



Aviva Annuity UK Limited

Registered office: 2 Rougier Street, York, YO90 1UU

**Annual FSA Insurance Returns for the year ended
31 December 2010**



Returns under the Accounts and Statements Rules

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

Name of insurer **Aviva Annuity UK Limited**

Global Business

Financial year ended **31st December 2010**

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Statement of solvency - long-term insurance business

Form 2

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	3253948	GL	31	12	2010	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	800042	700219
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	777615	667257
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1577657	1367476

Guarantee fund

Guarantee fund requirement	21	298019	254277
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1279638	1113199

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	894056	762830
Resilience capital requirement	32	22600	76700
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	916656	839530
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	916656	839530
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1031277	849206
Excess (deficiency) of available capital resources to cover 75% of MCR	38	890165	737829

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	916656	839530

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	916656	839530
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	661001	527946

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 **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

..... **T E STRAUSS** **Chief Executive**

..... **J R LISTER** **Director**

..... **D B BARRAL** **Director**

Components of capital resources**Form 3
(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	3253948	GL	31	12	2010	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4			

Core tier one capital

Permanent share capital	11		50000	50000	50000
Profit and loss account and other reserves	12		1459145	1459145	1240631
Share premium account	13		750	750	750
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1509895	1509895	1291381

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		1509895	1509895	1291381
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		20290	20290	22410
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		20290	20290	22410
Total tier one capital after deductions (31-37)	39		1489605	1489605	1268971

Components of capital resources**Form 3
(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	3253948	GL	31	12	2010	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41					
Perpetual non-cumulative preference shares excluded from line 25	42					
Innovative tier one capital excluded from line 27	43					
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44					
Perpetual cumulative preference shares	45					
Perpetual subordinated debt and securities	46		200000	200000	200000	
Upper tier two capital in related undertakings	47					
Upper tier two capital (44 to 47)	49		200000	200000	200000	

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

Total tier two capital before restrictions (49+59)	61		200000	200000	200000	
Excess tier two capital	62					
Further excess lower tier two capital	63					
Total tier two capital after restrictions, before deductions (61-62-63)	69		200000	200000	200000	

Components of capital resources**Form 3
(Sheet 3)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	3253948	GL	31	12	2010	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		1689605	1689605	1468971	
Inadmissible assets other than intangibles and own shares	73		111948	111948	101494	
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		1577657	1577657	1367477	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		1577657	1577657	1367477	
Available capital resources for 50% MCR requirement	82		1489605	1489605	1268971	
Available capital resources for 75% MCR requirement	83		1577657	1577657	1367477	

Financial engineering adjustments

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

Analysis of admissible assets**Form 13
(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2010	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11					

Investments in group undertakings and participating interests

UK insurance dependants	shares	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25		
	debts and loans	26		
Other group undertakings	shares	27		
	debts and loans	28		
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	97719	95109
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	344783
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	87703
Other financial investments	56		

Analysis of admissible assets**Form 13
(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2010	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings						57		
Assets held to match linked liabilities	Index linked					58		
	Property linked					59		

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	(2700)	(1784)
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	256931	561679
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4861	405
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	789297	679977
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Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets
R13	3253948	GL	31	12	2010	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	789297	679977
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
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		(396)
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	789297	679581
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**Form 13
(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2010	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11		3964		3836

Investments in group undertakings and participating interests

UK insurance dependants	shares	21					
	debts and loans	22					
Other insurance dependants	shares	23					
	debts and loans	24					
Non-insurance dependants	shares	25			2		250
	debts and loans	26					
Other group undertakings	shares	27					
	debts and loans	28			188014		189101
Participating interests	shares	29					
	debts and loans	30					

Other financial investments

Equity shares	41					
Other shares and other variable yield participations	42					
Holdings in collective investment schemes	43					
Rights under derivative contracts	44				10452	10888
Fixed interest securities	Approved	45			1044125	955865
	Other	46			6372411	5682063
Variable interest securities	Approved	47			261404	26
	Other	48			506448	324942
Participation in investment pools	49					
Loans secured by mortgages	50				11571585	10501232
Loans to public or local authorities and nationalised industries or undertakings	51					
Loans secured by policies of insurance issued by the company	52					
Other loans	53					
Bank and approved credit & financial institution deposits	One month or less withdrawal	54				5000
	More than one month withdrawal	55			306	
Other financial investments	56					

Analysis of admissible assets**Form 13
(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2010	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58			2819594		1880700
	Property linked		59					

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		9944	
	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		59512	111210
	due in more than 12 months	79		127620	191829

Other assets

Tangible assets	80			
Deposits not subject to time restriction on withdrawal with approved institutions	81		382608	141839
Cash in hand	82			
Other assets (particulars to be specified by way of supplementary note)	83			
Accrued interest and rent	84		273081	228336
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		23631070	20227117
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Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2010	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	23631070	20227117
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17619	12565
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	94329	88929
Reinsurers' share of technical provisions excluded from line 89	100	371390	354065
Other asset adjustments (may be negative)	101	146	(13823)
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	24114554	20668853
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	9142	34739

Long-term insurance business liabilities and margins**Form 14**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

Fund **Total Long-term insurance business**

Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	22351389	19070743
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13	349520	457165
Long term insurance business fund carried forward (11 to 13)	14	22700909	19527908
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	226
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	113536
	Reinsurance accepted	32	
	Reinsurance ceded	33	17949
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	78734
	Other	38	269420
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	479639	456155
Excess of the value of net admissible assets	51	450522	243056
Total liabilities and margins	59	23631070	20227119
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	136938	63156
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	22831028	19526898
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73	371390	354065
Other adjustments to liabilities (may be negative)	74	(20144)	(36258)
Capital and reserves and fund for future appropriations	75	932280	824149
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	24114554	20668854

Liabilities (other than long-term insurance business)**Form 15**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R15	3253948	GL	31	12	2010	£000
						As at the end of this financial year	As at the end of the previous year
						1	2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		(67)	
	Foreseeable dividend	48			
	Other	49		11749	12720
Accruals and deferred income		51			
Total (19 to 51)		59		11682	12720
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63		200000	200000
Total (59 to 63)		69		211682	212720

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71				
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Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83				(396)
Capital and reserves	84			577615	467257
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85			789297	679581

Profit and loss account (non-technical account)**Form 16**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	3253948	GL	31	12	2010	£000
				This financial year		Previous year		
				1		2		
Transfer (to) / from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			107645		327000
Investment income	Income		14			10886		7112
	Value re-adjustments on investments		15			4791		
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17			13325		7448
	Value re-adjustments on investments		18					1049
	Loss on the realisation of investments		19			1		
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					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			109996		325615
Tax on profit or loss on ordinary activities			31			(362)		(597)
Profit or loss on ordinary activities after tax (29-31)			39			110358		326212
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			110358		326212
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			110358		326212

Analysis of derivative contracts

Form 17

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**Category of assets **Total Long-term insurance business assets**

		Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
		R17	3253948	GL	31	12	2010	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4				
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	110359	44453	978638	410000			
	Inflation	13	2348	47261	75000	173687			
	Credit index / basket	14							
	Credit single name	15	1694			15700			
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	13589	12016		233021			
	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	127990	103730	1053638	832408			
Adjustment for variation margin		52	(117538)	(103730)					
Total (51 + 52)		53	10452						

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

Long-term insurance business: Revenue account**Form 40**

Name of insurer **Aviva Annuity UK Limited**

Name and number of fund/Summary **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	3090930	1611924
Investment income receivable before deduction of tax	12	1286058	1185379
Increase (decrease) in the value of non-linked assets brought into account	13	543253	303899
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	4920241	3101202

Expenditure

Claims incurred	21	1421456	1238922
Expenses payable	22	137003	85615
Interest payable before deduction of tax	23	2344	4511
Taxation	24	78792	26176
Other expenditure	25		
Transfer to (from) non technical account	26	107645	327000
Total expenditure	29	1747240	1682224

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	3173001	1418978
Fund brought forward	49	19527908	18108930
Fund carried forward (39+49)	59	22700909	19527908

Long-term insurance business: Analysis of premiums**Form 41**

Name of insurer **Aviva Annuity UK Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

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

Gross

Regular premiums	11				
Single premiums	12	142880	3061241	20380	3224501
					1764218

Reinsurance - external

Regular premiums	13				
Single premiums	14	59	133512		133571
					152294

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17				
Single premiums	18	142821	2927729	20380	3090930
					1611924

Total

Gross	19	142880	3061241	20380	3224501	1764218
Reinsurance	20	59	133512		133571	152294
Net	21	142821	2927729	20380	3090930	1611924

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Aviva Annuity UK Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

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

Gross

Death or disability lump sums	11	214		214	213
Disability periodic payments	12				
Surrender or partial surrender	13	1596	5520	7116	2542
Annuity payments	14	25014	1511804	31088	1567906
Lump sums on maturity	15				
Total	16	26610	1517538	31088	1418279

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24	3313	134492	137805	162748
Lump sums on maturity	25				
Total	26	3313	134492	137805	162748

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		15975	15975	16609
Lump sums on maturity	35				
Total	36		15975	15975	16609

Net of reinsurance

Death or disability lump sums	41	214		214	213
Disability periodic payments	42				
Surrender or partial surrender	43	1596	5520	7116	2542
Annuity payments	44	21701	1361337	31088	1414126
Lump sums on maturity	45				
Total	46	23297	1367071	31088	1238922

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **Aviva Annuity UK Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

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

Gross

Commission - acquisition	11	1000	28026	35	29061	21630
Commission - other	12					
Management - acquisition	13	124	69385		69509	32622
Management - maintenance	14	752	24072	4	24828	27638
Management - other	15	3926	9577	102	13605	3725
Total	16	5802	131060	141	137003	85615

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	1000	28026	35	29061	21630
Commission - other	42					
Management - acquisition	43	124	69385		69509	32622
Management - maintenance	44	752	24072	4	24828	27638
Management - other	45	3926	9577	102	13605	3725
Total	46	5802	131060	141	137003	85615

Long-term insurance business: Summary of new business**Form 46**Name of insurer **Aviva Annuity UK Limited**

Total business

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

	UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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Number of new policyholders / scheme members for direct insurance business

Regular premium business	11				
Single premium business	12	734	60869	373	61976
Total	13	734	60869	373	61976

Amount of new regular premiums

Direct insurance business	21				
External reinsurance	22				
Intra-group reinsurance	23				
Total	24				

Amount of new single premiums

Direct insurance business	25	45958	3061242	13998	3121198	1745365
External reinsurance	26					
Intra-group reinsurance	27	96921		6382	103303	8819
Total	28	142879	3061242	20380	3224501	1754184

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**

Total business

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

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			734	45958

Long-term insurance business: Analysis of new business**Form 47
(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**

Total business

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

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				96921

Long-term insurance business: Analysis of new business**Form 47
(Sheet 3)**Name of insurer **Aviva Annuity UK Limited**

Total business

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

UK Pension / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
390	Deferred annuity non-profit			107	13751
400	Annuity non-profit (CPA)			51023	2055560
401	Annuity non-profit (bulk transfer)			886	236751
905	Index linked annuity			734	69397
906	Index linked annuity (bulk transfer)			7060	594745
907	Index linked deferred annuity			1059	91038

Long-term insurance business: Analysis of new business**Form 47
(Sheet 4)**Name of insurer **Aviva Annuity UK Limited**

Total business

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

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			371	13710
905	Index linked annuity			2	288

Long-term insurance business: Analysis of new business**Form 47
(Sheet 5)**Name of insurer **Aviva Annuity UK Limited**

Total business

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

Overseas / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
395	Annuity non-profit (PLA)				6330
905	Index linked annuity				52

Long-term insurance business: Assets not held to match linked liabilities**Form 48**

Name of insurer **Aviva Annuity UK Limited**

Financial year ended **31st December 2010**

Category of assets **Total Long-term insurance business assets**

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	3964	3964	315	7.95	
Approved fixed interest securities	12	1053983	1053983	27413	4.70	
Other fixed interest securities	13	6514673	6514673	448023	5.68	
Variable interest securities	14	774613	774613	20579	3.73	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	12464243	12464243	906933	6.25	
Total	19	20811476	20811476	1403263	5.90	

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

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

Overall return on with-profits assets

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

Long-term insurance business: Fixed and variable interest assets**Form 49**

Name of insurer **Aviva Annuity UK Limited**
 Financial year ended **31st December 2010**
 Category of assets **Total Long-term insurance business assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	173541	13.27	3.97	3.97
Other approved fixed interest securities	21	880442	15.58	4.86	4.69
Other fixed interest securities					
AAA/Aaa	31	642342	12.05	4.73	4.60
AA/Aa	32	1395455	11.21	5.29	4.99
A/A	33	2292188	9.14	5.55	5.19
BBB/Baa	34	1876833	7.32	5.73	4.89
BB/Ba	35	248305	6.09	9.23	6.54
B/B	36	8819	4.18	10.65	5.37
CCC/Caa	37				
Other (including unrated)	38	50731	4.93	14.73	9.46
Total other fixed interest securities	39	6514673	9.19	5.68	5.09
Approved variable interest securities	41	260765	16.50	4.12	4.11
Other variable interest securities	51	513848	9.91	3.52	3.38
Total (11+21+39+41+51)	61	8343269	10.22	5.38	4.89

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **Aviva Annuity UK Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

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

Form 51 - with-profits	11				
Form 51 - non-profit	12	311363	19126683	446876	19884922
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17	8405	2840570	7185	2856160
Total	18	319768	21967253	454061	22741082

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	6839	103445	1807	112091
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27	4254	32312		36566
Total	28	11093	135757	1807	148657

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		241036		241036
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		241036		241036

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	304524	18782202	445069	19531795
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47	4151	2808258	7185	2819594
Total	48	308675	21590460	452254	22351389

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 1)Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Life / Gross**

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
395	Annuity non-profit (PLA)	5994	26302		n/a	n/a	n/a	302732
400	Annuity non-profit (CPA)	2920	1009		n/a	n/a	n/a	8382
440	Additional reserves non-profit OB				n/a	n/a	n/a	249

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**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
395	Annuity non-profit (PLA)		1375		n/a	n/a	n/a	6838
400	Annuity non-profit (CPA)				n/a	n/a	n/a	1

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 3)Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Pension / Gross**

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
390	Deferred annuity non-profit	450	1653		n/a	n/a	n/a	49469
400	Annuity non-profit (CPA)	654390	1479500		n/a	n/a	n/a	18325751
440	Additional reserves non-profit OB				n/a	n/a	n/a	751463

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 4)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Pension / 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
400	Annuity non-profit (CPA)		105681		n/a	n/a	n/a	103445

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 5)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Pension / Reinsurance ceded intra-group**

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
400	Annuity non-profit (CPA)		20244		n/a	n/a	n/a	241036

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 6)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****Overseas / Gross**

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
395	Annuity non-profit (PLA)	3391	14293		n/a	n/a	n/a	203422
400	Annuity non-profit (CPA)	6418	17931		n/a	n/a	n/a	242694
440	Additional reserves non-profit OB				n/a	n/a	n/a	760

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 7)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****Overseas / 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
395	Annuity non-profit (PLA)		122		n/a	n/a	n/a	1574
400	Annuity non-profit (CPA)		16		n/a	n/a	n/a	233

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Life / Gross**

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
905	Index linked annuity	62	1394				8399	8399
915	Additional reserves index linked						6	6

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**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
905	Index linked annuity		1065				4254	4254

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Pension / Gross**

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
905	Index linked annuity	32742	127468				2644215	2644215
907	Index linked deferred annuity	2292	8091				186694	186694
915	Additional reserves index linked						9661	9661

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****UK Pension / 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
905	Index linked annuity		2543				32312	32312

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2010**Units **£000****Overseas / Gross**

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
905	Index linked annuity	141	321				7174	7174
915	Additional reserves index linked						11	11

Long-term insurance business: index linked business**Form 56**Name of insurer **Aviva Annuity UK Limited**

Total business

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

		Value of assets	Mean term
		1	2
Analysis of assets			
Approved variable interest securities	11	447043	16.50
Other variable interest securities	12	577207	12.25
Approved fixed interest securities	13	69068	8.68
Other fixed interest securities	14	1532984	11.10
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17	(5200)	
Other assets	18	206520	
Variation margin	19	(8028)	
Total (11 to 19)	20	2819594	
Credit rating of other fixed interest and other variable interest securities			
AAA/Aaa	31	245855	12.18
AA/Aa	32	460356	11.48
A/A	33	1127897	11.70
BBB/Baa	34	210571	9.64
BB/Ba	35	54504	9.03
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	11008	8.61
Total other fixed interest and other variable interest securities	39	2110191	11.41

Long-term insurance business - analysis of valuation interest rate**Form 57
(Sheet 1)**

Name of insurer **Aviva Annuity UK Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51	304275	5.27	5.27	5.48
UK Pens NP Form 51	18030739		5.27	5.48
OS L&GA NP Form 51	444309	5.27	5.27	5.48
UK L&GA NP Form 54	4145	0.98	0.98	1.17
UK Pens NP Form 54	2798597		0.98	1.17
OS L&GA NP Form 54	7174	0.98	0.98	1.17
Miscellaneous	762150			
TOTAL	22351389	n/a	n/a	n/a

Long-term insurance business: distribution of surplus**Form 58**

Name of insurer **Aviva Annuity UK Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2010**

Units **£000**

	Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	22700909	19527908
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	107645	327000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	22808554	19854908
Mathematical reserves	21	22351389	19070743
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	457165	784165

Composition of surplus

Balance brought forward	31	457165	391000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34		393165
Total	39	457165	784165

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	107645	327000
Total distributed surplus (46+47)	48	107645	327000
Surplus carried forward	49	349520	457165
Total (48+49)	59	457165	784165

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 capital requirement

Form 60

Name of insurer **Aviva Annuity UK Limited**

Global business

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

	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
	1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					
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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%	19884922	19531795	0.98	195318
Classes III, VII and VIII (investment risk)	33	1%	2856160	2819594	0.99	28196
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
Total	39					223514

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	19884922	19531795	0.98	585954
Classes III, VII and VIII (investment risk)	43	3%	2856160	2819594	0.99	84588
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
Total	49		22741082	22351389		670542

Long term insurance capital requirement	51					894056
						762830

Supplementary notesName of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010****Code****0204 Section 148 Waivers****Rate of interest 648787**

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2006. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and INSPRU 3.1.39R so that a more appropriate rate of interest will be used for assets taken in combination. This modification applies solely to fixed interest securities or assets linked to an index of retail prices which are considered by the actuarial function holder to be backing the non-profit (non-linked or index-linked) annuity business of the firm.

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

	<u>£'000</u>
i) Net admissible assets	
Form 13 Line 89 (Long term business)	23,631,070
Form 13 Line 89 (Other than long term business)	789,297
Form 14 Lines 11, 12 and 49	(22,831,028)
Form 15 Line 69	<u>(211,682)</u>
	1,377,657
ii) Components of Capital resources that are treated as a liability	<u>200,000</u>
Total i) to ii) above	1,577,657
Form 3, line 79	1,577,657

0310 Calculation of valuation differences as required by instruction 9 to Form 3

	<u>£'000</u>
a) Positive valuation differences in respect of assets where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	-
b) Positive valuation differences in respect of liabilities where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	
- Deferred tax provision	132,854
c) Negative valuation differences in respect of assets where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	-
d) Negative valuation differences in respect of liabilities where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	
- Mathematical reserves	<u>(153,144)</u>
Net negative valuation difference included in line 35	(20,290)

Supplementary notesName of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010****Code****0313 Reconciliation of profit and loss account and other reserves**

	<u>£'000</u>
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	1,240,631
Profit retained for the financial year	110,358
Profit arising in the long-term insurance fund that has not been transferred to the shareholder fund	108,156
Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	1,459,145

1301 Aggregate values of assets**1308**

The aggregate values of assets in Form 13 as specified below are:-

	<u>Category 1</u>	<u>Category 10</u>
	<u>£m</u>	<u>£m</u>
Unlisted investments on line 46 and 48	-	1,989
Listed investments on lines 41, 46 and 48 which are not readily realisable	-	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act	98	-
Reversionary interests or remainders in property other than land or buildings	-	-

1304 Amounts set off**1310**

Amounts have been set off to the extent permitted by generally accepted accounting principles.

1305 Counterparty limits**1319**

The investment guidelines operated by the Company specify exposure to counterparties by asset type as follows:-

Deposits

The maximum permitted exposure to counterparties is set out in the Investment Management Agreement with Aviva Investors Global Services Limited and approved by the Aviva Life Investment Committee. Each fund cannot hold more than 2% of funds under management (but subject to minimum of £20m and a maximum of £100m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £75m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £50m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

Fixed income securities

Exposure to non-government bonds is limited to holdings, which are deemed to be of a suitable investment grade determined by senior investment management. The maximum extent to which, in accordance with investment guidelines operated by the company, it was permitted to be exposed to any one counterparty and connected companies rated AA- or higher during the financial year was 5% and 3% for any one counterparty and connected companies rated BBB- to A+. The maximum extent to which fully secured mortgage debt was

Supplementary notesName of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010****Code**

permitted to be exposed to any one counterparty and connected companies was 10%. Over the financial year there were no breaches of the above limits.

1306 Counterparty exposure

1312

Exposure to any one counterparty at the end of the financial year did not exceed 5% of the sum of the insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1302 Hybrid securities

The aggregate value of hybrid securities is £272m

1318 Other asset adjustments

Amounts included in Form 13 line 101 are analysed as follows.

	Category 10
	£'000
Gross up of derivative balances	146
Total	146

1401 Provision for reasonably foreseeable adverse variations

1501

The methods and assumptions disclosed in the valuation report, under IPRU (INS) Appendix 9.4, appropriately allow for the determination of any adjustment or provision pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R and INSPRU 3.2.17R to INSPRU 3.2.18R, together with a review by senior management of positions that are valued using third party valuations or by marking to model.

1402 Contingent liabilities

1502

Included in deferred tax liabilities at line 21 of Form 14 is an amount of £nil in respect of a full provision for potential corporation tax on unrealised capital gains. The potential liability and provision for shareholders on Form 15 is £nil.

There are no contingent liabilities applicable to long term insurance business.

There are no charges over any assets of the Company.

There are no guarantees, indemnities or any other contractual commitments in respect of related companies.

In 2010, a test case was taken to the European Court of Justice (ECJ) to rule on the current law and practice whereby insurers may take into account a person's gender in calculating the costs and benefits of their insurance. On 1 March 2011, the ECJ ruled that, with effect from 21 December 2012, insurers will no longer be able to use a person's gender in this way. Whilst the ruling does not apply retrospectively, we are unable at the current time to assess the risk of the judgement having implications for our existing insurance liabilities.

There are no other fundamental uncertainties.

1404 Implicit provision required by INSPRU 3.2.17R(3)

The amount of implicit provision required by INSPRU 3.2.17R(3) included in line 38 is £103,730k.

Supplementary notesName of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010****Code****1405 Other adjustments to liabilities**

Amounts included in Form 14 line 74 are analysed as follows.

	Total £'000
Adjustment to mathematical reserves	(153,144)
Adjustment to deferred tax provision	132,854
Gross up of derivatives	146
Total	(20,144)

1601 Rates of exchange**4005**

The Company conducts all its business in the UK and Offshore Islands. Currency swaps are in place in respect of all investments denominated in currencies other than Sterling.

1700 Form omitted

No Category 1 Form 17 has been prepared on the basis that there are no derivative contracts for this category of assets.

1701 Variation margin

The aggregate amount of any excess variation margin which has been received by the Company is £13,808k.

The variation margin is allocated as follows:

	£'000
Form 13 line 44	(117,538)
Form 14 line 38	103,730

No amounts included on Forms 13 reflect the liability to repay any excess.

4008 Management services

Management services have been provided throughout the financial year to the Company by Aviva Life Services UK Limited.

Investment management services have been provided by Aviva Investors Global Services Limited.

4009 Related party transactions

There were no related party transactions during the year which exceeded 5% of the long-term insurance liabilities net of reinsurance ceded.

4702 UK and overseas annuities

UK Life and Overseas new immediate annuities are all assumed to be 395 Annuity non-profit (PLA) contracts and not to arise as a result of any funds held within a pension arrangement.

Supplementary notesName of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010****Code****4703 Apportionment between product codes**

Where a policyholder holds a plan with both non-linked and index-linked benefits the policyholder count is assigned to column 5 for the index-linked product code. Where a policyholder holds more than one plan, the policyholder count is assigned to column 5 for each plan.

4802 Expected interest

Expected interest from eight debentures currently in default is not included in column 3 of Form 48. The total expected interest is £5,844k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

4803 Redemption of securities

Where securities may be redeemed over a period at the option of the guarantor or the issuer, it has been assumed within the yield calculation that they will be redeemed at the earliest callable date. The value of the assets that contain this option is £532.0m.

4804 Yield for assets line 18

The yield shown in column 4 for the following assets is significantly different from the weighted average of the yields for each asset of that type determined in accordance with INSPRU 3.1.34R(2) before any allowance for tax required by INSPRU 3.1.29R.

	<u>Yield</u>
Deposits not subject to time restriction (Form 13 Line 81)	1.51% pa
Shares in non-insurance dependants (Form 13 Line 25)	Nil
Other debtors (Form 13 line 78)	Nil

4901 Credit rating**5601**

The credit rating analysis on Forms 49 and 56 have been prepared using the second highest published rating of those provided by Standard & Poor's, Fitch, and Moody's.

Internally assigned ratings have been used for securities that are not rated by external agencies.

5102 Number of policyholders**5402**

Where a policyholder holds a plan with both non-linked and index-linked benefits the policyholder count is assigned to column 3 for the index-linked product code. Where a policyholder holds more than one plan, the policyholder count is assigned to column 3 for each plan.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010****1. Introduction**

- (1) The **valuation date** is 31 December 2010.
- (2) The previous valuation was completed with an effective date of 31 December 2009.
- (3) No interim valuations have been carried out.

2. Product Range

There have been no significant changes to the product range during 2010, except for the new Structured Settlements category of business. This is immediate annuity business and arises from reinsuring general insurance bodily injury claims where a court has awarded the claimant a set amount for as long as the claimant is alive – a Periodic Payment Order (PPO), or "Structured Settlement".

3. Discretionary charges and benefits

- (1) There is no accumulating with-profits business.
- (2) Not applicable.
- (3) There are no deposit administration benefits.
- (4) The guaranteed annuity benefit is calculated incorporating an allowance for service charges.
- (5) Not applicable.
- (6) There is no accumulating with profit business.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.

4. Valuation basis

- (1) The conventional immediate and deferred annuity business is valued by discounting future benefit payments and maintenance expenses.

The mathematical reserve for RPI-linked annuities is determined with a market-consistent inflation assumption (3.56% p.a. at 31 December 2010) as the allowance for future increases in annuity payments. This is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and minimum percentage annual increases is described in 5 (4) below.

- (2) The following table gives the valuation interest rates at the end of 2010 compared with those at the end of 2009. Non-linked and index-linked liabilities are backed by different assets and hence have different valuation interest rates. Index linked yields are real yields.

Product Group	Valuation interest rates	
	2010 %	2009 %
Non-linked pensions annuities	5.266	5.684
Non-linked life and general annuities	5.266	5.684
Index linked pensions annuities	0.980	1.812
Index linked life and general annuities	0.980	1.812
Bulk Purchase Annuities – Non-linked	5.266	5.684
Bulk Purchase Annuities – Index linked	0.980	1.812

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

- (3) In accordance with INSPRU 3.1.41R, a prudent adjustment, excluding that part of the yield estimated to represent compensation for the risk that the income from the asset might not be maintained or that capital repayments might not be received as they fall due, was made to the yield on assets.

This adjustment took account of:

- (a) Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available
- (b) The reasonableness of the net-of-adjustment yields over the yields of risk-free investments of a similar term in the same currency, taking account of the points above
- (c) The future outlook for bad debt experience
- (d) The historic experience of bad debts for each of the major fixed interest asset classes
- (e) The need to take a prudent view of the above

The deductions for bad debts were:

	31/12/2010	31/12/2009
Commercial mortgages	0.50%	0.50%
Healthcare mortgages (GPFC)	0.10%	0.10%
Non-linked equity release mortgages	1.35%	1.35%
RPI linked equity release mortgages pre-2007	2.25%	2.25%
RPI linked equity release mortgages 2007 onwards	3.60%	3.60%
Index linked property	0.69%	0.69%
Corporate Bonds – AAA	0.13%	0.09%
Corporate Bonds – AA	0.31%	0.28%
Corporate Bonds – A	0.38%	0.32%
Corporate Bonds – BBB	0.84%	0.67%
Corporate Bonds – BB	2.86%	1.68%
Corporate Bonds – B	5.28%	3.10%
Corporate Bonds – C	8.43%	4.95%
Corporate Bonds – unrated	0.84%	0.67%
Private placements	<i>See Note</i>	<i>See Note</i>
Swaps	0.00%	0.00%

Note: Rating-specific deductions were applied to private placements in line with the corporate bond deductions in the above table.

In addition, specific additional reserves are held in respect of the extra default risk in corporate bond and commercial mortgage markets. These are detailed in Section 8.

The valuation rate of interest used is net of a deduction of 0.08% which provides a prudent margin for cash flow reinvestment and disinvestment risk.

- (4) Except for Bulk Purchase Annuities, mortality is based on UK standard published tables with prudent allowance for current experience, and adjustments for improving longevity. For Bulk Purchase Annuities, mortality for pensions in payment is based upon “Model C” mortality with prudent allowance for current experience, and adjustments for improving longevity. The policyholders predominantly reside in the country of operation, except for business written in the Minor Sterling category.

The 2010 mortality basis is unchanged from the 2009 mortality basis for all Aviva Annuity UK Limited business except for:

- i. the introduction of a higher anti-selection adjustment in respect of new business in 2010; and for
 - ii. the block of business originating in Provident Mutual, for which the basis has been strengthened.
- Details are provided in the tables below.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

The following tables summarise the underlying Aviva Annuity UK Limited individual annuity mortality basis and improvement rates.

	Base table	31 December 2010		31 December 2009	
		Male %	Female %	Male %	Female %
Pensions Annuity (pre 2001)	PCMA00/PCFA00	88.5	83.0	88.5	83.0
Pension Annuity (2001-2009)	PCMA00/PCFA00	78.0	73.5	78.0	73.5
Pension Annuity (2010)	PCMA00/PCFA00	75.0	70.5	n/a	n/a
General Annuity	IML00/IFL00	69.0	72.0	69.0	72.0
Structured Settlements	ONS Interim Life Tables UK 2006-2008 adjusted	95.0	95.0	n/a	n/a
Improvement rates applied to both Pension and General Annuities	Medium cohort applicable from 2005	100.0	75.0	100.0	75.0
	Minimum rate p.a.	2.0	1.5	2.0	1.5
Improvement rates applied to Structured Settlements	100% of ONS improvement table plus additional 0.5% p.a.			n/a	n/a

The mortality basis for long term care immediate annuities is based on the same base tables as general annuities with individual loadings as advised by the underwriters at the point of sale and an additional margin for prudence.

The mortality basis for the non-profit pension immediate annuity business that had been written in Provident Mutual and was transferred into Aviva Annuity UK Limited has been strengthened. The 2010 and 2009 mortality bases and improvement rates for this Provident Mutual originated business are as follows.

	31 December 2010			31 December 2009		
	Base table	Male %	Female %	Base table	Male %	Female %
Individual business	IML00/IFL00	80.0	80.0	IML00/IFL00	90.0	90.0
Group business	PCMA00/PCFA00	90.0	100.0	PCMA00/PCFA00	100.0	110.0
Improvement rates applied to both Individual and Group business	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5	Minimum rate p.a.	2.0	1.5

Bulk Purchase Annuity Mortality in Deferment						
	31 December 2010			31 December 2009		
	Base table	Male %	Female %	Base table	Male %	Female %
Bulk Purchase Annuities	AM00 (ultimate)/ AF00 (ultimate)	83.6	86.0	AM00 (ultimate)/ AF00 (ultimate)	83.6	86.0
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5	Minimum rate p.a.	2.0	1.5

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

The base mortality table used for Bulk Purchase Annuity mortality in payment is a bespoke table and is denoted "Model C". The mortality basis for Bulk Purchase Annuity mortality in payment is shown in the table below.

Bulk Purchase Annuity Mortality in Payment: Modified "Model C"						
	31 December 2010			31 December 2009		
	Base table	Male %	Female %	Base table	Male %	Female %
*Bulk Purchase Annuities	Model C	93.5-100.98	93.5-107.525	Model C	93.5-100.98	93.5-107.525
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5	Minimum rate p.a.	2.0	1.5

* Note - The Bulk Purchase Annuity mortality rates are scheme-dependent.

No allowance is made or reserve held in addition to the assumptions above, in respect of possible changes in the incidence of disease or developments in medical science.

The resulting life expectancies from the valuation date for annuities in payment are shown in the table below at sample ages. Bulk Purchase Annuities life expectancies are shown for the average pensioner.

Expectations of life (years)	31 December 2010			
	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business pre 31/12/2000)	24.2	14.8	26.1	16.6
Standard Pensions Annuity (Business post 31/12/2000 and pre 1/1/2010)	25.6	16.0	27.3	17.6
Standard Pensions Annuity (Business post 31/12/2009)	26.0	16.3	27.7	18.0
General Annuity	26.8	16.8	28.1	18.0
Provident Mutual originated individual annuity	25.2	15.6	27.1	17.1
Provident Mutual originated group annuity	24.0	14.7	24.3	15.1
Bulk Purchase Annuities	24.3	15.0	26.2	16.8
Structured Settlements	23.2	14.5	25.9	16.4

Expectations of life (years)	31 December 2009			
	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business pre 31/12/2000)	24.0	14.7	25.9	16.5
Standard Pensions Annuity (Business post 31/12/2000)	25.3	15.8	27.1	17.5
General Annuity	26.6	16.7	28.0	17.8
Provident Mutual originated individual annuity	23.9	14.5	25.9	16.1
Provident Mutual originated group annuity	22.7	13.6	23.2	14.2
Bulk Purchase Annuities	24.1	14.9	26.1	16.7

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

The resulting life expectancies at age 65 for deferred annuities are shown in the table below at sample ages:

Expectations of life (years)	At Age 65			
	Male		Female	
	31/12/10	31/12/09	31/12/10	31/12/09
Bulk Purchase Annuities:				
Current Age 45	29.0	28.7	29.4	29.3
Current Age 55	26.6	26.3	27.8	27.6

- (5) Not applicable.
- (6) The value of future maintenance expenses is calculated from current maintenance expense levels by broad category of business, increasing by future expense inflation over the lifetime of each contract. The following expense assumptions are based on the terms of the Management Services Agreement between Aviva Life Services UK Limited and Aviva Annuity UK Limited and increased by 10% in respect of project costs. Expense assumptions are shown for pension annuities only. The per policy expenses are shown gross and no tax relief is assumed.

	Per policy expense £ per annum	
	2010	2009
Annuity non-profit CPA (400)	15.87	16.79
Annuity non-profit (bulk transfer) (401)	28.16	28.01

Per-policy expenses on CPA business have decreased since 2009 because of a larger number of policies over which the maintenance costs are spread.

An additional reserve of £11.3m has been established in respect of project cost overruns.

The assumed future inflation rate applying to maintenance expenses is 3.25% p.a.

- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) The valuation interest rate was adjusted to allow for investment expenses based on actual investment charges incurred. There were no other material basis assumptions.
- (11) The company holds the following derivatives to back policyholder liabilities:

One interest rate swap provides fixed interest cash flows in exchange for variable interest cashflows from certain mortgage assets used to back long-term fixed interest liabilities.

Five interest rate swaps are held in respect of matching asset and liability cashflows for fixed interest business, and provide long-term fixed interest cash flows in exchange for short and medium term cashflows

Two swaps provide fixed interest cash flows in exchange for RPI linked cashflows from two corporate bond assets used to back long-term fixed interest liabilities.

Two swaps are held to provide fixed interest cashflows in exchange for LIBOR cashflows, and these are used to back long-term fixed interest liabilities.

The company holds twenty currency swaps to hedge the risk of currency movements on corporate bonds denominated in US dollars backing liabilities denominated in Sterling.

Forty inflation swaps are held to hedge the risk of inflation arising from RPI and LPI linked liabilities, backed by fixed interest corporate bonds.

The valuation interest rate used to determine the value of long-term index linked liabilities is derived from the rate of interest which equates the discounted value of aggregate cash flows, including cash flows arising from each of the swaps, with the total market value of the asset portfolio, including the market value of each of the swap.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

Supplementary note 0204 gives details of the valuation interest rate approach.

- (12) There is no impact on mathematical reserves arising from changes in the INSPRU valuation rules effective from 31 December 2006.

5. Options and Guarantees

- (1) Not applicable.
- (2) Not applicable.
- (3) A reserve of £3.5m is held in respect of the guaranteed insurability option that exists on two bulk purchase annuity schemes. This option allows new member pensions to be placed with Aviva Annuity UK Limited (over the five years from October 2008) on guaranteed mortality assumptions. The amount of business that can be placed with Aviva Annuity UK Limited is limited to £200m on one scheme and to £75m on the other.

The reserve held is 2.5% of the outstanding limit in respect of this guarantee. This outstanding limit was £83m on the first scheme and £55m on the second scheme at end December 2010, which resulted in the reserve of £3.5m.

- (4) Some RPI-linked annuities are subject to maximum and minimum percentage increases. For valuation purposes these are treated as being identical to normal RPI-linked annuities.

There are no other guarantees with any value.

6. Expense Reserves

- (1) Based on the non-linked business in force at 31 December 2010, the explicit allowance for maintenance expenses during 2011 is £11.5m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2011 is £12.9m. All expenses have been treated as attributable.
- (2) The implicit allowance for investment expenses was estimated by applying the investment expense deductions by asset class assumed in the valuation interest rate calculation to the assets allocated to the valuation liabilities.
- (3) The maintenance expenses in line 14 of Form 43 are £24.8m. This figure compares directly with the sum of the expenses above in 6(1) of £24.4m.
- (4) The costs of acquiring new business assumed in the next twelve months would have little impact on the Company and would be charged to the new business written.
- (5) An assessment was made of the cost of closure of the Company to new business at the end of 2010 and a reserve for £42.1m, corresponding to the full cost, was established on Form 51.
- (6) There are no expenses which have been treated as non-attributable.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

7. Mismatching Reserves

- (1) Mathematical reserves for overseas business as reported in Forms 51 and 54 are all in respect of sterling liabilities. These are matched by sterling assets, except for £329m of US dollar bonds whose cashflows are converted into sterling using currency swaps.
- (2) There are no liabilities in non-sterling currencies.
- (3) No reserves are held for currency mismatching because there are no significant liabilities in currencies different from the matching assets.
- (4) Two tests were applied at December 2010, in line with INSPRU 3.1.16R:
 - (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%
 - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%

For those fixed interest securities that are not risk free, we assume the yield differential to risk free does not reduce in a resilience test.

The most onerous scenario as at 31 December 2010 was test (a).

- (5) Two tests were applied at December 2010, in line with INSPRU 3.1.23R, for the assets invested outside of the UK. For Aviva Annuity UK Limited the only significant territory is the US, in which the holding of fixed interest corporate bonds makes up approximately 1.5% of the overall portfolio of assets backing liabilities.
 - (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term US risk free yield accompanied by a fall in UK property values of 20%
 - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term US risk free yield accompanied by a fall in UK property values of 20%

For those fixed interest securities that are not risk free, we assume the yield differential to risk free does not reduce in a resilience test.

The most onerous scenario as at 31 December 2010 was test (a).

- (6) The assets and liabilities have been revalued on this interest basis as set out in (4) and (5) above.
 - (a) The calculations have led to a resilience capital requirement of £22.6m.
 - (b) The aggregate value of liabilities has decreased by £1,611.1m.
 - (c) The aggregate value of assets has decreased by £1,633.7m.
- (7) The valuation liabilities include an allowance of a 0.08% deduction from the valuation interest rate for duration mismatch as mentioned in section 4(3). No further reserve is required to satisfy INSPRU 1.1.34R.

8. Additional Special Reserves

An additional reserve to cover potential data quality issues is established at a level of 0.15% of the reserve for future annuity payments and expenses.

A reserve of £150m in respect of corporate bonds is held to cover current recessionary conditions and risks from call options on bonds.

A reserve of £350m in respect of commercial mortgages is held for additional credit defaults arising due to current recessionary conditions and reduced property valuations.

A reserve of £50m is held for the possibility that moving mortality improvement assumptions onto the CMI Model produces a strengthening of assumptions due to rounding of parameters.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

A reserve of £17m covers Aviva Annuity UK Limited's share of funding costs for the Aviva staff pension scheme deficit.

A reserve of £12m is in place to cover the increased costs of portfolio management in respect of commercial mortgages during the economic downturn.

9. Reinsurance

- (1) The Company has no facultative reinsurance with a reinsurer who is not authorised to carry out business in the United Kingdom.
- (2) There were 8 reinsurance treaties with external reinsurers where the Company was the ceding insurer and under which business was in force at the valuation date.

	Treaties 1 to 3
Reinsurer	Munich Re (Treaty 1 and 2) and Hannover Re (Treaty 3)
Nature of cover	50% (Treaty 1) or 90% (Treaties 2 and 3) Quota share on UK Long Term Care (Immediate Care) business
Premiums payable in 2010	£0.059m
Deposit back arrangements	Not applicable
Open/closed to new business	Treaty 1 was closed to new business in March 2001. New business is placed with either Munich Re under Treaty 2 or Hannover Re under Treaty 3.
Undischarged liabilities	None
Mathematical reserves ceded	Total reserves ceded under the 3 treaties are £11.219m
Retention limit for new policies	10% retained of each new annuity

Munich Re and Hannover Re are authorised to carry on insurance business in the UK and are not connected with the insurer. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under any of the treaties. None of the treaties is a financing arrangement.

	Treaty 4
Reinsurer	Hannover Re
Nature of cover	75% longevity swap on UK Impaired Life Annuity business
Premiums payable in 2010	£4.991m
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£8.613m
Retention limit for new policies	Not applicable

The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under the treaty. The treaty is not a financing arrangement.

	Treaty 5	Treaty 6
Reinsurer	XL Re	Partner Re
Nature of cover	Longevity swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The longevity swap is in respect of 7% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.	Longevity swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The longevity swap is in respect of 3% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.
Premiums payable in 2010	£41.777m	£17.905m
Deposit back arrangements	Not applicable	Not applicable
Open/closed to new business	Closed to new business	Closed to new business
Undischarged liabilities	None	None
Mathematical reserves ceded	£22.392m	£9.596m
Retention limit for new policies	Not applicable	Not applicable

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

XL Re is authorised to carry on insurance business in the UK. Partner Re is not authorised to carry on insurance business in the UK. Neither reinsurer is connected with the insurer. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under either treaty. Neither treaty is a financing arrangement.

Treaty 7	
Reinsurer	RGA Reinsurance UK Limited RGA Reinsurance US Limited
Nature of cover	Longevity swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The longevity swap is in respect of varying proportions of new enhanced pension annuities written from the treaty commencement date. The UK arm takes 10% of the total business reinsured whilst the US arm takes 90% of the total business reinsured.
Premiums payable in 2010	£1.988m £17.893m
Deposit back arrangements	Not applicable
Open/closed to new business	Open to new business
Undischarged liabilities	None
Mathematical reserves ceded	£2.943m £26.485m
Retention limit for new policies	If the Purchase Price is not more than £20,000, 90% is retained if automatically underwritten and 80% is retained if manually underwritten. Otherwise, policies with a Purchase Price up to and including £1m have 60% retained if automatically underwritten and 40% retained if manually underwritten. Policies with a Purchase Price in excess of £1m but not more than £2m have 75% retained if automatically underwritten and 60% retained if manually underwritten. 100% is retained of any Purchase Price in excess of £2m.

RGA Reinsurance UK Limited is authorised to carry on insurance business in the UK. RGA Reinsurance US Limited is not authorised to carry on insurance business in the UK. Neither reinsurer is connected with the insurer. The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under the treaty. The treaty is not a financing arrangement.

Treaty 8	
Reinsurer	Maturin UK 2008-01 (M/F 80-100) IC Limited
Nature of cover	Aviva Annuity UK Limited transfers longevity risk to Maturin via a longevity swap. The longevity risk is in respect of a defined block of in-force UK pension business agreed at the treaty commencement date. Aviva Annuity UK Limited receive monthly annuity payments based on actual experience on this business, subject to a cap and floor, and pay fixed monthly payments.
Premiums payable in 2010	£53.949m
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£10.421m
Retention limit for new policies	Not applicable

Maturin UK 2008-01 (M/F 80-100) IC Limited is authorised to carry on insurance business in Guernsey and is not connected. The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under the treaty. The treaty is not a financing arrangement.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2010**

There was one reinsurance treaty with another Group company where the Company was the ceding insurer and under which business was in force at the valuation date.

Internal Reinsurance Treaty 34	
Reinsurer	Aviva Life & Pensions UK Limited (Non Profit Sub-Fund 2)
Nature of cover	100% reinsurance of non-profit immediate pension annuities which were originally written in Aviva Life & Pensions UK Limited and were transferred to Aviva Annuity UK Limited as at 1 January 2005. The effect of the treaty is to transfer all the liabilities to Aviva Life & Pensions UK Limited as if the business had been written therein.
Premiums payable in 2010	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£241.036m
Retention limit for new policies	Not applicable

Aviva Life & Pensions UK Limited is authorised to carry on insurance business in the UK and is a connected company. The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under the treaty. The treaty is not a financing arrangement.

10. Reversionary bonus

Not relevant. The Company has no with profits business.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of Company **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

The following summarises investment policy for the use of derivatives: -

- Derivatives will only be used in accordance with FSA Guidelines for the purpose of efficient portfolio management or reduction in investment risk.
- Derivatives must not be used for speculative purposes.
- Derivatives must be fully covered by the assets of the fund and must not be used to 'gear up' a fund.
- Counterparty risk – for exchange traded contracts, the exchange must be classed as "regulated" by an investment committee. Over the counter contracts, transactions must only be transacted with approved counterparties.
- Counterparty limits are consistent, and monitored in line with the fund's aggregate exposure guidelines.
- Controls and Monitoring – delegated authorities exist for each member of staff using derivatives. Derivatives transactions are priced, settled and profit and losses reconciled in an area independent of the fund managers involved.

The speculative use of derivative contracts is prohibited.

There are no specific guidelines for the use of contracts that were not reasonably likely to be exercised at the start of the contract.

No derivative contracts were held at any time during the financial year that required a significant provision under INSPRU 3.2.17R, and where appropriate, all contracts held fell within the definition of a permitted derivative contract.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

100% of the issued share capital of the Company is held by Aviva Life & Pensions UK Limited.

100% of the issued share capital of Aviva Life & Pensions UK Limited is held by Aviva Life Holdings UK Limited.

100% of the issued share capital of Aviva Life Holdings UK Limited is held by Aviva Group Holdings Limited.

100% of the issued share capital of Aviva Group Holdings Limited is held by the Ultimate Parent Undertaking, Aviva plc.

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

All shares are voting shares.

Certificate by the directors required by IPRU (INS) 9.34(1) and IPRU (INS) Appendix 9.6

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2010**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) the directors are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
- 2 (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
- (c) the directors have, in preparing the return, taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

..... **T E STRAUSS**
Chief Executive

..... **J R LISTER**
Director

..... **D B BARRAL**
Director

March 2011

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Name of insurer **Aviva Annuity UK Limited**
Global Business
Financial year ended **31st December 2010**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report").

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50, 51, 54 and 57 (including the supplementary notes);
- the statement required by IPRU(INS) rule 9.30 and,
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act on 30 September 2006 referred to in supplementary note 0204. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report is required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report is required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet the requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or
- the Forms, the statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 29 March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Name of insurer **Aviva Annuity UK Limited**

Global Business

Financial year ended **31st December 2010**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation report is 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 and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP

Statutory Auditor

London

March 2011