	28901
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(765)	13692
Total	39	39494	42593

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	884	1756
Cash bonuses	42	191	184
Reversionary bonuses	43	154	161
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	1229	2102
Net transfer out of fund / part of fund	47	137	233
Total distributed surplus (46+47)	48	1366	2334
Surplus carried forward	49	38128	40259
Total (48+49)	59	39494	42593

**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 **LONDON LIFE LIMITED**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	551427	542824
Bonus payments in anticipation of a surplus	12	1890	1900
Transfer to non-technical account	13	366	355
Transfer to other funds / parts of funds	14		24782
Subtotal (11 to 14)	15	553683	569861
Mathematical reserves	21	547433	538481
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6250	31380

**Composition of surplus**

Balance brought forward	31	3050	2585
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	3200	28795
Total	39	6250	31380

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	1890	1900
Cash bonuses	42		
Reversionary bonuses	43	1410	1293
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	3300	3193
Net transfer out of fund / part of fund	47	366	25137
Total distributed surplus (46+47)	48	3666	28330
Surplus carried forward	49	2584	3050
Total (48+49)	59	6250	31380

**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 **LONDON LIFE LIMITED**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	66014	66659
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	66014	66659
Mathematical reserves	21	62014	62659
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	4000	4000

**Composition of surplus**

Balance brought forward	31	4000	4401
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		13600
Surplus arising since the last valuation	34		(14001)
Total	39	4000	4000

**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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	4000	4000
Total (48+49)	59	4000	4000

**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 **LONDON LIFE LIMITED**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31 December 2010**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	505339	471998
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	505339	471998
Mathematical reserves	21	495923	460048
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	9416	11950

**Composition of surplus**

Balance brought forward	31	11950	14015
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		11182
Surplus arising since the last valuation	34	(2534)	(13247)
Total	39	9416	11950

**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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	9416	11950
Total (48+49)	59	9416	11950

**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 LONDON LIFE LIMITED  
 Original insurer LONDON LIFE 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	5106		n/a	CWP	No	5106
Endowment assurance	15	9129		n/a	CWP	No	9129
Endowment assurance	20	15103		n/a	CWP	No	15103
Endowment assurance	25	25877		n/a	CWP	No	25877
Regular premium pension	5	n/a	n/a	n/a	n/a	No	n/a
Regular premium pension	10	28832	1421	n/a	UWP	No	28832
Regular premium pension	15	45352	1897	n/a	UWP	No	45352
Regular premium pension	20	73359	8945	n/a	CWP	No	73359
Single premium pension	5	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	10	13269		n/a	UWP	No	13269
Single premium pension	15	18886	2177	n/a	UWP	No	18886
Single premium pension	20	31420	8652	n/a	CWP	No	31420

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

Name of insurer LONDON LIFE LIMITED  
 Original insurer LONDON LIFE LIMITED  
 Date of surrender value 01 March 2011

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	No	n/a
Endowment assurance	10	3561	n/a	n/a	CWP	No	13657
Endowment assurance	15	8546	n/a	n/a	CWP	No	15772
Endowment assurance	20	13768	n/a	n/a	CWP	No	18905
With-profits bond	2	n/a	n/a	n/a	n/a	No	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	No	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	No	n/a
With-profits bond	10	11013	n/a	n/a	UWP	Yes	11971
Single premium pension	2	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	10	11248	n/a	n/a	UWP	Yes	12226

## Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer LONDON LIFE LIMITED  
 Original insurer AMP UK  
 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	n/a	n/a	n/a	n/a	No	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	No	n/a
Endowment assurance	20	17767	n/a	n/a	CWP	No	17767
Endowment assurance	25	29071	n/a	n/a	CWP	No	29071
Regular premium pension	5	n/a	n/a	n/a	n/a	No	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	No	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	No	n/a
Regular premium pension	20	79690	n/a	n/a	CWP	No	79690
Single premium pension	5	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	No	n/a
Single premium pension	20	34292	n/a	n/a	CWP	No	34292

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

Name of insurer LONDON LIFE LIMITED  
 Original insurer AMP UK  
 Date of surrender value 01 March 2011

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	14794	0	n/a	CWP	n/a	22783
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

**Long-term insurance capital requirement**Name of insurer **LONDON LIFE 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%				
Classes I (other), II and IX	12	0.1%	94918		69	75
Classes I (other), II and IX	13	0.15%	978	0.73	1	38
Classes I (other), II and IX	14	0.3%	348645	323638	761	936
Classes III, VII and VIII	15	0.3%				
<b>Total</b>	<b>16</b>		<b>444541</b>	<b>323638</b>	<b>832</b>	<b>1049</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				48	48
--	----	--	--	--	----	----

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	1534041	931174	0.85	13039
Classes III, VII and VIII (investment risk)	33	1%	19199	18615	0.97	186
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	31076	27577	0.89	276
Classes III, VII and VIII (other)	35	25%				125
Class IV (other)	36	1%	3387	2823	0.85	29
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>13655</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	1534041	931174	0.85	39118
Classes III, VII and VIII (investment risk)	43	3%	19199	18615	0.97	558
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	31076	27577		
Classes III, VII and VIII (other)	45	0%	304372	295415		
Class IV (other)	46	3%	3387	2823	0.85	86
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>1892075</b>	<b>1275603</b>		<b>39763</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>54297</b>
						<b>54982</b>

## **Returns under the Accounts and Statements Rules**

### **Supplementary Notes**

#### **London Life Limited**

##### **Global business**

**Financial year ended 31 December 2010**

### **Appendix 9.1**

#### **\*0000\* Scheme of transfer**

On 3 September 1997 the High Court sanctioned a scheme of transfer under Schedule 2C and section 49 of the Insurance Companies Act 1982. This had the effect of transferring the assets and liabilities of the United Kingdom business of Australian Mutual Provident Society to London Life Limited (formerly London Life Managed Funds Limited). The transfer date was 1.01pm on 31 December 1997.

Associated with the scheme of transfer was the provision of a contingent loan from London Life Holdings Limited to the Life Non-Profit Fund (£16,000,000), the Pension Non-Profit Fund (£69,000,000) and the Pension With-Profits Fund (£114,000,000). On 23 December 2004, the contingent loan advanced on 31 December 1997 was terminated by repayment of the outstanding principal of £199m together with capitalised interest of £87m. At the same time a new contingent loan was advanced of £286m.

On 24 November 2006 the rights and benefits under the contingent loan agreement between the Company and London Life Holdings Limited were assigned to Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited). On 31 December 2006, the contingent loan was repaid to Pearl Group Holdings (No. 2) Limited and on the same date Pearl Group Holdings (No. 2) Limited advanced a new contingent loan on identical terms, except for the extension to the interest moratorium for a further three years to cover the period 1 January 2007 to 31 December 2009. During 2010, the moratorium was further extended until 31 December 2013. No interest is due during this period.

The contingent loan is not repayable for a minimum of five years and is only repayable at that point if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund loan amounts and solvency requirements. The contingency was not satisfied at 31 December 2010. No interest has been accrued on the current loan for the period 1 January 2007 to 31 December 2010.

#### **\*0201\* Modification to 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 November 2007. 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 FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in April 2009. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R (1) if control is exercised by, or on behalf of, HM Treasury.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31 December 2010**

**Appendix 9.1 (continued)**

**\*0301\* Reconciliation of net admissible assets to total capital resources after deduction**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net admissible assets</b>		
Form 13 line 89 (other than long term business)	172,047	164,925
Form 13 line 89 (long term business)	2,628,110	2,702,234
Less Form 14 Line 71	(2,573,982)	(2,642,975)
Less Form 15 Line 69	(1,726)	(2,394)
	<hr/>	<hr/>
Net admissible assets	224,449	221,790
Contingent loan included in Form 3 Line 46 and Form 14 Line 11	113,052	65,758
	<hr/>	<hr/>
Total capital resources after deductions	337,501	287,548
	<hr/>	<hr/>

**\*0302\* Instruments issued by the long term insurance fund included in capital resources**

Included within capital resources is £113,052,000 (2009: £65,758,000) of contingent loan from Pearl Group Holdings (No. 2) Limited.

**\*0306\* Financial reinsurance - ceded**

The insurer has entered into a Surplus Relief Reassurance Agreement with Pearl Assurance plc. Under this arrangement Pearl Assurance plc agreed to accept risk in respect of all the long-term business other than business of the "Life With-Profits Fund".

The maximum liability reinsured is the lower of an amount specified in the Agreement and the outstanding amount of the contingent loan (but only to the extent that the contingent loan has not been written down in the accounts of London Life Limited).

The amount of the financial reinsurance ceded is £16,000,000 (2009: £19,000,000), against contingent liability recognised in Form 14 of £113,052,000 (2009: £65,758,000). Consequently Form 3 line 92 reports a balance of £16,000,000 (2009: £19,000,000).

Further details are disclosed in paragraph 9 of the "Abstract of valuation report".

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.1 (continued)

#### \*0308\* Adjustment for Contingent loans

On 23 December 2004, a contingent loan was provided by London Life Holdings Limited to the "Pension Non-Profit", "Life Non-Profit" and "Pension With-Profits" sub funds of the insurer's long-term business fund. On 24 November 2006 rights and benefits under the contingent loan agreement between the Company and London Life Holdings Limited were assigned to Pearl Group Holdings (No. 2) Limited. On 31 December 2006, the contingent loan was repaid in full to Pearl Group Holdings (No. 2) Limited and on the same date Pearl Group Holdings (No. 2) Limited advanced a new contingent loan. The purpose of the loan is to cover the shortfall arising as a result of prudential reserves for guaranteed benefits under the relevant policies, which is expected to disappear over time. The contingent loan is only repayable if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund amounts and solvency requirements. No interest accrued on the current loan for the period from 1 January 2007 to 31 December 2010.

At the financial year ended 31 December 2010, the total amount of contingent loan is £286,088,000 (2009: £286,088,000), however the amount still to be repaid from future profits under the arrangements as at 31 December 2010, not already recognised in Form 14 is £67,071,000 (2008: £57,817,000).

#### \*0310\* Net Valuation differences shown in Form 3 Line 14

	2010	2009
	£'000	£'000
<b>Positive valuation differences in respect of liabilities</b>		
Contingent loan valuation difference	67,071	57,817
Onerous contracts provision	-	2,253
Loss making contracts provision	50	-
Actuarial valuation difference:		
With Profits – IFRS to Peak 1 liabilities	-	7,177
Deferred tax liability	1,813	-
	<u>68,934</u>	<u>67,247</u>
<b>Negative valuation differences in respect of liabilities</b>		
Actuarial valuation difference:		
With Profits – IFRS to Peak 1 liabilities	(3,529)	-
Pension Non Profit – IFRS to Peak 1 liabilities	(5,865)	(759)
Life Non Profit – IFRS to Peak 1 liabilities	(252)	(138)
Provision for reasonably foreseeable adverse variations	(2,398)	(4,100)
	<u>(12,044)</u>	<u>(4,997)</u>
<b>Net valuation difference</b>	<u>56,890</u>	<u>62,250</u>



**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31 December 2010**

**Appendix 9.1 (continued)**

**\*0313\* Reconciliation of profit and loss account and other reserves**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Profit and loss account and other reserves at 1 January - Form 3 line 12	184,396	172,769
Profit retained for the financial year - Form 16 line 59	6,107	11,627
	<hr/>	<hr/>
	190,503	184,396
PVIF Revaluation	(767)	-
	<hr/>	<hr/>
Profit and loss account and other reserves at 31 December - Form 3 line 12	189,736	184,396
	<hr/> <hr/>	<hr/> <hr/>

**\*1100\* Calculation of Long-term insurance capital requirement – premiums amount and brought forward amount**

Form 11, calculation of long-term insurance business capital requirement – premiums amount and brought forward amount, has not been included in the return as the Company satisfies the de-minimis limit.

**\*1200\* Calculation of Long-term insurance capital requirement – claims amount and result**

Form 12, calculation of long-term insurance business capital requirement – claims amount and result, has not been included in the return as the Company satisfies the de-minimis limit.

**\*1301\* Unlisted and listed investments**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Listed investments valued in accordance with the rules in GENPRU 1.3 which are not readily realisable	-	23,253
	<hr/>	<hr/>
	-	23,253
	<hr/> <hr/>	<hr/> <hr/>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 43, 46 or 48 of Form 13 Total other than long term business insurance assets.

## **Returns under the Accounts and Statements Rules**

### **Supplementary Notes**

#### **London Life Limited**

#### **Global business**

**Financial year ended 31 December 2010**

### **Appendix 9.1 (continued)**

#### **\*1304\* & \*1310\* Set off**

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.

Interfund balances, which exist between the shareholders' fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

#### **\*1319\* Counterparty limits**

- a) The investment guidelines operated by the Company limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits are set out in the market and counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
  - Strategic investment opportunities, where, in order to achieve target asset mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for longer term, modifications may be sought.
  - Loans to other companies in the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- c) There were no breaches of these limits during the financial year.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31 December 2010**

**Appendix 9.1 (continued)**

**\*1308\* Unlisted and listed investments**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	91,639	87,694
Listed investments valued in accordance with the rules in GENPRU 1.3 which are not readily realisable	60,763	190,196
Units or other beneficial interests in collective investment schemes, as specified	81,223	4,073
	<hr/>	<hr/>
	233,625	281,963
	<hr/>	<hr/>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 43, 46 or 48 of Form 13 Total long term business insurance assets. Units or other beneficial interests in collective investment schemes are as specified in instruction 5 to Form 13.

**\*1309\* Hybrid securities**

The aggregate value of these investments falling within lines 46 or 48 of Form 13 Total long term business insurance assets which are hybrid securities is £142.7 million (2009: £61.6 million).

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

Included within line 101 of Form 13 for each sub fund are:

<u>2010</u>	Other than long term	Life non Profit	Pension non profit	With profits
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Assets backing linked liabilities	-	(265)	-	-
	<hr/>			

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

\*1318\* Other asset adjustments (continued)

<u>2009</u>	Other than long term	Life non Profit	Pension non profit	With profits
	£'000	£'000	£'000	£'000
Gross up of sub fund other creditors	(1)	(275)	(1,531)	-
Gross up of sub fund tax balances	-	-	-	(15,026)
	(1)	(275)	(1,531)	(15,026)

\*1401\* & \*1501\* Provision for reasonably foreseeable adverse variations

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid (with a lock up period of greater than one year) or is valued using an internal model.

These assets are subject to the rules set out in GENPR 1.3.30R and GENPRU 1.3.33R. In assessing the need for a provision the following assumptions have been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times. A provision is established for less liquid positions.
- Opal assets are collateralised and the assets and liabilities are matched. Opal assets are regularly assessed to ensure that there is sufficient liquidity within the funds to meet its obligations therefore no further adjustments are considered necessary for Opal assets.

A provision of £2.4m has been established in relation to the insurers Stock Lending activities where there is an identified difference in the maturity profile of the collateral liabilities and the reinvested collateral assets. The provision on this activity is based on the probability of not being able to renegotiate 10% of the collateral liabilities when they become due and is calculated as the cost of borrowing to cover the 10% shortfall at the Groups cost of borrowing rate.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.1 (continued)

#### \*1402\* Liabilities

- a) Effective from 1 January 2007, the pension annuity in payment liabilities of the Company were reassured to Opal Reassurance Ltd. A premium of £559m was payable by the Company but has been withheld and placed in a collateral account in order to mitigate counterparty exposure. The Company has therefore retained legal ownership of all assets and will continue to hold these assets on its balance sheet. Opal Reassurance Ltd has a fixed charge over the assets.

The aggregate value of assets subject to the charge Form 13 Total long term insurance business assets and Summary Form 14 are:

	2010 £000	2009 £000
<u>Form 13</u>		
Line 28 – Other group undertakings - Debts and loans	17,545	17,545
Line 41 – Equity shares	-	-
Line 43 – Holdings in collective investment schemes	194,245	198,545
Line 44 – Rights under derivative contracts	33,004	19,614
Line 45 – Approved fixed interest securities	55,890	39,307
Line 46 – Other fixed interest securities	84,432	93,973
Line 47 – Approved variable interest securities	56,418	-
Line 48 – Other variable interest securities	115,176	105,127
Line 58 – Assets held to match liabilities – Index linked	-	51,183
Line 78 – Other debtors – due in 12 months or less	2,608	2,410
Line 81 – Cash in hand	1,287	1,033
Line 84 – Accrued interest and rent	6,416	3,391
<u>Less Form 14</u>		
Line 38 – Creditors – Other	32,610	20,456
 Total	 534,411	 511,672

- b) There is no potential liability to taxation on capital gains for the long term insurance business fund and the other than long term insurance business fund if the insurer disposed of its assets.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31 December 2010**

**Appendix 9.1 (continued)**

**\*1402\* Liabilities (continued)**

c) (i) Pensions Transfer and Opt-Outs

In common with other life insurers in the United Kingdom that have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the Pension Non-Profit Fund of the long term insurance business fund. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. There is no provision for possible redress included in the mathematical reserves for Phase 1 cases (2009: £nil).

In addition, in 1999 the Financial Services Authority (FSA) and PIA issued guidelines on the next phase of the review and redress programme dealing with Phase 2 cases. In June 2000 the guidance on phase 2 transfers, less loss calculations was finalised. This guidance has been used to set the 2006 provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £8.7 million (2009: £7.8 million).

(ii) Contingent Liabilities

There are no other contingent liabilities not included in Form 14 or Form 15 apart from the contingent loans referred to in supplementary note 0308.

- d) There are no guarantees, indemnities or other contractual commitments, other than in the ordinary course of its insurance business, in respect of the existing or future liabilities of any related companies.
- e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the Company.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

\*1405\* Other adjustments to liabilities

Included within line 74 of Form 14 are:

<u>2010</u>	Total long term	Life with profits	Pension with profits	Life non profit	Pension non profit
	£'000	£'000	£'000	£'000	£'000
Difference between mathematical reserve and long term business provision	(122,701)	5,123	(43,213)	(19,871)	(64,740)
Contingent loan	180,123	32,231	46,188	27,598	74,106
Assets backing linked liabilities	(265)	-	-	(265)	-
Provision for loss making contracts	50	-	-	-	50
Stock lending provision for reasonably foreseeable adverse variations	(2,398)	(561)	(1,837)	-	-
	54,809	36,793	1,138	7,462	9,416

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2010

Appendix 9.1 (continued)

\*1405\* Other adjustments to liabilities (continued)

Included within line 74 of Form 14 are:

<u>2009</u>	Total long term £'000	Life with profits £'000	Pension with profits £'000	Life non profit £'000	Pension non profit £'000
Difference between mathematical reserve and long term business provision	(59,478)	21,722	(20,011)	(17,219)	(43,970)
Contingent loan	123,575	17,577	22,159	27,919	55,920
Onerous contracts provision	2,253	841	1,412	-	-
Stock lending provision for reasonably foreseeable adverse variations	(4,100)	(958)	(3,142)	-	-
Gross up of sub fund other creditors	-	-	-	(275)	(1,531)
Gross up of sub fund tax balances	-	(5,608)	(9,418)	-	-
Valuation difference on deposit received from reinsurer	2,714	-	-	-	2,714
	<b>64,964</b>	<b>33,574</b>	<b>(9,000)</b>	<b>10,425</b>	<b>13,133</b>



## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.1 (continued)

**\*1407\*** Separate Forms 14 for the with-profit sub-funds have been presented.

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

Included within line 83 of Form 15 are:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Gross up of sub fund other creditors	-	(1)

### **\*1601\* Basis of conversion of foreign currency**

Assets and liabilities denominated in a foreign currency are translated using the closing rate method. Exchange differences on opening net assets are dealt with in the profit and loss account.

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

A charge of £nil (2009: £16k) in respect of appointed actuary fees and customer compensation of £2k (2009: £nil) have been incurred during 2010. A refund of management fees of £nil (2009: £40k) has been received during 2010.

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

Our practice is to seek collateral for derivative asset positions from our counterparties as part of managing our overall credit risk. In line with IFRS accounting standards the cash held as collateral is reported on Form 13 line 43 and an equal liability in Form 14 line 38 rather than reducing the value shown on Form 13 line 44. This balance of £25,841k has in consequence not been reflected as 'Variation margin' in Form 17 Line 52. The split of this balance by fund is as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Pension Non Profit	14,351	8,768
With Profits	11,490	7,020
Total	25,841	15,788

### **\*4002\* Other income and expenditure**

Other expenditure in line 25 of £67,252,000 (2009: £27,933,000) represents the change in the collateral value of the assets of the deposit received under the reinsurance agreement with Opal Reassurance Ltd.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.3

#### \*4004\* Transfers of contracts

	2010 £'000	2009 £'000
<u>Business transfers into Revenue account</u>		
Pensions Non Profit	6,937	12,370
Life Non Profit	595	323
	<hr/> 7,532	<hr/> 12,693
<u>Business transfers out of Revenue account</u>		
Pensions With Profits	(33,567)	(39,028)
Life With Profits	(595)	(323)
	<hr/> (34,162)	<hr/> (39,351)

The business transfers between the funds consist of vesting annuities only. Included within business transfers out of the Pension With Profits fund are £26,630k of claims vesting in annuities written by Pearl Assurance plc. The vesting annuities have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively, but in business transfers in and business transfers out instead. As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47.

#### \*4006\* Apportionment to the long-term business funds

The insurer maintains a Life Non-Profit Fund, a Pension Non-Profit Fund, a Life With-Profits Fund and a Pension With-Profits Fund. Separate portfolios of investments are maintained for each non-profit fund and the combined with-profits fund. So, for the non-profit funds, the investment income and the increase or decrease in the value of the amounts brought directly into account are directly attributable to each fund. Assets and investment returns are allocated between the with-profits funds as determined by the actuarial function holder in accordance with the Principles of Financial Management which form Schedule 3 to the scheme of transfer which was approved by the High Court under Schedule 2C and section 49 of the Insurance Companies Act 1982.

Actual policyholder expenses are borne by the non-profit funds on a basis determined by the actuarial function holder after allowing for a proportion to be recovered from the with-profits fund. The administration expenses to be recovered from the with-profits funds are determined by a formula and other expenses, including investment management costs, are allocated to the with-profits funds on a basis approved by the actuarial function holder.

The with-profits funds are taxed as if each constituted the whole of the long term insurance business funds of a mutual life assurance company. The non-profit funds bear the whole of the charge for policyholders' taxation less amounts borne by the with-profits funds. The tax is apportioned between the two non-profit funds on a basis approved by the actuarial function holder.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.3 (continued)

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

Pearl Group Services Limited has provided management services to the insurer. Ignis Investment Management Limited, Ignis Asset Management Limited and Henderson Global Investors Limited have provided investment services during the financial year to the insurer.

State Street Bank and Trust Company have provided custody and accounting, securities lending, transition management and associated services for the Ignis managed assets of the insurer for the whole of the financial year.

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

A number of reinsurance contracts are in place between the Company and other group companies. All these contracts are entered into on "arms length" basis, details of which are listed in Appendix 9.4 Paragraph 9 of the Return.

#### \*4401\* Valuation of assets

Investments are stated at current value at the end of the financial year, calculated as follows:

- listed investments are stated at the bid market value
- short term deposits are included at cost
- other investments are shown at directors' estimates of market value

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

Other income consists of management fee rebates. There is no other expenditure for 2010.

#### \*4801\* Asset share

For the five separate blocks of business shown in the table below, the asset share mix is 5% more or less than the mix shown in Form 48 for at least one of the lines 21 to 28 of column 2. The bonus series are all those detailed in paragraph 10 of Appendix 9.4.

Asset	Active Block		Passive Block		UWP Block
	Excluding AMP	AMP	Cash Bonus	Pensions	
Gilts	44%	44%	34%	71%	24%
Corporates	19%	19%	16%	27%	13%
Property	18%	18%	0%	0%	5%
Equity	19%	0%	0%	0%	50%
Cash	0%	18%	50%	2%	3%
Other	0%	0%	0%	0%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.3 (continued)

#### \*4802\* Defaulted assets

The following assets have defaulted payments of interest and are included in the Pension Non-Profit Fund Form 48. Values are in £.

Asset	Market Value	Expected Income
Pinton Estates 11.25%	144,414	0

#### \*4803\* Assumed maturity dates

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets was £13m at the valuation date.

#### \*4804\* Asset yields

The yields for the assets contained within lines 18 of Form 48 are as follows:

Asset	Yield
Loans	6.91%
Other assets with income	0.76%
Other assets no income	0.00%

The yields for the assets contained within lines 28 of Form 48 are as follows:

Asset	Yield
Swaps	0.00%
Other assets with income	3.27%
Other assets no income	0.00%

#### \*4806\* Assets used to calculate investment returns in column 5 Form 48

The assets used to calculate column 5 of Form 48 are those shown for the passive (pensions) block of assets. The asset mix for these assets is shown in Note 4801.

#### \*4900\* Long-term insurance business: Fixed and variable interest assets

Form 49 Life Non Profit has not been included in the return as the Company satisfies the de-minimis limit as the fixed and variable interest securities do not exceed £100m.

#### \*4901\* Credit rating agency

The credit ratings used are those supplied by UBS rating agency.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31 December 2010

### Appendix 9.3 (continued)

#### \*5101\* Group scheme business

The following group schemes exist on Form 51:

Number of schemes	Product Code
0	175
1	185
39	410
1	420

#### \*5103\* Miscellaneous product codes

Policies assigned to product codes 205 and 435 do not meet the definitions of any other product codes.

#### \*5600\* Long-term insurance business: Index linked business

Form 56 has not been included in the return as the Company satisfies the de-minimis limit as the index-linked assets do not exceed £100m.

#### \*5700\* Long-term insurance business: analysis of valuation interest rate

Form 57 Life Non Profit has not been included in the return as the Company satisfies the de-minimis limit as the mathematical reserves for non-linked business do not exceed £100m.

#### \*5702\* Risk adjusted yield

The yields to which a risk adjustment was applied in accordance with INSPRU 3.1.35R as modified (supplementary note 0201) in order to arrive at column 5 of Form 57 are:

Product Group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets as per direction
UKP NP code 300/325/330 /390/410/440	4.19	0.02	4.21
UKP NP code 400	4.42	0.01	4.43
UKP NP code 725/745	3.52	0.00	3.52
UKP NP code 905	3.75	0.19	3.94

#### \*6001\* Insurance health risk and life protection reinsurance capital component

The Company has not provided Forms 11 and 12 as it has taken advantage of the de-minimis limits available (refer to supplementary notes 1100 and 1200). The value in Form 60 line 21 has therefore used the 2007 Form 60 line 21 value as an approximation as the PHI premiums and claims for 2010 are in line with 2007.

The gross annual office premium in force at the valuation date in respect of class IV business (permanent health) or supplementary accident and sickness insurance is £107,000 (2009: £127,000).

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31 December 2010**

**Appendix 9.3 (continued)**

**\*6002\* Net reserves**

The amount of £113.1m included in Form 14 in respect of the outstanding contingent loan, is excluded from net reserves on Form 60 since these represent reserves available to repay financing arrangements rather than policyholder liabilities and a long-term insurance capital requirement is not calculated for such reserves.

## Returns under the Accounts and Statements Rules

### Statement of additional information on derivative contracts required by rule 9.29

#### London Life Limited

#### Global Business

#### Financial year ended 31 December 2010

- (a) During the financial year the insurer operated an investment policy for the use and control of derivatives. This policy lists the approved derivative contracts and the approved uses of derivatives, establishes procedures for introducing new contracts or uses, identifies areas of risk, and establishes a control framework for dealing, settlement and independent monitoring and reporting of derivatives.

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management). In addition, the insurer uses derivatives to match liabilities to mitigate the effect of changes in market variables on its capital position.

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

The insurer controls market risks through the setting of exposure limits which are subject to detailed monitoring and review. Sophisticated risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

The insurer permits the purchase of partly paid shares, subject to the unpaid capital being covered by cash, and also convertible bonds as alternatives to investment in the underlying equities.

- (b) Subject to the investment principles described above, the investment policy permits the writing of contracts, under which the insurer has a right or an obligation to acquire or dispose of assets. The portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset, in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of derivatives that cannot be sufficiently well modelled using the Investment Manager's internal risk management systems without the prior approval of the senior management of the Investment Manager.

- (c) The company was not party to any such contracts of the kind described in (b) at any time during the financial year.
- (d) The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R or did not fall within the definition of a permitted derivative contract.
- (e) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £nil.

## **Returns under the Accounts and Statements Rules**

### **Statement of additional information on controllers required by rule 9.30**

#### **London Life Limited**

##### **Global Business**

##### **Financial year ended 31 December 2010**

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

- a) Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited);
- b) Phoenix Life Holdings Limited;
- c) PGH (LCA) Limited;
- d) PGH (LCB) Limited
- e) Phoenix Group Holdings (formerly Pearl Group);
- f) Xercise Limited;
- g) Xercise 2 Limited;
- h) Jambright Limited;
- i) TDR Capital Nominees Limited; and
- j) TDR Capital LLP

The persons who, to the knowledge of the insurer, were controllers at the end of the financial year were:

#### **1. Pearl Group Holdings (No. 2) Limited**

As at 31 December 2010, Pearl Group Holdings (No. 2) Limited owned 100% of the shares of London Life Limited and was able to exercise 100% of the voting power at any general meeting.

#### **2. Phoenix Life Holdings Limited**

As at 31 December 2010, Phoenix Life Holdings Limited owned 100% of the ordinary shares of Pearl Group Holdings (No. 2) Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

#### **3. PGH (LCA) Limited**

As at 31 December 2010, PGH (LCA) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **4. PGH (LCB) Limited**

As at 31 December 2010, PGH (LCB) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **5. Phoenix Group Holdings (formerly Pearl Group)**

As at 31 December 2010, Phoenix Group Holdings owned 100% of the ordinary shares of PGH (LCA) Limited and 100% of the ordinary shares of PGH (LCB) Limited, which between themselves own 100% of the ordinary shares of Phoenix Life Holdings Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power of PGH (LCA) Limited and 100% of the voting power of PGH (LCB) Limited at any general meeting.



## **Returns under the Accounts and Statements Rules**

### **Statement of additional information on controllers required by rule 9.30**

#### **London Life Limited**

##### **Global Business**

##### **Financial year ended 31 December 2010**

**(continued)**

#### **6. Xercise Limited**

As at 31 December 2010, Xercise Limited owned legal title to 13.2% of the share capital of Phoenix Group Holdings, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 13.2% of the voting power at any general meeting.

The beneficial interest in the Phoenix Group Holdings shares was transferred to Xercise2 Limited and its wholly owned subsidiaries on 4 October 2010.

#### **7. Xercise2 Limited**

On 4 October 2010, Xercise2 Limited, and its wholly owned subsidiaries acquired the beneficial interest in the Phoenix Group Holdings shares previously held by Xercise Limited.

As at the date of the submission of this return, it is understood that approval from the FSA for the application by Xercise2 Limited and its wholly owned subsidiaries to become a controller of London Life Limited is pending.

#### **8. Jambright Limited**

As at 31 December 2010, Jambright Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 2.6% of the share capital of Phoenix Group Holdings, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 2.6% of the voting power at any general meeting.

#### **9. TDR Capital Nominees Limited**

As at 31 December 2010, TDR Capital Nominees Limited owned 14.1% of the share capital of Phoenix Group Holdings, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 14.1% of the voting power at any general meeting.

#### **10. TDR Capital LLP**

As at 31 December 2010, TDR Capital Nominees Limited and Jambright Limited, which are associates of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being subsidiary undertakings of TDR Capital LLP, together owned 16.7% of the share capital of Phoenix Group Holdings, a company of which London Life Limited is a subsidiary undertaking, and were able to exercise 16.7% of the voting power at any general meeting.

## LONDON LIFE LIMITED

### APPENDIX 9.4

#### ABSTRACT OF VALUATION REPORT

##### Introduction

1. (1) The date to which the investigation relates is 31<sup>st</sup> December 2010.
- (2) The date to which the previous investigation under IPRU(INS) rule 9.4 related was 31<sup>st</sup> December 2009.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4).

##### Product range

2. There have been no significant changes to products during the financial year.

##### Discretionary charges and benefits

3. (1) Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of Entry	Period applied
Unitised With Profit Life	1998 – 2001 2005 – 2008	Throughout 2010
Unitised With Profit Pension	1998 – 2001 2005 – 2008	Throughout 2010

- (2) There have been no changes to premiums on reviewable protection policies during the financial year.
- (3) No policies have been sold in this category.
- (4) Policy fees on linked policies did not change on 1 January 2010, because the Retail Price Index declined from September 2008 to September 2009.
- (5) During the financial year, benefit charges remained unchanged on linked policies.
- (6) During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.
- (7) (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
  - (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders not taking part in a unit transaction are unaffected by that transaction.
  - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny, except for the

AMP (UK) business, on which the “bid price” is rounded to the higher tenth of a penny.

- (iii) The asset values of the internal linked funds are calculated on a “bid” basis as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and, in Life funds, allowances for tax on income and realised and unrealised capital gains.
  - (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made. This market adjustment is made automatically every day for business other than the AMP (UK) business.
- (b) During the financial year there were no times at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.
- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in equity funds are index-adjusted. There is no allowance for tax in the internal linked Pension funds.

The table below summarises the current tax rates used in the Life funds and the times at which the accruals are cleared.

<b>Fund Type</b>	<b>Realised Gains</b>	<b>Unrealised Gains</b>	<b>Realised Losses</b>	<b>Unrealised Losses</b>
Fixed Interest	20%	20%	20%	20%

Fixed Interest tax accruals are cleared at the end of each month.

Equity (Direct Holdings)	20%	19.5%	20%	19.5%
--------------------------	-----	-------	-----	-------

Equity (Direct Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are not cleared until the end of the month in which they become realised.

Equity (Collective Investment Scheme Holdings)	20%	19%	20%	19%
--	-----	-----	-----	-----

Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the “deemed disposal” regime. The tax rate used for this purpose at the end of 2010 was 19%.

The tax treatment of Life unit linked funds reinsured to the London Life Linked Assurances (LLLA) “sub-fund” of NPI Limited follows the tax treatment in that company.

NPI Limited applies the tax treatment described above for fixed interest funds, but its LLLA equity funds have accumulated capital losses. During the financial year no

deductions were made for tax on (index-adjusted) realised gains and no credit was given for realised losses in the equity funds.

(9) See (8) above

(10) The allowances made to the insurer on the holding of such units are not significant. The extent to which the policyholder benefits from them is such that the charges made to the policyholder are no greater than if the underlying investments were directly held.

#### **Valuation basis (other than for special reserves)**

4. (1) The general principles and methods adopted in the valuation are:

##### **NON-LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method, except for the classes of business mentioned below. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

A prospective method of valuation has not been used for the following non-linked contracts:

- For Group Life and Group Reversionary Assurance business, the liability was determined as the unexpired risk at the valuation date plus an allowance for expenses.
- For Deposit Administration business, the liability was determined as the accumulation, with earned interest, of the premiums, after providing for expense charges and the cost of any group life benefits.
- Certain miscellaneous policies for which approximate mathematical reserves of adequate amount have been made.

Specific modification has been made to the gross premium method for:

- Policies issued with an addition to the age for extra risks are valued at the increased age.

For conventional with-profits business, the amounts of benefit valued includes bonuses declared on or before 31 December 2010, which apply during the period 1<sup>st</sup> July 2010 to 30<sup>th</sup> June 2011 for traditional London Life Business and during the period 1<sup>st</sup> May 2010 to 31<sup>st</sup> April 2011 for former AMP(UK) Business.

For the Cash Bonus (Reduction of Premium) product group, the value of office premiums is decreased by the value of reductions, or cash allocations, on the assumption that the rates declared for the current bonus year will remain the same throughout the duration of the policies.

For unitised with-profits contracts a prospective valuation method is used. The liability is calculated as the capitalised value of benefits purchased to date, including existing annual bonuses. The valuation reserve is subject to a minimum of the bid value of the units in force at the valuation date.

## **Contingent Loan and Surplus Relief Reinsurance Agreement**

The Contingent Loans have been valued at the amounts shown on Form 51. The nature of the contingency is such as to ensure that the payment of interest or the repayment of principal beyond that shown in Form 51 will not give rise to any future valuation strain.

The value of the claims payable under the Surplus Relief Reinsurance Agreement has been determined for each sub-fund as the value of the liabilities (determined in accordance with the Prudential Sourcebook for Insurers) less the value of the realistic liabilities, subject to a maximum of the cover provided by the Agreement. This has been shown in respect of sample individual policy calculations to yield the same results as valuing the claims directly. The value of premiums has been determined as zero. This reflects the inter-linking of the Contingent Loan and the Surplus Relief Reinsurance Agreement whereby premiums are only payable if the Contingent Loan is written down. The Contingent Loan has not been written down but is recognised at less than full face value on Form 51 as a consequence of the contingency. Therefore no value of premiums is necessary.

## **INDEX LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method.

## **LINKED BUSINESS**

Mathematical reserves have been determined by valuing the units allocated to policies and adding a non-unit reserve for mortality and expenses.

The non-unit reserve is obtained on a discounted cashflow method. The amount of the non-unit reserve is the net present value of any yearly deficiencies of income over outgo less yearly surpluses of income over outgo, making no allowance for surrender/lapse but allowing for policies being made paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

## **Modifications to the Valuation Method**

For policies in which the benefits are expressed in terms of the values of Capital Units and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

The London Life Pension Unit Linked product group is written in the with profit fund and the unit reserve is reinsured into the Pension Non Profit Fund, where the funds' management charge arises and which prudently more than covers the related investment fees. The per-policy expenses arise in the with profit fund and there is no income to offset against these costs, thus the non-unit reserve is calculated without allowance for management fee income on the funds under management or for investment management fees on those funds.

For Investment Linked Managed Fund, Investment Linked Managed Pension Fund, and Investment Linked Guaranteed Pension Fund business, for which the contributions are applied in the purchase of units in an internal linked fund, the following method was used:

- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

(2) The following table sets out the rates of interest rate used for all product groups representing a significant amount of business:

Sub Fund	Product Group	2010	2009	Product Code
90:10 Life	Cash Bonus	1.85%	3.00%	100, 120
90:10 Life	Fund R Compound Bonus	1.95%	2.55%	100, 120, 335
90:10 Life	Unitised With Profit Life	2.40%	3.10%	505
90:10 Life	Fund T Compound Bonus	1.65%	2.20%	120, 165
90:10 Life	AMPUK Business	3.90%	4.20%	100, 120, 205
90:10 Pension	Pension Compound Bonus	4.60%	4.55%	155, 165
90:10 Pension	Unitised With Profit Pension	2.95%	3.30%	155
90:10 Pension	Fund W Deferred Simple Bonus	4.85%	5.20%	165
90:10 Pension	Fund W In Payment Simple Bonus	5.65%	5.75%	200
90:10 Pension	AMPUK Business	1.90%	3.00%	155
90:10 Pension	London Life Pension unit linked	3.40%	4.00%	725, 745
90:10 Pension	SPP With Profit Immediate Annuity	4.50%	4.62%	200
0:100 Life	Immediate annuities	3.20%	3.41%	395, 905
0:100 Life	Deferred annuities	3.09%	3.29%	390
0:100 Life	AMPUK Life unit linked	3.40%	3.00%	700, 715, 795
0:100 Pension	Level immediate annuities	4.32%	4.56%	400
0:100 Pension	Index-linked immediate annuities	3.84%	4.16%	905
0:100 Pension	AMPUK Pension unit linked	3.40%	3.70%	725, 745
0:100 Pension	Deferred Annuities	4.10%	4.35%	390

(3) For corporate bonds, a deduction is applied to the yield on an individual stock by stock basis to allow for the risk of default. The individual stock risk margins will be calculated as a long-term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average. The individual stock risk margins will be calculated by our investment managers in conjunction with the Asset Liability Management team.

The long term average default rates (in basis points) are:

<b>Rating</b>	<b>5 year</b>	<b>10 year</b>	<b>20 year</b>
AAASSR	0.0	0.0	0.0
AAA	4.3	12.3	15.2
AA	19.0	32.1	48.2
A	33.2	47.7	65.3
BBB	82.8	104.1	122.4
BB	261.3	277.3	287.2
B	591.7	524.7	442.5

A number of different techniques are then employed to arrive at an additional haircut, namely;

- For bank subordinated debt, a higher risk is proposed to be recognised by imposing a nil recovery rate on the above default rates. For banks that are in receipt of state aid, there is some additional deduction depending on whether the coupons can be missed or deferred without interest.
- Subordinated debt attracts hair cuts based on the senior rating of the issuer rather than the rating of the bond itself.
- Stocks were then 'notched' downwards where they consider the credit rating to be inappropriate (after analysis of the current market spread and other factors).

For the Peak 1 basis, additional prudence will be applied to all but the "already defaulted" stocks by increasing the risk margin deduction by 10%. This has been allowed for as a provision rather than as part of the modelled results.

For property the yield is determined at an aggregate level as the lower of the current rental yield and prospective rental yield and further restricted to be no more than 200 basis points above the 15-year gilt yield.

A small amount of equities are held in low yielding OEICs. No further adjustment for risk was made.

(4) Products representing a significant amount of business used the following mortality bases:

Sub Fund	Product Group	2010		2009		Product Code
		Male	Female	Male	Female	
90:10 Life	Cash Bonus	42% AM80	68% AF80	42% AM80	68% AF80	100,120
90:10 Life	Fund R Compound Bonus	51% AM80	84% AF80	51% AM80	84% AF80	100,120, 335
90:10 Life	Fund T Compound Bonus	70% AMC00	70% AFC00	70% AMC00	70% AFC00	120,165
90:10 Life	AMPUK Business	116% AMC00	107% AFC00	116% AMC00	107% AFC00	100,120, 205
90:10 Pensions	Pension Compound Bonus	70% AMC00	70% AFC00	70% AMC00	70% AFC00	155,165
90:10 Pensions	AMPUK Business	95% AMC00	95% AFC00	95% AMC00	95% AFC00	155
90:10 Pensions	Fund W Deferred (pre-vesting)	70% AMC00	70% AFC00	70% AMC00	70% AFC00	165
90:10 Pensions	Fund W Deferred (post-vesting)	90% CMI_2009_M [3.25% for ages up to 120]	83% CMI_2009_F [3.25% for ages up to 120]	PFA00 90% C2033 CMI_2009_M [3.25% for ages up to 120]	85% CMI_2009_F [3.25% for ages up to 120]	PFA00 165
90:10 Pensions	Fund W In Payment Simple Bonus	90% CMI_2009_M [3.25% for ages up to 120]	83% CMI_2009_F [3.25% for ages up to 120]	PMA00 90% C2029 CMI_2009_M [3.25% for ages up to 120]	85% CMI_2009_F [3.25% for ages up to 120]	PMA00 200
90:10 Pensions	SPP With Profit Immediate Annuity	90% CMI_2009_M [3.25% for ages up to 120]	83% CMI_2009_F [3.25% for ages up to 120]	PFA00 90% CMI_2009_M [3.25% for ages up to 120]	85% CMI_2009_F [3.25% for ages up to 120]	PFA00 200
90:10 Pensions	Unitised With Profit Pension	70% AMC00	70% AFC00	70% AMC00	70% AFC00	155





Notes:

1. Where appropriate, additional reserves for the extra mortality that may arise from AIDS have been established. These additional reserves are calculated assuming that the additional mortality will be 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party and apply to male lives only. The additional reserves calculated have all been included within the reserves for the relevant individual product lines.

For annuity contracts life expectation for males is as follows:

Sub Fund	Product Group	Annuities in		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10 Pensions	Fund W Deferred Annuities			28.0	26.4
90:10 Pensions	SPP With Profit Immediate Annuity	24.9	15.3		
90:10 Pensions	Fund W Immediate Annuity	24.9	15.3		
0:100 Life	Deferred Annuities			28.0	26.4
0:100 Life	Immediate Annuities	24.9	15.3		
0:100 Pensions	Deferred Annuities			28.0	26.4
0:100 Pensions	Immediate Annuities	24.9	15.3		

For annuity contracts life expectation for females is as follows:

Sub Fund	Product Group	Annuities in		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10 Pensions	Fund W Deferred Annuities			30.3	28.8
90:10 Pensions	SPP With Profit Immediate Annuity	27.3	17.3		
90:10 Pensions	Fund W Immediate Annuity	27.3	17.3		
0:100 Life	Deferred Annuities			30.3	28.8
0:100 Life	Immediate Annuities	27.3	17.3		
0:100 Pensions	Deferred Annuities			30.3	28.8
0:100 Pensions	Immediate Annuities	27.3	17.3		

- (5) There are no products representing a significant amount of business that use a morbidity basis.

(6) The expense bases are as follows:

### NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Sub fund	Product Group	2010 £pa	2009 £pa	Tax Relief	Product Code
90:10 Life	Conventional endowment with-profits OB savings (AMP Life) <sup>(2)</sup>	39.27	37.95	20%	120
90:10 Life	Conventional endowment with-profits OB savings (Fund P and Fund R) <sup>(2)</sup>	38.39	37.18	20%	120
90:10 Pension	Conventional pensions endowment with-profits	96.69	93.72	0%	155
90:10 Life	Conventional deferred annuity with- profits	38.39	37.18	20%	165
90:10 Pension	Conventional deferred annuity with- profits	43.34	42.02	0%	165
0:100 Pension	Annuity non-profit (CPA)	27.39	27.61	0%	400
90:10 Pension	Individual pensions UWP	96.69	93.72	0%	525
0:100 Pension	Level term assurance	13.64	13.75	0%	325
0:100 Pension	Decreasing term assurance	13.64	13.75	0%	330

Notes:

1. The expenses shown are per element rather than per contract.
2. These policies are not shown separately in FSA Form 51.

### LINKED BUSINESS

Sub fund	Product Group	Monetary Amount (£)		Product Code
		2010	2009	
90:10 Life	Life property linked	42.37	40.48	700
0:100 Life	Life property linked endowment	30.69	31.02	715
90:10 Pension	Individual pension property linked	96.69	93.72	725
0:100 Pension	Individual pension property linked	30.69	31.02	725
0:100 Pension	Group money purchase pension property linked	30.69	31.02	735

### LINKED AND NON-LINKED BUSINESS

#### Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates (but see note 1 below for unit linked business). These expenses have been updated to allow for the impact of a new investment fee scale agreed with the asset manager. The table below sets out the basis point reductions applied:

Sub fund	Product Groups	2010	2009
		bps	bps
90:10	All	17	29
0:100 Life	All conventional business	15	18
0:100 Life	All unit linked business <sup>(1)</sup>	80	77
0:100 Pensions	All conventional business	13	16
0:100 Pensions	All unit linked business <sup>(1)</sup>	39	40

Note:

1. These expenses are allowed for explicitly in calculating future cash flows.

There has been a change in fees payable to Ignis Asset Management Ltd for the management of assets. This includes a change to investment expenses and an additional services fee. For the previous valuation a 5 bps ALM fee and a 4 bps oversight fee (in respect of assets managed by Henderson Global Investors (HGI)) were included in the assumptions. These have been removed from the investment expense assumption at 31 December 2010 and are held as a separate provision of £1.8m.

Furthermore, a performance fee overlay has been introduced which works to reward Ignis Asset Management Ltd for over-performance but applies a penalty on under-performance. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

## (7) LINKED BUSINESS

Unit growth rates, before allowance for tax relief and management charges, were as follows:

Product Group	Gross Unit Growth rate (% p.a.)	
	2010	2009
AMPUK Unit Linked Pension	4.7%	4.9%
AMPUK Unit Linked Life	4.7%	4.9%
London Life Pension unit linked	n/a	n/a

## LINKED AND NON-LINKED BUSINESS

### Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		2010	2009
90:10	Expense inflation	3.4%	3.5%
0:100	Expense inflation	4.1%	4.2%
All	Policy fee inflation	2.5%	3.5%

- (8) As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for SPP With Profit Immediate annuities where allowance is made for the guaranteed annual bonus.

**(9) Surrender/Lapse Rates**

No allowance is made for surrender and lapse rates other than for Guaranteed Annuity Options.

**Paid up Rates**

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits and unit linked business.

For accumulating with-profits business the calculation is performed twice – once assuming the premiums continue as normal and again assuming the policy becomes paid up at the valuation date. The maximum of these two calculations is then used for that policy.

For unit-linked business the calculation is performed assuming the policy becomes paid up at the valuation date.

**(10) Tax Rates**

Relief for tax applied to expenses is 20% for UK Life non-linked business and 0% for UK Pension business and UK Life linked business.

Tax on investment income is set out in the following table:

Type of business	2010	2009
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(11) No allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.

**(12) Effect on Mathematical reserves due to changes in INSPRU**

There have been no changes since the previous valuation.

**Options and Guarantees**

5.(1) (a) Contracts which only offer annuity benefits are valued as deferred annuities.

Contracts which offer both cash and annuity benefits are valued as cash benefit policies with an additional reserve held to cover the basis upon which the cash benefits may be converted into annuity benefits.

The guaranteed annuity option reserve is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option. The risk free rate for the forward term, volatility and forward rate parameters for the

swaption are determined from the choice of replicating swaption. The market value of the swaption is determined by applying these parameters to Black's model.

The actual annuity rate is calculated on the assumptions that policyholders retire at their expected retirement age and select a level annuity with no guarantees.

This reserve has been determined in accordance with the basis set out below:

<b>Assumption</b>	<b>Sub Fund</b>	<b>Product Group</b>	<b>2010</b>
Take up Rate <sup>(1)</sup>	90:10 Life	Fund R Compound Bonus	74%
	90:10 Life	Fund T Compound Bonus	100%
	90:10 Pensions	AMPUK Pension	81%
	90:10 Pensions	Pensions Compound Bonus	80%
	90:10 Pensions	traditional BIGVIP	—
	90:10 Pensions	VIPMIG OLD	80%
	90:10 Pensions	POLMIG	46%
Rate of interest	All	All	Maximum of B&H gilts spot and swap curves, capped at 4.30%
Tax	Life	All	20%
	Pensions	All	0%
Mortality in payment	All	Male	90% CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]
	All	Female	85% CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]
Retirement Rates	All	All	Normal Retirement Age
Voluntary Discontinuance in deferment	All	All	0.5%p.a.

Notes:

1. Where the take up rates are below 95% they are assumed to taper to 95% over 20 years.



5 (1)(b) Details of the products concerned are summarised below:

Type of Business	Product Code	Product name	Basic reserve £'000	Spread of Outstanding durations <sup>(1)</sup>	Guarantee reserve £'000	GAR (% fund for 65 year old male) <sup>(2)</sup>	Increments allowed?	Annuity form <sup>(3)</sup>	Retirement Age
UK Life	120	Fund R Compound Bonus	1,985	1-25 years	731	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Compound Bonus	4,318	1-15 years	1,935	9%	No	See Note 3	See Note 3
UK Pension	120	Former AMPUK Pension	52,598	1-29 years	22,247	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	43,568	1-20 years	23,022	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	7,116	1-19 years	3,625	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	83,914	1-35 years	39,220	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	12,322	1-39 years	283	6%	Yes	See Note 3	See Note 3

Notes:

1. The spread of outstanding durations has been taken as the term to expected retirement.
2. Guaranteed annuity rates are for the following form of annuity: Single life, annual in advance, no escalation or guarantee period and are shown to whole numbers.
3. Different products offer different guaranteed terms. All common forms of annuity types are offered at a wide range of retirement ages.

- (2) No investment performance guarantee is given on linked contracts. The prices of units in the Deposit Fund are guaranteed not to fall. The underlying assets are entirely cash or cash-based collective investment schemes. An additional reserve of £0.05 million was held for this guarantee at 31 December 2010.

There are no guaranteed surrender values not already allowed for in the valuation of the basic mathematical reserve.

- (3) Where in any policy an option confers a right, without medical evidence, to extend the period of assurance or take out a new policy, a reserve equal to one or one and half times the option premium has been made.

**(4) Personal Pension Guarantee Reserve**

A reserve has been made for guarantees awarded in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred.

The following method is used to determine the mathematical reserves:

- a) For cases that have been given a guarantee: on a case by case basis using the actual information available to calculate or estimate the liability period, current salary, policy value offsets and thus calculate the overall liability. All the calculations assume a model pension scheme benefit rather than the actual scheme benefits of the fund of which the policyholder was or could have been a member.
- b) For other cases which have not been given a guarantee, or where the guarantee has been satisfied but where the internal accounting on the case is not yet finally complete: by allocating a notional settlement cost as necessary to each case on the basis of a potential liability period, or if this is unknown, an appropriate average liability period. The notional settlement cost per year of liability period being appropriately determined from recent settlement statistics.

This reserve has been determined in accordance with the basis set out below, in which the rates are expressed as real rates rather than nominal rates:

<b>Assumption</b>	<b>2010</b>
Real rate of interest	0.10% per annum
Salary increase	1.85% per annum
Annuity Pricing Margin	15% per annum
Mortality in deferment	79% AMC/AFC00 ultimate
Mortality in payment	104% RMV00 with CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120] 118% RFV00 with CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]
Percentage assumed married	100%
Leaving service assumption	Nil

The amount of business involved had a basic mathematical reserve of £8.3m reserve with additional reserves of £0.4m. This additional reserve also includes an

allowance for future expenses and policies where the compensation process is yet to be completed.

### **Mortgage Endowment Promise**

An additional reserve has been made to cover the Mortgage Promise made to certain mortgage endowment policies. The reserve is the expected shortfall discounted at the appropriate valuation interest rate and allowing for mortality and lapses.

This reserve has been determined in accordance with the basis set out below:

<b>Assumption</b>	<b>2010</b>
Rate of interest	3.90% per annum for AMPUK 1.95% per annum for Fund R
Mortality – Conventional Life Endowment	51% AM80 84% AF80
Mortality – AMPUK Business	116% AM00 107% AF00
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £96.1m with additional reserves of £8.6m.

### **Expense Reserves**

6. (1) The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading	£4.5 million
Allowance for investment management expenses	£5.2 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

- (2) All provisions for future expenses have been made using explicit methods, except for investment expense allowances where a margin in the valuation interest is used.
- (3) The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.
- (4) Since London Life is closed to new business other than for increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.
- (5) No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the attributable payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to these total per policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives Pearl Assurance Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As London Life is closed to new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

- (6) There are no non-attributable expenses.

### **Mismatching reserves**

7. (1) The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves. There is a premium withheld arrangement of £534m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £150m worth of assets in USD and £19m in EURO.
- (2) No currency mismatch reserves are held as the mathematical reserves are covered by assets in sterling. For the premium withheld, the arrangement is such that the liability is equal to the value of the assets. In addition, there are currency hedges in place to remove exposure from any currency movements.
- (3) London Life is a realistic reporting firm to which GENPRU 2.1.8R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.
- (4) Not Applicable see 7 (4) above
- (5) Not Applicable see 7 (4) above
- (6) No additional reserve is held.

### **Other special reserves**

8. Under an FSA basis, London Life holds the higher of the mortality deductible reserve and the Opal counterparty risk reserve (this is zero at YE2010). As the mortality deductible reserve for London Life is £5m then this is the reserve that is held.

INSPRU 1.2.80G requires a margin to be held against the risk of default by a reinsurer i.e. the risk that Opal Reassurance Limited will be unable to make its reinsurance payments. The reserve is calculated by applying a probability of default on the difference between mathematical reserves ceded reduced by liquidity premium calculated on a prudent basis and the Opal assets. As mentioned above, the higher of this reserve and the mortality deductible reserve is held on an FSA basis.

### **Reinsurance**

9. (1) Reinsurance has not been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.
- (2) The following table shows the principal reinsurance treaties used:

Reinsurer	Nature and extent of the cover	Premiums £'000	Amount deposited back or premium withheld £'000	Closed to new business?	Amount of any undischarged obligation £'000	Mathematical Reserves ceded £'000	Retention by the insurer
Pearl Assurance Limited	Surplus Relief financing. See p below		No deposit back arrangements	No	Nil	16,000	See Note (1) below
Opal Reassurance Limited	Liability to pay the Basic Annuity.	Nil	534,410 (premium withheld)	Yes	Nil	525,638	Nil
Pearl Assurance Limited	Liability to pay the Basic Annuity and Bonus Annuity under the with profits annuity business is fully ceded.	(470)	25,172	Yes	Nil	67,132	See Note (1) below
LLLA "sub-fund" of NPI Limited	100% reinsurance of unit-linked liabilities	Nil	Nil	No	Nil	13,030	0%

Note:

1. London Life is closed to new business.

#### **Pearl Assurance Limited, Opal Reassurance Limited & NPI Limited**

- Pearl Assurance Limited and NPI Limited are authorised to carry on insurance business in the United Kingdom. Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom.
- London Life Limited, NPI Limited, Pearl Assurance Limited, and Opal Reassurance Limited are all part of the Phoenix Group of companies.
- None of the treaties is subject to any material contingencies such as credit or legal risk.
- No provision has been made for any liability of the Company to refund any reinsurance commission in the event of lapses or surrender of the contract. Any refunds are met out of the corresponding premiums from the reinsurer.
- Under the Pearl Assurance Limited Surplus Relief financing treaty interest is payable for a particular sub-fund if sufficient assets remain to meet the greater of the value of the liabilities (determined in accordance with the Prudential Sourcebook for Insurers) of the sub-fund and an amount, determined in accordance with the Principles of Financial Management as set out in Schedule 3 to the 'Scheme', as necessary to meet the reasonable expectations of the policyholders of the sub-fund.

## 10. Reversionary (or annual) bonus

### Life Compound Bonus Participation Pool (1)

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary Bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	81,144	0.00% / 0.00%	0.00% / 0.00%	N/A

### AMPUK Life Participation Pool (2)

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary Bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	71,115	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: AU, AUF, QU, GU	17,683	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	23,649	0.00% / 0.00%	0.00% / 0.00%	N/A

### Cash Bonus Participation Pool (3)

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary Bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Up to 68th series	41,429	3.00%	3.00%	N/A
69 <sup>th</sup> series onwards	19,606	2.00%	2.00%	N/A

#### Simple Bonus Participation Pool (4)

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary Bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Fund W – Deferred	18,082	0.00%	0.00%	N/A
Fund W – In Payment	56,721	7.00%	7.00%	N/A

#### Pension Compound Bonus Participation Pool (4)

Bonus Series	31.12.2010 Basic Mathematical reserve £'000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
VIPMIG, BIGVIP, RPP84	74,024	0.00% / 0.00%	0.00% / 0.00%	N/A
POLMIG, GRPAVC, RPP85	65,289	0.00% / 0.00%	0.00% / 0.00%	N/A
V9A, V9B, V9C	66,590	0.00% / 0.00%	0.00% / 0.00%	N/A
PPS, PPSTV, MINPPS, VIPLUS, VIPMIG0	62,645	0.00% / 0.00%	0.00% / 0.00%	N/A
SPP Bonus Series 3	14,048	0.00%	0.00%	4.50%
SPP Bonus Series 4	31,292	0.00%	0.00%	4.50%

#### AMPUK Pension Participation Pool (4)

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	68,981	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Pensions: PAC	21,318	0.00% / 0.00%	0.00% / 0.00%	N/A
Deposit Administration GKA	10,149	4.20%	5.00%	N/A

Notes:

1. The asset shares in these participation pools are invested in the Active (Excluding AMP) Block (see note 4801).
2. The asset shares in these participation pools are invested in the Active (AMP) Block (see note 4801).
3. The asset shares in these participation pools are invested in the Passive (Cash Bonus) Block (see note 4801).
4. The asset shares in these participation pools are invested in the Passive (Pensions) Block (see note 4801).
5. Super compound bonus rates are shown as rates applied to the basic sum assured / bonus sum assured.

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.



**LONDON LIFE LIMITED**

**APPENDIX 9.4A**

**ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION**

**1. Introduction**

- (1) This actuarial investigation relates to 31 December 2010.
- (2) This date of the previous actuarial investigation was 31 December 2009.
- (3) An interim valuation was carried out on 30 June 2010 for the purpose of rule 9.3A.

**2. Assets**

- (1) Not applicable.
- (2) Not applicable as there are no equity holdings in related insurance undertakings.
- (3) Not applicable as the relevant assets for the purposes of INSPRU 1.3.43R (Risk Capital Margin) do not include any value in respect of future profits arising from non-profit insurance contracts written outside the with-profits fund.
- (4) Not applicable.
- (5) Not applicable.

### 3. With-Profits Benefit Reserve Liabilities

(1) (a), (b), (c) See Table 3.1.

<b>Product Class</b>	<b>Method used to Calculate With-Profits Benefits Reserve</b>	<b>With-Profits Benefits Reserve</b>	<b>Future Policy Related Liabilities</b>
<i>Life With-Profits</i>			
AMP(UK) Life	Retrospective – asset shares <sup>1</sup>	119	14
Fund P	Prospective – bonus reserve valuation	55	1
Fund R	Retrospective – asset shares <sup>1</sup>	80	6
Fund T	Retrospective – asset shares <sup>1</sup>	6	1
<i>Pension With-Profits</i>			
AMP(UK) Pensions	Retrospective – asset shares <sup>1</sup>	50	33
Fund V (GAO)	Retrospective – asset shares <sup>1</sup>	129	64
Fund V (No GAO)	Retrospective – asset shares <sup>1</sup>	127	12
Fund W	Retrospective – asset shares <sup>1</sup> Prospective – bonus reserve valuation <sup>2</sup>	80	6
All Funds <sup>3</sup>	N/A		90
<b>Total</b>	<b>N/A</b>	<b>646</b>	<b>227</b>

<sup>1</sup> Asset shares are not calculated for paid-up policies and therefore the with-profits benefits reserve for such policies is based on a bonus reserve valuation.

<sup>2</sup> For immediate annuities in Fund W a prospective bonus reserve method is used to calculate the with-profits benefits reserve.

<sup>3</sup> Relates to the cost of capital and financing costs.

(2) Not applicable as the with-profits benefits reserve and future policy related liability figures in Table 3.1 represent the totals from Form 19.

(3) Not applicable.

(4) Not applicable.

#### 4. With-Profits Benefits Reserve – Retrospective Method

- (1) (a) 100% of the with-profits benefits reserve that has been calculated using a retrospective method has been valued on an individual basis.
- (b) Zero.
- (c) (i) Not applicable.
- (c) (ii) Not applicable.
- (c) (iii) Not applicable.
- (2) (a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.
- (b) Not applicable.
- (3) The Scheme of Transfer (“the Scheme”), effected immediately before the demutualisation of AMP (effective 1 January 1998), specifies the calculation basis for determining the aggregate expenses to be charged to the with-profits sub-funds in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the with-profits sub-funds if deemed appropriate by the London Life With-Profits Actuary. The aggregate expenses charged to the with-profits sub-funds are allocated to the with-profits benefit reserve on a basis deemed appropriate by the London Life With-Profits Actuary.
- (a) The last expense investigation was in December 2010.
- (b) Expense investigations occur annually.
- (c) (i) and (ii) See Table 4.1.

---

**TABLE 4.1**

**Expenses Allocated to With-Profits Benefits Reserve during 2010 (£m)**

---

<b>Expense Type</b>	<b>Amount</b>
Initial expenses	0.0
Maintenance expenses <sup>1</sup>	3.1

---

---

**TABLE 4.1****Expenses Allocated to With-Profits Benefits Reserve during 2010 (£m)**

---

<b>Expense Type</b>	<b>Amount</b>
<b>Total expenses</b>	<b>3.1</b>

---

<sup>1</sup> Includes project expenses of £0.34m.

(c) (iii) The expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.

(c) (iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) are valued at £2.1m.

- (4) No charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital. The only material charge made to the with-profits benefit reserves is in respect of life cover benefits on life endowments and whole of life contracts.
- (5) No non-insurance risk charges are made to conventional with-profits business. For unitised with-profits business, risk cover is charged through cancellation of units.
- (6) The average claim to with-profit benefit reserve payout ratio for each year is shown in table 4.2 below.

---

**TABLE 4.2****Average Claim Payout Ratio (%)**

---

<b>Year</b>	<b>Payout Ratio</b>
2010	114%
2009	110%
2008	108%

- (7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for conventional with-profits business during 2010 was approximately 8.1% and 4.0% for active and passive funds respectively. The investment return (before tax and

expenses) allocated to the with-profits benefits reserve for unitised with-profits business during 2010 was 14.9%.

The unitised with-profits benefits reserve is invested in a different asset mix to the conventional with profit business. This asset mix has a significantly higher equity backing ratio than that backing the conventional with profits business.

## 5. With-Profits Benefits Reserve – Prospective Method

- (1) (a), (c) Table 5.1 below shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method. However, it should be noted that claim values are determined using projected terminal bonus rates which, in line with actual practice, are based on asset shares for premium paying policies, i.e. the with-profits benefits reserves calculated using the prospective method do not affect the overall level of realistic liabilities, but do affect the split between the with-profits benefits reserve and the costs of guarantees and smoothing.

**TABLE 5.1**

**Economic Assumptions used to Calculate the With-Profits Benefits Reserve at 31 December 2010 – Prospective Method**

<b>Assumption</b>	<b>Value</b>	<b>Note</b>
Gilt return	3.5%	Annualised yield on UK 10 year gilt at 31 December 2010
Cash return	3.5%	3 month BAA sterling interest rate
Other fixed interest	3.5%	Gilt return
Equity return	6.5%	Gilt return plus 3.0% margin
Property return	5.5%	Gilt return plus 2.0% margin
Risk discount rate (“A”)	4.7%	Weighted average gross investment return – ‘active’ investment pool (gross)
Risk discount rate (“P”)	3.5%	Weighted average gross investment return – ‘passive’ investment pool (gross)
Expense inflation	3.2%	

- (b) The risk discount rates in Table 5.1 are based on the weighted average investment return at 31 December 2010 of the assets backing the liabilities for which a prospective method is used to calculate the with-profits benefits reserve. Two risk discount rates are shown as the assets of the WP Fund are split into two pools of managed assets – one active and one passive. The relevant pool of assets depends on the nature of the liabilities for which they provide backing (and whether asset shares are likely to determine future payouts).

(d) See Table 5.2 (annual bonus rates).

---

**TABLE 5.2**

**Annual Bonus Rates Assumed in Calculation of With-Profits Benefits Reserve at 31 December 2010 – Prospective Method**

---

<b>Product Class</b>	<b>Annual Bonus Rate</b>
Fund W – immediate annuities	7.00% simple
Fund W – cost of vesting deferred annuities	0.00% simple
Fund P – 68 <sup>th</sup> and earlier series (current rate) <sub>1</sub>	3.00%
Fund P – 69 <sup>th</sup> series and later (current rate) <sup>1</sup>	2.00%
Fund P – all series (ultimate) <sup>2</sup>	2.00%
UWP Bond Life	2.00% rate on PU; 4.00% rate on BU
UWP Pensions	2.50% rate on PU; 5.00% rate on BU
All other product classes	0%

---

<sup>1</sup> For Fund P, the policy was designed such that premiums are extinguished after about 10 years. Thereafter a net cash bonus is payable each year, which is guaranteed not to reduce. The annual declaration is the rate of increase in the cash bonus.

<sup>2</sup> This is the rate applicable from year 2 onwards. The current rates reduce over the next 2 years to reach the ultimate rate.

For product classes where a prospective method is used to calculate the with-profits benefits reserve, the future assumed final bonus rates are based on the bonus declaration applicable as at the valuation date, and as detailed in section 10 of Appendix 9.4. The assumed glidepath follows a linear reduction over five years to zero.

(e) See Tables 5.3 and 5.4 for the expenses assumptions used. No future charges for guarantee costs, smoothing costs, etc were assumed when deriving the with-profits benefit reserves.

**TABLE 5.3****With-Profit Maintenance Expense Assumptions (£) <sup>1</sup>**

<b>Product Class</b>	<b>Per policy expenses £</b>
<i>Life With-Profits</i>	
AMP (UK) Life	35.70
Conventional Life (Funds P, R, T)	34.90
<i>Pensions With-Profits</i>	
AMP (UK) Pensions	35.70
Endowments (Fund V ICL)	39.40
Deferred Annuities (V ICL)	39.40
Pension Protector (V ICL)	39.40
APEX WP (V ICL)	0.248%
VIPMIG, VIP PLUS	87.90
BIGVIP, POLMIG, GRPAVC	87.90
RPPMIG, PPS, MINPPS	87.90
PPP, SPPP, FSAVC	87.90
EPP	87.90
SPP	50.60
Fund W (Deferred Annuities)	39.40
Fund W (Immediate Annuities)	39.40

<sup>1</sup> The expenses are gross of tax relief at 20% (BLAGAB business). Future expenses are assumed to increase by RPI plus 0.20% on 1 January each year. These expense figures reflect the expense assumptions prior to any model pointing adjustment.

**TABLE 5.4****Investment Expense Assumptions (basis points)**

With-profits fund	14
-------------------	----

(f) See Table 5.5. Note that there is no differentiation by duration for any with-profits product group.



---

**TABLE 5.5****Lapse Assumptions**

---

<b>Product Class</b>	<b>Long-term</b>
Fund V: "Old" Fund V(IBM), i.e. BIGVIP, GRPAVC, POLMIG, RPPMIG (with GAO), VIPMIG(OLD) <sup>2</sup>	4.0%
FUND V(ICL)	2.5%
AMP (UK) Pensions	2.5%
Fund V: "New" Fund V(IBM), i.e. MINNPSS, PPS, PPSTV, VIPPLUS, RPPMIG (without GAO), VIPMIG(NEW) <sup>1</sup>	6.0%
Fund R, AMP (UK) Endowments & Whole of Lives	3.0%
Funds T, W and P	0.0%

---

<sup>1</sup> VIPMIG(NEW) are members of VIP Schemes who are on VIPPLUS (as opposed to VIPMIG(OLD)) pricing terms.

(2) Not applicable as only one set of assumptions is used.

**6. Costs of Guarantees, Options and Smoothing**

(1) Not applicable.

(2) (a) All costs of guarantees, options and smoothing have been valued using a full stochastic approach.

(b) (i) Not applicable.

(b) (ii) 100% of the with-profits insurance contracts for which costs have been valued have been valued on a grouped basis.

(b) (iii) Contracts are grouped at homogeneous benefit level and then grouped either by year of entry and year of birth or by year of entry and year of maturity. For the former, the data is further grouped into 5 year age bands.

The total number of with-profits contracts in force at 31 December 2010 was approximately 55,300 (comprising 25,300 pensions contracts and 30,000 life contracts).

These contracts were grouped into model points (comprising 14,000 pensions and 3,500 life).

For each product line, the effect of any grouping was tested by comparing the statutory reserves calculated for the (grouped) model points with the actual statutory reserves (i.e. as used for the statutory valuation). The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level. Also, a stochastic run was completed on 1 year maturity bands and was found to be immaterially different to the 5 year maturity bands.

(c) Not applicable.

(3) No significant changes were made to the valuation method for valuing the cost of guarantee, option or smoothing since the previous valuation.

(4) (a) (i) The main guarantee types valued are:

- Lump sum basic benefit, e.g. the sums assured and attaching reversionary bonuses payable at maturity on an endowment or “funded to cash” deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
- Annuity benefit, i.e. a basic annuity amount plus attaching reversionary bonuses vesting at a specified date. Some of these guarantees are in-the-money and others are out-of-the money.
- Guaranteed annuity option rate, i.e. a guaranteed annuity rate specified in a contract that can be applied at maturity to convert the cash benefits provided by the contract into annuity benefits. Generally these guaranteed annuity rates are well in-the-money.

The costs of smoothing form the balance of total optionality costs, i.e. the excess of claim values over guaranteed benefits plus option costs.

(a) (ii) The model assumes that:

- Interest rates follow a two-factor Libor Market Model process.
- Corporate bond spreads follow a Jarrow-Landow-Turnbull process, with defaults following a one-factor Cox-Ingersoll-Ross process.

- Equity and property returns follow a geometric Brownian motion.

### **Interest rates**

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a +10bp adjustment.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Barrie & Hibbert.

The market swaption volatilities were supplied by Barrie & Hibbert.

### **Corporate bond spreads**

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data obtained from Thomson Reuters and Merrill Lynch.

The calibration of the credit spread processes was focused on matching the initial spread on an A rated bond of 7 year maturity.

Table 6.1 shows the credit spreads over gilts + 10bp at 31 December 2010 in basis points.

<b>Table 6.1</b>				
<b>Corporate Bond Spreads at 31 December 2010</b>				
<b>Term</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>
1	50	172	251	539
2	94	222	302	554
3	130	247	317	519
5	173	261	311	443
7	188	255	292	387
10	190	238	263	327
15	177	207	223	264
20	160	182	194	223
25	146	163	172	194
30	135	149	156	173

The volatilities assumed are shown in table 6.2.

<b>Rating</b>	<b>Maturity (years)</b>			
	<b>1</b>	<b>7</b>	<b>10</b>	<b>30</b>
AAA	62	56	50	62
AA	65	66	63	63
A	83	79	73	77
BBB	108	97	95	93

The volatilities assumed are provided by Barrie & Hibbert.

### **Equity and Property**

Two asset classes are modelled as equity-type processes: UK equity index and UK property index. These are modelled as geometric Brownian motions with stochastic drift, which is equated to the stochastic interest rate.

The Economic Scenario Generator (ESG) has been upgraded at the current valuation to improve the asset modelling and to remain in line with the latest Industry practice. This represents a change since the previous valuation, and involves, for UK equity, moving from the Local Volatility equity model to the Stochastic Volatility Jump Diffusion (SVJD) equity model.

The allowance for asset correlations in the ESG has also been changed to follow a correlation matrix approach at the current valuation. In contrast the asset correlations were driven by factor loadings in the previous valuation.

The update to the SVJD model brings several advantages compared to using the Local Volatility model as follows:

- Greater accuracy in pricing out of sample instruments.
- Ability to cope with higher levels of market volatility.
- More realistic equity modelling.

The implied volatility surface used in the calibration is shown below in table 6.3:

<b>Table 6.3</b>		<b>Strike</b>						
	<b>%</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>
<b>Maturity</b>	<b>1</b>	30.6	27.1	23.8	20.6	17.7	15.6	14.5
	<b>3</b>	29.4	27.1	25.0	23.0	21.2	19.5	18.1
	<b>5</b>	29.4	27.6	25.9	24.3	22.9	21.5	20.3
	<b>7</b>	29.7	27.9	26.4	25.1	23.9	23.0	22.2
	<b>9</b>	30.0	28.5	27.1	25.9	24.8	23.8	23.0

Property follows a constant volatility model, parameter 15%.

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields. Table 6.4 shows the correlations.

**TABLE 6.4**

**Correlation factors between asset classes**

	<b>Long Dated Bonds</b>	<b>Equity Index</b>	<b>Property Index</b>
<b>Long Dated Bonds</b>	100%		
<b>Equity Index</b>	-15%	100%	
<b>Property Index</b>	-10%	39%	100%

The volatility and correlation assumptions are derived from Barrie & Hibbert best estimate assumptions.

(a) (iii) Table 6.5 shows the simulated values of specific options and / or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception – for credit spreads, the AA-rated process is used, not the combined credit process used in the realistic balance sheet.

n	r	Duration (n)	FSA Table												
			Annualised compound equivalent of the risk free rate assumed for the period (r)		15 years		20 years		25 years		35 years				
			5	15	25	35	5	15	25	35	5	15	25	35	
1		Risk-Free Zero Coupon Bond	£683,125	£526,022	£324,751	£217,494	x	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	£106,173	£247,736	£346,984	£414,897	£211,753	£394,621	£518,397	£604,914	£541,823	£747,785	£901,274	£1,009,885	x
3		FTSE All Share Index (p=0.8)	£100,162	£201,692	£254,361	£278,484	£199,716	£321,943	£381,303	£408,269	£512,686	£614,477	£668,143	£693,049	x
4		Property (p=1)	£30,956	£107,298	£186,727	£240,750	£133,236	£241,111	£340,434	£406,954	£522,154	£615,301	£716,067	£796,419	x
5		Property (p=0.8)	£26,742	£72,215	£111,863	£132,350	£119,770	£171,786	£215,067	£235,199	£488,666	£471,080	£483,977	£488,397	x
6		15yr Risk-Free ZCBs (p=1)	£19,802	£18,243	£15,464	£21,795	£90,037	£81,355	£88,771	£121,864	£500,892	£499,931	£506,605	£524,822	x
7		15yr Risk-Free ZCBs (p=0.8)	£17,456	£10,200	£5,415	£3,302	£79,986	£40,599	£22,655	£20,010	£464,663	£324,486	£233,369	£195,211	x
8		15yr Corporate Bonds (p=1)	£28,199	£32,364	£42,191	£55,782	£107,189	£114,786	£133,505	£160,143	£495,027	£490,952	£506,754	£534,451	x
9		15yr Corporate Bonds (p=0.8)	£24,976	£18,332	£16,890	£16,069	£96,955	£66,800	£55,403	£53,199	£460,652	£331,258	£258,946	£228,833	x
10		Portfolio 1 (p=1)	£67,093	£170,273	£256,126	£317,279	£163,870	£305,487	£413,631	£489,521	£515,755	£666,066	£785,562	£879,493	x
11		Portfolio 1 (p=0.8)	£62,196	£130,836	£175,273	£197,689	£152,043	£237,404	£286,869	£311,421	£484,139	£520,282	£556,867	£572,025	x
12		Portfolio 2 (p=1)	£57,729	£145,231	£218,725	£269,333	£148,090	£269,057	£366,620	£431,623	£506,249	£616,048	£726,948	£810,400	x
13		Portfolio 2 (p=0.8)	£53,340	£109,235	£145,047	£163,036	£136,781	£205,656	£247,044	£263,974	£473,394	£479,847	£503,270	£511,214	x
14		Portfolio 3 (p=1)	£34,821	£85,021	£141,002	£182,826	£117,013	£195,616	£274,036	£330,906	£497,753	£552,826	£633,499	£701,423	x
15		Portfolio 3 (p=0.8)	£31,194	£57,862	£82,315	£95,822	£105,844	£137,505	£165,084	£178,180	£463,053	£409,109	£408,052	£405,255	x
16		Sterling Receiver Swaptions	6.13%	6.21%	5.84%	4.71%	7.49%	7.83%	7.15%	5.63%	8.86%	9.23%	8.18%	6.29%	x
															Sweep Duration = 25 years
															Sweep Duration = 20 years
															Sweep Duration = 15 years

Notes:

(1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(a) (iv) The equity dividend yield and property rental yield parameters are modelled deterministically, with parameters as in table 6.6.

**TABLE 6.6**

**Income yield assumptions**

<b>Asset Class</b>	<b>Income yield</b>
Equity	2.93%
Property	4.09%

(a) (v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.

(a) (vi) The outstanding durations of significant guarantees within material product classes are shown in Table 6.7.

**TABLE 6.7**

**Outstanding durations of significant guarantees (years)**

<b>Product Class</b>	<b>Duration of Guarantees</b>
Life Compound Bonus, Fund R	17
AMP (UK) Life	14
Pension Compound Bonus (GAO)	5
AMP (UK) Pension	5
Pension Compound Bonus (no GAO)	8
Pension Simple Bonus	4
<b>Total WP Fund</b>	<b>13</b>

The fit of the asset model to specimen swaptions is demonstrated below in Table 6.8.

<b>Table 6.8</b>					
<b>Ratio of simulated to market swaption volatilities</b>					
		<b>Swap length</b>			
		<b>5</b>	<b>10</b>	<b>20</b>	<b>30</b>
<b>Option maturity</b>	<b>5</b>	106.28%	109.62%	105.66%	105.97%
	<b>10</b>	118.56%	110.25%	105.16%	105.35%
	<b>15</b>	104.86%	99.88%	95.82%	98.11%
	<b>20</b>	95.66%	91.19%	90.13%	93.47%



Table 6.8 demonstrated that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5-15 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

(a) (vii) The validation process involves two tests:

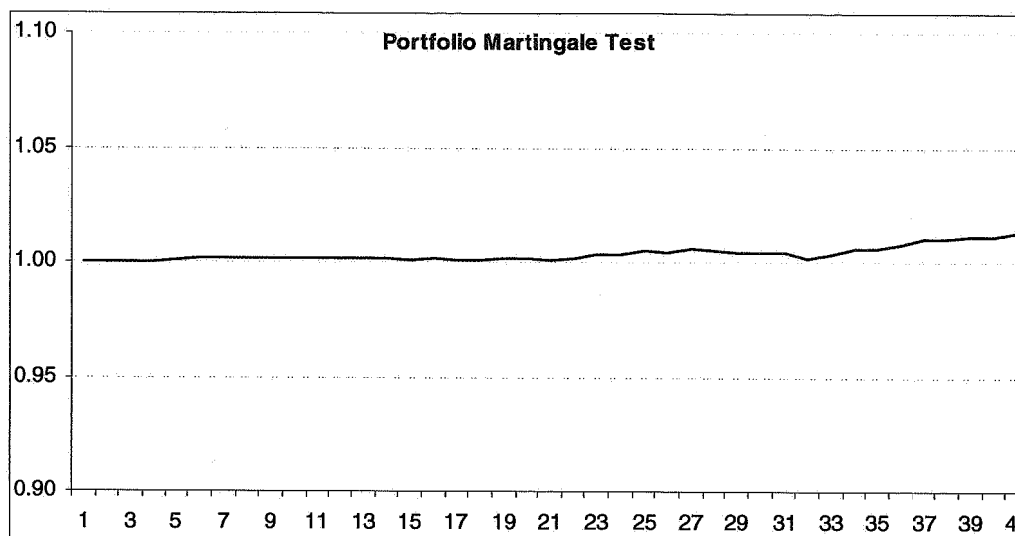
- Ensuring the scenarios satisfy the principle of no arbitrage.
- Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator is based on well-established models which have been subject to peer review in academic literature. Published proofs exist that the models are internally consistent and arbitrage free. The models are implemented using simulation techniques. To ensure that the models were implemented correctly and that the simulation process did not introduce bias, test runs were performed using a sufficient numbers of scenarios such that the test illustrated below would identify any systematic errors. The models passed this test without error.

For practical purposes, it is not possible to use sufficient scenarios to eliminate all simulation error. With a predominantly fixed interest asset holding, which is less volatile than equities, 1000 scenarios gives an acceptably small sampling error for London Life.

Figure 6.1 demonstrates that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1. This test is referred to as the “one=one” or Martingale test. As Figure 6.1 shows the results of calculating the expected value by simulation, a margin for error is expected. The observed error within the time period of the liabilities, given the number of scenarios and the volatilities involved, is small and the scenarios are considered to pass the no-arbitrage test.

**Figure 6.1**



The second validation test described above requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for each of the models described in 6(4)(a)(ii).

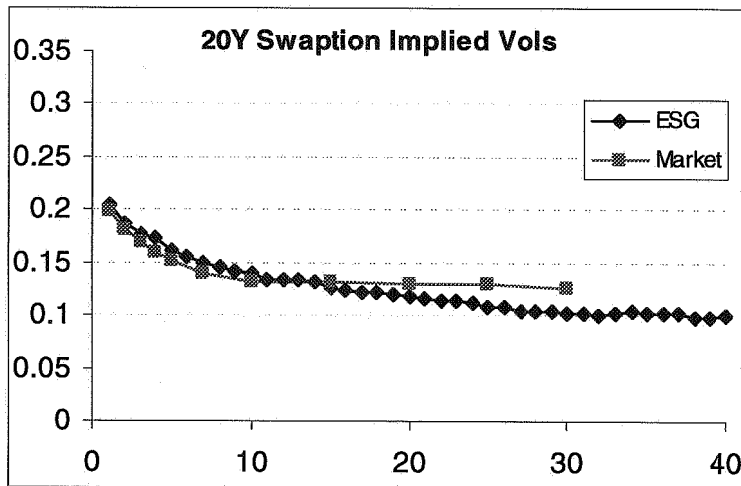
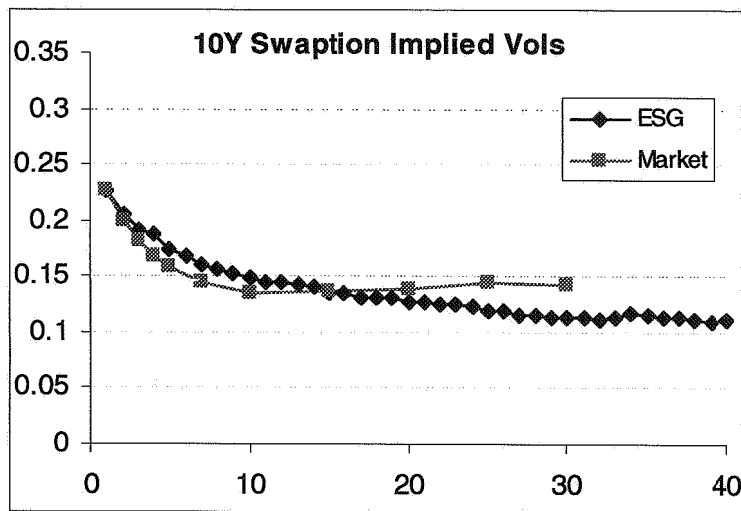
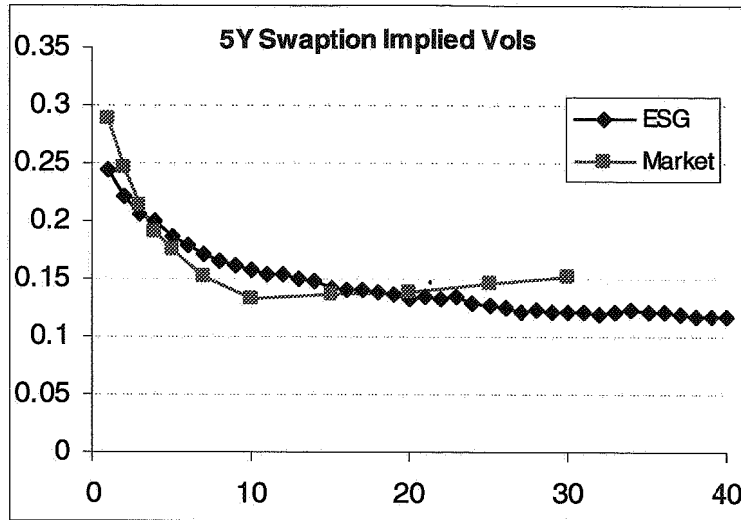
#### **Interest rates**

For the interest rate model, the first step is to show how well the calibrated model follows the given volatility surface.

The calibration focuses on the swap duration between 10 and 20 years, which match the liabilities more closely, and on swaption expiries between 5 and 15 years.

The graphs below (figures 6.2) show how well the simulated swaption volatilities of various tenors fit the market data.

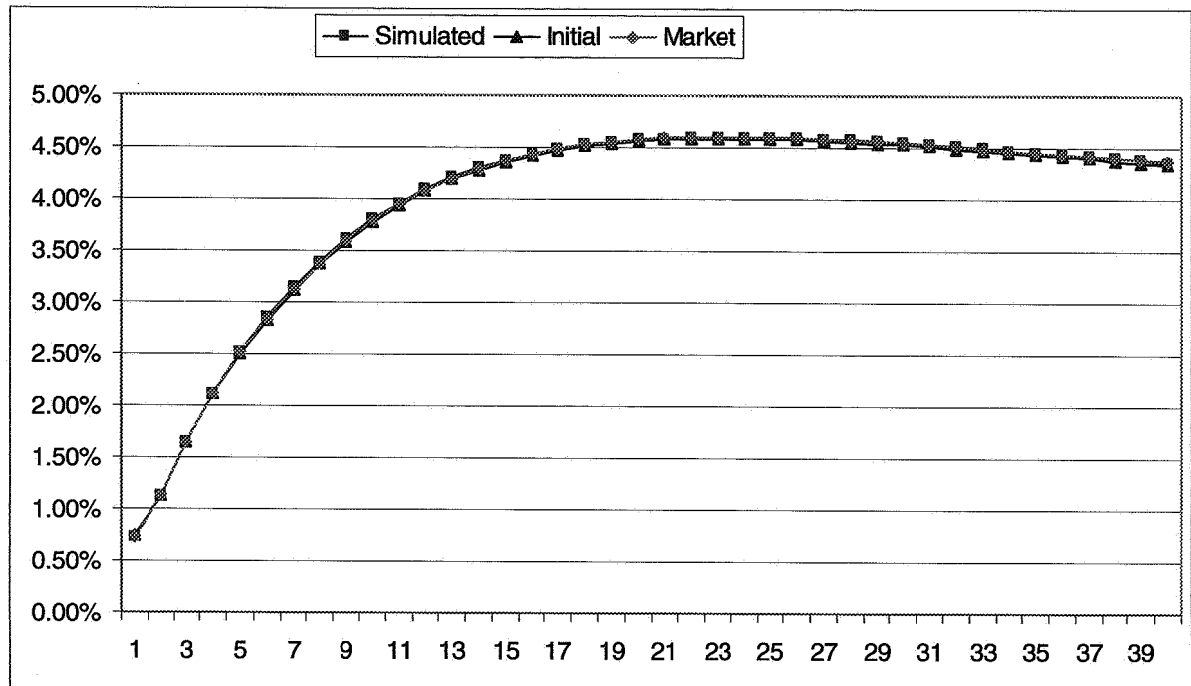
Figures 6.2



The next step is to ensure that the discount factors give the market prices for the risk-free bonds implied by the zero-coupon yield curve.

Figure 6.3 shows the average discount factors by period against the market data.

**Figure 6.3**

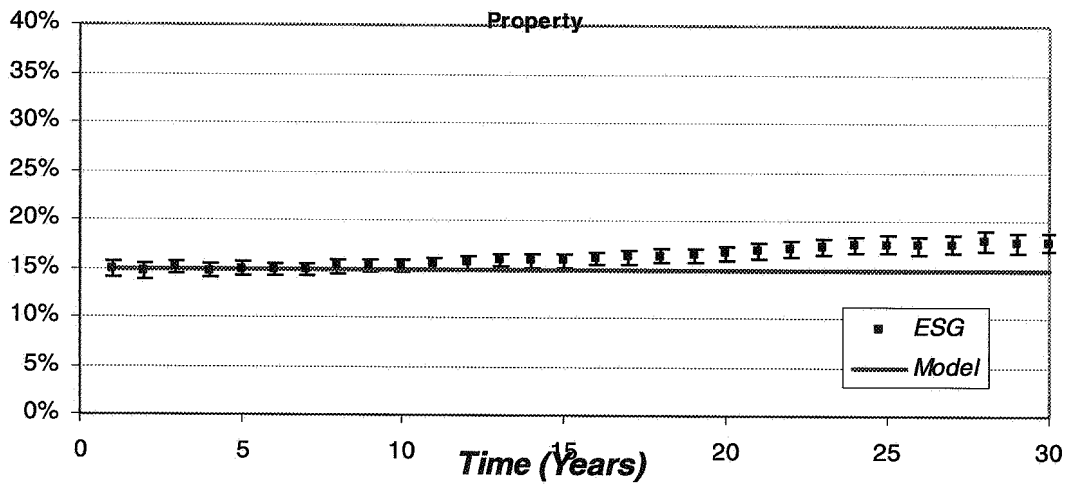
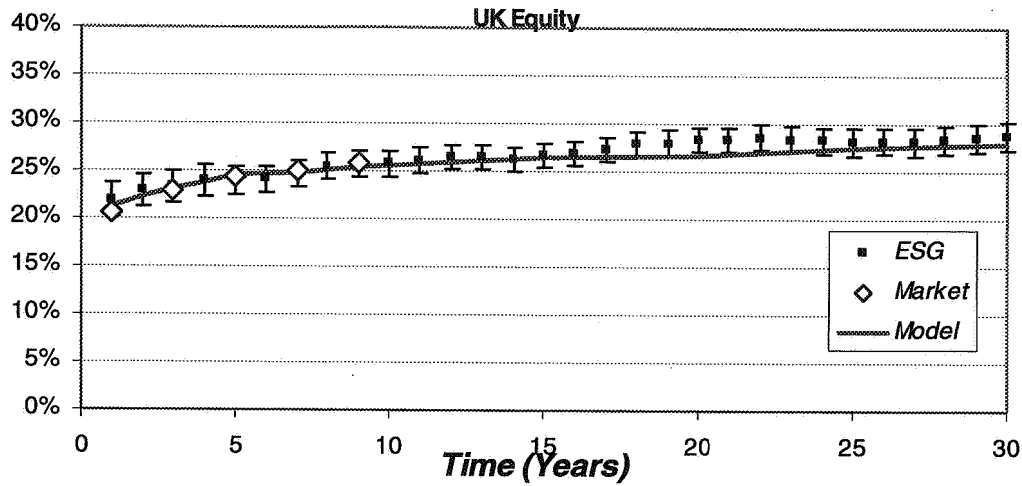


**Equity and Property**

Only UK equity volatilities have been calibrated to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, we can demonstrate the fit to the volatility assumptions mentioned in 6(4)(a)(ii).

Figures 6.4 below shows the results for the market price test applied to at the money put options for UK equity and property. The smooth (red) line shows the target market volatilities. The irregular (black) line shows the implied volatilities calculated from simulated prices with associated error bars. These can be seen to follow the theoretical volatility closely when the high level of volatility parameters is taken into consideration and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

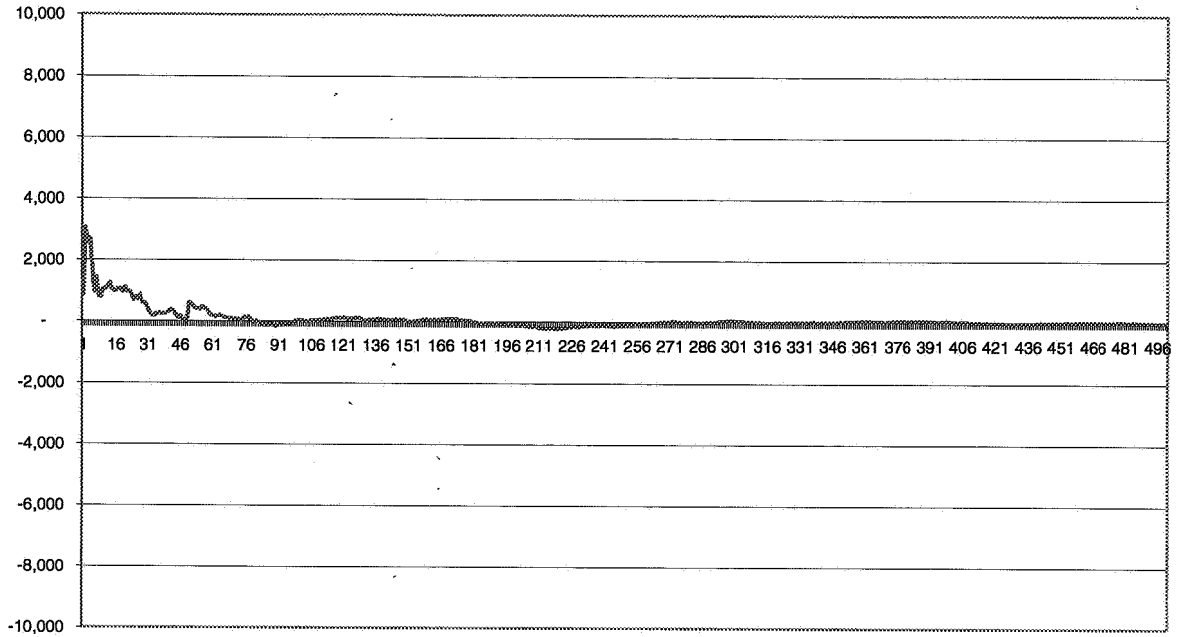
Figures 6.4



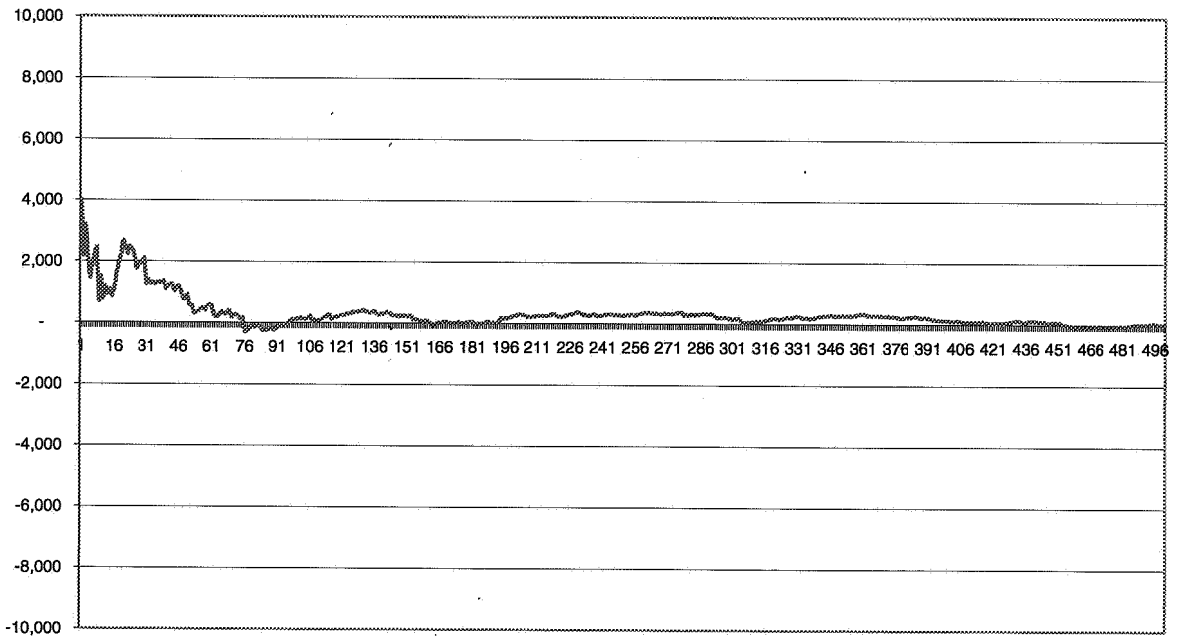
(a) (viii) Simulations were performed using 1000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a)(vii) above. The final model output was tested for convergence with the results shown in figures 6.5. Scenarios were paired as a variance reduction technique. The plots show the deviation from the final position (in £000's) by scenario pair.

Figures 6.5

Convergence - Life



Convergence - Pensions



(b) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.

(c) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.

(5) (a) When determining the realistic balance sheet no circumstance specific management actions were allowed for, e.g. investment strategy, surrender bases, bonus methodology, etc., and were the same in all scenarios.

(b) Table 6.9 sets out the equity backing ratio (for the with-profits benefit reserve) and annual bonus rates that would be modelled under 3 different assumed risk-free curves.

**TABLE 6.9**

**Projected Equity Backing Ratios and Annual Bonus Rates – Scenarios i, ii, iii**

	Equity Backing Ratio			Future Annual Bonus Rates	
	UWP	CWP Life (AMP / R & T)	CWP Pensions	UWP Bond Life	UWP Pensions
(i) Risk free interest rate curve - At 31 December 2010	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(i) Risk free interest rate curve - End 5 years	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(i) Risk free interest rate curve - End 10 years	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2010	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(ii) Risk free interest rate curve + 17.5% - End 5 years	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(ii) Risk free interest rate curve + 17.5% - End 10 years	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2010	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(iii) Risk free interest rate curve – 17.5% - End 5 years	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%
(iii) Risk free interest rate curve – 17.5% - End 10 years	50%	17.98% / 36.93%	0%	2% / 4%	2.5% / 5.0%

(6) The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in Table 6.10 (i.e. the assumptions are consistent with those made for the with-profits

benefits reserve prospective method). The assumptions are the same for both paid-up and premium-paying policies, and do not vary across policy durations.

**TABLE 6.10**

**Average lapse rate for the policy years**

		1-5	6-10	11-15	16-20
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PUP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business single premium – Fund R and AMP (UK) Life	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business regular premium – Fund P and T	PUP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Life business regular premium – Fund P and T	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Life business single premium – Fund P and T	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) <sup>1</sup>	PUP	4.00%	4.00%	4.00%	4.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) <sup>1</sup>	PP	4.00%	4.00%	4.00%	4.00%
Conventional With-profits Pensions business single premium – Fund V (GAO) <sup>1</sup>	PP	4.00%	4.00%	4.00%	4.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PUP	6.00%	6.00%	6.00%	6.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PP	6.00%	6.00%	6.00%	6.00%
Conventional With-profits Pensions business single premium – Fund V (no GAO)	PP	6.00%	6.00%	6.00%	6.00%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PUP	2.50%	2.50%	2.50%	2.50%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PP	2.50%	2.50%	2.50%	2.50%
Conventional With-profits Pensions business single premium – Fund AMP (UK) Pensions	PP	2.50%	2.50%	2.50%	2.50%
Conventional With-profits Pensions business regular premium – Fund W	PUP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business regular premium – Fund W	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business single premium – Fund W	PP	0.00%	0.00%	0.00%	0.00%

<sup>1</sup> Except V(ICL) which has a lapse rate of 2.5%.

Only a small proportion of London Life (Funds R, T & V) & AMPUK business experience any PuPs; the most significant of these being Fund R. The paid-up assumptions do not vary across policy durations, and are shown in Table 6.11.



**TABLE 6.11**

<b>Average paid-up rate for the policy years</b>		<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>
Conventional With-profits Life business regular premium – Fund R	PUP	1.00%	1.00%	1.00%	1.00%

The annuitant mortality and take-up rate assumptions are shown in Tables 6.12 and 6.13 respectively.

**TABLE 6.12****Annuitant Mortality Assumptions**

	<b>Males</b>	<b>Females</b>
Annuitant mortality	95% PCMA00 CMI_2009_M at C=2029 [3% to age 60, reducing linearly to 0% from age 110]	87.5% PCFA00 CMI_2009_F at C=2033 [3% to age 60, reducing linearly to 0% from age 110]

**TABLE 6.13****GAO Take Up Rate Assumptions**

	<b>Normal Retirement</b>	<b>Early Retirement</b>	<b>Terminal Bonus<sup>1</sup></b>
Fund V (excluding POLMIG, GRPAVC)	76%	76%	76%
POLMIG, GRPAVC	10% if yields >4%, else 75%	10% if yields >4%, else 75%	10% if yields >4%, else 75%
AMP (UK)	77%	77%	77%
Fund R	0%	0%	0%
Fund T	0%	0%	0%

<sup>1</sup> This is the take up rate assumption made for the purposes of setting terminal bonus rates

- (7) Assumptions for foreseeable policyholder actions are potentially needed for the take-up of GAO benefits, MVA free dates on UWP policies and MVA free withdrawals on UWP policies. London Life has only a very small amount of UWP business and on materiality grounds this is not explicitly modelled. As such the only assumption that falls into this category is the take-up rate for GAO benefits. Table 6.13 shows the assumptions made, which apply in all scenarios where the GAO benefit is valuable to the policyholder.

## 7. Financing Costs

The London Life Scheme specified that capital support was to be provided to the Pensions With-Profits sub-fund (and the other non-profit sub-funds) via a contingent loan ("CL"). The initial amount of the CL to the Pensions With-Profits sub-fund was £114m. Both interest and capital payments are contingent on:

- the sub-fund (in this case Pensions With-Profits) not being a "supported" fund; and
- the sub-fund in question having, immediately following any such interest or capital payment, assets in excess of the Required Capital Amount (explained below).

In addition to this, CL principal can only be repaid if, under a range of scenarios deemed by the London Life Head of Actuarial Function as reasonably foreseeable, London Life as a whole would have sufficient assets (after any payment) to meet policyholder reasonable expectations ("PRE") and statutory solvency requirements (Peak 1). This constraint also applies in respect of any dividend payments and the distribution or return of capital to shareholders.

The Required Capital Amount ("RCA") is calculated at sub-fund level as the expected value of future shareholders' transfers plus the greater of:

- statutory liabilities (Peak 1, excluding any in respect of contingent loans and inter-fund support); and
- the amount needed to meet PRE.

The above constraints effectively mean that all payments in respect of the CL are fully subordinated to policyholders. Indeed, no interest has ever been paid on the CL and during 2004 London Life Holdings Limited waived their right to interest on the CL for years 2004 to 2006 inclusive. On 24 November 2006 the rights and benefits under the contingent loan agreement were assigned to Pearl Group Limited (subsequently renamed Pearl Group Holdings (No. 2) Limited) under identical terms except for the extension of the waiver of interest payments to include the period up to and including 31 December 2013. The face value of the CL is £286m at 31 December 2010 (including the CL to the Life Non-Profit and Pension Non-Profit sub-funds).

The Scheme also includes provisions for providing sub-funds with further capital support should they need it. The trigger for this is whether the sub-fund has sufficient assets to cover the RCA. If this is not the case, the Scheme provides that "inter-fund support" should be provided by transferring assets, via a loan bearing interest (3 month LIBOR), from either the Shareholder Fund or a non-profit

sub-fund. Similar to the CL, interest and capital payments are fully subordinated to meeting PRE. No sub-fund support was required or effected during 2010.

The financing cost figures are calculated reflecting the full subordination to PRE, i.e. it is the average value of the payments (CL and inter-fund support) that the sub-fund could make subject to first fully satisfying PRE.

## 8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities, before the allocation of working capital as per the GN45 requirement for Closed Funds, is set out in Table 8.1.

**TABLE 8.1**

**Other Long-Term Insurance Liabilities at 31 December 2010**

Liability	LWP (£m)	PWP (£m)
Investment Management Expenses <sup>1</sup>	0.6	1.5
Additional Basic Rate Tax <sup>2</sup>	3.0	0.0
Value of future shareholder transfers	3.9	2.6
Mortgage Endowment Mis-selling	0.0	0.0
Additional Reserves <sup>3</sup>	2.0	0.6
<b>Total</b>	<b>9.4</b>	<b>4.7</b>

<sup>1</sup> The value of future investment expenses on assets over and above asset share (i.e. not deducted from asset share).

<sup>2</sup> Basic rate tax on assets in excess of asset share in respect of Life business (i.e. not deducted from asset share).

<sup>3</sup> Reserves for expense inflation and investment management expenses.

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly'.

## 9. Realistic Current Liabilities

The realistic current liabilities at 31 December 2010 stood at £596.7m, which is £2.4m lower than the regulatory current liabilities at the same date, due to an additional provision for adverse deviations appearing in the regulatory liabilities.

The main component of the realistic current liabilities is the £500.0m representing collateral received to cover assets that have been lent out and would be repaid on return of the stock lending assets.

The realistic current liabilities do not include any liability in respect of the company pension scheme. Pearl Group Services employs all of the operating staff within the group and hence retains the responsibility for meeting the pension scheme's obligations.

The remaining current liabilities are made up of:

- £6.0m for outstanding claims;
- £25.2m in respect of SPP deposit back;
- £54.5m in respect of other creditors and accruals & deferred income;
- £11.0m in respect of deposits received from re-insurers on unsecured business.

## 10. Risk Capital Margin

(a) The risk capital margin for London Life at 31 December 2010 is zero for both the LWP sub-fund and the PWP sub-fund.

As described in Section 7, the terms of the Scheme are such that the capital support (CL and inter-fund support mechanism) is fully subordinated to the need to meet PRE.

The financial flexibility of London Life is such that any adverse experience would, in the first instance, simply reduce the value of the capital expected to be repaid to shareholders, i.e. the financing costs. Any amount within LWP sub-fund that would have contributed towards the working capital is now displayed as 'Other long-term insurance liabilities' within Line 47 of Form19. As such, the LWP RCM is also displayed as zero.

The PWP sub-fund financing cost acts to absorb changes that would otherwise affect the working capital. To the extent that the working capital would fall below zero in the most onerous RCM condition, the financing costs would no longer be able to absorb such a change. As at 31

December 2010, the working capital in the most adverse RCM condition is above zero. As such, the PWP RCM is also displayed as zero.

The most onerous scenario for London Life LWP (i.e. the one which reduces the financing costs the most) is that which combines:

- A fall in equity and property values;
- A fall in interest rates; and
- A fall in persistency.

The most onerous scenario for London Life PWP is that which combines:

- A fall in equity and property values;
- A rise in interest rates; and
- A fall in persistency.

(i) 20.0% fall in equity values; 12.5% fall in property values.

(ii) A 17.5% change in the yield curve (UK assets), equivalent to a 0.70% nominal change in the long term gilt yield.

(iii) (a) The average change in spreads for bonds was 89 basis points weighted by value (which translates to 96 basis points when weighted by value and duration), resulting in a 6.52% fall in corporate bond asset values.

(b) Not applicable.

(c) Not material. Our interpretation of INSPRU is that intra-group reinsurance is not subject to the reinsurance credit risk event. London Life has a small amount of traditional reinsurance. The effect of allowing for the reinsurance credit risk event in respect of this is very small and so on materiality grounds this has not been included in the value of the liabilities shown in Form 19.

(d) Not applicable.

(e) In respect of the interest rate derivatives, which are the only significant derivative holdings at 31 December 2010, the credit shock tested was a 5 basis point adverse movement in swap rates. This credit shock resulted in a 28.25% fall in the value of the derivatives.

- (iv) The average change in persistency experience (weighted by realistic value of liabilities) expressed as an annual percentage is 32.5%, which corresponds with a reduction in the average lapse rate (weighted by realistic value of liabilities) from 3.2% per annum to 2.2% per annum. This change in persistency resulted in a 0.3% increase in the realistic value of liabilities (excluding financing costs). This increase in liabilities (excluding financing costs) is offset in the PWP sub-fund by a corresponding reduction in the financing costs (refer to Sections 7 and 10 (a)), signifying a reduction in the ability of the with-profits fund to repay the contingent loan and inter-fund support.
  - (v) Not applicable.
- (b) No particular management actions were assumed for the purposes of calculating the risk capital margin.
- (c) (i) No additional assets are required to cover the risk capital margin of both the LWP and the PWP fund.
- (ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the Shareholder Fund (or non-profit sub-funds) to any sub-funds needing further capital support, which is the case for the Life and Pensions with-profits sub-funds.

## **11. Tax**

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates assumed are 20% on savings income and indexed capital gains and nil on franked income received net of the non-recoverable tax credit. Tax relief on expenses are assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

## **12. Derivatives**

The major positions relating to derivative contracts held by the with-profits fund are:

A portfolio of interest rate swaps with notional amounts totalling £1613.8m. This contains both "pay floating / receive fixed" and "pay fixed / receive floating" type contracts. The average time to expiry is 10.5 years.

A portfolio of swap spread hedges with notional amounts totalling £28.5m. The average time to expiry is 18.2 years.

A portfolio of RPI swaps with notional amounts totalling £16.4m. The average time to maturity is 17.5 years.

A portfolio of interest rate swaptions with notional amounts totalling £512.0m. The average time to maturity is 12.9 years.

A portfolio of FTSE100 futures. There are 131 contracts with a value of £10 each per index point. The total value of this portfolio as at 31 December 2010 is £7.7m. This is split across active asset shares (218 contracts), UWP asset shares (10 contracts) and a short position within the estate (-97 contracts).

The equity futures have a term of 3 months and are rolled at the end of this period.

### 13. Analysis of Working Capital

Table 13.1 describes the significant movements in the working capital of the with profits fund from the preceding financial year.

**TABLE 13.1**

**Analysis of Working Capital**

	LWP <sup>1</sup>	PWP <sup>2</sup>
<b>Working Capital as at 31 December 2009</b>	0	0
Undo zeroisation to Opening working capital	15	21
Opening Adjustment	4	1
Expected Return	0	0
Investment Management	6	25
Insurance Management	1	2
Capital Movements	0	0
Other	4	(4)
Other Long-Term Insurance Liabilities/Financing Costs	(30)	(45)
<b>Working Capital at 31 December 2010</b>	0	0

<sup>1</sup> LWP working capital is described within 10(a) above. As per GN45 this is allocated within 'Other Long-term Insurance Liabilities' to ensure that the working capital total is zero, as required for a closed fund.

<sup>2</sup> PWP financing costs are described within 10(a) above.

### 14. Optional Disclosure

Not applicable.



## **Returns under the Accounts and Statements Rules**

### **Statement of information on the with-profits actuary required by rule 9.36**

#### **London Life Limited**

#### **Global Business**

#### **Financial year ended 31 December 2010**

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year 2010.

1. a) During the year, K J Arnott held options to subscribe for 18,989 shares in Phoenix Group Holdings, the ultimate holding company, granted under the Company's Long Term Incentive Plan.  
b) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2010 was £410,575\*.  
c) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

#### Note 1

Under rule 9.36(4) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

\* Any undeclared bonuses are excluded

**Returns under the Accounts and Statements Rules**

**Certificate required by rule 9.34(1)**

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2010**

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) we are satisfied that:
  - (i) throughout the financial year in question, 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
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in our opinion, premiums for contracts of long-term business 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;
- (b) 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 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; and
- (d) we have, in preparing the return, taken and paid due regard to-
  - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

  
M J Merrick  
Chief Executive

  
A Moss  
Director

  
J J Yates  
Director

Date: 22 March 2011

**Returns under the Accounts and Statements Rules**

**Certificate required by rule 9.34(1)**

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2010**

**Note to the Directors' Certificate**

1. Principles and Practices of Financial Management

Paragraph 2(c) which relates to the management of the with-profits fund in accordance with the Principles and Practices of Financial Management ("PPFM"), has been omitted from the Return due to certain minor instances where the management of the fund differed from the PPFM but these have not resulted in the unfair treatment of policyholders.

## **Returns under the Accounts and Statements Rules**

### **Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**London Life Limited**

**Global Business**

**Financial year ended 31 December 2010**

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 2, 3, 13 to 19, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes ("the Forms"));
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("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);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement 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.

## **Returns under the Accounts and Statements Rules**

### **Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**London Life Limited**

**Global Business**

**Financial year ended 31 December 2010**

**(continued)**

It is our responsibility to form an independent opinion as to whether the Forms, the statement 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; or
- the Forms, the statement 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.

#### **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 statement 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 on which we reported on 23 March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement 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 statement 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.

**Returns under the Accounts and Statements Rules**

**Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**London Life Limited**

**Global Business**

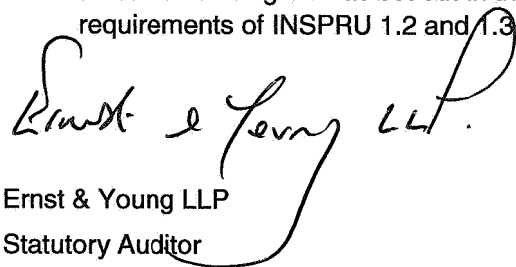
**Financial year ended 31 December 2010**

**(continued)**

**Opinion**

In our opinion:

- (a) the Forms, the statement 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
- (b) 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.



Ernst & Young LLP

Statutory Auditor

London

23 March 2011