

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 2004**



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 2004**

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Statement of solvency - long-term insurance businessName of insurer **Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R2	99375	GL	31	12	2004	£000
			As at end of this financial year		As at end of the previous year		
			1		2		

Capital resources

Capital resources arising within the long-term insurance fund	11		
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	9459	
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	9459	

Guarantee Fund

Guarantee Fund requirement	21	3153	
Excess (deficiency) of available capital resources to cover guarantee Fund requirement	22	6306	

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	9459	
Resilience capital requirement	32		
Base capital resources requirement	33	2087	
Minimum capital requirement	34	9459	
Excess (deficiency) of available capital resources to cover 50% of MCR	35	4730	
Excess (deficiency) of available capital resources to cover 75% of MCR	36	2365	

Enhanced capital requirement

With-profits insurance capital component	37		
Enhanced capital requirement	38	9459	

Capital resources requirement (CRR)

Capital resources requirement (greater of 34 and 38)	41	9459	
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42		

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Returns under the Accounts and Statements Rules

Covering page to form 2

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

Global business

Financial year ended **31st December 2004**

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

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

..... **P G SCOTT**
Director

22 March 2005

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 2004**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	2004	£000	OB	1	0
						Gross	Payable to or recoverable from reinsurers	Net of reinsurance (1-2)		
						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		43609		43609		
		Regular premium		14		38567		38567		
	Permanent health contracts	Single premium		15						
		Regular premium		16						
	Other contracts	Single premium		17						
		Regular premium		18						
	Total premiums	Single premium		19		43609		43609		
		Regular premium		29		38567		38567		
Total premiums at lines 19 and 29 attributable to	UK contracts		31		82176		82176			
	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						

Long term insurance business : Analysis of claimsName of insurer **Northern Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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					
		R42	99375	GL	31	12	2004	£000	OB	1	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers	Net of reinsurance (1-2)			
					1		2	3			
Life assurance and annuity contracts	On death	11									
	By way of lump sums on maturity	12									
	By way of annuity payments	13									
	By way of payments arising from other insured events	14									
	On surrender or partial surrender	15									
	Total life assurance and annuity claims (11 to 15)	19									
Pension business contracts	On death	21			1240	1240					
	By way of lump sums on vesting	22			17801	17801					
	By way of vested annuity payments	23									
	On surrender or partial surrender	24			40400	40400					
	Total pension business claims (21 to 24)	29			59441	59441					
Permanent health contracts	By way of lump sums	31									
	By way of periodical payments	32									
	Total permanent health claims (31+32)	39									
Other contracts	By way of lump sums	41									
	By way of periodical payments	42									
	Total claims (41+42)	49									
Total claims (19+29+39+49)					59	59441	59441				
Total claims at line 59 attributable to	UK contracts	61			59441	59441					
	Overseas contracts	62									

Valuation Report for IPRU (INS) Appendix 9.4

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

Global business

Financial year ended **31st December 2004**

The investigation was made at 31 December 2004

The previous investigation was made at 31 December 2003

The valuation has been made in conformity with PRU (INS) rule 7.3.10

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
Actuarial Function Holder

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 2004**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	2004	£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%		406550	947896		42524		Internal Fund	947896	947896				947896
Sterling Group Plan	4.50%		105	26556		1401		Internal Fund	26556	26556				26556
Personal Pension Trustee Investment Plan	4.50%		1					Internal fund	14853	14853				14853
Sub total: Non-Profit Policies			406656	974452		43925			989305	989305				989305
Sub total: Reassurance Accepted			406656	974452		43925			989305	989305				989305
REASSURANCE CEDED Non-Profit Policies														
Personal Pension Plans	4.50%			947896		42524		Internal Fund	947896	947896				947896
Sterling Group Plan	4.50%			26556		1401		Internal Fund	26556	26556				26556
Personal Pension Trustee Investment Plan	4.50%							Internal Fund	14853	14853				14853
Sub total: Non-Profit Policies				974452		43925			989305	989305				989305

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 2004**

Category of surplus **Non-Participation Fund**

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)
							Gross	Reinsurance ceded	
							8	9	
1	2	3	4	5	6	7	8	9	10
Wholly reinsured	Wholly reinsured						989305	989305	
Sub total: Wholly reinsured							989305	989305	
Total: Non-Participation Fund							989305	989305	

Long term insurance capital requirementName of insurer **Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2004**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

	R60	99375	GL	31	12	2004	£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

Classes I, II and IX	11	0.1%					
Classes I, II and IX	12	0.15%			0.00		
Classes I, II and IX	13	0.3%					
Classes III, VII and VIII	14	0.3%			0.00		
Total	15						

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21						
--	----	--	--	--	--	--	--

Insurance expense risk capital component

Classes I, II and IX	31	1%			0.00		
Classes III, VII and VIII (investment risk)	32	1%	44673		0.85	380	
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	934098		0.85	7940	
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%			0.00		
Class V	36	1%					
Class VI	37	1%			0.00		
Total	38					8320	

Insurance market risk capital component

Classes I, II and IX	41	3%			0.00		
Classes III, VII and VIII (investment risk)	42	3%	44673		0.85	1139	
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	934098				
Classes III, VII and VIII (other)	44	0%	10534				
Class IV	45	3%			0.00		
Class V	46	0%					
Class VI	47	3%			0.00		
Total	48		989305			1139	

Long term insurance capital requirement	51					9459	8217
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IPRU (INS) Appendix 9.4 supplementary notes

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

Global business

Financial year ended **31st December 2004**

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 280,218.

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 2004

0201 Section 148 waivers

Concession to allow for the submission of abbreviated returns

The FSA, on the application of the firm, issued in December 2004, 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.

4009 Related party transactions

Related party transactions exceeding 5% of the sum of its base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded 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: £82m
		Claims: £59m
	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: £82m
		Claims: £59m
	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 2004**

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 2004**

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.

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

Name of insurer **Northern Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and
- (b) the directors 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) and PRU; 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 the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (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 in question for the long-term insurance business 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
- (c) the directors have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

..... **RJ HARVEY**
Chief Executive

..... **PJR SNOWBALL**
Director

..... **PG SCOTT**
Director

22 March 2005

Returns under the Accounts and Statements Rules

Independent auditors' report 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 2004**

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

- Forms 2, 41, 42 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report required by rule 9.31(a) ("the methods and assumptions included in the valuation report").

We are not required to examine and do not express an opinion on the following ("the unaudited items"):

- a) Forms 53 and 55 (including the supplementary notes);
- b) the statement required by rule 9.30;
- c) the certificate signed in accordance with rule 9.34; and
- d) the valuation report required by rule 9.31(a) except as set out above.

This report is made solely to the insurer'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 insurer'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 insurer for our examination, for this report, or for the opinion we have formed.

Respective responsibilities of the company and its auditors

The insurer is responsible for the preparation of an annual return (including the unaudited items) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Act on 31 December 2004. Under rule 9.11 the Forms, the statement and the valuation report 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. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the methods and assumptions included in the valuation report meet these requirements, and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 "Supplementary guidance for auditors 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, the statement and the methods and assumptions included in the valuation report. 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 30 March 2005. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and in determining the methods and assumptions included in the valuation report.

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 methods and assumptions included in the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to 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 auditors' report 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 2004**

Opinion

In our opinion:

- (a) the Forms and the 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) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3.

Ernst & Young LLP
Registered Auditor
London
30 March 2005