

# **Winterthur Life UK Limited**

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

**31 December 2009**

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

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**Statement of solvency - long-term insurance business**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3116645	GL	31	12	2009	£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	95195	135959
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	106749	98641
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	201945	234600

**Guarantee fund**

Guarantee fund requirement	21	31042	30609
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	170903	203991

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	83740	89310
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	83740	89310
Capital requirements of regulated related undertakings	35	3128	2518
Minimum capital requirement (34+35)	36	86868	91828
Excess (deficiency) of available capital resources to cover 50% of MCR	37	158511	188686
Excess (deficiency) of available capital resources to cover 75% of MCR	38	136794	165729

**Enhanced capital requirement**

With-profits insurance capital component	39	29048	46292
Enhanced capital requirement	40	115917	138119

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	115917	138119
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	86028	96480

**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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**Covering Sheet to Form 2**

**Form 2**

Name of insurer      **Winterthur Life UK Limited**

Global business

Financial year ended      **31 December 2009**

.....  
**Director**

.....  
**Director**

.....  
**Director**

**Date**

**Components of capital resources**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
		General insurance business  <b>1</b>	Long-term insurance business  <b>2</b>	Total as at the end of this financial year <b>3</b>	Total as at the end of the previous year <b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		27400	27400	27400
Profit and loss account and other reserves	<b>12</b>		130195	130195	123884
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>		209052	209052	302408
Fund for future appropriations	<b>15</b>		32742	32742	32635
Core tier one capital in related undertakings	<b>16</b>		3128	3128	2518
Core tier one capital (sum of 11 to 16)	<b>19</b>		402517	402517	488845

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		402517	402517	488845
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>				
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		402517	402517	488845

## Components of capital resources

Name of insurer Winterthur Life UK Limited

Global business

Financial year ended 31 December 2009

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3116645	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

## Tier two capital

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

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>				
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>				

**Components of capital resources**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		<b>1</b>			<b>3</b>	<b>4</b>

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		402517	402517	488845
Inadmissible assets other than intangibles and own shares	<b>73</b>		200572	200572	254245
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		201945	201945	234600

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

Available capital resources for guarantee fund requirement	<b>81</b>		201945	201945	234600
Available capital resources for 50% MCR requirement	<b>82</b>		201945	201945	234600
Available capital resources for 75% MCR requirement	<b>83</b>		201945	201945	234600

**Financial engineering adjustments**

Implicit items	<b>91</b>				
Financial reinsurance - ceded	<b>92</b>				
Financial reinsurance - accepted	<b>93</b>				
Outstanding contingent loans	<b>94</b>		22766	22766	22441
Any other charges on future profits	<b>95</b>				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>		22766	22766	22441

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**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	3116645	GL	31	12	2009	£000	1
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>	8629	9195
	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>	1306	1301
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	40673	
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	45743	54732
	Other	<b>46</b>	6625	1643
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>	300	
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>	56	21580
	More than one month withdrawal	<b>55</b>		5000
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 **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

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

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	2389	5810
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	690	651
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	106410	99912
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**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**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	3116645	GL	31	12	2009	£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	106410	99912
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94	3128	2518
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	(3128)	(2518)
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		
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	106410	99912
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11	11550		11575	

**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>		
	Debts and loans	<b>26</b>	5509	5509
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>	23068	
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>	245750	414227
Other shares and other variable yield participations		<b>42</b>	767	
Holdings in collective investment schemes		<b>43</b>	134523	54969
Rights under derivative contracts		<b>44</b>	50144	67567
Fixed interest securities	Approved	<b>45</b>	566271	785599
	Other	<b>46</b>	420951	240045
Variable interest securities	Approved	<b>47</b>	7701	7570
	Other	<b>48</b>		5889
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>	6099	6824
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	23838	83224
	More than one month withdrawal	<b>55</b>		40000
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	2440	2425
	Property linked	<b>59</b>	7564725	6440625

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3116645	GL	31	12	2009	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	6	2279
	Intermediaries	<b>72</b>		60
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	242	1178
	Ceded	<b>75</b>	660	655
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	15771	14883
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	12883	7358
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	19299	18560
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	4022	4609

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	9116219	8215630
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**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3116645	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	9116219	8215630
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	42668	60969
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	157904	193276
Reinsurers' share of technical provisions excluded from line 89	100	381341	421224
Other asset adjustments (may be negative)	101	3344190	2031675
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	13042322	10922774
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2009	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11	11550		11575	

**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>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>	245750	414227
Other shares and other variable yield participations		<b>42</b>	767	
Holdings in collective investment schemes		<b>43</b>	83731	45436
Rights under derivative contracts		<b>44</b>	50144	67567
Fixed interest securities	Approved	<b>45</b>	377078	510505
	Other	<b>46</b>	215823	131361
Variable interest securities	Approved	<b>47</b>	48	35
	Other	<b>48</b>		984
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>	5585	6357
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	7977	42058
	More than one month withdrawal	<b>55</b>		5000
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	126	128
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **With-Profit Fund**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2009	£000	11
					As at end of this financial year		As at end of the previous year
					1		2

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	6	16
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	1347	4972
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	12883	72
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	12183	13066
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	1024998	1253360
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**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>11</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>

**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>	1024998	1253360
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	51388	46110
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	321	739
Other asset adjustments (may be negative)	<b>101</b>		
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>	1076707	1300209
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		



**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2009	£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	<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>		
	Debts and loans	<b>26</b>	5509	5509
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>	23068	
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>	50792	9533
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	185677	270476
	Other	<b>46</b>	185829	88672
Variable interest securities	Approved	<b>47</b>	7652	7534
	Other	<b>48</b>		4612
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>	514	467
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	15841	41005
	More than one month withdrawal	<b>55</b>		35000
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	2314	2297
	Property linked	<b>59</b>	7564725	6440625

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3116645	GL	31	12	2009	£000	12
					As at end of this financial year		As at end of the previous year
					1		2

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		2263
	Intermediaries	<b>72</b>		60
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	242	1178
	Ceded	<b>75</b>	660	655
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	14424	9910
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		7285
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	6651	4847
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	4022	4609

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	8067920	6936537
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**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>12</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>

**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>	8067920	6936537
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	(8723)	14859
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	157904	193276
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	381020	420485
Other asset adjustments (may be negative)	<b>101</b>	3344190	2031675
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>	11942312	9596833
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Segregated Sub Fund**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2009	£000	13
					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	<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>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>		
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	3517	4618
	Other	<b>46</b>	19299	20012
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		294
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>	19	161
	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 **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Segregated Sub Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2009	£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		
	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		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	465	647
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	23300	25732
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**Analysis of admissible assets**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Segregated Sub Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3116645	GL	31	12	2009	£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	23300	25732
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	3	
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		
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	23304	25732

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		
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**Long term insurance business liabilities and margins**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	8942285	7996333
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	44555	54453
Long term insurance business fund carried forward (11 to 13)		14	8986840	8050786
Claims outstanding	Gross	15	33311	43493
	Reinsurers' share	16	2712	3887
	Net (15-16)	17	30599	39606
Provisions	Taxation	21	2766	
	Other risks and charges	22	7617	8870
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	4543	2626
	Reinsurance accepted	32	249	
	Reinsurance ceded	33	79	3112
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	1359	9670
	Other	38	30102	17080
Accruals and deferred income		39	1424	2374
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	78738	83337
Excess of the value of net admissible assets		51	50641	81506
Total liabilities and margins		59	9116219	8215630

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2949	2777
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	7564725	6440625

Total liabilities (11+12+49)	71	9021023	8079670
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	381341	421224
Other adjustments to liabilities (may be negative)	74	3553242	2334082
Capital and reserves and fund for future appropriations	75	86715	87797
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	13042322	10922774

**Long term insurance business liabilities and margins**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **With-Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	933191	1122493
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	11491	12099
Long term insurance business fund carried forward (11 to 13)		14	944682	1134592
Claims outstanding	Gross	15	17930	27720
	Reinsurers' share	16	31	394
	Net.(15-16)	17	17898	27326
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	10	18
	Reinsurance accepted	32		
	Reinsurance ceded	33		336
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	263	9514
	Other	38	11504	68
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	29675	37262
Excess of the value of net admissible assets		51	50641	81506
Total liabilities and margins		59	1024998	1253360

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

Total liabilities (11+12+49)	71	962866	1159755
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		



## Form 14

## Long term insurance business liabilities and margins

Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Non Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>	8009094	6873840
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>	10859	16778
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	8019953	6890618
Claims outstanding	Gross	<b>15</b>	15381	15773
	Reinsurers' share	<b>16</b>	2681	3493
	Net (15-16)	<b>17</b>	12701	12280
Provisions	Taxation	<b>21</b>	2766	
	Other risks and charges	<b>22</b>	7617	8870
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	4533	2607
	Reinsurance accepted	<b>32</b>	249	
	Reinsurance ceded	<b>33</b>	79	2776
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	18598	17012
Accruals and deferred income		<b>39</b>	1424	2374
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	47967	45919
Excess of the value of net admissible assets		<b>51</b>		
Total liabilities and margins		<b>59</b>	8067920	6936537

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2949	2777
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	7564725	6440625

Total liabilities (11+12+49)	<b>71</b>	8057062	6919759
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>		

**Long term insurance business liabilities and margins**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Segregated Sub Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>		
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>	22205	25576
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	22205	25576
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>	1095	157
	Other	<b>38</b>		
Accruals and deferred income		<b>39</b>		
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	1095	157
Excess of the value of net admissible assets		<b>51</b>		
Total liabilities and margins		<b>59</b>	23300	25732

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>		
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>	1095	157
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>		

**Liabilities (other than long term insurance business)**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R15</b>	<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
			As at end of this financial year 1			As at end of the previous year 2

**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>		
Total gross technical provisions (11 to 16)	<b>19</b>		

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		968
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>	2789	2822
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>		
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	2789	3790
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	2789	3790

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>		
Capital and reserves	<b>84</b>	103621	96123
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>	106410	99912

**Profit and loss account (non-technical account)**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Company  
registration  
numberGL/  
UK/  
CM

day month year

Units

		R16	3116645	GL	31	12	2009	£000
					This financial year 1			Previous year 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	8146			5862
Investment income	Income			14	2459			2927
	Value re-adjustments on investments			15	38			4806
	Gains on the realisation of investments			16	21			111
Investment charges	Investment management charges, including interest			17	25			25
	Value re-adjustments on investments			18	3547			
	Loss on the realisation of investments			19	74			365
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	446			
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)				29	7465			13317
Tax on profit or loss on ordinary activities				31	(33)			1430
Profit or loss on ordinary activities after tax (29-31)				39	7499			11887
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	7499			11887
Dividends (paid or foreseeable)				51				
Profit or loss retained for the financial year (49-51)				59	7499			11887

**Analysis of derivative contracts**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

			Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
			R17	3116645	GL	31	12	2009	£000	10
Derivative contracts				Value as at the end of this financial year			Notional amount as at the end of this financial year			
				Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4
Futures and contracts for differences	Fixed-interest securities		11							
	Interest rates		12	1302		1514		193338		619565
	Inflation		13							
	Credit index / basket		14							
	Credit single name		15	223		3384		96440		
	Equity index		16			6417				254708
	Equity stock		17							
	Land		18							
	Currencies		19			1008		18695		
	Mortality		20							
	Other		21							
In the money options	Swaptions		31	2356				2231		
	Equity index calls		32	41808				20495		
	Equity stock calls		33							
	Equity index puts		34	4455				35247		
	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	50144		12323		366446		874273
Adjustment for variation margin			52							
Total (51 + 52)			53	50144		12323				

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 **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **With-Profit Fund**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R17</b>		<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>11</b>
<b>Derivative contracts</b>				Value as at the end of this financial year			Notional amount as at the end of this financial year	
				Assets 1	Liabilities 2		Bought / Long 3	Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12		1302	1514		193338	619565
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15		223	3384		96440	
	Equity index	16			6417			254708
	Equity stock	17						
	Land	18						
	Currencies	19						
	Mortality	20						
	Other	21						
In the money options	Swaptions	31		2356			2231	
	Equity index calls	32		41808			20495	
	Equity stock calls	33						
	Equity index puts	34		4455			35247	
	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		50144	11316		347751	874273
Adjustment for variation margin		52						
Total (51 + 52)		53		50144	11316			

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 **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Non Profit Fund**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R17</b>		<b>3116645</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>12</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						
	Interest rates	12						
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15						
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19		1008		18695		
	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		1008		18695		
Adjustment for variation margin		52						
Total (51 + 52)		53		1008				

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 **Winterthur Life UK Limited**With-profits fund **With-Profit Fund**Financial year ended **31 December 2009**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	1024998	1253360
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	82211	82897
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	5054	5387
	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	937733	1165076
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	850980	1039597
	Regulatory current liabilities of the fund	22	29675	37262
	Total (21+22)	29	880655	1076858
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	34435	42078
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	915090	1118937
Regulatory excess capital (19-39)		49	22643	46140

**Realistic excess capital**

Realistic excess capital	51	(17976)	(8254)
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	40619	54394
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	11571	8102
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	29048	46292



**Realistic balance sheet**Name of insurer **Winterthur Life UK Limited**With-profits fund **With-Profit Fund**Financial year ends **31 December 2009**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	937733	1165076
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	27262	27119
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	964995	1192195
Support arrangement assets	27	8584	8254
Assets available to the fund (26+27)	29	973580	1200449

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	815390	934923
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	56745
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	43106
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	3180
	Future costs of contractual guarantees (other than financial options)	41	118699
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	8858
	Future costs of smoothing (possibly negative)	44	(9920)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	420
Total (32+34+41+42+43+44+45+46+47-(33+35+36))		49	128515
Realistic current liabilities of the fund	51	29675	37262
Realistic value of liabilities of fund (31+49+51)	59	973580	1200449

**Realistic balance sheet**Name of insurer **Winterthur Life UK Limited**With-profits fund **With-Profit Fund**Financial year end **31 December 2009**Units **£000**

As at end of this financial year	As at end of the previous year
1	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	982971	1200449
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	982971	1200449
Risk capital margin for fund (62-59)	65	9391	
Realistic excess capital for fund (26-(59+65))	66	(17976)	(8254)
Realistic excess available capital for fund (29-(59+65))	67	(9391)	
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	74367	88361
Additional amount potentially available for inclusion in line 63	82	182049	155658

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	1435107	2133794
Investment income receivable before deduction of tax	12	295346	338777
Increase (decrease) in the value of non-linked assets brought into account	13	(48425)	54695
Increase (decrease) in the value of linked assets	14	940882	(1598889)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>2622909</b>	<b>928376</b>

**Expenditure**

Claims incurred	21	1556426	1711160
Expenses payable	22	107684	104768
Interest payable before the deduction of tax	23	454	1683
Taxation	24	14144	(37177)
Other expenditure	25		
Transfer to (from) non technical account	26	8146	5862
<b>Total expenditure</b>	<b>29</b>	<b>1686855</b>	<b>1786296</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	936053	(857920)
Fund brought forward	49	8050786	8908707
Fund carried forward (39+49)	59	8986840	8050786

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **With-Profit Fund**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	20063	24541
Investment income receivable before deduction of tax	12	49703	65506
Increase (decrease) in the value of non-linked assets brought into account	13	(50271)	53257
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>19495</b>	<b>143304</b>

**Expenditure**

Claims incurred	21	206076	264494
Expenses payable	22	4647	8372
Interest payable before the deduction of tax	23		
Taxation	24	(4722)	(15047)
Other expenditure	25	1042	1101
Transfer to (from) non technical account	26	2361	4375
<b>Total expenditure</b>	<b>29</b>	<b>209405</b>	<b>263296</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(189910)	(119992)
Fund brought forward	49	1134592	1254584
Fund carried forward (39+49)	59	944682	1134592

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	1415044	2109253
Investment income receivable before deduction of tax	12	244062	271591
Increase (decrease) in the value of non-linked assets brought into account	13	73	3744
Increase (decrease) in the value of linked assets	14	940882	(1598889)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>2600061</b>	<b>785698</b>

**Expenditure**

Claims incurred	21	1350350	1446665
Expenses payable	22	103038	96396
Interest payable before the deduction of tax	23	454	1683
Taxation	24	17927	(21769)
Other expenditure	25	(1042)	(1101)
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>1470726</b>	<b>1521875</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1129335	(736176)
Fund brought forward	49	6890618	7626795
Fund carried forward (39+49)	59	8019953	6890618

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

Name of insurer **Winterthur Life UK Limited**  
Total business / subfund **Segregated Sub Fund**  
Financial year ended **31 December 2009**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11		
Investment income receivable before deduction of tax	12	1580	1680
Increase (decrease) in the value of non-linked assets brought into account	13	1773	(2307)
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>3353</b>	<b>(627)</b>

**Expenditure**

Claims incurred	21		
Expenses payable	22		
Interest payable before the deduction of tax	23		
Taxation	24	939	(361)
Other expenditure	25		
Transfer to (from) non technical account	26	5785	1487
<b>Total expenditure</b>	<b>29</b>	<b>6724</b>	<b>1126</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(3371)	(1752)
Fund brought forward	49	25576	27328
Fund carried forward (39+49)	59	22205	25576

## Long-term insurance business : Analysis of premiums

Name of insurer Winterthur Life UK Limited  
 Total business / subfund Summary  
 Financial year ended 31 December 2009  
 Units £000

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

## Gross

Regular premiums	11	58484	304742		363226	355581
Single premiums	12	54158	1754990		1809148	2170552

## Reinsurance - external

Regular premiums	13	1672	19		1690	2177
Single premiums	14		735577		735577	390012

## Reinsurance - intra-group

Regular premiums	15					152
Single premiums	16					

## Net of reinsurance

Regular premiums	17	56813	304723		361535	353253
Single premiums	18	54158	1019413		1073571	1780541

## Total

Gross	19	112643	2059732		2172374	2526134
Reinsurance	20	1672	735596		737268	392340
Net	21	110971	1324136		1435107	2133794

## Long-term insurance business : Analysis of premiums

Name of insurer Winterthur Life UK Limited  
 Total business / subfund With-Profit Fund  
 Financial year ended 31 December 2009  
 Units £000

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

## Gross

Regular premiums	11	19054	895		19949	24198
Single premiums	12		265		265	450

## Reinsurance - external

Regular premiums	13	132	19		151	108
Single premiums	14					

## Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

## Net of reinsurance

Regular premiums	17	18922	876		19798	24091
Single premiums	18		265		265	450

## Total

Gross	19	19054	1159		20214	24649
Reinsurance	20	132	19		151	108
Net	21	18922	1140		20063	24541



## Long-term insurance business : Analysis of premiums

Name of insurer Winterthur Life UK Limited  
 Total business / subfund Non Profit Fund  
 Financial year ended 31 December 2009  
 Units £000

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

## Gross

Regular premiums	11	39430	303847		343277	331383
Single premiums	12	54158	1754725		1808884	2170102

## Reinsurance - external

Regular premiums	13	1540			1540	2069
Single premiums	14		735577		735577	390012

## Reinsurance - intra-group

Regular premiums	15					152
Single premiums	16					

## Net of reinsurance

Regular premiums	17	37890	303847		341737	329163
Single premiums	18	54158	1019148		1073307	1780090

## Total

Gross	19	93588	2058572		2152161	2501485
Reinsurance	20	1540	735577		737117	392232
Net	21	92049	1322995		1415044	2109253

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

Name of insurer **Winterthur Life UK Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2009**  
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	15431	18963		34394	33456
Disability periodic payments	12	1286	23		1309	1793
Surrender or partial surrender	13	83524	1097958	41043	1222524	1333429
Annuity payments	14	1804	44421		46225	44115
Lump sums on maturity	15	125942	157502		283444	330348
<b>Total</b>	<b>16</b>	<b>227987</b>	<b>1318866</b>	<b>41043</b>	<b>1587896</b>	<b>1743140</b>

**Reinsurance - external**

Death or disability lump sums	21	912			912	1787
Disability periodic payments	22	123			123	203
Surrender or partial surrender	23					
Annuity payments	24		29729		29729	29264
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>1036</b>	<b>29729</b>		<b>30765</b>	<b>31254</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	77			77	95
Disability periodic payments	32					
Surrender or partial surrender	33	628			628	631
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>	<b>705</b>			<b>705</b>	<b>726</b>

**Net of reinsurance**

Death or disability lump sums	41	14442	18963		33404	31574
Disability periodic payments	42	1163	23		1186	1590
Surrender or partial surrender	43	82896	1097958	41043	1221896	1332797
Annuity payments	44	1804	14692		16495	14850
Lump sums on maturity	45	125942	157502		283444	330348
<b>Total</b>	<b>46</b>	<b>226247</b>	<b>1289136</b>	<b>41043</b>	<b>1556426</b>	<b>1711160</b>

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **With-Profit Fund**  
 Financial year ended **31 December 2009**  
 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	8267	524		8791	9131
Disability periodic payments	12	49			49	30
Surrender or partial surrender	13	1077	13277	41043	55397	67212
Annuity payments	14	104	2625		2729	2783
Lump sums on maturity	15	115884	23281		139166	185503
<b>Total</b>	<b>16</b>	<b>125382</b>	<b>39707</b>	<b>41043</b>	<b>206132</b>	<b>264659</b>

**Reinsurance - external**

Death or disability lump sums	21	47			47	155
Disability periodic payments	22	9			9	9
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>55</b>			<b>55</b>	<b>164</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	8221	524		8744	8975
Disability periodic payments	42	41			41	21
Surrender or partial surrender	43	1077	13277	41043	55397	67212
Annuity payments	44	104	2625		2729	2783
Lump sums on maturity	45	115884	23281		139166	185503
<b>Total</b>	<b>46</b>	<b>125327</b>	<b>39707</b>	<b>41043</b>	<b>206076</b>	<b>264494</b>

## Long-term insurance business : Analysis of claims

Name of insurer **Winterthur Life UK Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2009**  
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	7164	18439		25603	24325
Disability periodic payments	12	1237	23		1260	1763
Surrender or partial surrender	13	82447	1084681		1167127	1266217
Annuity payments	14	1700	41796		43496	41331
Lump sums on maturity	15	10058	134220		144278	144845
<b>Total</b>	<b>16</b>	<b>102605</b>	<b>1279159</b>		<b>1381764</b>	<b>1478481</b>

## Reinsurance - external

Death or disability lump sums	21	866			866	1631
Disability periodic payments	22	115			115	194
Surrender or partial surrender	23					
Annuity payments	24		29729		29729	29264
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>980</b>	<b>29729</b>		<b>30710</b>	<b>31089</b>

## Reinsurance - intra-group

Death or disability lump sums	31	77			77	95
Disability periodic payments	32					
Surrender or partial surrender	33	628			628	631
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>	<b>705</b>			<b>705</b>	<b>726</b>

## Net of reinsurance

Death or disability lump sums	41	6221	18439		24660	22599
Disability periodic payments	42	1123	23		1145	1569
Surrender or partial surrender	43	81819	1084681		1166499	1265586
Annuity payments	44	1700	12067		13767	12067
Lump sums on maturity	45	10058	134220		144278	144845
<b>Total</b>	<b>46</b>	<b>100920</b>	<b>1249430</b>		<b>1350350</b>	<b>1446665</b>

## Long-term insurance business : Analysis of expenses

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2009**  
 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	3781	27435	385	31601	33749
Management - acquisition	13	1579	30009		31589	31764
Management - maintenance	14	16560	21236	290	38087	38564
Management - other	15	2750	3690		6440	733
<b>Total</b>	16	24671	82371	675	107717	104809

## Reinsurance - external

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

## Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32	33			33	41
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	36	33			33	41

## Net of reinsurance

Commission - acquisition	41					
Commission - other	42	3749	27435	385	31569	33708
Management - acquisition	43	1579	30009		31589	31764
Management - maintenance	44	16560	21236	290	38087	38564
Management - other	45	2750	3690		6440	733
<b>Total</b>	46	24638	82371	675	107684	104768

## Long-term insurance business : Analysis of expenses

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **With-Profit Fund**  
 Financial year ended **31 December 2009**  
 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	396	20	385	801	1264
Management - acquisition	13					
Management - maintenance	14	4371	1378	97	5846	7108
Management - other	15		(2000)		(2000)	
<b>Total</b>	<b>16</b>	<b>4767</b>	<b>(602)</b>	<b>481</b>	<b>4647</b>	<b>8372</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	396	20	385	801	1264
Management - acquisition	43					
Management - maintenance	44	4371	1378	97	5846	7108
Management - other	45		(2000)		(2000)	
<b>Total</b>	<b>46</b>	<b>4767</b>	<b>(602)</b>	<b>481</b>	<b>4647</b>	<b>8372</b>

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2009**  
 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	3385	27416		30800	32485
Management - acquisition	13	1579	30009		31589	31764
Management - maintenance	14	12189	19858	193	32241	31456
Management - other	15	2750	5690		8440	733
<b>Total</b>	<b>16</b>	<b>19904</b>	<b>82973</b>	<b>193</b>	<b>103070</b>	<b>96437</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	33			33	41
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>	<b>33</b>			<b>33</b>	<b>41</b>

**Net of reinsurance**

Commission - acquisition	41					
Commission - other	42	3352	27416		30768	32444
Management - acquisition	43	1579	30009		31589	31764
Management - maintenance	44	12189	19858	193	32241	31456
Management - other	45	2750	5690		8440	733
<b>Total</b>	<b>46</b>	<b>19871</b>	<b>82973</b>	<b>193</b>	<b>103038</b>	<b>96396</b>

**Long-term insurance business : Linked funds balance sheet**Name of insurer **Winterthur Life UK Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11	2827357	2421517
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	4760548	4027927
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>7587905</b>	<b>6449444</b>
Provision for tax on unrealised capital gains	15	5158	(4208)
Secured and unsecured loans	16	3135	3493
Other liabilities	17		
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>7579612</b>	<b>6450158</b>

**Directly held linked assets**

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

Value of directly held linked assets and units held (18+21)	31	7579612	6450158
Surplus units	32	14887	9533
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>7564725</b>	<b>6440625</b>



**Long-term insurance business : Revenue account for internal linked funds**Name of insurer **Winterthur Life UK Limited**

Total business

Financial year ended **31 December 2009**Units **£000**

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

**Income**

Value of total creation of units	11	935500	1504913
Investment income attributable to the funds before deduction of tax	12	200939	228009
Increase (decrease) in the value of investments in the financial year	13	940883	(1598889)
Other income	14		
<b>Total income</b>	<b>19</b>	<b>2077322</b>	<b>134032</b>

**Expenditure**

Value of total cancellation of units	21	876846	877751
Charges for management	22	58010	58119
Charges in respect of tax on investment income	23	3570	4276
Taxation on realised capital gains	24	75	165
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	9366	(18491)
Other expenditure	26		
<b>Total expenditure</b>	<b>29</b>	<b>947867</b>	<b>921821</b>

Increase (decrease) in funds in financial year (19-29)	39	1129454	(787788)
Internal linked fund brought forward	49	6450158	7237946
Internal linked funds carried forward (39+49)	59	7579612	6450158

**Long-term insurance business : Summary of new business**Name of insurer **Winterthur Life UK Limited**

Total business

Financial year ended **31 December 2009**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		12970		12970	18286
Single premium business	12	582	5447		6029	6360
<b>Total</b>	<b>13</b>	<b>582</b>	<b>18417</b>		<b>18999</b>	<b>24646</b>

**Amount of new regular  
premiums**

Direct insurance business	21		79374		79374	74195
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>		<b>79374</b>		<b>79374</b>	<b>74195</b>

**Amount of new single  
premiums**

Direct insurance business	25	54158	1165397		1219556	2168350
External reinsurance	26		13721		13721	1752
Intra-group reinsurance	27		575872		575872	
<b>Total</b>	<b>28</b>	<b>54158</b>	<b>1754990</b>		<b>1809148</b>	<b>2170102</b>

Winterthur Life UK Limited

UK Life / Direct Insurance Business

0003

51

Winterthur Life UK Limited

UK Pension / Direct Insurance Business

0003

52

Winterthur Life UK Limited

UK Pension / Reinsurance accepted external

0003

53

Winterthur Life UK Limited

UK Pension / Reinsurance accepted intra-group

0003

54

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

Name of insurer **Winterthur Life UK Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2009**  
 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	235156	235156	11162	4.09	
Other fixed interest securities	13	246986	246986	14694	5.68	
Variable interest securities	14	7677	7677	87	0.84	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	121448	121448	2184	1.80	
<b>Total</b>	<b>19</b>	<b>611267</b>	<b>611267</b>	<b>28126</b>	<b>4.24</b>	

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

Land and buildings	21	11550	12966	1401	10.81	3.86
Approved fixed interest securities	22	338977	338977	16779	3.55	0.89
Other fixed interest securities	23	184685	184685	11152	5.24	11.82
Variable interest securities	24	48	48	1	0.72	(19.85)
UK listed equity shares	25	222468	301538	8959	4.86	17.88
Non-UK listed equity shares	26	23134	23901	943	4.92	5.80
Unlisted equity shares	27	148	148			(25.23)
Other assets	28	156776	75523	345	0.46	(46.05)
<b>Total</b>	<b>29</b>	<b>937785</b>	<b>937785</b>	<b>39580</b>	<b>4.19</b>	<b>4.89</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 Winterthur Life UK Limited  
 Category of assets 11 With-Profit Fund  
 Financial year ended 31 December 2009  
 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	44590	44590	2207	3.55	
Other fixed interest securities	13	36145	36145	2183	5.24	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	6350	6350	32	0.50	
<b>Total</b>	<b>19</b>	<b>87086</b>	<b>87086</b>	<b>4421</b>	<b>4.03</b>	

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

Land and buildings	21	11550	12966	1401	10.81	3.86
Approved fixed interest securities	22	338977	338977	16779	3.55	0.89
Other fixed interest securities	23	184685	184685	11152	5.24	11.82
Variable interest securities	24	48	48	1	0.72	(19.85)
UK listed equity shares	25	222468	301538	8959	4.86	17.88
Non-UK listed equity shares	26	23134	23901	943	4.92	5.80
Unlisted equity shares	27	148	148			(25.23)
Other assets	28	156776	75523	345	0.46	(46.05)
<b>Total</b>	<b>29</b>	<b>937785</b>	<b>937785</b>	<b>39580</b>	<b>4.19</b>	<b>4.89</b>

## Overall return on with-profits assets

Post investment costs but pre-tax	31					(2.33)
Return allocated to non taxable 'asset shares'	32					7.89
Return allocated to taxable 'asset shares'	33					5.95



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

Name of insurer **Winterthur Life UK Limited**  
 Category of assets **12 Non Profit Fund**  
 Financial year ended **31 December 2009**  
 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	186998	186998	8789	4.23	
Other fixed interest securities	13	191128	191128	11345	5.72	
Variable interest securities	14	7677	7677	87	0.84	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	115079	115079	2152	1.87	
<b>Total</b>	<b>19</b>	<b>500881</b>	<b>500881</b>	<b>22373</b>	<b>4.20</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 **Winterthur Life UK Limited**  
 Category of assets **13 Segregated Sub Fund**  
 Financial year ended **31 December 2009**  
 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	3568	3568	165	3.92	
Other fixed interest securities	13	19712	19712	1167	6.13	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	19	19	0	0.50	
<b>Total</b>	<b>19</b>	<b>23300</b>	<b>23300</b>	<b>1332</b>	<b>5.79</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer Winterthur Life UK Limited  
 Category of assets 10 Total long term insurance business assets  
 Financial year ended 31 December 2009  
 Units £000

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	316841	13.25	3.93	3.93

Other approved fixed interest securities	21	257292	6.83	3.58	3.37
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## Other fixed interest securities

AAA/Aaa	31	27438	5.11	3.91	3.77
AA/Aa	32	42541	6.04	4.52	3.99
A/A	33	184879	7.27	5.53	4.64
BBB/Baa	34	166659	5.91	5.72	4.10
BB/Ba	35	6441	7.37	9.38	4.64
B/B	36	181	4.78	17.19	0.62
CCC/Caa	37	3532	5.20	9.21	
Other (including unrated)	38				
Total other fixed interest securities	39	431671	6.47	5.49	4.27

Approved variable interest securities	41	7725	17.59	0.84	0.84
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	1013529	8.77	4.48	3.91
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## Long-term insurance business : Fixed and variable interest assets

Name of insurer Winterthur Life UK Limited

Category of assets 11 With-Profit Fund

Financial year ended 31 December 2009

Units £000

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	208828	11.34	3.59	3.59

Other approved fixed interest securities	21	174739	6.66	3.50	3.31
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## Other fixed interest securities

AAA/Aaa	31	10274	1.69	2.16	2.02
AA/Aa	32	19722	5.00	4.15	3.61
A/A	33	53675	5.44	5.23	4.22
BBB/Baa	34	131582	5.42	5.46	3.86
BB/Ba	35	3189	5.33	9.38	4.72
B/B	36				
CCC/Caa	37	2387	5.76	10.07	
Other (including unrated)	38				
Total other fixed interest securities	39	220830	5.21	5.24	3.81

Approved variable interest securities	41	48	7.54	0.72	0.72
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	604446	7.75	4.16	3.59
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## Long-term insurance business : Fixed and variable interest assets

Name of insurer Winterthur Life UK Limited

Category of assets 12 Non Profit Fund

Financial year ended 31 December 2009

Units £000

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	108013	16.95	4.58	4.58

Other approved fixed interest securities	21	78985	7.19	3.74	3.49
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## Other fixed interest securities

AAA/Aaa	31	14040	8.25	5.49	5.34
AA/Aa	32	20183	7.31	4.93	4.42
A/A	33	123455	8.19	5.60	4.77
BBB/Baa	34	30458	7.98	6.59	4.91
BB/Ba	35	1847	11.90	8.43	4.59
B/B	36				
CCC/Caa	37	1145	4.04	7.43	
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	<b>191128</b>	<b>8.08</b>	<b>5.72</b>	<b>4.77</b>

Approved variable interest securities	41	7677	17.66	0.84	0.84
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Other variable interest securities	51				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	<b>385803</b>	<b>10.57</b>	<b>4.90</b>	<b>4.38</b>
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## Long-term insurance business : Fixed and variable interest assets

Name of insurer Winterthur Life UK Limited  
 Category of assets 13 Segregated Sub Fund  
 Financial year ended 31 December 2009  
 Units £000

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

Other approved fixed interest securities	21	3568	7.19	3.92	3.74
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## Other fixed interest securities

AAA/Aaa	31	3125	2.25	2.57	2.43
AA/Aa	32	2636	4.12	4.10	3.53
A/A	33	7749	5.25	6.52	5.50
BBB/Baa	34	4618	6.44	7.26	5.38
BB/Ba	35	1404	6.04	10.62	4.53
B/B	36	181	4.78	17.19	0.62
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	<b>19712</b>	<b>4.96</b>	<b>6.13</b>	<b>4.61</b>

Approved variable interest securities	41				
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Other variable interest securities	51				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	<b>23281</b>	<b>5.30</b>	<b>5.79</b>	<b>4.48</b>
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**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Winterthur Life UK Limited**Total business / subfund **Summary**Financial year ended **31 December 2009**Units **£000**

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

**Gross**

Form 51 - with-profits	11	421602	272679		694282	817206
Form 51 - non-profit	12	78782	714324		793107	849739
Form 52	13	19614	108950	28189	156754	222486
Form 53 - linked	14	855683	10055310		10910992	8475435
Form 53 - non-linked	15	15483	81386	127	96996	66478
Form 54 - linked	16		12341		12341	12264
Form 54 - non-linked	17					185
<b>Total</b>	<b>18</b>	<b>1391165</b>	<b>11244991</b>	<b>28317</b>	<b>12664472</b>	<b>10443793</b>

**Reinsurance - external**

Form 51 - with-profits	21	56			56	95
Form 51 - non-profit	22	12378	353553		365931	402682
Form 52	23					
Form 53 - linked	24	2077	3344190		3346267	2034810
Form 53 - non-linked	25	31			31	34
Form 54 - linked	26		9901		9901	9838
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>14543</b>	<b>3707644</b>		<b>3722187</b>	<b>2447459</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					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41	421546	272679		694225	817110
Form 51 - non-profit	42	66404	360772		427176	447057
Form 52	43	19614	108950	28189	156754	222486
Form 53 - linked	44	853606	6711120		7564725	6440625
Form 53 - non-linked	45	15451	81386	127	96965	66444
Form 54 - linked	46		2440		2440	2425
Form 54 - non-linked	47					185
<b>Total</b>	<b>48</b>	<b>1376622</b>	<b>7537347</b>	<b>28317</b>	<b>8942285</b>	<b>7996333</b>

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Winterthur Life UK Limited**Total business / subfund **With-Profit Fund**Financial year ended **31 December 2009**Units  
£000

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

**Gross**

Form 51 - with-profits	11	421602	272679		694282	817206
Form 51 - non-profit	12	21961	59922		81883	82523
Form 52	13	19614	108950	28189	156754	222486
Form 53 - linked	14					
Form 53 - non-linked	15	244	192		436	491
Form 54 - linked	16		126		126	128
Form 54 - non-linked	17					5
<b>Total</b>	<b>18</b>	<b>463421</b>	<b>441870</b>	<b>28189</b>	<b>933480</b>	<b>1122838</b>

**Reinsurance - external**

Form 51 - with-profits	21	56			56	95
Form 51 - non-profit	22	228	2		230	246
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	3			3	3
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>288</b>	<b>2</b>		<b>289</b>	<b>345</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					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41	421546	272679		694225	817110
Form 51 - non-profit	42	21732	59921		81653	82276
Form 52	43	19614	108950	28189	156754	222486
Form 53 - linked	44					
Form 53 - non-linked	45	240	192		433	487
Form 54 - linked	46		126		126	128
Form 54 - non-linked	47					5
<b>Total</b>	<b>48</b>	<b>463133</b>	<b>441869</b>	<b>28189</b>	<b>933191</b>	<b>1122493</b>



**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Winterthur Life UK Limited**Total business / subfund **Non Profit Fund**Financial year ended **31 December 2009**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	56822	654402		711224	767216
Form 52	13					
Form 53 - linked	14	855683	10055310		10910992	8475435
Form 53 - non-linked	15	15239	81194	127	96561	65987
Form 54 - linked	16		12215		12215	12136
Form 54 - non-linked	17					180
<b>Total</b>	<b>18</b>	<b>927744</b>	<b>10803121</b>	<b>127</b>	<b>11730992</b>	<b>9320954</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	12150	353551		365701	402436
Form 52	23					
Form 53 - linked	24	2077	3344190		3346267	2034810
Form 53 - non-linked	25	28			28	31
Form 54 - linked	26		9901		9901	9838
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>14255</b>	<b>3707642</b>		<b>3721897</b>	<b>2447115</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					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	44672	300851		345523	364780
Form 52	43					
Form 53 - linked	44	853606	6711120		7564725	6440625
Form 53 - non-linked	45	15211	81194	127	96532	65957
Form 54 - linked	46		2314		2314	2297
Form 54 - non-linked	47					180
<b>Total</b>	<b>48</b>	<b>913489</b>	<b>7095478</b>	<b>127</b>	<b>8009094</b>	<b>6873840</b>

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

Name of insurer

Winterthur Life UK Limited

Total business / subfund

With-Profit Fund

Financial year ended

31 December 2009

Units

£000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	17436	76828	1130				38656
120	Conventional endowment with-profits OB savings	35729	186286	3273				152386
125	Conventional endowment with-profits OB target cash	23926	290238	9813				230069
165	Conventional deferred annuity with-profits	4	1					16
205	Miscellaneous conventional with-profits	35924	274131	498				395
210	Additional reserves with-profits OB							80
300	Regular premium non-profit WL/EA OB	16004	20100	104				16040
325	Level term assurance	1223	41611	205				77
330	Decreasing term assurance	643	13203	147				5
335	Decreasing term assurance (rider benefits)		3906	72				2
360	Income protection non-profit (guaranteed premiums)	842	3728	144				498
380	Miscellaneous protection rider		41	1				7
385	Income protection claims in payment	10	36					504
390	Deferred annuity non-profit	677	203					2792
395	Annuity non-profit (PLA)	229	103					676

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

Name of insurer	Winterthur Life UK Limited
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Total business / subfund

Financial year ended  
31 December 2009

Units  
£000

UK Life / Gross

[illegible]

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

Name of insurer

Winterthur Life UK Limited

Total business / subfund

With-Profit Fund

Financial year ended

31 December 2009

Units

£000

UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		173	2				56
120	Conventional endowment with-profits OB savings		459	4				
300	Regular premium non-profit WL/EA OB		88	4				
325	Level term assurance		194	1				1
330	Decreasing term assurance		37	1				1
335	Decreasing term assurance (rider benefits)		3	0				0
360	Income protection non-profit (guaranteed premiums)		151	5				18
385	Income protection claims in payment		14					209

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

Name of insurer Winterthur Life UK Limited  
 Total business / subfund With-Profit Fund  
 Financial year ended 31 December 2009  
 Units £000  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	1654	42681	163				35229
165	Conventional deferred annuity with-profits	9675	13404	634				158943
175	Group conventional deferred annuity with-profits	67	22					424
185	Group conventional pensions endowment with-profits	3169	63983	73				47329
205	Miscellaneous conventional with-profits	35	891	3				28
210	Additional reserves with-profits OB							30726
300	Regular premium non-profit WL/EA OB	443	572	0				531
305	Single premium non-profit WL/EA OB	575	5730					6420
325	Level term assurance	371	13608	32				366
380	Miscellaneous protection rider		43	1				12
390	Deferred annuity non-profit	1523	1087					17429
400	Annuity non-profit (CPA)	1813	2801					35164

Name of insurer	Winterthur Life UK Limited
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**With-Profit Fund**

31 December 2009

0003

UK Pension / Reinsurance ceded external

[illegible]

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

Name of insurer Winterthur Life UK Limited

Total business / subfund Non Profit Fund

Financial year ended 31 December 2009

Units £000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	5550	11582	277				8111
325	Level term assurance	12791	507106	1808				2132
330	Decreasing term assurance	1633	58958	472				38
335	Decreasing term assurance (rider benefits)	24053	312039	1068				1088
340	Accelerated critical illness (guaranteed premiums)	1368	70556	487				443
345	Accelerated critical illness (reviewable premiums)	1431	57079	423				138
350	Stand-alone critical illness (guaranteed premiums)	233	15252	58				8
355	Stand-alone critical illness (reviewable premiums)	1084	30779	224				60
360	Income protection non-profit (guaranteed premiums)	4219	40616	92				860
365	Income protection non-profit (reviewable premiums)	6046	34102	896				8156
380	Miscellaneous protection rider		167870	348				286
385	Income protection claims in payment	149	912					6406
390	Deferred annuity non-profit	5336	248					7349
395	Annuity non-profit (PLA)	968	1315					13032
425	Group income protection claims in payment	23	804					8543

Winterthur Life UK Limited

Total business / subfund

Financial year ended 31 December 2009

£000

UK Life / Gross

[illegible]



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

Name of insurer Winterthur Life UK Limited

Total business / subfund Non Profit Fund

Financial year ended 31 December 2009

Units £000

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
300	Regular premium non-profit WL/EA OB		368	38				14
325	Level term assurance		769	5				7
330	Decreasing term assurance		100	1				0
335	Decreasing term assurance (rider benefits)		36	0				0
360	Income protection non-profit (guaranteed premiums)		340	7				46
365	Income protection non-profit (reviewable premiums)		11706	276				2320
380	Miscellaneous protection rider		82628	143				12
385	Income protection claims in payment		412					2726
425	Group income protection claims in payment		649					7024

Winterthur Life UK Limited

Total business / subfund

Non Profit Fund

Financial year ended  
31 December 2009

	Units	£000
1999	100	100
2000	100	100
2001	100	100
2002	100	100
2003	100	100
2004	100	100
2005	100	100
2006	100	100
2007	100	100
2008	100	100
2009	100	100
2010	100	100
2011	100	100
2012	100	100
2013	100	100
2014	100	100
2015	100	100
2016	100	100
2017	100	100
2018	100	100
2019	100	100
2020	100	100
2021	100	100
2022	100	100
2023	100	100
2024	100	100
2025	100	100
2026	100	100
2027	100	100
2028	100	100
2029	100	100
2030	100	100
2031	100	100
2032	100	100
2033	100	100
2034	100	100
2035	100	100
2036	100	100
2037	100	100
2038	100	100
2039	100	100
2040	100	100
2041	100	100
2042	100	100
2043	100	100
2044	100	100
2045	100	100
2046	100	100
2047	100	100
2048	100	100
2049	100	100
2050	100	100
2051	100	100
2052	100	100
2053	100	100
2054	100	100
2055	100	100
2056	100	100
2057	100	100
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2061	100	100
2062	100	100
2063	100	100
2064	100	100
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2067	100	100
2068	100	100
2069	100	100
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2071	100	100
2072	100	100
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2074	100	100
2075	100	100
2076	100	100
2077	100	100
2078	100	100
2079	100	100
2080	100	100
2081	100	100
2082	100	100
2083	100	100
2084	100	100
2085	100	100
2086	100	100
2087	100	100
2088	100	100
2089	100	100
2090	100	100
2091	100	100
2092	100	100
2093	100	100
2094	100	100
2095	100	100
2096	100	100
2097	100	100
2098	100	100
2099	100	100
2100	100	100

UK Pension / Gross

[illegible]

Name of insurer  
Winterthur Life UK Limited

Non Profit Fund

31 December 2009

0003

UK Pension / Reinsurance ceded external

[illegible]

Name of insurer  
Winterthur Life UK Limited

### With-Profit Fund

31 December 2009

0003

76

Name of Insurer	Winterthur Life UK Limited
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### With-Profit Fund

31 December 2009

0003

77

Winterthur Life UK Limited

**With-Profit Fund**

31 December 2009

£0003

[illegible]

Winterthur Life UK Limited

Total business / subfund

### With-Profit Fund

Financial year ended

31 December 2009

Units

0003

UK Life / Gross

[illegible]

Winterthur Life UK Limited

### With-Profit Fund

31 December 2009

0003

UK Life / Reinsurance ceded external

80



Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2009
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2009
Units	£000

82

[illegible]

Winterthur Life UK Limited

Total business / subfund

Non Profit Fund

31 December 2009

£000

£000

83

Name of insurer	-	Winterthur Life UK Limited
Total business / subfund		Non Profit Fund
Financial year ended		31 December 2009
Units		£000
UK Life / Reinsurance ceded external		

84

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

Name of insurer Winterthur Life UK Limited  
 Total business / subfund Non Profit Fund  
 Financial year ended 31 December 2009  
 Units £000  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	115617	2496309	91903	2511526	2480009	20737	2500745
735	Group money purchase pensions property linked	97709	2093764	200829	2098236	2097795	34913	2132708
745	DWP National Insurance rebates property linked		1095139		1095139	1095139		1095139
750	Income drawdown property linked	19457	1612026	4515	1612026	1612026	1137	1613163
755	Trustee investment plan	5074	2768312		2768312	2768312	5860	2774173
765	Group managed fund		2028		2028	2028		2028
790	Miscellaneous protection rider		589	13			362	362
800	Additional reserves property linked						18186	18186

Winterthur Life UK Limited

Total business / subfund

Non Profit Fund

Financial year ended

31 December 2009

Units

0003

UK Pension / Reinsurance ceded external

[illegible]

Winterthur Life UK Limited

Non Profit Fund

31 December 2009

£000

87

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2009
Units	£000
UK Pension / Gross	

[illegible]



Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2009
Units	£000

[illegible]

Winterthur Life UK Limited

## Non Profit Fund

31 December 2009

£000

UK Pension / Reinsurance ceded external

[illegible]

## Long-term insurance business : Unit prices for internal linked funds

Name of insurer Winterthur Life UK Limited  
Total business  
Financial year ended 31 December 2009  
Units £000

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
AllianceBernstein Diversified Yield Plus Portfolio	24 - group managed fund - other managed fund	214529	AllianceBernstein Div Yield F		1.7288	2.1172	22.47
Baillie Gifford Managed	12 - individual pension - balanced managed fund	125215	Baillie Gifford Managed 0.65	0.65	1.1368	1.4242	25.28
Colonial Pension Managed Fund	12 - individual pension - balanced managed fund	831787	Colonial Rainbow Managed	1.00	13.4760	16.2547	20.62
Aberdeen Multi-Asset Fund	14 - individual pension - other managed fund	219613	Aberdeen Multi-Asset Fund	0.65	1.3201	1.6807	27.31
Elite Balanced Managed Fund	12 - individual pension - balanced managed fund	245562	Elite Balanced Managed (TS	1.00	1.2494	1.4773	18.24
Elite Cautious Managed Fund	13 - individual pension - defensive managed fund	170041	Elite Cautious Managed S3	0.85	0.9967	1.1509	15.47
The Unit Fund	02 - life - balanced managed fund	382625	The Unit Fund 0.75%	0.75	24.6264	29.4888	19.74
Newton Balanced FDS	12 - individual pension - balanced managed fund	132964	Newton Balanced FDS (ex N	0.65	2.2529	2.6366	17.03
Pension Deposit	14 - individual pension - other managed fund	716652	Pension Money Market S3 (e	0.40	1.6158	1.6328	1.05
Pension Fixed Interest	14 - individual pension - other managed fund	133474	Pension Fixed Interest (ex N	0.25	7.9002	8.4037	6.37
Schroders Pension Managed	12 - individual pension - balanced managed fund	442212	Schroders Pension Managed	0.25	6.5329	8.0553	23.30
Invesco Perpetual High Income	15 - individual pension - UK equity	205173	Invesco Perpetual High Inco	1.15	3.8283	4.3090	12.56
Colonial Rainbow Equity Fund	11 - individual pension - stock market managed fund	326992	Colonial Rainbow Equity I In	1.00	31.2658	39.7915	27.27

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Winterthur Life UK Limited**Subfund **With-Profit Fund**Financial year ended **31 December 2009**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK L&GA WP Form 51 - PHI	481		3.60	3.70
UK L&GA WP Form 51 - Tenflex Assurances	44732	3.15		4.04
UK L&GA WP Form 51 - Assurances	376823	3.00		3.86
UK Pens WP Form 51 - Immediate Annuities	35469		3.65	3.78
UK Pens WP Form 51 - Temporary & Immediate Annuities	676	2.95		3.78
UK Pens WP Form 51 - Assurances, Deferred & Retirement Annuities	215396		3.75	3.93
UK Pens WP Form 51 - Assurances	47357		4.10	4.32
UK L&GA NP Form 51 - Assurances & Deferred Annuities	18914	2.85		3.70
UK Pens Form 52 - Retirement Benefit Schemes	24822		3.60	3.70
UK Pens NP Form 53 - Non Unit Liabilities	19614	3.15		4.04
UK Pens WP Form 52 - Retirement Benefit Schemes (non-Colonial)	96783		3.70	3.84
UK Pens WP Form 52 - Retirement Benefit Schemes (Colonial)	12167		4.10	4.32
OS L&GA Form 52	28189	0.80		2.84
UK L&GA Form 53 - Non Unit Liabilities 1	99	2.85		3.70
UK L&GA Form 53 - Non Unit Liabilities 2	73		3.60	3.70
UK Pens NP Form 53 - Non Unit Liabilities	192		3.60	3.70
Miscellaneous	1350	n/a	n/a	0.40
<b>Total</b>	<b>923139</b>			

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Winterthur Life UK Limited**Subfund **Non Profit Fund**Financial year ended **31 December 2009**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
UK L&GA NP Form 51 - PHI Claims In Payment & PHI Other	5198		4.70	4.83
UK L&GA NP Form 51 - PHI	7505		3.65	3.79
UK L&GA NP Form 51 - Assurances & Immediate Annuities & Deferred Annuities	32518	3.35		4.30
UK Pens NP Form 51 - Deferred & Immediate Annuities	287948		4.70	4.83
UK Pens NP Form 51 - Assurances	2678		3.65	3.79
UK L&GA NP Form 53 - Non Unit Liabilities 1	9033	3.35		4.30
UK L&GA NP Form 53 - Non Unit Liabilities 2	425	3.15		4.30
UK Pens NP Form 53 - Non Unit Liabilities 1	60232		3.65	3.79
UK Pens NP Form 53 - Non Unit Liabilities 2	3340		3.70	4.16
Miscellaneous	33178	n/a	n/a	0.43
<b>Total</b>	<b>442055</b>			

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	8986840	8050786
Bonus payments in anticipation of a surplus	12	22945	47253
Transfer to non-technical account	13	8146	5862
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	9017931	8103901
Mathematical reserves	21	8942285	7996333
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	75646	107568

**Composition of surplus**

Balance brought forward	31	54453	48264
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	21193	59304
Total	39	75646	107568

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	22945	47253
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	22945	47253
Net transfer out of fund / part of fund	47	8146	5862
Total distributed surplus (46+47)	48	31092	53114
Surplus carried forward	49	44555	54453
Total (48+49)	59	75646	107568

**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 **Winterthur Life UK Limited**  
 Total business / subfund **With-Profit Fund**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	944682	1134592
Bonus payments in anticipation of a surplus	12	22945	47253
Transfer to non-technical account	13	2361	4375
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	969988	1186220
Mathematical reserves	21	933191	1122493
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	36797	63726

**Composition of surplus**

Balance brought forward	31	12099	11991
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	24698	51736
Total	39	36797	63726

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	22945	47253
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	22945	47253
Net transfer out of fund / part of fund	47	2361	4375
Total distributed surplus (46+47)	48	25307	51627
Surplus carried forward	49	11491	12099
Total (48+49)	59	36797	63726

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.67	91.53
Current year - 1	62	91.53	92.09
Current year - 2	63	92.09	91.13
Current year - 3	64	91.13	90.39

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

Name of insurer **Winterthur Life UK Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	8019953	6890618
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	8019953	6890618
Mathematical reserves	21	8009094	6873840
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	10859	16778

**Composition of surplus**

Balance brought forward	31	16778	8945
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(5920)	7833
Total	39	10859	16778

**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	10859	16778
Total (48+49)	59	10859	16778

**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 **Winterthur Life UK Limited**  
 Total business / subfund **Segregated Sub Fund**  
 Financial year ended **31 December 2009**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	22205	25576
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	5785	1487
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	27990	27063
Mathematical reserves	21		
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	27990	27063

**Composition of surplus**

Balance brought forward	31	25576	27328
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	2414	(265)
Total	39	27990	27063

**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	5785	1487
Total distributed surplus (46+47)	48	5785	1487
Surplus carried forward	49	22205	25576
Total (48+49)	59	27990	27063

**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 Winterthur Life UK Limited  
 Original insurer Winterthur Life UK Limited  
 Date of maturity value / open market option 01 March 2010

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	N/A	N/A
Endowment assurance	15	9522	967		UWP	N	9522
Endowment assurance	20	15417	2229		UWP	N	15417
Endowment assurance	25	28931	2630		CWP	N	28931
Regular premium pension	5	N/A	N/A		N/A	N/A	N/A
Regular premium pension	10	N/A	N/A		N/A	N/A	N/A
Regular premium pension	15	46967	8501		UWP	N	46967
Regular premium pension	20	83677	21877		UWP	N	83677
Single premium pension	5	N/A	N/A		N/A	N/A	N/A
Single premium pension	10	N/A	N/A		N/A	N/A	N/A
Single premium pension	15	24796	7754		UWP	N	24796
Single premium pension	20	41587	13844		UWP	N	41587

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

Name of insurer Winterthur Life UK Limited  
 Original insurer Winterthur Life UK Limited  
 Date of surrender value 01 March 2010

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	8808	859		UWP	Y	8808
Endowment assurance	20	14689	2080		UWP	Y	14689
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 business : With-profits payouts on maturity (normal retirement)

Name of insurer Winterthur Life UK Limited  
 Original insurer Colonial Life (UK) Limited  
 Date of maturity value / open market option 01 March 2010

1 Category of with-profits policy	2 Original term (years)	3 Maturity value / open market option	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	10	5405	208		UWP	N	5405
Endowment assurance	15	8578	485		UWP	N	8578
Endowment assurance	20	15914	734		CWP	N	15914
Endowment assurance	25	26291	2390		CWP	N	26291
Regular premium pension	5	N/A	N/A		N/A	N/A	N/A
Regular premium pension	10	22698	1081		UWP	N	22698
Regular premium pension	15	36381	1732		UWP	N	36381
Regular premium pension	20	64169	8370		UWP	N	64169
Single premium pension	5	N/A	N/A		N/A	N/A	N/A
Single premium pension	10	9288			UWP	N	9288
Single premium pension	15	17426	3485		UWP	N	17426
Single premium pension	20	28903	7493		UWP	N	28903

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

Name of insurer Winterthur Life UK Limited  
 Original insurer Colonial Life (UK) Limited  
 Date of surrender value 01 March 2010

1 Category of with-profits policy	2 Duration at surrender (years)	3 Surrender value	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	5	N/A	N/A		N/A	N/A	N/A
Endowment assurance	10	4604			UWP	Y	4788
Endowment assurance	15	7632			UWP	Y	8090
Endowment assurance	20	14450	1314		CWP	N	19267
With-profits bond	2	N/A	N/A		N/A	N/A	N/A
With-profits bond	3	N/A	N/A		N/A	N/A	N/A
With-profits bond	5	N/A	N/A		N/A	N/A	N/A
With-profits bond	10	10051			UWP	N	10554
Single premium pension	2	N/A	N/A		N/A	N/A	N/A
Single premium pension	3	N/A	N/A		N/A	N/A	N/A
Single premium pension	5	N/A	N/A		N/A	N/A	N/A
Single premium pension	10	9314			UWP	Y	9804

**Long-term insurance capital requirement**Name of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2009**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%					
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	1398236	1395917	1.00	4188	4690
Classes III, VII and VIII	15	0.3%	1103125	997873	0.90	2994	3472
<b>Total</b>	<b>16</b>		<b>2501361</b>	<b>2393790</b>		<b>7181</b>	<b>8162</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					576	386
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	1647490	1283956	0.85	14004	16053
Classes III, VII and VIII (investment risk)	33	1%	6369	4276	0.85	54	51
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1477751	1477751	1.00	14778	12192
Classes III, VII and VIII (other)	35	25%				4022	3159
Class IV (other)	36	1%	28002	15632	0.85	238	249
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					<b>33096</b>	<b>31703</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	1647490	1283956	0.85	42011	48158
Classes III, VII and VIII (investment risk)	43	3%	6369	4276	0.85	162	153
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1477751	1477751			
Classes III, VII and VIII (other)	45	0%	9504860	6160670			
Class IV (other)	46	3%	28002	15632	0.85	714	747
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		<b>12664472</b>	<b>8942285</b>		<b>42887</b>	<b>49058</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>83740</b>	<b>89310</b>
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Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2009**

## **NOTES TO THE RETURN**

### **\*0201\* Waiver under Section 148 of the Financial Services and Markets Act 2000**

None.

### **\*0204\* Reassurance arrangements**

Winterthur Pension Funds UK Limited reassures all of its direct insurance business to the Company.

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Grand total of admissible assets after deduction of market risk and counterparty limits – other than long term business (Form 13 line 89 OLTB)	<b>106,410</b>	99,912
Grand total of admissible assets after deductions of market risk and counterparty limits – long term business (Form 13 line 89 LTb)	<b>9,116,219</b>	8,215,630
Mathematical reserves, after distribution of surplus (Form 14 line 11)	<b>(8,942,285)</b>	(7,996,333)
Total other insurance and non-insurance liabilities (Form 14 line 49)	<b>(78,738)</b>	(83,337)
Total liabilities – other than long term business (Form 15 line 69)	<b>(2,789)</b>	(3,790)
	<b>198,817</b>	232,082
Capital resources requirement of subsidiary included on an adjusted solo solvency basis	<b>3,128</b>	2,518
Total capital resources after deductions (Form 2 line 13)	<b>201,945</b>	234,600

### **\*0302\* Capital instruments issued by the long-term insurance fund**

None.

### **\*0303\* Allocation of capital between general and long-term business**

Not applicable.

### **\*0304\* Amounts in excess of tier one capital limits included in tier two capital**

None.

### **\*0305\* Financing arrangements**

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2009**

## **NOTES TO THE RETURN**

None.

### **\*0306\* Financial reinsurance ceded**

None.

### **\*0307\* Financial reinsurance accepted**

None.

### **\*0308\* Contingent loans and charges on future profits**

In order to maintain the statutory solvency of the company, Winterthur Life UK Holdings Limited (the company's holding company) has made a contingent loan to the Non-Profit Fund of £22,766,000. Repayment of the loan is contingent upon the emergence of surplus. A liability to repay the loan is required for the company's external financial reporting but not for the FSA Return.

### **\*0309\* Promises to policyholders conditional upon future profits (other than bonuses not yet declared) or other charges to future profits not already disclosed**

None.

### **\*0310\* Valuation differences**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	<b>7,924</b>	63,436
Deferred front end fee liability	<b>111,525</b>	101,996
Financial liability in respect of trail commission	<b>69,603</b>	114,534
Contingent loans	<b>22,766</b>	22,441
Deferred tax liability	<b>(2,766)</b>	-
Rounding	-	1
	<b><u>209,052</u></b>	<b><u>302,408</u></b>

### **\*0311\* Differences on brought forward amounts**

None.

### **\*0312\* Waiver under Section 148 of the Financial Services and Markets Act 2000 - Implicit items**

None.

### **\*0313\* Reconciliation of profit and loss account and other reserves to profit or loss retained**

<b>2009</b>	<b>2008</b>
<b>£000</b>	<b>£000</b>



Name of Insurer      **Winterthur Life UK Limited**

Financial year ended      **31 December 2009**

## **NOTES TO THE RETURN**

Profit and loss account and other reserves (Form 3 line 12)	<b>130,195</b>	123,884
Less capital contribution received during the year	-	(21,000)
Less movement in revaluation reserve	<b>561</b>	(151)
Less Profit and loss account and other reserves brought forward	<b>(123,884)</b>	(57,154)
Profit retained for the financial year	<b>6,872</b>	45,579
Less Profit arising in the long-term fund for the financial year	<b>(7,519)</b>	(39,554)
Add transfer from long-term fund to shareholder fund	<b>8,146</b>	5,862
Profit or loss retained for the financial year (Form 16 line 59)	<b>7,499</b>	11,887

### **\*1301\* Aggregate value of certain investments (OLTB)**

There are no unlisted investments or other than readily realisable listed investments in lines 41, 42, 46 and 48 of Form 13.

As at 31 December 2009 and 31 December 2008 the Company held no units or other beneficial interests in collective investment schemes which were not UCITs or authorised under the Financial Services and Markets Act 2000.

There were no reversionary interests or remainders in property other than land or buildings.

### **\*1302\* Aggregate value of hybrid securities (OLTB)**

The aggregate value of hybrid securities included in lines 46 and 48 is £0.3m (2008: £nil).

### **\*1303\* Non debtor salvage or subrogation recoveries (OLTB)**

Not applicable.

### **\*1304\* Amounts set off (OLTB)**

Certain amounts shown in Form 13 have been set off to the extent permitted by generally accepted accounting principles.

### **\*1305\* Maximum counterparty limits (OLTB)**

The maximum individual counterparty exposure limit for cash is £5m (unless Government Guaranteed).

For fixed income and cash securities, the maximum exposure to a single counterparty depends on the rating of the counterparty by AXA Investment Managers UK Limited. The maximum exposure is calculated by multiplying the relevant credit rating limit expressed as a percentage by the portfolio base. The minimum rating allowed is AA-.

The relevant rating limits expressed as a percentage are as follows:

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2009**

## NOTES TO THE RETURN

AXA RATING	Corporate	Supra National and Government Related	Non Domestic Sovereign	Domestic Sovereign
AAA	4.0%	No limit	No limit	No limit
AA+	3.3%			
AA	3.0%			
AA-	2.5%			

The portfolio base is the total fixed income and cash portfolio for sovereign issuers and is the greater of the cash and corporate bonds portfolio (excluding mortgage backed securities) or 50% of the total fixed income and cash portfolio for corporate and supranational issuers.

There were no unauthorised breaches of these limits during the period.

### **\*1306\* Exposure to large counterparties (OLTB)**

None.

### **\*1307\* Aggregate value of certain fully secured rights (OLTB)**

None.

### **\*1308\* Aggregate value of certain investments (LTB)**

Included in line 41 of Form 13 are unlisted investments valued at £148,000 (2008: £198,000).

There are no other unlisted investments or other than readily realisable listed investments in lines 41, 42, 46 and 48 of Form 13.

As at 31 December 2009 and 31 December 2008 the Company held no units or other beneficial interests in collective investment schemes which were not UCITs or authorised under the Financial Services and Markets Act 2000.

There were no reversionary interests or remainders in property other than land or buildings.

### **\*1309\* Aggregate value of hybrid securities (LTB)**

The aggregate value of hybrid securities included in lines 46 and 48 is £32.6m (2008: £58.1m).

### **\*1310\* Amounts set off (LTB)**

Certain amounts shown in Form 13 have been set off to the extent permitted by generally accepted accounting principles.

### **\*1311\* Differences on brought forward amounts**

None.

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2009**

## **NOTES TO THE RETURN**

### **\*1312\* Exposure to large counterparties (LTB)**

None.

### **\*1313\* Aggregate value of certain fully secured rights (LTB)**

The Company has rights over collateral covering assets valued at £3,658,000 (2008: £41,992,000)

### **\*1314\* Tangible lease assets (OLTB)**

There are no tangible leased assets included in line 80 of Form 13 (other than long-term business).

### **\*1315\* Other assets (OLTB)**

There are no other assets included in line 83 of Form 13 (other than long-term business).

### **\*1316\* Tangible lease assets (LTB)**

There are no tangible leased assets included in line 80 of Form 13 (total long-term business).

### **\*1317\* Other assets (LTB)**

There are no other assets included in line 83 of Form 13 (total long-term business).

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

The amounts included in line 101 of Form 13 are as follows:

Long term	<b>2009</b>	2008
	<b>£000</b>	£000
Gross up reinsurers' share of technical provisions classified as investments in Companies Act accounts	<b>3,344,190</b>	2,031.675

### **\*1319\* Maximum counterparty limits (LTB)**

Under the Insurer's Investment Guidelines, the maximum exposure of unit linked funds to a single counterparty for cash is 1% of the market value of that fund or £5m if greater for counterparties rated AA- or better, and 0.5% of the market value of that fund or £2.5m if greater for counterparties rated A+/A/A-.

Other than for securities issued or explicitly guaranteed by the UK Government, the relevant rating limits for unit linked funds are as follows:

Rating	Limit
AAA Approved Securities (as defined for INSPRU)	20.0%
AAA Other	5.0%
AA	4.0%
A	2.5%
BBB	1.3%

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2009**

## NOTES TO THE RETURN

For cash and fixed income securities, the maximum exposure to a single counterparty depends on the rating of the counterparty by AXA Investment Managers UK Limited. The maximum exposure is calculated by multiplying the relevant credit rating limit expressed as a percentage by the portfolio base. The maximum exposure to A+ and below rated bonds is 15% for the Non-Profit Fund and 20% for the With-Profit Fund.

The relevant rating limits expressed as a percentage are as follows:

AXA RATING	Corporate	Supra National and Government Related	Non Domestic Sovereign	Domestic Sovereign
AAA	4.0%	No limit	No limit	No limit
AA+	3.3%			
AA	3.0%			
AA-	2.5%			
A+	2.0%	2.0%	2.0%	
A	1.6%	1.6%	1.6%	
A-	1.2%	1.2%	1.2%	
BBB+	1.0%	1.0%	1.0%	
BBB	0.7%	0.7%	0.7%	
BBB-	0.4%	0.4%	0.4%	

The portfolio base is the total fixed income and cash portfolio for sovereign issuers and is the greater of the cash and corporate bonds portfolio (excluding mortgage backed securities) or 50% of the total fixed income and cash portfolio for corporate and supranational issuers.

There were no unauthorised breaches of these limits during the period.

### **\*1320\* Direction under Section 148 of the Financial Services and Markets Act 2000**

The FSA issued to the firm in January 2007 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in its realistic balance sheet (at line 27 of Form 19 for the With-Profit Fund), the value of the fund support arrangement assets for a with-profits fund which is the value of the transfers from the Segregated Sub Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on 29 November 2004 to that with-profits fund where:

- (1) the value of the transfers are limited to the lesser of the Segregated Sub Fund and the value of transfers assessed as necessary in each determination of the realistic value of liabilities of the With-Profit Fund so that customers are treated fairly and
- (2) the value to be placed on the transfers is the value determined on a basis consistent with the basis used in determining the realistic value of assets and realistic value of liabilities of the with-profits fund.

These assets are also included in line 89 of Form 13.

Name of Insurer           **Winterthur Life UK Limited**

Financial year ended   **31 December 2009**

## **NOTES TO THE RETURN**

### **\*1321\* Direction under Section 148 of the Financial Services and Markets Act 2000**

The FSA, on the application of the firm, made a direction in May 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long-term contracts relating to Winterthur Norwich Property (Investment Bond), Winterthur Norwich Property (Pension), Winterthur New Star Property (Investment Bond) and Winterthur New Star Property (Pension) which are themselves determined, either wholly or partly, by reference to units in the Norwich Property Trust and the New Star Property Trust.

### **\*1401\* Provision for reasonably foreseeable adverse variations**

The Company holds no investments which will, or may, give rise to a liability in the future and as such no provision for adverse changes has been established.

### **\*1402\* Long term insurance business assets / liabilities**

#### **a) Charges on assets**

There were no charges on any of the assets of the Company to secure the liabilities of any other person.

#### **b) Provision for capital gains tax**

A capital gains tax liability of £nil (2008: £nil) would arise if the Company were to dispose of all of its assets.

#### **c) Contingent liabilities**

The aggregate value of contingent liabilities does not exceed 2.5% of the long-term insurance assets.

#### **d) Guarantees, indemnities or other contractual commitments with related parties**

The aggregate value of guarantees, indemnities or other contractual commitments with related parties does not exceed 2.5% of the long-term insurance assets.

#### **e) Fundamental uncertainties**

There were none at 31 December 2009.

### **\*1403\* Deficit in a regulated related undertaking (LTB)**

None.

### **\*1404\* Implicit provision for reasonably foreseeable adverse variations**

None.

### **\*1405\* Details of other adjustments to liabilities**

Name of Insurer      **Winterthur Life UK Limited**

Financial year ended    **31 December 2009**

## **NOTES TO THE RETURN**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Reinsurers' share of technical provisions classified as investments in Companies Act accounts	<b>3,344,190</b>	2,032,887
Other differences in technical liabilities	<b>7,924</b>	62,224
Contingent loans	<b>22,766</b>	22,441
Financial liability re trail commission	<b>69,603</b>	114,534
Deferred front end fees	<b>111,525</b>	101,996
Deferred tax	<b>(2,766)</b>	-
	<b>3,553,242</b>	2,334,082

### **\*1411\* Differences on brought forward amounts (LTB)**

None.

### **\*1501\* Provision for reasonably foreseeable adverse variations**

The Company holds no investments which will, or may, give rise to a liability in the future and as such no provision for adverse changes has been established.

### **\*1502\* Other than long term insurance business assets / liabilities**

#### **a) Charges on assets**

There were no charges on any of the assets of the Company to secure the liabilities of any other person.

#### **b) Provision for capital gains tax**

A capital gains tax liability of £nil (2008: £nil) would arise if the Company were to dispose of all of its assets.

#### **c) Contingent liabilities**

The aggregate value of contingent liabilities does not exceed 2.5% of the long-term insurance assets.

#### **d) Guarantees, indemnities or other contractual commitments with related parties**

The aggregate value of guarantees, indemnities or other contractual commitments with related parties does not exceed 2.5% of the long-term insurance assets.

#### **f) Fundamental uncertainties**

There were none at 31 December 2009.

Name of Insurer        **Winterthur Life UK Limited**

Financial year ended    **31 December 2009**

## **NOTES TO THE RETURN**

### **\*1503\* Accrued dividend in respect of preference shares**

None.

### **\*1504\* Deficit in a regulated related undertaking (OLTB)**

None.

### **\*1506\* Provision for reasonably foreseeable adverse variations**

None.

### **\*1507\* Details of other adjustments to liabilities**

None.

### **\*1511\* Differences on brought forward amounts (OLTB)**

None.

### **\*1601\* Basis of foreign currency conversion (OLTB)**

Income and expenditure in foreign currencies are translated to Sterling using the rate of exchange current at the transaction date.

### **\*1602\* Restatement of amounts arising from currency conversion (OLTB)**

None.

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

Other management expenses in Line 21 of Form 16 relate to the release of a provision for warranty claims.

### **\*1604\* Extraordinary profit and loss**

None.

### **\*1611\* Differences on brought forward amounts (OLTB)**

None.

### **\*1700\* Derivative contracts**

Winterthur Life UK Limited held no derivative contracts as other than long term insurance business assets and Segregated Sub Fund assets at any time during the year and so no Form 17 relating to other than long term insurance business assets and Segregated Sub Fund assets is required.

### **\*1701\* Variation margins**

Name of Insurer           **Winterthur Life UK Limited**

Financial year ended   **31 December 2009**

## **NOTES TO THE RETURN**

None.

### **\*1702\* Quasi derivatives**

The aggregate value of rights under contracts or in respect of assets, either of which have the effect of derivative contracts, did not exceed 2.5% of the value of assets at line 89 of Form 13.

There were no quasi derivative liabilities at 31 December 2009.

### **\*1801\* Long-term Insurance Capital Requirement shown in Form 18 line 14**

The long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in the fund incorporates the long-term insurance capital requirement in respect of the property-linked business written in the fund where the unit liability is shown in the Non-Profit Fund. This is because the risks of this business continue to be borne by the With-Profit Fund.

### **\*1901\* Direction under Section 148 of the Financial Services and Markets Act 2000**

The FSA issued to the firm in January 2007 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in its realistic balance sheet (at line 27), the value of the fund support arrangement assets for a with-profits fund is the value of the transfers from the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29<sup>th</sup> November 2004 to that with-profits fund where:

(1) the value of the transfers are limited to the lesser of the Segregated Sub-Fund and the value of transfers assessed as necessary in each determination of the realistic value of liabilities of the With-profit Fund so that customers are treated fairly, and;

(2) the value to be placed on the transfers is the value determined on a basis consistent with the basis used in determining the realistic value of assets and realistic value of liabilities of the With-Profit Fund.

These assets are also included in line 89 of Form 13 for the Segregated Sub-Fund.

### **\*1902\* Additional amount potentially available for inclusion in Form 19 line 82**

The Value of In-Force business in respect of non-profit business in the Non-Profit Fund is calculated on the actuarial valuation basis set for the firm's internal embedded value reporting. This basis is not necessarily consistent with the requirements in the Prudential Source Book. The firm's Board has taken the view that this is acceptable given that the amount disclosed in Form 19 Line 63 is not required to back the capital requirements of the With-Profit Fund.

### **\*4001\* Differences on brought forward amounts (LTB)**

None.

### **\*4003\* Investment income or net capital gains included at line 26**

None.



Name of Insurer           **Winterthur Life UK Limited**

Financial year ended   **31 December 2009**

## **NOTES TO THE RETURN**

### **\*4004\* Transfer of reserves**

None.

### **\*4005\* Basis of foreign currency conversion (LTB)**

Income and expenditure in foreign currencies are translated to Sterling using the rate of exchange current at the transaction date.

### **\*4006\* Basis of apportionment between long-term funds**

Separate internal accounts and separate investment reserves are maintained for each fund for which a separate Form 40 is prepared.

Expenses charged by Winterthur Financial Services UK Limited are charged on a cost basis for work done in distributing or administering policies. In addition there is a separate contract covering investment of assets which is based on the value of assets under management. These expenses are initially borne by the Non-Profit Fund. An explicit expense arrangement is in force between the Non-Profit Fund and the With-Profit Fund. A fixed amount increasing with inflation is payable for each premium paying policy and at half rate for a non premium paying policy for each master policy within the With-Profit Fund. In addition certain other costs are borne by the With-Profit Fund. All expenses borne by the With-Profit Fund are in accordance with the Court Scheme covering the governance of the fund.

United Kingdom taxation has been allocated based on separate tax calculations for each sub-fund. The With-Profit Fund taxation is calculated on a stand-alone mutual company basis. The Segregated Sub Fund taxation is calculated on a 100% life basis as agreed by HM Revenue & Customs. Allocation to the Non-Profit Fund is based on the balance of the total Long Term Fund taxation.

### **\*4008\* Management services**

During the financial year ended 31 December 2009, investment management services have been provided to the Company by AXA Investment Managers UK Limited, a fellow group undertaking.

Various other management services have been provided by Winterthur Financial Services UK Limited, a wholly owned subsidiary of Winterthur Financial Services UK Holdings Limited, in accordance with a management agreement between the companies.

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

During the financial year ended 31 December 2009 the Company carried out the following transactions with other companies in the group, which exceed 5% of the Company's liabilities arising from its long-term insurance business, excluding property linked liabilities and net of reinsurance ceded.

Material transactions with Winterthur Pension Funds UK Limited, a subsidiary undertaking, were:

2009	2008
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Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2009**

## NOTES TO THE RETURN

	£000	£000
Reassurance premiums received	476	487
Reassurance claims paid	3,681	4,455

Material transactions with AXA Sun Life Plc, a related company were:

	£000	£000
Reassurance premiums received	575,872	316,652

### **\*4010\* With-profit fund investment income relating to linked assets**

None.

### **\*4301\* Other management expenses**

Other management expenses in Line 15 of Form 43 are:

	2009 £000	2008 £000
One-off project costs	5,040	2,103
Increase / (release) of compensation provisions	2,750	(1,350)
(Release) of redress provision	(2,000)	-
Increase in other provisions	650	-
Ex gratia compensation	-	(20)
	<u>6,440</u>	<u>733</u>

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

Assets have been valued in accordance with the valuation rules (GENPRU 1.3) of the General Prudential Sourcebook as applied to non-linked assets.

### **\*4402\* Derivatives contracts**

There were no excess variation margins as at 31 December 2009.

### **\*4403\* Netting of variation margins**

There was no netting of assets and liabilities to repay variation margins.

### **\*4404\* Surplus units**

Surplus units do not exceed 1% of the net unit liability.

### **\*4405\* Negative liquidity**

- a) There are no funds whose net asset value is greater than £10m and where there is negative liquidity ratio exceeding £0.05m in magnitude.

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Financial year ended    **31 December 2009**

## **NOTES TO THE RETURN**

- b) There are no funds whose net asset value is greater than £500,000 and there is a negative liquidity ratio exceeding £0.5m in magnitude.

### **\*4501\* Brought forward amounts**

All brought forward amounts equal carried forward amounts in the previous returns.

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

Other income and other expenditure are nil.

### **\*4701\* Number of new group schemes with no member records**

There were no new group TIP schemes set up during 2009.

### **\*4803\* Redemption Period**

All securities that can be redeemed over a period have been assumed to be redeemed at the latest possible date.

### **\*4804\* Yields of 'other assets'**

The yield shown in column 4 of line 18 includes a property loan yielding 8.00%.

### **\*4806\* Assets used to determine investment returns in column 5**

The assets used are those backing the with-profit liabilities in the With-Profit Fund. Any assets within the 'restricted' portfolio are excluded as these are not used to back asset shares within the fund. The assets within the 'restricted' portfolio consist of derivatives, gilts and bonds. "Other assets" are made up of derivatives, cash, loan items and mixed collective investments.

### **\*4901\* Source of credit ratings**

Credit ratings from Standard & Poor's, Moody's and Fitch are used. If more than one is available the lowest rating is used. The exception to this is if all three ratings are available and two of the ratings are the same but higher than the third rating, then the higher rating is taken. In the absence of all three a prudent internal rating is used.

### **\*5201\* Number of group schemes with no member record**

There were 7 group retirement benefit schemes in force at end 2009. For these schemes the number of policyholders/scheme members has been shown as zero on Form 52.

### **\*5203\* Miscellaneous Code**

The group retirement benefit scheme has been shown under code 575 Miscellaneous UWP. Benefits payable under the contracts are expressed as an annuity per annum.

### **\*5204\* Approximations used to apportion between product codes**

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Financial year ended    **31 December 2009**

## **NOTES TO THE RETURN**

For hybrid linked policies that invest in both property linked and unitised with profit, the policy count has been shown on Form 52 if the unitised with profit liabilities exceed the property linked liabilities.

### **\*5301\* Number of group schemes with no member record**

There were 88 group TIP schemes in force at end 2009. For these schemes the number of policyholders/scheme members has been shown as zero on Form 53.

### **\*5304\* Approximations used to apportion between product codes**

For hybrid linked policies that invest in both property linked and unitised with profit, the policy count has been shown on Form 53 if the property linked liabilities exceed the unitised with profit liabilities.

For contracts which have unit liabilities in respect of DWP National Insurance rebates, only the unit liability has been separated out and shown separately in code 745.

### **\*5803\* Fund Transfers**

The Form 58 for the Segregated Sub Fund shows a transfer to other funds of £5.875m. This is in respect of a reduction in the provision of expected future support of the Segregated Sub Fund to the With-Profit Fund. The transfer has been made to the Shareholders Fund.

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

The entry in line 21 of Form 60 is at least as large as the amount that would be obtained if Forms 11 and 12 were completed. The method used to estimate this value has followed the requirements of Forms 11 and 12 with the use of prudent estimates of the claim values that count as Actuarial Health Insurance.

The gross annual office premiums in force at 31 December 2009 in respect of Class IV business and supplementary accident and sickness insurance amount to £2.712m. The Company is not a mixed insurer.

**IPRU(INS) RULE 9.29 - STATEMENT ON DERIVATIVE CONTRACTS**

**Financial year ended 31 December 2009**

a) Investment Guidelines

The investment guidelines of Winterthur Life UK Limited allow for the use of derivative contracts for the purposes of efficient portfolio management or the reduction of investment risk. Derivatives can only be used to the extent that they are replicating a similar economic effect which would otherwise be achieved by selling existing assets or using cash in the portfolio to fund the purchase of permitted assets.

The guidelines restrict the investment in derivative contracts to specified exchange traded derivatives on a limited number of markets, forward foreign exchange contracts, interest rate swaps and inflation rate swaps. Credit default swaps may be used within the With Profit, Shareholder and Non Profit funds to buy credit protection. If credit protection needs to be sold in these funds the investment manager will need the approval of the Insurer before executing the proposed transactions. In the unit linked funds credit default swaps may only be used on a case by case basis with the Insurer informed of each trade in advance. Use of derivatives is permitted in the With Profit Fund to protect the value of equities.

The counterparties through whom such transactions can be made are restricted, as are the counterparty exposures that may be built up using derivatives. Prudent limits have also been set on the extent to which derivatives may be used within a given portfolio. Derivatives must not be used to gear the portfolio.

The use of non exchange traded derivatives, with the exception of the derivative contracts noted above, is not permitted without the prior approval of the Group Finance Director or the Chief Investment Officer.

For the unit linked Winterthur Pensions Managed Fund the investment manager, Schroder Investment Management Limited, has the authority to use futures and currency forwards only for the purpose of:

- The efficient implementation of asset allocation charges and the management of cashflows.
- Managing the exchange rate risk associated with investments denominated in currencies other than the base currency of the Fund.

Within guidelines set out in the investment management agreement governing the management of the Winterthur Pensions Managed Fund, asset allocation decisions are taken by the investment manager with consideration of Economic Exposure, being the total exposure to the underlying markets, whether through derivatives or physical securities.

At the end of 2009, derivatives in the With Profit Fund consisted of interest rate swaps, credit default swaps, futures and put and call options. Currency swaps backing a USD mortgage loan were held in the Non Profit Fund as well as futures backing certain unit-linked contracts.

b) Guidelines in respect of derivatives not likely to be exercised

The investment guidelines do not explicitly allow or exclude the use of derivatives which create rights or obligations which are not, at the time the contract is entered into, reasonably likely to be exercised.

c) Derivatives not likely to be exercised

During the year, no contracts were entered into which were not, at the time of entry, reasonably likely to be exercised.

d) No other instrument, whether it be a derivative or an instrument of similar nature was used which required a significant provision under INSPRU 3.2.17R, or where appropriate, did not fall within the definition of a permitted derivative contract.

e) There were no rights granted under derivative contracts for which fixed consideration was received by the Insurer during the year

Name of Insurer

**Winterthur Life UK Limited**

**Financial year ended 31 December 2009**

**IPRU(INS) RULE 9.30 – STATEMENT OF CONTROLLERS OF WINTERTHUR LIFE UK LIMITED**

Throughout the year Winterthur Life UK Holdings Limited owned 100% of the Company's share capital and controlled 100% of the voting power at general meetings.

Throughout the year Winterthur Life UK Holdings Limited was a wholly-owned and controlled subsidiary of AXA SA.

Name of Insurer: **Winterthur Life UK Limited**

## **IPRU(INS) Rule 9.31(a) and Appendix 9.4**

### **VALUATION REPORT**

Throughout this report the following notation is used:

the/this Company	denotes	Winterthur Life UK Limited
WPFL	denotes	Winterthur Pension Funds UK Limited
ASL	denotes	AXA Sun Life Plc

Prior to 1 June 2001 the Company was known as Colonial Life UK Ltd. On 1 June 2001, following a High Court approval for a scheme under Schedule 2C of the Insurance Companies Act 1982, the long term business of WLUK Ltd (previously Winterthur Life UK Ltd) was transferred into Winterthur Life UK Ltd (previously known as Colonial Life UK Ltd).

In this report all products issued by the Company prior to 1 June 2001 have been referred to as Colonial policies and constitute the Colonial portfolio. The absence of a suffix indicates that reference is to a product issued by the former Winterthur Life UK Ltd or by this Company after 1 June 2001, which together constitute the Winterthur portfolio.

Prior to 31 December 2007 pension unit liabilities were reinsured to WPFL. From this date these liabilities are retained in this Company and business directly written in WPFL is now reinsured to this Company.

#### **1. Valuation date**

- (1) The investigation relates to 31 December 2009.
- (2) The previous investigation related to 31 December 2008.
- (3) No interim investigations have been carried out.

#### **2. Changes to product range in 2009**

##### **Single Pension**

During 2009 the Company enhanced the available options under this contract to include:

- (1) The option to pay initial commission.
- (2) The option to invest in a defined number of AXA funds in addition to those available through Winterthur. Where the AXA funds are chosen the unit liabilities are reinsured to ASL.

##### ***Statement relating to with profits business***

The with profits fund was closed to new business except by increment.

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

##### **(1) Application of Market Value Reduction**

During 2009 market value reductions (MVRs) applied on surrender and transfers on unitised with-profits business as follows:

Product Description	Period that MVR Applied		Policy Dates of Entry
	From	To	
Colonial Pensions Single Premium	01/01/2009	08/03/2009	1999 - 2000, 2007
	09/03/2009	31/12/2009	1999 - 2000, 2007 - 2008
Colonial Pensions Regular Premium	01/01/2009	08/03/2009	2005 - 2007
	09/03/2009	31/12/2009	2006 - 2007
Colonial Life Single Premium	01/01/2009	08/03/2009	1999 - 2000
	09/03/2009	31/12/2009	1999 - 2000, 2007 - 2008
Colonial Life Regular Premium	01/01/2009	08/03/2009	2006 - 2007

For the Winterthur Life UWP business the final bonus or MVR is calculated on a policy by policy basis, so an MVR might have applied throughout 2009 depending on the individual circumstances of the policy.

## **(2) Changes to premiums on reviewable non-linked protection policies**

There were no changes to the premiums on reviewable non-linked protection policies during 2009.

A change was permitted but did not occur during 2009 on business with a total annual premium of £479,521.

## **(3) Non-profit deposit administration benefits**

The Company has no non-profit deposit administration benefits.

## **(4) Service charges on linked policies**

The policy fees on linked policies changed in 2009 as follows

Product	Change in 2009
Colonial Rainbow & Unity Pensions	0.1%
Winterthur Pensions	0% to 5.56%

Policy fees for certain Winterthur pension products depend on the relevant group pension scheme. Increases may be affected by rounding. The range of increases has been shown rather than listing all the increases.

## **(5) Benefit charges on linked policies**

There were no changes to benefit charges on linked policies in 2009.

## **(6) Fund management charges**

There were no changes to unit management charges or notional charges to accumulating with-profits policies during 2009.

## **(7) Unit pricing methods**

a) Assets within all linked funds are valued using generally accepted methods according to the category of asset, and subsequent unit pricing complies with published guidance to the extent that such guidance deals with the matter.

i) The matching of assets against liabilities for internal linked funds is performed on a daily basis and all funds are valued daily. For all funds the investment expenses are the fees of the managers and all costs incurred in the valuation, purchase and realisation of the assets held for the fund. These are calculated and deducted on a daily basis. Where applicable, deductions are



made in respect of tax suffered on income and realised gains and tax expected to arise on unrealised gains.

ii)

#### Winterthur Portfolio

For Winterthur Life policies where a bid/offer spread exists, the offer price is calculated by multiplying the bid price by an appropriate factor to take account of the bid/offer spread of the fund in question. For policies where there is no bid/offer spread, the unit price is calculated by rounding up or down the net asset value of an asset unit to three decimal places if the fund is expanding or contracting respectively. The actual prices calculated by the Company do not include any explicit rounding adjustment.

#### Colonial Portfolio

In general, bid prices are rounded down to 0.01p and offer prices are rounded up to 0.01p. The offer price for each type and series of unit is not greater than the bid price multiplied by 100/95, rounded up to the next 0.01p. Units are allocated to policies by dividing the cash amount awaiting allocation by the offer, rounding down the number of units to the lower 0.0001 unit. Units are cancelled from policies at the bid price, rounding the proceeds to the nearer 1p. There are no initial charges unless otherwise stated below.

#### *Specific Colonial Fund Features*

##### Key Fund

Every six months (in April and October) the net income of the fund, after charges, is used to create additional units, which are credited pro rata rounding the number of units down to the lower 0.0001 unit. Units are cancelled from policies at the bid price, rounding the proceeds to the nearer 1p.

##### Managed, Equity, Fixed Interest and Cash Funds

There is an initial charge of 5% imposed via the bid/offer spread.

##### New World Funds

Valuation of assets in an internal fund on an offer basis takes into account the estimated expenses of purchasing securities and on a bid basis the estimated expenses of realising securities. The net asset value of each fund is reduced by any levies and taxes imposed on the Company to the extent deemed attributable to the fund. Associated with each internal linked fund are several series of Capital and Investment Units, having different rates of management charge, on which policyholder benefits are based. The bid price for each type and series of unit is derived based on the net asset value allowing for the above deductions and fund charges. The offer price for each type and series of unit is not greater than the bid price for that type and series multiplied by 100/95, rounded up to the next 0.01p.

The number of units allocated to policies is obtained by dividing the cash amount available for allocation by the offer price of the type and series of units in the destination fund, rounded to the lower 0.0001 unit. Units are cancelled from policies at the bid price of units multiplied by a funding factor, rounding the proceeds to the nearer 1p. Asset units are created (cancelled) in the linked fund by transferring to (from) the fund cash or other assets equal in value to the bid value of the type and series of units being allocated (un-allocated) multiplied by a funding factor. No charge is levied in respect of that part of the value of any unit represented by the value of units in any other internal linked fund. None of the rates of charge is guaranteed.

iii) The Company operates a policy of smoothed equity. The pricing basis for each internal fund which is linked directly to policies is determined after due consideration of the expected net cash flow. The expectation of a continuous net outflow or inflow of funds would require a bid or offer

pricing basis to be adopted respectively. Policies invested in the same funds will have the same price basis.

iv) Internal linked funds which invest in segregated assets such as equities and bonds (*Segregated Funds*) are valued using close of business prices on the previous day, except property which is valued monthly. Dependent on whether an offer or bid pricing basis is being used the assets are valued after adding provision for fiscal and purchase charges or deducting provision for fiscal and sale charges as appropriate. Internal linked funds which invest in collective investment vehicles are valued using the prevailing dealing price for that day. For OEIC's, this will relate to a single swinging price depending on the cash flow in to the underlying investment. For unit trusts, the fund will be valued using the negotiated purchase price on a daily basis unless assets are sold and then the sale price received for the transaction will be utilised when valuing the internal linked fund.

b) Not applicable.

c) Where assets are units in collective investment schemes or similar assets, the price used would either be based on the market valuation as at the close of business the previous working day or the market value at current day's pricing point depending on the individual fund. Policyholders will receive unit prices calculated one working day after the instruction to transact is sent.

#### **(8) Tax deductions from unit-linked funds**

##### Life Funds

Tax is provided for on realised capital gains at a rate of 20% immediately on realisation. For this purpose one seventh of the unrealised gains in the period on collective investment schemes is treated as a realised capital gain. The tax due is withdrawn from the funds annually at the end of the financial accounting period.

Tax relief for losses is given if there are sufficient gains within the same investment fund against which to offset the loss. If there are insufficient gains then the losses are carried forward within the same fund for potential utilisation at a later date.

Provision is made in the unit pricing for the potential tax liability on unrealised gains (including gains on collective investment schemes that are not treated as realised gains) at a rate of 18%. With effect from 14th August 2009 this rate was increased to 20% for *Segregated Funds* priced on a bid basis. No money is removed from the funds in respect of these provisions.

Credit is given in the unit price for the potential tax relief arising from losses within the funds at the rates of 10% for realised losses and 8% for unrealised losses. With effect from 14<sup>th</sup> August 2009 the credits for *Segregated Funds* priced on a bid basis were removed.

Both realised and unrealised capital gains include an allowance for indexation. Tax is provided for in the unit prices on a daily basis

##### Other Funds

The only other funds are pension business, where no tax on capital gains is payable.

#### **(9) Tax provisions for unit-linked funds**

See section 3(8).

#### **(10) Discounts on purchases of units**

Winterthur Life utilise collective investment funds managed by external managers, where this is the case all investments into these funds receive a full discount on the initial charge quoted by the external manager, the full benefit of this discount is passed on to the policyholder. In respect of discount on management charges, Winterthur Life have negotiated rebates with the external managers, in some cases, part of this rebate is retained by Winterthur Life as additional margin with the policyholder benefiting from the remainder of the rebate.

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

The valuation bases set out in section 4 relate to groups of products where the gross mathematical reserves or the gross annual premiums exceed £10m. The grouping of products is that relevant to the particular method or assumption.

##### **(1) Valuation methods**

###### **General principles and methods used in the valuation**

An individual policy valuation has been completed which does not allow negative reserves.

The valuation bases have been determined with regard to the nature and the term of the assets available to meet the liabilities valued.

The reserves were determined on a prudent basis in accordance with actuarial principles, taking account of the underlying nature of the contracts.

For all contracts the mathematical reserves have been determined so that on the valuation basis adopted no recourse to additional finance is required whether the policies continue paying premiums, are made paid up, or terminate.

Full allowance has been made in the valuation for the effects of the ceding of premiums and risk under the various reinsurance arrangements in place at the valuation date.

A provision has been made to cover the possibility of default by the reinsurers.

###### **Conventional Business**

For all non-linked contracts the gross premium valuation method has been used, with an explicit expense reserve. No allowance for future bonuses has been made for with profits business.

###### **Unit-linked Business**

For unit linked contracts, the mathematical reserve is the value of the units allocated to the policies (using the net asset value valuation price) plus a non-unit liability (sterling reserve) determined using discounted cash flow valuation methodology. Initial units and some accumulation units are actuarially funded, such that the total mathematical reserve for the contract is at least equal to the surrender or transfer value as at the valuation date.

###### **Unitised With Profits Business**

For unitised with-profits business a reserve relating to future benefit payments is held within the With-Profit Fund.

For the With Profit Bond, the Irish Life arrangement and Colonial business the reserve is calculated as the greater of: a prospective bonus reserve valuation based on a glide path of future bonus rates (for those few cases where regular bonuses are being applied currently) and the lower of the reasonable expectation surrender value (based on the shadow fund) and the

non-discretionary surrender value (based on nominal units). Allowance has been made for regular withdrawals where a no-market value reduction guarantee applies for all policies currently taking regular withdrawals, and for a prudent proportion of policies currently not taking income.

For other UWP the reserve held is equal to nominal units.

For all accumulating with profits contracts an additional explicit expense reserve has been established.

## (2) Valuation interest rates

	31 December 2009 %	31 December 2008 %
Conventional WP Life:		
Whole Life & Endowment	3.00	3.75
Conventional WP Pensions:		
Deferred Annuities & Pure Endowments - pre-retirement	3.75	4.25
- post retirement	3.75	4.00
Other	4.10	4.25
Conventional NP Life:		
Annuities in Payment (WP Fund)	2.95	4.00
Annuities in Payment (NP Fund)	3.35	4.20
Other (WP Fund)	2.85	2.25
Other (NP Fund)	3.35	2.70
Conventional NP Pensions & PHI:		
Annuities in Payment (WP Fund)	3.65	5.00
Annuities in Payment (NP Fund)	4.70	4.20
Other (WP Fund)	3.60	3.00
Other (NP Fund)	3.65	3.40
Unit Linked:		
Life (WP Fund)	2.85	2.25
Life (NP Fund)	3.35	2.70
Pensions (WP Fund)	3.60	3.00
Pensions (NP Fund)	3.65	3.40
Unitised With-Profits:		
Life	3.15	2.50
Pensions	3.70	3.25
Irish Life	0.80	2.25
Index Linked Annuities		
WPF	0.60	0.80
NPF	0.70	0.80

## (3) Risk adjustments to yields

All equities are listed on recognised stock exchanges, except for equities with a market value of £0.148m, and are readily marketable. For the purpose of INSPRU 3.1.33R the yield for each equity holding has been determined individually. The yield has been taken as the lower of the audited earnings over the previous 12 months and the expected earnings based on the forecasts at the valuation date, with an explicit additional risk margin deduction of 0.10% as an aggregate provision that the dividend and earnings will not be maintained.

The dividend yield was subjected to an upper limit of 7.50%, and the overall yield was subjected to an upper limit of 7.50%. This allows for the risk that the market has assessed the outlying high yielding stocks incorrectly and these will reduce in future.

Commercial property is held. In determining the appropriate yield the expected income has been assessed on an individual property basis with full allowance made for expected rental income voids and are subjected to an upper limit of 7.50%.

For all non-approved fixed interest securities the following deductions have been made from gross redemption yields:

Rating	Term to redemption (years)		
	0-10 bps	10-20 bps	20+ bps
AAA	14	15	17
AA	57	46	45
A	96	70	66
BBB	192	132	117
BB	603	368	307
B	1,326	738	587
CCC	2,487	1,295	987

For bonds rating CC and below an individual credit risk deduction is calculated as the difference between the yield on the bond and the yield on a gilt of equivalent term. For any bonds rated D, the yield is set to zero.

For subordinated debt, the credit risk deductions are multiplied by 1.25.

The yields, net of credit risk deductions, are subject to a maximum of 30%.

#### (4) Mortality

The mortality bases used at end 2009 and end 2008 were:

Product Group	31 December 2009		31 December 2008	
	Males	Females	Males	Females
Whole Life and Life Endowments	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Pure Endowments, Deferred Annuities (pre-vesting)	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Annuities in Payment (Personal)	95% PCMA00 mc <sup>(1)(4)</sup>	95% PCFA00 75% mc <sup>(2)(4)</sup>	100% IMA92 mc <sup>(1)(3)</sup>	100% IFA92 75% mc <sup>(2)(3)</sup>
Annuities in Payment (Corporate)	95% PCMA00 mc <sup>(1)(4)</sup>	95% PCFA00 75% mc <sup>(2)(4)</sup>	100% PMA92 mc <sup>(1)(3)</sup>	100% PFA92 75% mc <sup>(2)(3)</sup>
Deferred Annuities (post-	92.5% PCMA00 mc <sup>(1)</sup>	92.5% PCFA00 75% mc <sup>(2)(5)</sup>	100% IMA92 mc <sup>(1)(5)</sup>	100% IFA92 75% mc <sup>(2)(5)</sup>

vesting)	(5)			
Term Assurance (6) - Non-Smokers - Smokers - Unknown	80% TM92 ult 150% TM92 ult 100% TM92 ult	90% TF92 ult 165% TF92 ult 105% TF92 ult	80% TM92 ult 150% TM92 ult 100% TM92 ult	90% TF92 ult 165% TF92 ult 105% TF92 ult
PHI	70% AM92 ult		70% AM92 ult	
Unit Linked Pensions (non-funding)	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Unit Linked Pensions (funding)	75% AM80		75% AM80	

Notes:

- (1) A minimum improvement rate of 1.7% p.a. assumed
- (2) A minimum improvement rate of 1.5% p.a. assumed. 75% mc applied from 2004 onwards.
- (3) At end 2008 U=2009 was used for all immediate annuities in payment
- (4) At end 2009 U=2010 was used for all immediate annuities in payment
- (5) For deferred annuities post-vesting the year of use is the year of vesting.
- (6) For Term Assurances an allowance of one third of R6A is made to allow for the additional mortality due to AIDS.

The complete expectation of life for the annuities in payment is:

Basis	Age 65	Age 75
95% PCMA00 mc (U=2010), min. 1.7% improvement	23.74	14.60
95% PCFA00 75% mc (U=2010), min. 1.5% improvement	25.59	16.12

The expectation of life at age 65 for deferred annuities of current ages 45 and 55 is:

Basis	Age 45	Age 55
95% PCMA00 mc, min 1.7% improvement	27.19	25.47
95% PCFA00 75% mc, min 1.5% improvement	28.44	27.02

## (5) Morbidity

The morbidity bases used at end 2009 and end 2008 were:

### Income Protection

Inception and recovery rates are based on those given in the CMI Report 12, including unreported claims, modified as follows:

#### *Inception rate modifications*

Deferred Period (weeks)	End 2009	End 2008
4	40%	40%
13	90%	90%
26	150%	150%
52	300%	300%

The rates are then further modified, as follows, to take into account the occupational class of the policyholder:

Occupational Class	End 2009	End 2008
1	125%	125%
2	150%	150%
3	200%	200%
4	250%	250%

For females, the rates are multiplied by a further 175%.

For both males and females, the rates are multiplied by a further 15% for prudence.

#### *Recovery rate modifications*

Duration of Claim (years)	End 2009	End 2008
1	65%	65%
2	65%	65%
3+	85%	85%

For both males and females, the rates are reduced by a further 15% for prudence.

#### **Critical Illness**

For Lifelink, Serious Illness Plan, LifelinkPlus policies and Serious Illness Plan with wider cover policies, the claim rates detailed below were used to determine projected benefits arising from the diagnosis of one of the specified illnesses. The rates shown are per 10,000 for male non-smokers (MNS), male smokers (MS), female non-smokers (FNS) and female smokers (FS). The rates are the same as those as at 31 December 2008.

Age	MNS	MS	FNS	FS
25	4.3	7.4	6.2	10.9
35	7.1	12.8	10.1	18.4
45	24.5	45.3	23.8	43.0
55	70.2	129.0	57.0	99.9

#### **(6) Expenses**

The per policy expense assumptions used at end 2009 and end 2008 were:

#### **With-Profit Fund**

The following table shows the per policy expense assumptions for the premium paying and the non-premium paying business written by the with-profit fund.

	End 2009		End 2008	
	Premium Paying	Non-Premium Paying	Premium Paying	Non-Premium Paying
CWP savings endowment		10.19		10.17
CWP target cash endowment		10.19		10.17
CWP pensions		13.01		12.98
Term Assurance	13.45		13.42	
Income protection	14.26		14.22	
Income protection claims in payment		25.89		25.82

Annuity		25.89		25.82
UWP target cash endowment	42.79	32.09	42.67	32.00
UWP regular premium pension	50.34	37.76	50.20	37.65
UWP single premium pension		37.76		37.65
UL savings endowment	42.79	32.09	42.67	32.00
UL target cash endowment	42.79	32.09	42.67	32.00
UL regular premium pension	50.34	37.76	50.20	37.65
UL single premium pension		37.76		37.65

In addition to the per policy expenses, an assumption of 0.20% p.a. is made for investment expenses.

### Non-Profit Fund

The following table shows the per policy expense assumptions for the premium paying and the non-premium paying business written by the non-profit fund.

	End 2009		End 2008	
	Premium Paying	Non-Premium Paying	Premium Paying	Non-Premium Paying
Term Assurance	14.18		17.30	
Critical illness	14.18		17.30	
Income protection	28.35		34.61	
Income protection claims in payment		28.35		34.61
Annuity		28.35		34.61
UWP Bond		28.35		49.44
UWP savings endowment	56.70	28.35	35.30	17.65
UWP target cash endowment	56.70	28.35	35.30	17.65
UWP regular premium pension	57.33	28.67	54.92	27.46
UWP single premium pension		38.23		36.62
UL bond		61.27		60.30
UL savings endowment	30.23	15.11	29.75	14.87
UL target cash endowment	71.11	35.55	69.98	34.99
UL regular premium pension	57.33	28.67	54.92	27.46
UL single premium pension		38.23		36.62
UL group regular premium pension	71.11	24.18	69.98	23.80
UL group single premium pension		24.18		23.80

In addition to the per policy expenses in the table above, there is a per policy unit related expense to cover internal management expenses, as follows:

0.135% of unit fund for regular premium paying group money purchase products, with 0% on paid up or single premium group money purchase products

0.05% of unit fund for TIPS where the administration is performed externally

0.135% of unit fund for all other unit-linked products, except private fund SIPPs

There is also an assumption of 0.10% p.a. made for investment expenses relating to conventional non-profit business.

The unit fund includes any unitised with-profit holdings.

For unit linked policies a weighted average fund management charge, net of investment expenses, is calculated for each policy.

Tax relief at a rate of 20% is assumed on the BLAGAB expenses.

### (7) Inflation rate and unit growth rates



The annual unit growth rates assumed for linked business are:

	Gross	Net
Non-deposit Investments	5.75%	5.29%
Deposit Investments	0.50%	0.40%

RPI Inflation – annuity : 3.75% pa.  
RPI Inflation – non-annuity : 3.25% pa.

Expense Inflation - annuity : 4.75% pa.  
Expense Inflation – non-annuity : 4.25% pa.

Expense Charge Future Inflation:

Life Contracts : nil  
Colonial Pension Contracts : 2.25% pa.  
Winterthur Pension Contracts : nil

#### **(8) Future bonus rates**

No future bonus rates have been assumed in the gross premium valuation of conventional with profits business.

For unitised with-profits business the following assumptions have been made regarding future bonus rates:

4.00% gross rate for Irish Life for post June 2002 premiums  
1.65% gross rate for all other Irish Life premiums  
0.95% gross rate for With Profit Bond for post June 2002 premiums  
3.30% gross rate for Pension Fund Link group business for post June 2002 single premiums  
1.80% gross rate for all other Pension Fund Link group business  
3.20% gross rate for Pension Fund Link individual business for post June 2002 single premiums  
0.00% for all other UWP business

#### **(9) Lapse, surrender and conversion to paid-up**

The valuation makes no allowance for any future lapses, surrenders or conversions to paid-up status.

#### **(10) Other material assumptions**

No other material assumptions were made.

#### **(11) Derivative contracts**

The Company held swaptions and interest rate swaps as at 31 December 2009 with a combined market value of £2.143m to hedge the interest rate risk in connection with with-profit deferred annuities and with-profit pure endowments with GAOs. The treatment of these in the valuation is covered in section 5.

The Company held some equity put and call options with a market value of £46.263m for solvency protection purposes. The only impact on the valuation of liabilities is the creation of a reserve to eliminate the time value of the options, otherwise these have not been used to back liabilities.

The Company held credit default swaps which at the 31 December 2009 represented a liability of £3.161m. These have been allowed for in the valuation by pairing them up with the appropriate asset and modifying the available yield.

Where a currency hedge exists, this has been paired with the associated asset in order to treat that asset as a sterling denominated asset for the purposes of allocating to liabilities.

## **(12) Impact of changes in valuation rules effective from 31 December 2006**

No changes have been made to the valuation methodology at end 2009 in respect of the changes to INSPRU valuation rules effective from 31 December 2006.

## **5. Options and guarantees**

### **(1) Guaranteed Annuity Rate options**

#### **a) Description of method**

For With-Profits pure endowments the reserve for annuity guarantees has been calculated using an interest rate for the option, once in payment, of 3.75%. The mortality basis used was 95% PCMA00 mc (U = Year of Retirement) or 95% PCFA00 75% mc (U = Year of Retirement) for male and female rates, with a minimum improvement rate of 1.7% and 1.5% p.a. respectively. The value of the reserve is calculated assuming that 95% of policyholders purchase annuities at the guaranteed rates.

The total reserve is backed by a combination of payer swaption assets with a strike rate of 8.00%, interest rate swaps and gilts, which were held for the purpose of managing the interest rate risk on the Pure Endowments with Annuity Guarantees and the Colonial With-Profits pension deferred annuities.

The total notional of swaptions held is £136.544m and as at 31st December 2009 the market value of these swaptions was £2.356m. The total notional of interest rate swaps held is £220.968m comprising £92.796m of shorter term payer swaps and £128.172m of longer term receiver swaps. These swaps had a total market value of -£0.212m as at 31st December 2009. Together these swaptions, swaps and gilts are held to hedge the interest rate sensitivity across the full profile of the liabilities.

The valuation rate used has been based on the risk adjusted yield of the assets backing the liability.

The time value of the swaptions has been eliminated by setting up an equivalent reserve.

#### **b) Product details**

Product Name	Winterthur Pure Endowment
Basic Reserve	£38.691m
Spread of Outstanding Durations	The average outstanding duration is 5.34 years. The maximum outstanding duration is 21.75 years. The distribution of outstanding duration is: 0 – 5 yrs 47% 5 – 10 yrs 40% 10 – 15 yrs 11% 15+ yrs 2%
Guarantee Reserve	£20.800m
Guarantee annuity rate	10% for male aged 65, monthly in advance

	guaranteed for 5 years.
Increments allowed	No
Form of annuity	All single life and payable in advance. Frequency can be monthly, quarterly, half-yearly or annual with guarantee periods of 0, 5 or 10 years, though the majority are monthly with a 5 year guarantee. Different escalation rates apply.
Retirement ages	Retirement ages range from 55 to 75.

## **(2) Guaranteed surrender and unit-linked maturity values**

The unit liability for policies with a maturity guarantee is £0.212m. No mathematical reserve is held in respect of the guarantee as units values would have to fall by in excess of 50% for the maturity guarantee to apply, the probability of which is remote.

## **(3) Guaranteed insurability options**

A review of the policies that could exercise these options was carried out during 2009 and showed that there were now a trivial number of policies remaining. As such no additional reserve is deemed necessary.

## **(4) Other guarantees and options**

The Colonial With-Profits pension deferred annuities have a cash option exercisable at the vesting date. The total mathematical reserve for this business is £159.294m.

No additional reserve is held for the value of this option as it is out-of-the money.

# **6. Expense reserves**

## **(1) Expense loadings**

The aggregate amount of expense margins arising in the twelve months following the valuation, according to the implicit and explicit reserves made in the valuation, are £71.495m. This amount is comprised of £5.379m of margins with respect to the With-Profit Fund and £66.117m of margins with respect to the Non Profit Fund.

The With-Profit Fund total of £5.379m all arises from explicit allowances, and includes £2.190m in respect of investment expenses.

The Non Profit Fund total of £66.117m all arises from explicit allowances, and includes £33.987m in respect of external linked investment expenses.

## **(2) Implicit expense allowances**

There are no implicit expense allowances.

## **(3) Comparison with Form 43**

The expense allowances for the Non Profit Fund are significantly greater than the total maintenance expenses shown at line 14 of Form 43. The reason for the difference is that the Form 43 Line 14 total includes only £7.564m in respect of external linked investment expenses. The reason for the difference is for linked funds invested in unit trusts and OEICs, the Form 43 line 14 total does not include any investment expenses as this is deducted in the fund manager's unit price and is not accounted for as an expense.

For the With Profit Fund the amount of maintenance expenses is not significantly different from that shown at line 14 of Form 43.

**(4) New business expense overrun**

A calculation has been performed of the surplus arising over the 12 months following the valuation date from the end 2009 in force business. The maintenance expenses are assumed to be equal to the margins in the valuation basis so that no expense surplus arises. This projected surplus exceeds the Company's current forecast of acquisition expenses for 2009, therefore no reserve is required.

**(5) Maintenance expense overrun**

A reserve of £5.3m is held which is sufficient to cover the costs following closure to new business, including redundancy costs, and margins for adverse deviations, including those arising in the event of a run-off of the business and expense overruns from the With-Profit Fund borne by the Non Profit Fund.

**(6) Non-attributable expenses**

Not applicable

**7. Mismatching reserves**

**(1) Analysis of reserves by currency**

The following table shows the breakdown of the With-Profit Fund Form 14 mathematical reserves (other than liabilities for property linked benefits) by currency, and the value of assets which match these liabilities.

Currency	Assets (m)	Liabilities (m)
Sterling	978.561	905.002
Euro	41.785	28.189
Total	1,020.346	933.191

The Non Profit Fund mathematical reserves (other than liabilities for property linked benefits) are all denominated in sterling. The corresponding matching assets are also all denominated in sterling.

**(2) Other currency exposure**

Not applicable

**(3) Currency mismatching reserve**

No reserve is held in respect of currency mismatching, as the Euro assets exceed the Euro liabilities.

**(4) Most onerous scenario under INSPRU 3.1.16R**

Not applicable as no resilience capital requirement is calculated for Winterthur Life as it is a realistic basis firm.

**(5) Most onerous scenario under INSPRU 3.1.23R**

Not applicable as no resilience capital requirement is calculated for Winterthur Life as it is a realistic basis firm.

**(6) Amount of resilience capital requirement**

Not applicable as no resilience capital requirement is calculated for Winterthur Life as it is a realistic basis firm.

**(7) Additional reserve arising from INSPRU 1.1.34(2)**

The expected incidence of asset and liability cash flows is such that a specific reserve in respect of cash flow mismatching is not required, as per the test on assets in INSPRU 1.1.34R(2).

**8. Other special reserves**

The special reserves which exceed the lesser of £10m and 0.1% of the total mathematical reserves are:

Provisions in respect of compensation for mis-selling liability for certain endowment contracts have been included in Form 14 Line 22.

**9. Reinsurance**

**(1) Facultative reinsurance to reinsurers not authorised in the UK**

There has been no reinsurance ceded on a facultative basis to any reinsurer who is not authorised to carry on insurance business in the United Kingdom at any time during the period since the date to which the last investigation related.

**(2) Reinsurance treaties**

The Company was the cedant in the following reinsurance arrangements where the premium payable exceeded the lesser of £10m and 1% of gross premiums, or the reserve ceded exceeded the less of £10m and 1% of total mathematical reserves, and under which business was in force at the valuation date.

Nine of these treaties are similar in nature with the treaty providing reinsurance in respect of liabilities that are linked to the performance of funds maintained by the Reinsurer. Seven of these have been shown together under the "Unit Fund reinsurance treaties". For the remaining two unit fund treaties, and the other treaties that the Company has in place that are not included below, the premiums payable and reserve ceded are under £10m and have not been shown.

The Canada Life International Re Treaty

Name of Reinsurer	Canada Life International Re
Nature and extent of cover	The treaty provides reinsurance cover for annuity business, the risks being 90% reinsured.
Premiums payable	No premium was payable by the Company under this treaty during the period of investigation.
Amount deposited back	None
Open/Closed to new business	The treaty is closed to new business.
Amount of any undischarged obligation of the insurer	There is no undischarged obligation
Amount of mathematical reserves ceded	At end 2009 the total mathematical reserves ceded were £363.446m.
Retention by the insurer for	The retention for new policies being reinsured is 10%

new policies being reinsured	
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#### Notes

- The reinsurer is not authorised to carry on business in the United Kingdom
- The Company and the reinsurer are not connected
- Due to the long term nature of the annuity payments there is a credit risk arising under the treaty. The ceded reserves include an allowance for this risk based on the credit rating of the reinsurer.
- No provision has been made for any liability of the Company to refund amounts of reinsurance commission in the event of lapses or surrender of the contract.
- The treaty does not give rise to an undischarged obligation for the insurer

#### Unit Fund reinsurance treaties

Name of Reinsurers	Aberdeen Life Aegon AXA Sun Life Barclays Global Investors Pensions Management Ltd Baillie Gifford Life Legal & General Assurance (Pensions Management) Society Schroder Threadneedle Pensions Ltd
Nature and extent of cover	The treaty provides reinsurance in respect of liabilities that are linked to the performance of funds maintained by the Reinsurer. A floating charge agreement is in place with all these Reinsurers to mitigate credit risk.
Premiums payable	A net premium of £729.885m was payable by the Company under these treaties during the period of investigation. This is split as: (£ 17.280m) Aberdeen (£ 4.020m) Aegon £ 14.726m AXA Sun Life £ 340.781m Barclays Global £ 4.815m Baillie Gifford £ 402.676m Legal & General £ 12.210m Schroder (£ 24.023m) Threadneedle
Amount deposited back	None
Open/Closed to new business	The treaties are open to new business.
Amount of any undischarged obligation of the insurer	There is no undischarged obligation
Amount of mathematical reserves ceded	At end 2009 the total mathematical reserves ceded were £3,344.023m. This is split as: £ 24.166m Aberdeen £ 410.939m Aegon £ 14.883m AXA Sun Life £1,800.690m Barclays Global £ 203.510m Baillie Gifford £ 715.186m Legal & General £ 4.535m Schroder £ 170.114m Threadneedle
Retention by the insurer for new policies being reinsured	No liability in respect of property-linked benefits invested in funds maintained by the Reinsurers is retained by the insurer

#### Notes

- The reinsurers are all authorised to carry on business in the United Kingdom
- The Company and the reinsurers are not connected
- There are no material contingencies to which the treaties are subject
- No provision has been made for any liability of the Company to refund amounts of reinsurance commission in the event of lapses or surrender of the contract.
- The treaties do not give rise to an undischarged obligation for the insurer

## 10. Regular bonus

### Conventional With-Profits

Name of bonus series	Amount of Mathematical Reserves (£000's)	Reversionary Bonus Rate for 2009	Reversionary Bonus Rate for 2008	Total Guaranteed Bonus Rate for 2009
Winterthur Life Portfolio	£39,130	0%	0%	0%
Colonial Life Portfolio	£381,991	0%	0%	0%
Winterthur Pension Portfolio	£56,305	0%	0%	0%
Colonial Pension Portfolio	£206,448	0%	0%	0%

### Unitised With-Profits

Name of bonus series	Amount of Mathematical Reserves (£000's)	Annual Bonus Rate for 2009	Annual Bonus Rate for 2008	Total Guaranteed Bonus Rate for 2009
Homeprovider and Plus Mortgage	£3,071	0%	0%	0%
With-Profit Bond				
– pre 1/7/02 business	£4,534	0%	0%	0%
– post 30/6/02 business	£312	0%	1%	0%
Colonial Savings and Mortgage Plans	£9,439	0%	0%	0%
Colonial Investment Bond	£1,999	0%	0%	0%
Old Style Pensions	£5,955	0%	0%	0%
New Style Pensions				
– pre 30/6/02 single premium business:				
Individual	£791	0%	0%	0%
Group (gross)	£97	1.80%	2.80%	1.80%
– post 30/6/02 single premium business:				
Individual	£734	2.75%	3.50%	2.75%
Group (gross)	£90	3.30%	4.30%	3.30%
Colonial Pensions	£89,374	0%	0%	0%
Irish Life Bond (gross)				
– SI1 (2.00%)	£9,804	2.00%	2.65%	2.00%
– SI2 (1.65%)	£13,080	1.65%	2.65%	1.65%
– SI4 (2.00%)	£5,306	4.00%	5.00%	4.00%

### Notes

All bonus rates are shown net of fund management charges (FMC) apart from the new style pensions group business and the Irish Life Bond. The FMC for group business varies by scheme. The FMCs for the Irish Life Bond are shown by the series name.



**NAME OF INSURER: WINTERTHUR LIFE UK LIMITED**

**IPRU(INS) RULE 9.31(b) - APPENDIX 9.4A**

**ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION**

**Introduction**

1 (1) Date of Investigation

The investigation relates to a valuation date of 31<sup>st</sup> December 2009.

(2) Date of Previous Investigation

The valuation date of the previous investigation was 31<sup>st</sup> December 2008.

(3) Date of Interim valuations

An interim valuation was carried out on 30<sup>th</sup> June 2009.

**Assets**

2 (1) The present value of future profits of the non-profit business (PVFP) written in the With-Profit Fund has been calculated on a deterministic basis using a market consistent Embedded Value approach.

The key economic assumptions underlying the calculation in the base scenario are as follows:

<b>This financial year</b>	
Investment return	Risk-free rate calibrated to the gilt yield curve plus 10 basis points, before tax
Expense inflation	Price inflation, where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate plus 75 basis points p.a. For release of long-term insurance capital component: risk-free rate plus 75 basis points p.a.

<b>Preceding financial year</b>	
Investment return	(same as in table above)
Expense inflation	(same as in table above)
Discount rate	(same as in table above)

Note: 1 basis point = 0.01%

- (2) The With-Profit Fund does not hold any equity shares in any related insurance undertaking.
- (3) No part of the present value of future profits arising from non-profit insurance contracts written outside the With-Profit Fund have been included in the relevant assets for the purposes of INSPRU 1.3.43 R.
- (4) Not applicable.
- (5) Not applicable.

**With Profits Benefits Reserve Liabilities**

- 3 (1)(a) With the exception of some de minimis items which fall within 3(3) below, the with profits benefits reserve is calculated using a retrospective methodology.
- (1)(b) The following table gives a breakdown of the with profits benefits reserve and the future policy related liabilities by the major product classes.

	£millions	Total	Ex-Colonial Deferred Annuities	Ex-Colonial Endowments	Ex-Winterthur Endowments	Homelink	UWP Pensions	UWP Life	UWP Bonds
	<b>Realistic value of liabilities of fund</b>								
L31	With profits benefits reserve/mathematical reserves excluding GAR reserve and resilience reserve	815.4	63.6	426.9	76.7	81.8	115.6	15.4	35.3
	<b>Future policy related liabilities</b>								
L32	Past miscellaneous surplus attributed to with profits benefits reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L33	Past miscellaneous deficit attributed to with profits benefits reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L34	Planned enhancements to with profits benefits reserve	56.7	11.8	32.1	6.7	6.2	0.0	0.0	0.0
L35	Planned deductions for guarantees, options and smoothing from with profits benefits reserve	43.1	3.7	29.6	4.5	5.0	0.0	0.3	0.0
L36	Planned deductions for other costs deemed chargeable to with profits benefits reserve	3.2	(1.8)	4.5	(0.2)	0.0	0.4	0.1	0.1
L41	Future costs of contractual guarantees (other than financial options)	118.7	59.8	33.4	13.5	5.5	1.8	0.8	4.0
L42	Future costs of non-contractual commitments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L43	Future costs of financial options	8.9	0.4	0.0	8.4	0.0	0.0	0.0	0.0
L44	Future costs of smoothing	(9.9)	(2.4)	(2.5)	(1.0)	(2.5)	(1.3)	(0.2)	0.0
L45	Financing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L46	Any other liabilities related to regulatory duty to treat customers fairly	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L47	Any other long-term insurance liabilities	0.4	1.1	(0.5)	(0.1)	(0.1)	0.0	(0.0)	(0.0)
L49	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	128.5	68.7	28.3	23.3	4.0	0.0	0.3	3.9

- (1)(c) The business not required to be separately disclosed in accordance with 3(3) has aggregate with profits benefits reserve of £9.9 million and future policy related liabilities are estimated to be £1.6 million. For this business the peak 1 reserve is taken as a proxy for WPBR.
- (2) Not applicable
- (3) Not required
- (4) The classes shown in 3(1)(b) have appropriate regard to materially different guarantees and options.

**With Profits Benefits Reserve – Retrospective method**

- 4 (1) For the purposes of calculating the value reported in Form 19 line 31, the whole of the with profits benefits reserve is calculated on an individual policy basis.

The total WPBR calculation is consistent with the approach used to determine actual payouts on with profit policies. Specimen policy asset shares are scaled up by the ratio of surrender values of guaranteed benefits on actual policies to specimen policies.

- (2) Not applicable
- (3) The maximum level of maintenance expenses in respect of management services and investment services that can be passed to the With-Profit Fund is set out in Schedule 5 of the 2001 Scheme as amended.

The maximum per policy maintenance expenses in respect of management services are inflated each year in line with the Retail Prices Index. The actual management expenses exceeded the maximum management expenses as at 31<sup>st</sup> December 2009.

The maintenance expenses in respect of investment services are subject to an overall cap of 0.2% divided by 12 of the With-Profit Fund assets calculated on a monthly basis. As at 31<sup>st</sup> December 2009 the aggregate expenses are calculated as 0.18% of the fund.

- (3)(a) A check was made as at the 31<sup>st</sup> December 2009 that the actual expenses exceeded the maximum level implied by the unit costs defined in Schedule 5 of the 2001 Scheme as amended.

- (3)(b) Expense investigations are performed annually.

- (3)(c)(i) No initial expenses were allocated to the with profits benefits reserve in the financial year in question:

- (ii) The maintenance expense deducted from the with profits benefits reserve in the financial year in question is £4.1 million. This comprises £2.2 million and £1.9 million for management and investment services respectively.

- (iii) The per policy expenses deducted from the with profits benefits reserve during the financial year in question are as follows.

#### Expenses – WLUK Products

	Policy expense charges		Investment services charge
	Premium paying	Non-premium paying	% of Fund
	£ pa	£ pa	
Whole Life / End	19.42	9.70	0.18
Deferred Annuity	44.98	22.49	0.18
Pure Endowment	44.98	22.49	0.18
UWP Bonds	0.00	0.00	0.18

#### Expenses – ex-Colonial Products

	Policy expense charges		Investment services charge
	Premium paying	Non-premium paying	% of Fund
	£ pa	£ pa	
Whole Life / End	19.42	10.04	0.18
Deferred Annuity	24.97	12.81	0.18
Pure Endowment	44.98	22.82	0.18
UWP Life	0.00	0.00	0.18
UWP Pensions	0.00	0.00	0.18

- (iv) The maintenance charge in respect of the non-profit business in the With-Profit Fund is £1.6 million. This comprises £1.1 million and £0.5 million for management and investment services respectively. The following table lists the per policy expenses taken from the non-profit policies in the With-Profit Fund during the financial year in question.

#### Expenses – WLUK Products

	Policy expense charges		Investment services charge
	Premium paying	Non-premium paying	% of Fund
	£ pa	£ pa	
Whole Life / End	19.42	9.70	0.11
Term Assurance	13.24	0.00	0.11
Immediate Annuity	0.00	25.49	0.11
Deferred Annuity	44.98	22.49	0.11
Pure Endowment	44.98	22.49	0.11
Traditional PHI	0.00	0.00	0.11
Unit Linked PHI	14.04	14.04	0.16
Unit Linked Life	42.13	31.59	0.16
Unit Linked Pensions	49.56	37.17	0.16

- (4) No charges were made to the with profits benefits reserve in respect of the cost of guarantees or the use of capital during the financial year in question.
- (5) The per policy/member charges deducted from the fund for the financial year in question are set out in the first two tables below. The second two tables list the annual fund management charges deducted from the fund.

Ex-Winterthur Policy Fees		
	Amount	Escalation Rate

<b>Ex-Winterthur Policy Fees</b>		
	<b>Amount</b>	<b>Escalation Rate</b>
Unit Linked Life	£ 1.50 p.m.	0.0%
Unit Linked PHI		
standalone	£ 1.50 p.m.	0.0%
rider	£ 0.50 p.m.	0.0%
Personal Pensionplus	£ 2.50 p.m.	
In-force		0.0%
Paid-up	£ 1.50 p.m.	0.0%
Other Unit Linked Pension (Closed Block)		
In-force	£ 1.67 p.m.	0.0%
Paid-up	£ 1.00 p.m.	0.0%

<b>Ex-Colonial Policy Fees</b>		
	<b>Amount</b>	<b>Escalation Rate</b>
Rainbow Plus	£29.41 p.a.	RPI

<b>Ex-Winterthur Fund Management Charges</b>	
Unit Linked Life	0.75%
Unit Linked PHI	0.75%
Unit Linked Pension (Closed Block) –	
Capital Units	4.25%
Accumulation Units	0.75%
Group Personal Pension	Depends on fund selection
Unit Linked Pension (Open Block)	Depends on fund selection
With Profit Bond	0.95%
Irish Life Bond	
Series 1	0.78%
Series 2	0.80%
Series 3	1.00%

<b>ex-Colonial Fund Management Charges</b>	
Colonial Mortgage & Savings Plans	
Series A	1.20%
Series B	0.50%
UWP Bond	0.50%
Unit Linked Pensions	
Capital Units	4.5%
Accumulation Units (Old World)	1.0%
Accumulation Units (New World & Unity)	0.75%

- (6) The average ratio of claims paid on With Profits insurance contracts to the with profits benefits reserve on those claims is shown below:

Financial Year 2009	104.7%
Financial Year 2008	100.9%
Financial Year 2007	102.7%

- (7) The annualised investment returns allocated to the with profits benefits reserve for the financial year in question is set out in the table below:

Investment Class	Gross Investment return
Irish Life Bond	19.14%
Policies due to mature between 1 <sup>st</sup> January 2009 and 31 <sup>st</sup> March 2010	2.75%
Winterthur Life With Profit Bond and Pension Fund Link	11.97%
All other business	6.59%

The divergent investment returns reflect the differing equity backing ratios of the investment classes. For Irish Life Bonds, the returns also reflect the fact that the investments are Euro denominated.

#### **With Profits Benefits Reserve – Prospective method**

- 5 No part of the with profits benefits reserve is calculated using a prospective method with the exception of some de minimis amounts which fall under paragraph 3 (3) above.

#### **Costs of guarantees, options and smoothing**

- 6 (1) Not applicable.
- (2)(a) For all modelled business, the costs of guarantees, options and smoothing have been valued using a dynamic stochastic model based on a market consistent asset model.
- (b)(i) All of the modelled classes of with-profit insurance contracts have been valued on an individual basis.
- (b)(ii) Not applicable
- (b)(iii) Not applicable
- (2)(c) Unmodelled business represents approximately 4% of the with profits benefits reserve. The unmodelled classes are allocated to the modelled product classes that have similar characteristics with regard to the cost of guarantees, options and smoothing. For the Retirement Benefit Schemes, the cost of guarantees, options and smoothing has been determined on a deterministic basis.
- (3) Not applicable.
- (4)(a)(i) The following costs have been valued using a full stochastic approach:
- Contractual guarantees under all policy classes resulting from a basic sum assured and guaranteed regular bonuses declared on or before the valuation date;
  - Contractual guarantees on unitised With Profits contracts resulting from the exercise of market value reduction free date options;
  - Contractual guarantees under the ex-Colonial deferred annuities resulting from a basic annuity and guaranteed regular annuity declared on or before the valuation date;

- Costs of smoothing under all policy classes resulting from payments greater or less than with profits benefits reserve resulting from restrictions placed on the rate at which bonus rates can change from year-to-year;
- Where applicable, guaranteed annuity options on the ex-Winterthur pure endowments.

A policy is deemed to be in-the-money if the mathematical reserve exceeds the asset share and out-of-the-money if the asset share exceeds the mathematical reserve. The extent to which a policy is in/out-of-the-money varies both across and within lines of business. On average, the ratio of the mathematical reserves to the asset shares is about 185% for policies in-the-money and 81% for policies out-of-the-money with the overall ratio for all policies being about 101%.

- (ii) The nominal interest rate model used (Libor Market Model) is calibrated exactly to the current risk-free yield curve. The volatilities have been selected to provide a close fit to a range of swaption-implied volatilities. Equity returns are based on short term rates from the interest rate model with an additional log-normal component with a mean of zero. Equity volatilities are calibrated to a term structure of FTSE option-implied volatilities. The model is arbitrage-free and market consistent.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2009 plus 10 basis points. Sample rates are shown in the table in (iii) below.

Sample equity volatilities are shown below over different periods. These are derived from the asset model output.

Volatility over period (years)	Equity
2	30%
5	29%
10	29%

The correlations assumed between the main asset classes are:

Correlation between:	
Equities and medium term fixed interest assets (15y)	20%

- (iii) The following table shows the simulated prices of a number of specified options based on 2,000 simulations. Note that the asset model does not model property or corporate bonds explicitly, so no option prices have been shown where the option is based on either of these asset classes.



	<b>K</b>	<b>0.75</b>			
<i>n</i>	<b>Duration (n)</b>	<b>5</b>	<b>15</b>	<b>25</b>	<b>35</b>
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r )</i>	3.12%	4.80%	4.78%	4.58%
1	<i>Risk-Free Zero Coupon Bond</i>	£857.551	£494.912	£311.540	£208.745
2	<i>FTSE All Share Index (p=1)</i>	£122.744	£263.689	£361.817	£441.443
3	<i>FTSE All Share Index (p=0.8)</i>	£112.756	£206.341	£255.334	£290.279
4	<i>Property (p=1)</i>	n/a	n/a	n/a	n/a
5	<i>Property (p=0.8)</i>	n/a	n/a	n/a	n/a
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£19.014	£26.543	£21.667	£34.963
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£15.871	£14.831	£7.792	£7.914
8	<i>15yr Corporate Bonds (p=1)</i>	n/a	n/a	n/a	n/a
9	<i>15yr Corporate Bonds (p=0.8)</i>	n/a	n/a	n/a	n/a
10	<i>Portfolio 1 (p=1)</i>	n/a	n/a	n/a	n/a
11	<i>Portfolio 1 (p=0.8)</i>	n/a	n/a	n/a	n/a
12	<i>Portfolio 2 (p=1)</i>	£59.858	£149.205	£218.004	£283.184
13	<i>Portfolio 2 (p=0.8)</i>	£52.588	£103.725	£135.971	£163.242
14	<i>Portfolio 3 (p=1)</i>	n/a	n/a	n/a	n/a
15	<i>Portfolio 3 (p=0.8)</i>	n/a	n/a	n/a	n/a
	<i>Sterling Receiver Swaptions</i>	<i>L = 15</i>			
16		4.83%	7.03%	6.10%	4.40%

	<b>K</b>	<b>1.00</b>			
<i>n</i>	<b>Duration (n)</b>	<b>5</b>	<b>15</b>	<b>25</b>	<b>35</b>
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r )</i>	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	£259.732	£431.026	£550.232	£643.232
3	<i>FTSE All Share Index (p=0.8)</i>	£241.184	£341.798	£394.862	£429.729
4	<i>Property (p=1)</i>	n/a	n/a	n/a	n/a
5	<i>Property (p=0.8)</i>	n/a	n/a	n/a	n/a
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£92.348	£94.546	£98.483	£146.640
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£78.943	£51.239	£28.798	£31.403
8	<i>15yr Corporate Bonds (p=1)</i>	n/a	n/a	n/a	n/a
9	<i>15yr Corporate Bonds (p=0.8)</i>	n/a	n/a	n/a	n/a
10	<i>Portfolio 1 (p=1)</i>	n/a	n/a	n/a	n/a
11	<i>Portfolio 1 (p=0.8)</i>	n/a	n/a	n/a	n/a
12	<i>Portfolio 2 (p=1)</i>	£177.983	£292.845	£379.318	£459.452
13	<i>Portfolio 2 (p=0.8)</i>	£160.453	£214.535	£244.895	£273.417
14	<i>Portfolio 3 (p=1)</i>	n/a	n/a	n/a	n/a
15	<i>Portfolio 3 (p=0.8)</i>	n/a	n/a	n/a	n/a
	<i>Sterling Receiver Swaptions</i>	<i>L = 20</i>			
16		6.26%	8.65%	7.29%	5.22%

	<b>K</b>	<b>1.50</b>			
<i>n</i>	<b>Duration (n)</b>	<b>5</b>	<b>15</b>	<b>25</b>	<b>35</b>
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r )</i>	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	£629.190	£815.100	£958.530	£1,074.284
3	<i>FTSE All Share Index (p=0.8)</i>	£592.652	£661.114	£703.205	£729.539
4	<i>Property (p=1)</i>	n/a	n/a	n/a	n/a
5	<i>Property (p=0.8)</i>	n/a	n/a	n/a	n/a
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£499.847	£500.995	£509.633	£549.092
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£455.328	£311.546	£231.281	£216.742
8	<i>15yr Corporate Bonds (p=1)</i>	n/a	n/a	n/a	n/a
9	<i>15yr Corporate Bonds (p=0.8)</i>	n/a	n/a	n/a	n/a
10	<i>Portfolio 1 (p=1)</i>	n/a	n/a	n/a	n/a
11	<i>Portfolio 1 (p=0.8)</i>	n/a	n/a	n/a	n/a
12	<i>Portfolio 2 (p=1)</i>	£555.478	£663.249	£764.287	£860.775
13	<i>Portfolio 2 (p=0.8)</i>	£516.872	£509.954	£521.002	£537.617
14	<i>Portfolio 3 (p=1)</i>	n/a	n/a	n/a	n/a
15	<i>Portfolio 3 (p=0.8)</i>	n/a	n/a	n/a	n/a
	<i>Sterling Receiver Swaptions</i>	<i>L=25</i>			
16		7.57%	9.94%	8.20%	5.80%

Where Portfolio 1: 65% FTSE All Share and 35% property

Portfolio 2: 65% equity and 35% 15-year risk free zero coupon bonds

Portfolio 3: 40% equity, 15% property, 22.5% 15-year risk free coupon bonds, and 22.5% 15-year corporate bonds

- (iv) The UK equity dividend yield is set equal to the FTSE 100 yield as at 31st December 2009, giving a value of 3.2%. Property is not explicitly modelled.
- (v) No asset classes outside the UK are modelled separately.
- (vi) The following table shows the distribution of outstanding maturity payments by duration and product class.

	Ex-Colonial Deferred Annuities	Ex-Winterthur Pure Endowment	Ex-Colonial Endowment	Ex-Winterthur Endowment	Homelink	Ex-Colonial Pure Endowment	UWP Life/ Pensions	Total
2010-2014	42.9%	61.6%	63.3%	91.1%	58.5%	42.5%	21.4%	53.3%
2015-2019	29.2%	26.4%	27.0%	7.7%	40.5%	32.8%	20.2%	27.2%
2020-2024	18.9%	10.7%	6.6%	1.2%	0.9%	16.7%	21.4%	10.7%
2025-2029	8.0%	1.3%	2.1%	0.0%	0.1%	6.0%	19.3%	5.5%
2030-2034	1.0%	0.0%	0.8%	0.0%	0.0%	1.8%	13.6%	2.6%
2035-2039	0.0%	0.0%	0.2%	0.0%	0.0%	0.1%	4.1%	0.7%
Total	100%	100%	100%	100%	100%	100%	100%	100%

The model was calibrated to a moneyiness of 75% for all terms. The table below shows the extent of the fit of the modelled equity volatilities to the market implied volatility.

<b>Term (years)</b>	<b>Strike</b>	<b>Market Equity Volatility</b>	<b>Modelled Equity Volatility</b>
1	75%	30.80%	29.95%
2	75%	30.33%	29.60%
3	75%	29.85%	29.80%
5	75%	29.35%	29.47%
10	75%	29.30%	28.95%

- (vii) A number of checks have been performed on the asset model output to ensure that it is market consistent, properly reflects the input parameters (e.g. volatilities) and is consistent with the underlying economic theory of the model. The key checks are as follows:

- Calculate the mean deflated future equity price index for each future time period and check that this is not significantly different from the initial equity price index.
- Calculate the mean deflated value of each future zero-coupon bond for each future time period and check that each one is not significantly different from the initial zero coupon price.

The table below shows the weighted martingale test result for the portfolio, which consists of equities and a number of zero coupon bonds .

<b>Projection term (years)</b>	<b>Ratio</b>
5	100.02%
10	100.33%
15	99.68%
20	99.19%
25	99.11%
30	98.38%

- (viii) The costs of guarantees, options and smoothing for the base scenario have been estimated by a stochastic projection using 2,000 simulations. The risk capital margin scenario was based on 2,000 simulations.

The rate of convergence of the model results is checked by a 'conservation of value' test, i.e. calculate the mean value of the deflated future liability cash flows and check that this is not significantly different from the initial value of the assets backing the with profit benefit reserve plus future policy related liabilities.

- (b) None of the costs of guarantees, options and smoothing have been valued using the market costs of hedging.
- (c) De minimis.
- (5)(a) The following management actions have been included in the stochastic model:

- Derivation of the equity backing ratio;
- Derivation of regular bonus rates;
- Derivation of final bonus rates;
- Asset share recharges and/or miscellaneous surplus distributions, and;
- Injection of capital support from the Segregated Sub-Fund.

The management actions are consistent with the requirements of the 2001 Scheme as amended and the Principles and Practices of Financial Management. The overall aim of the management actions is to fund the realistic liabilities from the resources of the With-Profit Fund and the Segregated Sub-Fund, subject to the overriding requirement to meet the firm's contractual obligations.

#### *Equity Backing Ratio*

For WLUK a new investment strategy was implemented in 2009 which targets a 40% EBR allied to a complex equity derivative portfolio with terms up to 5 years. Therefore for the first 5 years (or until the equity derivative portfolio expires) a fixed 40% EBR is assumed.

For each projection period thereafter, the free asset ratio is compared to a target range following a 40% fall in equities. In practice the 40% factor is adjusted according to the prevailing equity volatility. The top end of the target range is defined as 3% plus 10% of the equity backing ratio before the management action, subject to a maximum of 10%. The bottom of the target range is defined as 0% if the stress is based on an equity fall of 10% and 3% if the equity fall is 40%, with linear interpolation applied between these two points.

If the free asset ratio falls within this target range then the equity backing ratio is left unchanged. Otherwise the equity backing ratio is altered so as to bring the free asset ratio back within the target range. The equity backing ratio is restricted to the range 0% to 85% but is also subject to additional maxima applied at the product class level.

#### *Bond Mix*

The assets backing the fixed interest portion of the fund are assumed to be invested in cash and up to four bonds with durations of 1, 5, 15 and 30 years. The bond mix for future years is fixed based on a suitable portfolio to match the current duration and spread of the regulatory liabilities.

### *Regular Bonus*

For each bonus series, a regular bonus rate is determined by projecting the asset shares to maturity and solving for the regular bonus rate that gives a final bonus rate within a target range. The regular bonus is then restricted so that movement from one year to the next does not exceed 1% p.a. Finally two further affordability tests are applied to ensure that the solvency of the fund is not impaired. Where the solvency of the fund is impaired the regular bonus is reduced to the level required to restore solvency subject to a minimum value of 0%.

### *Final Bonus*

For each conventional with-profit bonus series and term band, the projected payouts for policies maturing in a particular year are calculated using the final bonus rate scale from the previous year. The payouts are then compared with the projected unsmoothed asset share for the given bonus series and term band. The payouts are then smoothed by applying the following rules:

- If the payout falls within a target range (e.g. within 10% of the unsmoothed asset share) then the payout is set equal to the unsmoothed asset share. otherwise;
- If a 10% change would bring payouts within the target range then adjust payouts by 10%, otherwise;
- If two successive 10% changes would bring payouts within the target range then adjust payouts by 10% in the first six months and a further 10% in the second six months, otherwise;
- Adjust payouts in the first six months by one-third of the amount and in the second six months by a further third of the amount required to bring payouts to the level of the unsmoothed asset share.

For deaths, the final bonus rates are set equal to those for a maturing policy of the same duration. For surrenders, the payout is set equal to a percentage of the unsmoothed asset share (e.g. 95%).

For unitised with-profit business written prior to the year 2000, payouts target unsmoothed asset shares and no smoothing is applied to payouts.

For unitised with-profit business written from year 2000 onwards, payouts target smoothed asset share.

### *Asset Share Recharges and Miscellaneous Surplus Distributions*

The inherited estate is defined as the difference between the realistic value of the With-Profit Fund assets and an estimate of the realistic value of the With-Profit Fund liabilities. The model manages the scale of the inherited estate so that the inherited estate falls within boundaries specified in the PPFM.

For the purpose of this calculation, the realistic value of the liabilities in the With-Profit Fund does not include the time value of the options or guarantees.

Where the inherited estate falls outside of the boundaries, reductions or enhancements are applied to the asset shares to bring the inherited estate back within these boundaries. The enhancements and reductions are included in Form 19 lines 34 and 35 respectively. The ex-Colonial conventional With Profits business asset shares are protected from net reductions by the capital support arrangement described below.

#### *Capital Support*

The Segregated Sub-Fund protects the ex-Colonial conventional With Profits business from the asset share reductions described in the section above. Transfers are therefore made from the Segregated Sub-Fund into the With-Profit Fund when an asset share reduction is triggered in the With-Profit Fund (except to the extent that the reduction is reversing previous asset share enhancements). Once the Segregated Sub-Fund transfers have been injected into the With-Profit Fund, they cannot be recovered. From 2007, onwards the excess of the Segregated Sub-Fund over the minimum of £38 million and 3.711% of the regulatory reserves of the ex-Colonial conventional With Profits business is transferred to the shareholder funds. Once the Segregated Sub-Fund is exhausted, the ex-Colonial conventional With Profits business asset shares may be reduced for the purpose of managing the scale of the inherited estate as described above.

- (b) The following table shows the equity backing ratio at the valuation date and the best estimate equity backing ratio in 5 years and 10 years time for the following scenarios:

*Base scenario* – The investment return on all assets over the relevant period is based on the forward rates derived from the risk-free interest rate curve as calibrated to at the valuation date.

*Scenario 2* - As for the base scenario but with the risk free interest rate curve increased across the period by 17.5% of the long-term gilt yield.

*Scenario 3* - As for the base scenario but with the risk free interest rate curve decreased across the period by 17.5% of the long-term gilt yield.

Scenario	31/12/2009	31/12/2014	31/12/2019
Base scenario	40%	52%	79%
Scenario 2	40%	52%	79%
Scenario 3	40%	52%	79%

The following table shows the regular bonus rates for the three scenarios defined above.

Scenario/Product Class		31/12/2009	31/12/2014	31/12/2019
<b>Base scenario</b>	UWP Pensions	0.0%	0.0%	0.0%
	UWP Life	0.0%	0.0%	0.0%
	UWP Bonds	1.73%	0.0%	0.0%
<b>Scenario 2</b>	UWP Pensions	0.0%	0.0%	0.0%
	UWP Life	0.0%	0.0%	0.0%
	UWP Bonds	1.73%	0.0%	0.0%
<b>Scenario 3</b>	UWP Pensions	0.0%	0.0%	0.0%
	UWP Life	0.0%	0.0%	1.0%
	UWP Bonds	1.73%	0.0%	4.0%

Note: The regular bonus for the unitised with-profit bonds is a weighted average of the bonus rates for the Winterthur Bond and the Irish Life Bond. In practice if a theoretical regular bonus rate is less than 1% then a regular bonus rate of 0% would be declared (see Practice B.6.7 of the Principles and Practices of Financial Management).

- (6) The lapse assumptions for material product classes are as follows:

Product		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	Surrender	8.0%	7.8%	5.8%	3.8%
CWP target cash endowment	Surrender	8.0%	7.8%	5.8%	3.8%
UWP savings endowment	Surrender	20.0%	13.2%	5.0%	5.0%
UWP target cash endowment	Surrender	20.0%	13.2%	5.0%	5.0%
UWP bond	Surrender	5.0%	6.0%	6.0%	6.0%
UWP bond	Automatic withdrawals <sup>(A)</sup>				
CWP pension regular premium	PUP <sup>(B)</sup>				
CWP pension regular premium	Surrender	2.0%	2.0%	2.0%	2.0%
CWP pension single premium	Surrender	2.0%	2.0%	2.0%	2.0%
UWP indiv pension regular premium	PUP <sup>(B)</sup>				
UWP indiv pension regular premium	Surrender	3.0%	3.0%	3.0%	3.0%
UWP indiv pension single premium	Surrender	3.0%	3.0%	3.0%	3.0%

Note:

- (A) The stochastic model assumes that automatic withdrawals will continue at their current levels.
- (B) The stochastic model does not separately model paid-up policies so, where applicable, the lapse rates have been increased to include an allowance for paid-up policies.

No allowance has been made for changes in lapse rates on conventional With Profits business in line with the degree to which guarantees are in or out-of-the-money. Allowance for this would have a minor impact given the low level of lapses currently experienced on these product lines.

For the guaranteed annuity options on the ex-Winterthur pure endowments a mortality basis of 107.5% of PCMA00 100% medium cohort (prior 2004) and 107.5% of PCMA00 100% medium cohort with 1.7% floor (2004 and onwards) has been assumed for males. A mortality basis of 107.5% of PCFA00 100% medium cohort (prior 2004) and PCFA00 75% medium cohort with 1.5% floor (2004 and onwards) has been assumed for females.

For the guaranteed annuity options on ex-Winterthur pure endowments a 80% take-up rate is assumed for in-the-money options and 0% otherwise.

For guaranteed cash options on ex-Colonial deferred annuities a 100% take-up rate is assumed for in-the-money options and 0% otherwise.

- (7) For whole-of-life UWP bonds with market value reduction free date guarantees, the options are assumed to be fully exercised when they are at least 15% in-the-money. The option is assumed not to be taken up when the guarantee is at-the-money. Linear interpolation is used to determine the take-up rate where the option is between 0% and 15% in-the-money.

#### **Financing costs**

7

The 2001 Scheme as amended which governs the With-Profit Fund provides for a transfer from the Shareholders' Fund to the With-Profit Fund of such amount (if any) as is necessary to ensure that the aggregate of the assets allocated to the With-Profit Fund as at a valuation date and of the amount so transferred, having had regard to any transfer to be made from the Segregated Sub-Fund to the With-Profit Fund, is not less than:

- the amount of the mathematical reserves; together with
- such amount as the Board shall consider necessary to enable all liabilities (whether actual, prospective or contingent but excluding those liabilities under any policies allocated to the With-Profit Fund), which in each case are properly attributable to the With-Profit Fund and which are not provided for in the mathematical reserves to be discharged out of the With-Profit Fund in accordance with the provisions of the 2001 Scheme as amended as and when they fall due; and
- the aggregate cost of all bonuses; and
- such amount as the Board and the Actuarial Function Holder shall consider in light of regulatory requirements is necessary to be able to meet and may be necessary to meet.



on the basis of a range of normally expected outcomes for the With-Profit Fund, prior to the next valuation date the reasonable benefit expectations of policyholders, to the extent not already taken into account as at a valuation date.

Any amount so transferred to the With-Profit Fund, together with an appropriate investment return, are transferable to the Non-Profit Fund should there be sufficient statutory surplus within the With-Profit Fund. The appropriate investment return will take into account the investment return used within the calculation of asset shares (or other measures determined by the company).

#### **Other long-term insurance liabilities**

8 The following amounts have been included in Form 19 line 47:

- An asset of £0.4 million in respect of the excess tax paid on income on asset shares over the tax due on investment income
- An asset of £0.2 million in respect of the delays in shareholder transfers on maturities, deaths and surrenders
- A liability of £1.1 million in respect of future losses in the value of swaptions held.

#### **Realistic current liabilities**

9 The amount of the realistic current liabilities included in line 51 of Form 19 is £29.7 million. The realistic current liabilities are identical to the regulatory current liabilities. This amount includes the following:

- Net claims outstanding of £17.9 million
- Derivative assets with negative value of £11.5 million
- Deferred tax liability of £263 thousand.

#### **Risk capital margin**

10 (a) The risk capital margin as at the valuation date is £9.4 million.

The individual stresses comprising the risk capital margin event are as follows:

- (i) A rise or fall in the market value of equities and real estate of 20.00% and 12.5% respectively.

As part of the investment strategy, the assets of the With-Profit Fund, after allowing appropriately for non-profit liabilities, are split into an "asset share fund" and a "guarantee fund". The asset share fund contains equities, property and fixed interest investments, but no derivatives except any used for rapid implementation of changes to investments. The guarantee fund contains derivatives such as equity options and swaptions. Under a positive equity scenario, the value of the asset share fund will increase significantly, while the guarantee fund will decrease, as a consequence of the

equity derivatives held. If an inherited estate test is then carried out, as required by the Court Scheme, the reduced guarantee fund will not be sufficient to cover the value of guarantees, and thus a reduction to asset shares will be required. However, for the ex-Colonial conventional policies, this reduction to asset shares does not happen in practice other than to negate any previous net positive asset share adjustments. Instead the deficit will be made up by a permanent transfer from the Segregated Sub Fund. It is this transfer from the Segregated Sub Fund that makes the rise in equity the more onerous scenario.

- (ii) Fixed interest yields are assumed to rise or fall by the amounts shown in the table below. The percentage change in yields is 17.5%. The rise in yields is the most onerous stress;

Currency	Long term yield (annualised)	Nominal rise in yields
Sterling	4.45%	0.78%

- (iii) A widening of credit spreads.

- a) The total fall in bond asset values (i.e. gilts and corporate) is 4.3% and the average change in spreads is 0.46%.
- b) Not applicable.
- c) Not applicable.
- d) Not applicable.
- e) Not applicable.

- (iv) A fall in termination rates in each year of the projection of 32.5%. The aggregate realistic value of liabilities changes by only 0.03% under this scenario, although the components of future policy related liabilities change significantly – the cost of planned enhancements decreases by 9.9% and the cost of planned deductions increases by 5.6%.

An increase in termination rates is less onerous because surrender payments target only 95% of asset share whereas maturity payouts target 100% of asset share. hence the impact of this scenario is not assessed.

- (v) The stochastic model assumes that the persistency and credit risk events are independent.

The present value of the future profits in respect of the non-profit business in the With-Profit Fund has been calculated on economic assumptions consistent with the above risk capital margin stress event.

- (b)
  - (i) The management actions in the risk capital margin event follow the same rules as those described in 6(5)(a).
  - (ii) Not applicable.
  - (iii) Not applicable.

(iv) Not applicable.

- (c)
- (i) The risk capital margin is covered by assets in the Segregated Sub-fund as allowed for in the 2001 Scheme. The assets chosen to back the risk capital margin represent a proportionate share of the assets in the Segregated Sub-fund.
  - (ii) In respect of support provided by the Segregated Sub-fund, assets would be transferred into the with-profit fund in the form of a permanent transfer.

#### **Tax**

11 The treatment of tax under the with profits benefits reserve, future policy related liabilities and realistic current liabilities are detailed below.

##### *With Profits Benefits Reserve*

Prior to 2001 the life business tax rates were based on the following methods:

- For ex-Colonial business the full marginal tax rates for a mutual fund were applied to each component of investment income. The tax rate on capital gains (both realised and unrealised) was adjusted to reflect the deferral of tax on unrealised gains, and;
- For ex-Winterthur business an average tax rate was calculated for the fund as a whole.

From 2001 onwards tax is deducted from asset shares on the basis of the With-Profit Fund being treated as a standalone mutual life insurance company. Any required assumptions on rates of taxation are based on the rates applicable at the relevant time for a UK mutual life company, and are applied to investment returns and expenses in full regardless of the actual tax paying position of the With-Profit Fund. In applying this method, any mismatch between the assumptions and the actual tax payable will accrue to the inherited estate.

However, where the With-Profit Fund has experienced significant losses an alternative method may be used provided that it comes within an acceptable degree of approximation. Tax credits are only applied to the asset shares where they are reasonable. Any difference between the actual tax liability and the assumed tax liability (taking into account the assumptions made in the calculation of asset shares) falls to the inherited estate.

There are no charges to the With-Profit Fund for liabilities to tax arising from the Firm making transfers from the With-Profit Fund to shareholders.

#### *Future Policy Related Liabilities*

The liability for tax on assets not backing the with profits benefit reserves is valued in the stochastic model. The value included in Form 19 Line 47 is the difference between the tax incurred on the BLAGAB proportion of the With-Profit Fund, and the tax charged to the with profits benefit reserves. Tax is only incurred on the BLAGAB proportion of the assets.

#### *Realistic Current Liabilities*

No allowance is made for tax in respect of the assets backing the realistic current liabilities.

#### *Present Value of Future Profits of non-profit business in the With-Profit Fund*

Allowance is made for tax on a mutual life insurance company basis i.e. taxable investment income less expenses is taxed at 20%.

#### **Derivatives**

12 UK Sterling payer swaptions are held for the purpose of hedging interest rate risk. These have maturity dates ranging from 2010 to 2034 and tenors ranging from 20 years to 26 years. All swaptions have a strike rate of 8.0%. They have a total notional value of £136.5m and a total market value of £2.4m.

Interest rate payer and receiver swaps are held for the purpose of hedging interest rate risk. They have maturity dates ranging from 2011 to 2059 and fixed rates from 2.24% to 4.44%. The receiver swaps have a total notional of £178.2m and total market value of £0.9m. The payer swaps have a total notional of £92.8m and total market value of -£1.1m.

Equity call options and sold equity futures are held together for the purpose of hedging equity risk. The call options are on FTSE 100, have strikes between 4050 and 4650 and expiry dates ranging from 2010 to 2014. Total notional value is £175.6m and total market value is £39.9m. The short futures exposures are €65.0m (DJ Eurostoxx 50) and £203.4m (FTSE100).

Equity put options are also held for the purpose of hedging equity risk. The put options are on FTSE 100, have strikes between 2800 and 3550, and expiry dates ranging from 2010 to 2014. They have total notional value of £169.6m and market value of £4.5m.

Single name credit default swaps are held to buy protection against the default risk of a set of matching corporate bonds held in the asset portfolio. They have a notional of £96.4m and market value of -£3.2m.

13

**Analysis of Change in Working Capital**

	£m
As at 31 <sup>st</sup> December 2008	0.0
Opening zeroisation impact	12.5
(a) investment return on the opening working capital	0.3
(b) mismatched profits and losses on assets backing the future policy related liabilities (may include associated assumption changes);	-16.5
(c) assumption changes - economic	16.3
(c) assumption changes - non-economic	0.1
(c) assumption changes - policyholder actions	0.0
(d) other variances - economic	-11.2
(d) other variances - non-economic	0.1
(e) impact of new business	0.0
(f) changes in other liabilities of lines 47 and 51 of Form 19;	2.5
(g) modelling changes and opening adjustments	-9.3
Closing zeroisation impact	5.2
As at 31 <sup>st</sup> December 2009	0.0

Overall the working capital (before zeroisation) has changed from £12.5m to -£5.2m over the year (total change -£17.7m).

**Optional disclosure**

14

Not applicable.

Name of Insurer      **Winterthur Life UK Limited**

**IPRU(INS) RULE 9.36 - STATEMENT OF INFORMATION ON THE ACTUARY  
APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION**

The actuary was requested to furnish the Society with particulars specified in Rule 9.36 of the Interim Prudential Sourcebook for Insurers and he has confirmed that the information below is correct.

1. Shares

Mr Shelley had no interest in the shares of the Society.

Mr Shelley's interests in options as at 31 December 2009 were as follows:

- 3,154 €39.91 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 4 July 2010,
- 2,384 €40.01 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 11 July 2010,
- 6,308 €31.49 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 8 May 2011,
- 4,206 €20.45 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 26 February 2012,
- 3,154 €10.73 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 13 March 2013,
- 300 shares in AXA SA Global Shareplan 2005,
- 200 shares in AXA SA Global Shareplan 2006,
- 167 shares in AXA SA Global Shareplan 2007,
- 197 shares in AXA SA Global Shareplan 2008,
- 221 shares in AXA SA Global Shareplan 2009.

2. Remuneration

In respect of 2009 Mr Shelley received management remuneration and other benefits (other than pension contributions) to the value of £126,492.

3. Pension contributions

Mr Shelley is a member of the AXA UK Group Pension Scheme.

Name of Insurer                **Winterthur Life UK Limited**

**IPRU(INS) 9.34 - DIRECTORS' CERTIFICATE**

**Financial year ended 31 December 2009**

1. We certify that:

- (a) in our opinion, the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 and effective from 1 November 2006; and
- (b) we are satisfied that:
  - (i) throughout the financial year in question, the Company 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 Company has continued to comply subsequently and will continue so to comply in future;
- (c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance 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 actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
- (f) we have, in preparing the return, taken and paid due regard to:
  - (i) advice in preparing the return from the actuary appointed by the Company to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from the actuary appointed by the Company to perform the with-profits actuary function in accordance with SUP 4.3.16R.

Signed on behalf of Winterthur Life UK Limited

P. J. Evans

Chief Executive

D. R. Cheeseman

Director

A. J. Purvis

Director

29 March 2010

**REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35**

**Financial year ended 31 December 2009**

We have examined 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 Insurance Prudential Sourcebook, ("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') on pages 3, 5, 8-34, 35-49, 55, 59, 94 and 102;
- the statement required by IPRU(INS) rule 9.29 on page 117 and 118 ('the Statement');
- the valuation report required by IPRU(INS) rule 9.31(a) ('the valuation report') on pages 119 to 136; and
- the statements, analysis and reports required by IPRU(INS) rule 9.31(b) ('the realistic valuation report') on pages 137 to 157.

We are not required to examine 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 on pages 118 and 158; and
- the certificate required by IPRU(INS) rule 9.34 on page 159 ('the certificate').

**Respective responsibilities of the company and its auditors**

The company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate under the provisions of the Rules). Under IPRU(INS) rule 9.11 the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate 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 company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report and the realistic valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination. This report has been prepared for the directors of Winterthur Life UK Limited to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

**Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement, the valuation report and the realistic 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. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement, the valuation report and the realistic valuation report.



**REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35**

**Financial year ended 31 December 2009**

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, the valuation report and the realistic valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

**Opinion**

In our opinion:

- (a) the Forms, the Statement, the valuation report and the realistic valuation report fairly state the information provided on the basis required by the Rules 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 and the realistic valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

PricewaterhouseCoopers LLP

Chartered Accountants

London

29 March 2010