

The Northern Assurance Company Limited

Registered office: St Helen's, 1 Undershaft, London, EC3P 3DQ

**Annual FSA Insurance Returns for the year ended
31st December 2003**



Returns under the Accounts and Statements Rules

Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)

Name of insurer **The Northern Assurance Company Limited**

Global Business

Financial year ended **31st December 2003**

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Statement of solvencyName of insurer **Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

R9	Company registration number 99375	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2003	
	As at the end of this financial year	As at the end of the previous year	Source			
	1	2	<	>	?	

GENERAL INSURANCE BUSINESS**Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11			See instructions 1 and 2
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Required minimum margin

Required minimum margin for general insurance business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

LONG TERM INSURANCE BUSINESS**Available assets**

Long term insurance business admissible assets	21			10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	8217	6800	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23			See instruction 4
Other insurance and non-insurance liabilities	24			See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	8217	6800	

Implicit Items admitted under Rule 2.10(5) as modified

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	8217	6800	
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Required minimum margin

Required minimum margin for long term insurance business	41	8217	6800	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	1370	1133	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	6847	5667	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44			

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6

Analysis of the effect of financial engineering on long-term available assetsName of insurer **Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

	R9A	Company registration number 99375	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2003	
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
Required minimum margin for long term insurance business	11	8217	6800	See instruction 2			
Excess (deficiency) of available assets and implicit items over the required minimum margin	12			See instruction 3			
Total available assets and implicit items (11+12)	13	8217	6800				
Analysed as follows:							
Value of implicit items	14			See instruction 5			
Financial reinsurance- ceded	15			See instruction 6			
Financial reinsurance- accepted	16			See instruction 7			
Outstanding contingent loans	17			See instruction 8			
Any other charges on future profits	18			See instruction 9			
Sum of financial engineering adjustments (14+15-16+17+18)	19						
Other assets (13-19)	20	8217	6800				
Total available assets and implicit items (19+20)	21	8217	6800				

Long term insurance business : Analysis of premiums and expensesName of insurer **Northern Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Non-Participation Fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
			day	month	year					
	R41	99375	GL	31	12	2003	£000	OB	1	0
						Gross 1	Payable to or recoverable from reinsurers 2	Net of reinsurance (1-2) 3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium	11							
		Regular premium	12							
	Pension business contracts	Single premium	13			34230	34230			
		Regular premium	14			43464	43464			
	Permanent health contracts	Single premium	15							
		Regular premium	16							
	Other contracts	Single premium	17							
		Regular premium	18							
	Total premiums	Single premium	19			34230	34230			
		Regular premium	29			43464	43464			
Total premiums at lines 19 and 29 attributable to	UK contracts	31			77694	77694				
	Overseas contracts	32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41							
	Other commission payable		42							
	Management expenses in connection with acquisition of business		43							
	Management expenses in connection with maintenance of business		44							
	Other management expenses		45							
	Total expenses (41 to 45)		49							
	Total expenses at line 49 attributable to	UK contracts	51							
Overseas contracts		52								

Returns under Insurance Companies Legislation

Valuation Report Prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4

Name of Company **The Northern Assurance Company Limited – Non Participation Fund**

Global business

Financial year ended **31st December 2003**

The investigation was made at 31 December 2003.

The previous investigation was made at 31 December 2002.

The valuation has been made in conformity with IPRU (INS) rule 5.6.

Contracts

There is one category of contract, which is unit linked, and consists of reinsurance accepted from Commercial Union Life Assurance Company Limited. The liability is the bid value of the units allocated, payable on the termination of the policy through death, retirement or surrender.

The business is endowment assurance, non-profit, reinsurance accepted, pension business, written in the United Kingdom.

All units allocated are 100% reinsured to the internal linked funds of NU Linked Life Assurance Limited, leaving a net liability of zero in the Fund.

The original contracts are fully described in the IPRU (INS) Appendix 9.4 return of the ceding office's Life Fund.

The contracts are Personal Pension Plan, Free-Standing AVC, Executive Pension Plan, Sterling Group (Unitised) Plan, and Personal Pension Trustee Investment Plan.

Expenses

All expenses are allocated to the Funds of the ceding office or the cedant office. There are no restrictions on increasing charges within the internal linked funds.

Guarantees

There are no options or guarantees made to the ceding office under the reinsurance treaty.

The bid value of the Pension Secure Growth Fund units is guaranteed never to decrease. This Fund consists entirely of cash assets.

The bid value of the Pension Safety Net Fund is guaranteed not to fall below a floor price on the condition that the provider of the financial instruments used within the fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the Fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time. The financial instruments used are constructed so as to provide the guarantee to policyholders.

No reserve is necessary for the investment performance guarantees in the internal linked Pension Secure Growth Fund and Pension Safety Net Fund since the nature of assets held is such as to provide the investment guarantee.

There are no other options or guarantees.

**M N Urmston
Appointed Actuary**

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Northern Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Pension Insurance Business**Category of surplus **Non-Participation Fund**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R53	99375	GL	31	12	2003	£000	UK	Pens	11
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Name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link 10	Unit liability		Other liabilities		Amount of mathematical reserves 15
	Rate of interest 2	Mortality or morbidity table 3		Guaranteed on death 5	Current on death/current payable per annum 6	Guaranteed on maturity 7	Office premiums 8	Net premiums 9		Current benefit value 11	Discounted value 12	Mortality and expenses 13	Options and guarantees other than investment performance guarantees 14	
REASSURANCE ACCEPTED Non-Profit Policies														
Personal Pension Plans	4.50%		430753	844231		45907	Internal Fund	844231	844231				844231	
Sterling Group Plan	4.50%		106	20518		1621	Internal Fund	20518	20518				20518	
Personal Pension Trustee Investment Plan	4.50%		1				Internal Fund	18846	18846				18846	
Sub total: Non-Profit Policies			430860		864749			47528		883595	883595			883595
Sub total: Reassurance Accepted			430860		864749			47528		883595	883595			883595
REASSURANCE CEDED Non-Profit Policies														
Personal Pension Plans	4.50%			844231		45907	Internal Fund	844231	844231				844231	
Sterling Group Plan	4.50%			20518		1621	Internal Fund	20518	20518				20518	
Personal Pension Trustee Investment Plan	4.50%						Internal Fund	18846	18846				18846	
Sub total: Non-Profit Policies					864749			47528		883595	883595			883595

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

Name of insurer **Northern Assurance Company Limited**

(Sheet 1)

Global business

United Kingdom business

Financial year ended **31st December 2003**

Category of surplus **Non-Participation Fund**

Internal linked fund

			Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH	
			R55	99375	GL	31	12	2003	£000	UK	11	ILH
Name of fund link or directly held asset 1	Name of unit type 2	Valuation price per unit or asset 3	Total actual number of units in force or directly held assets 4	Value of total actual units in force or directly held assets 5	Value of actual units held by other internal linked funds 6	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6) 7	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9) 10			
							Gross 8	Reinsurance ceded 9				
Wholly reinsured	Wholly reinsured							883595	883595			
Sub total: Wholly reinsured								883595	883595			
Total: Non-Participation Fund								883595	883595			

Long term insurance business : Required minimum marginName of insurer **Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R60	99375	GL	31	12	2003	£000
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Class		Classes I, II & IX	Class III business with relevant factor of				Class IV and VI	Classes VII and VIII business with relevant factor of					Unallocated additional mathematical reserves with relevant factor of		Total for all classes		
			4% 1	4% 2	1% 3	Nil 4		Total 5	4% 6	4% 7	1% 8	Nil 9	Total 10	4% 11	1% 12	The financial year 13	The previous year 14
Relevant factor (Instruction 1)																	
Mathematical reserves before deduction of reinsurance	Reserves before distribution of surplus	11		32408	837050	14137	883595									883595	719080
	Reserves for bonus allocated to policyholders	12															
	Reserves after distribution of surplus	13		32408	837050	14137	883595									883595	719080
Mathematical reserves after deduction of reinsurance	Reserves before distribution of surplus	14															
	Reserves for bonus allocated to policyholders	15															
	Reserves after distribution of surplus	16															
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)	17					0.85											
Required margin of solvency - first result = (line 13) * (line 17) * relevant factor	19					8217										8217	6800
Non negative capital at risk before reinsurance (see Instruction 3)	Temporary assurances with required margin of solvency of 0.1%	21															
	Temporary assurances with required margin of solvency of 0.15%	22															
	All other assurances with required margin of solvency of 0.3%	23															
	Total (21 to 23)	29															
Non negative capital at risk after reinsurance (all contracts) (see Instruction 3)	31																
Ratio of line 31 to line 29, or 0.50 if greater	32																
Required margin of solvency - second result (see Instruction 4)	39																
Sum of first and second results (19+39)	49					8217										8217	6800
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business	51																
Total required margin of solvency for long term insurance business (49+51)	59															8217	6800
Minimum guarantee fund	61															549	506
Required minimum margin (greater of lines 59 and 61)	69															8217	6800

Returns under the Accounts and Statements Rules

Supplementary notes

Name of insurer The Northern Assurance Company Limited

Global business

Financial year ended 31st December 2003

4601 Form omitted

Form 46 has not been completed since movements net of reinsurance are zero.

4701 Form omitted

Form 47 has not been completed since all new business is 100% retroceded.

4801 Form omitted

All liabilities are in respect of property linked benefits so Form 48 has not been completed.

4901 Form omitted

All liabilities are in respect of property linked benefits so Form 49 has not been completed.

5301 Contract count

Certain contracts in Form 53 are issued in policy clusters. The contract count shown in Form 53 exceeds the number of clusters by 281,601

5701 Form omitted

All liabilities are in respect of property linked benefits so no Form 57 has been completed.

5801 Form omitted

The mathematical reserves after allowing for reinsurance ceded are zero, so no Form 58 has been completed.

Returns under the Accounts and Statements Rules

Supplementary notes

Name of insurer The Northern Assurance Company Limited

Global business

Financial year ended 31st December 2003

0901 Section 148 waivers

Reinsurance arrangements

The Treasury made an Order under section 68 of the Insurance Companies Act 1982 in September 2000 directing that section 31 of the Act shall not apply to the Company in respect of transactions entered into with Norwich Union Linked Life Assurance Company Limited and Commercial Union Life Assurance Company Limited pursuant to unit linked pensions reinsurance and retrocession contracts.

Concession to allow for the submission of abbreviated returns

The FSA, on the application of the firm, issued in October 2002, a direction under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to permit the firm to submit an abbreviated return.

0903 Other than long term insurance business assets allocated towards long term insurance business required minimum margin

For the financial year ending 31 December 2003 the long term business returns state an amount of £8.2m at Form 9 line 22, this being the amount of other than long term business assets of Northern Assurance Company Limited allocated towards the long term business required minimum margin.

4009 Related party transactions

Related party transactions exceeding 5% of the long-term insurance business amount were as follows:

1)	Connected party	Commercial Union Life Assurance Company Limited
	Nature of relationship	Fellow group undertaking
	Nature of transactions during the period	Reinsurance accepted
	Value of transactions during the period	Premiums: £78m
		Claims: £41m
	Amounts unpaid at the end of the period	£nil
	Amounts written off in the period	£nil
2)	Connected party	Norwich Union Linked Life Assurance Limited
	Nature of relationship	Fellow group undertaking
	Nature of transactions during the period	Reinsurance ceded
	Value of transactions during the period	Premiums: £78m
		Claims: £41m
	Amounts unpaid at the end of the period	£nil
	Amounts written off in the period	£nil

4010 Financial statements

The financial statements of the company had not been signed by the date on which this return was signed. The figures included in Forms 41 and 42 are taken from the draft financial statements.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of insurer **The Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

The Company had no involvement with derivatives during the financial year.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **The Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

100% of the issued shares of the Company is held by CGU International Insurance plc.

100% of the issued share capital of CGU International Insurance plc is held by Norwich Union Holdings Limited.

100% of the issued share capital of Norwich Union Holdings Limited is held by Norwich Union plc.

100% of the issued share capital of Norwich Union plc is held by General Accident plc.

100% of the issued ordinary share capital of General Accident plc is held by the Ultimate Parent Undertaking, Aviva plc

There have been no changes to the above position during the year.

All shares are voting shares.

Statement of information on appointed actuary required by IPRU (INS) 9.36Name of insurer **The Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, M N Urmston, the appointed actuary of the Company, was requested to furnish and has provided the following information:

- (a) (1) An interest in 2,637 ordinary shares at 31 December 2003 in Aviva plc, and an interest in 11,522 ordinary shares at 31 December 2002.
- (2) 91,891 ordinary shares are held in the Aviva Long Term Incentive Plan, these shares will vest upon the satisfaction of certain performance criteria. In addition 69,572 ordinary shares are held in the Aviva Deferred Bonus Plan.
- (3) Options were held at 31 December 2003 to subscribe for 103,182 ordinary shares in Aviva plc under UK Employees Savings Related and Executive Share Option Schemes.

	No. of shares
Options held at 31 December 2002	116,639
Options granted during the year	2,732
Options exercised or lapsed during the year	(16,189)

- (b) Four with profits low cost endowment policies with CGNU Life Assurance Limited, with aggregate sums assured of £53,173 and annual premiums of £1,586. One non-profit term assurance policy with CGNU Life Assurance Limited with sum assured of £75,000 and annual premiums of £332. In addition the actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £2,304 were paid in the year to 31 December 2003.
- (c) The aggregate amount of remuneration, bonuses and the value of other benefits (excluding pension rights) under the actuary's contract of employment with Aviva Employment Services Limited for 2003 was £288,049. Under the contract he was Appointed Actuary and Director of:

CGNU Life Assurance Limited
 Commercial Union Life Assurance Company Limited
 Norwich Union Linked Life Assurance Limited
 Norwich Union Life (RBS) Limited
 Norwich Union Life & Pensions Limited
 Norwich Union Annuity Limited

appointed actuary of:-
 The Northern Assurance Company Ltd

And a director of:-
 Fidelity Life Assurance Limited
 GA Life Property Ireland Limited
 National Westminster Life Assurance Limited
 Norwich Union Commercial Finance Limited
 Norwich Union Commercial Mortgages Limited
 Norwich Union Equity Release Limited
 Norwich Union Healthcare Limited
 Norwich Union Life Holdings Limited
 Norwich Union Life (RBS) JV Limited
 Norwich Union Life Services Limited
 Norwich Union Mortgage Finance Limited
 Norwich Union Mortgages (Life) Limited
 Norwich Union Mortgage Holdings Limited
 Norwich Union Personal Finance Limited
 NULH2 Limited
 Provident Mutual Life Assurance Limited
 RBS Life Investments Limited
 Royal Scottish Assurance plc
 TPF Limited
 TPFL Limited
 The General Practice Finance Corporation Limited
 The General Practice Finance Corporation Property Management Limited

- (d) Pensions and life assurance benefits as provided to all employees under the terms and conditions of the Aviva Companies' UK Pensions Schemes. Sickness and accident benefits as provided to all employees under the terms and conditions of these schemes.

Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

Name of insurer **The Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

We certify:

- 1 (a)** in relation to the part of the return comprising Forms 9, 9A, 41 and 42, (including the supplementary notes) and the statements required by rules 9.29 and 9.30 that:

 - (i) the return has been prepared in accordance with the Accounts and Statements Rules;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by The Northern Assurance Company Limited (the Company); and
 - (iii) appropriate systems and controls have been established and maintained by the Company over its transactions and records;
- (b)** that reasonable enquiries have been made by the Company for the purpose of identifying material connected-party transactions;
- (c)** that in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- (d)** in relation to the statement required by rule 9.36:

 - (i) that for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) that the information given has been ascertained in conformity with that rule.
- 2** that the margin of solvency for long term insurance business required by rule 2.1 has been maintained throughout the financial year.
- 3 (a)** that the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rules 3.2(2) to (4) and rule 3.3, assets attributable to long term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business funds have not been applied otherwise than for the purpose of the long term insurance business;
- (b)** that any amount payable from or receivable by the long term insurance business funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;
- (c)** that all guarantees given by the Company of the performance by a related company which would fall to be met by any long term insurance business fund have been disclosed in the return, and that the funds on which each such guarantee would fall has been identified therein;
- (d)** that the investment policy and practice of the Company in respect of the internal linked funds maintained was, during the financial year, consistent with any representations made to policyholders or potential policyholders of the Company;
- (e)** that the returns in respect of long term insurance business are not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links, or by any arrangements which could affect the apportionment of expenses and income; and
- (f)** that the Company has fully complied with the requirements of rule 3.5.

Returns under the Accounts and Statements Rules

Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

Name of insurer **The Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

4 (a) that the systems and controls established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:

- (i) Guidance Note P.1 – ‘Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives’;
- (ii) ‘The prevention of Money Laundering - Guidance Notes for the UK Financial Sector’ (revised December 2001) issued by the Joint Money Laundering Steering Group;

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future; and

(b) the return has been prepared in accordance with the following published guidance:

- (i) Guidance Note 4.1 - ‘Guidance for insurers and auditors on the Valuation of Assets Rules’;
- (ii) Guidance Note 4.2 - ‘Use of derivative contracts in insurance funds’; and
- (iii) Guidance Note 9.1 - ‘Preparation of Returns’.

..... **R J HARVEY**
Chief Executive

..... **P J R SNOWBALL**
Director

..... **P TWYMAN**
Director

24 March 2004

Certificate by the appointed actuary required by IPRU (INS) 9.34(b) and IPRU (INS) Appendix 9.6

Name of insurer **The Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2003**

I certify:

- (a)
- (i) that in my opinion proper records have been kept by The Northern Assurance Company Limited (the Company) adequate for the purpose of the valuation of the liabilities of its long term insurance business;
 - (ii) that the mathematical reserves constitute proper provision as at 31st December 2003 for the long term insurance business liabilities (other than 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 investigation as at that date into the financial condition of the long term insurance business;
 - (iii) that for the purpose of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with the Valuation of Assets Rules, as shown in Form 13;
 - (iv) that the current versions of Guidance Notes, issued by the Institute of Actuaries and the Faculty of Actuaries, numbered GN1 (effective date 01.09.03), GN2, GN7, GN8, GN22 and GN25 have been complied with; and
 - (v) that in my opinion premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves.
- (b) that the amount of the required minimum margin applicable to the Company's long term insurance business immediately following the end of the financial year (including any amounts resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business) is £8,217,000.

M N Urmston

Appointed Actuary

24 March 2004

Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **The Northern Assurance Company Limited**

Global Business

Financial year ended **31st December 2003**

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in Chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 (the "Act").

- Forms 9, 9A, 41 and 42 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 on page 12 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on page 16 ("the certificate").

In the case of the certificate, our examination did not extend to:

- a) paragraph 1 in relation to the statements required by rules 9.30 and 9.36 concerning controllers and Information on the appointed actuary;
- b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

This report is made solely to the company's directors, in accordance with rule 9.35 of the Accounts and Statements Rules. Our examination has been undertaken so that we might state to the company's directors those matters we are required by the Rules to state to them in an auditors' 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 company for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, statement and certificate) under the provisions of the Rules. The requirements of the Rules have been modified by the waiver issued under section 148 of the Act in October 2002 referred to in supplementary note 0901. Under rule 9.11 the Forms and statement are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms and statement meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statement therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Bases of opinions

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" 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 and statement. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statement.

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 and statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on the certificate of the actuary on page 17 with respect to the mathematical reserves and the required minimum margin.

Opinions

In our opinion:

- (a) the Forms and statement 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) according to the information and explanations received by us:
 - (i) the certificate has been properly prepared in accordance with the provisions of the Rules; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.