



# Royal Scottish Assurance Plc

Registered office: 24/25 St Andrews Square, Edinburgh, EH2 1AF

**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 **Royal Scottish Assurance Plc**

Global Business

Financial year ended **31st December 2010**

**Contents**

<i>Forms</i>		<i>Page</i>
<b>IPRU (INS) Appendix 9.1</b>		
2	Statement of solvency – long-term insurance business	1
3	Components of capital resources	3
11	Calculation of general insurance capital requirement – premiums	6
12	Calculation of general insurance capital requirement – claims	7
13	Analysis of admissible assets	8
14	Long-term insurance business liabilities and margins	14
15	Liabilities (other than long term insurance business)	15
16	Profit and loss account (non-technical account)	16
<b>IPRU (INS) Appendix 9.3</b>		
40	Revenue account	17
41	Analysis of premiums	18
42	Analysis of claims	19
43	Analysis of expenses	20
44	Linked funds balance sheet	21
45	Revenue account for internal linked funds	22
46	Summary of new business	23
47	Analysis of new business	24
48	Non-linked assets	26
50	Summary of mathematical reserves	27
51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	28
52	Valuation summary of accumulating with-profit policies	32
53	Valuation summary of property linked contracts	36
54	Valuation summary of index linked contracts	40
55	Unit prices for internal linked funds	41
56	Index linked business	42
57	Analysis of valuation interest rates	43
58	Distribution of surplus	44
60	Long-term insurance capital requirement	45

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 **Royal Scottish Assurance Plc**

Global Business

Financial year ended **31st December 2010**

**Contents (continued)**

<i>Forms</i>	<i>Page</i>
<b>Supplementary notes</b>	46
<b>IPRU (INS) Appendix 9.4</b>	
Valuation report	51
<b>IPRU (INS) 9.29 and 9.30</b>	
Statement on derivatives required by IPRU (INS) 9.29	85
Statement on controllers required by IPRU (INS) 9.30	86
<b>Certificate by the directors and report of the auditors – IPRU (INS) Appendix 9.6</b>	
Certificate by the directors required by IPRU (INS) 9.34(1)	87
Independent auditor's report to the directors pursuant to IPRU (INS) 9.35	88
<b>IPRU (INS) 9.36</b>	
Information on the With Profit Actuary required by IPRU (INS) 9.36	90

**Statement of solvency - long-term insurance business****Form 2**Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	<b>R2</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
				As at end of this financial year		As at end of the previous year	
				<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	33753	44204
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	151395	123344
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	185148	167548

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	10677	11696
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	174471	155852

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	32032	35089
Resilience capital requirement	<b>32</b>	2400	9000
Base capital resources requirement	<b>33</b>	3040	3128
Individual minimum capital requirement	<b>34</b>	34432	44089
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	34432	44089
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	167932	145503
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	159324	134481

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	34432	44089

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	34432	44089
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	150716	123459

**Contingent liabilities**

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

**Covering sheet to Form 2**

**Form 2**

Name of insurer **Royal Scottish Assurance Plc**

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 **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	<b>R3</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
	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			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>			

**Core tier one capital**

Permanent share capital	<b>11</b>		58200	58200	148200
Profit and loss account and other reserves	<b>12</b>		185641	185641	83632
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		243841	243841	231832

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions</b> (19+24+25+26+27+28)	<b>31</b>		243841	243841	231832
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		39847	39847	44488
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		39847	39847	44488
<b>Total tier one capital after deductions</b> (31-37)	<b>39</b>		203994	203994	187344

**Components of capital resources****Form 3  
(Sheet 2)**Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	<b>R3</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
	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			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>			

**Tier two capital**

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

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

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

**Components of capital resources****Form 3  
(Sheet 3)**Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	<b>R3</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
	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			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>			

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		203994	203994		187344
Inadmissible assets other than intangibles and own shares	<b>73</b>		18846	18846		19796
Assets in excess of market risk and counterparty limits	<b>74</b>					
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		185148	185148		167548

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

Available capital resources for guarantee fund requirement	<b>81</b>		185148	185148		167548
Available capital resources for 50% MCR requirement	<b>82</b>		185148	185148		167548
Available capital resources for 75% MCR requirement	<b>83</b>		185148	185148		167548

**Financial engineering adjustments**

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



**Calculation of general insurance capital requirement - premiums amount and brought forward amount**
**Form 11**

 Name of insurer **Royal Scottish Assurance Plc**

Global business

 Financial year ended **31st December 2010**

Long-term insurance business

	Company registration number	GL/UK/CM	day	month	year	units	
	R11	119820	GL	31	12	2010	£000
			This financial year		Previous year		
			1		2		
Gross premiums written	11			393		434	
Premiums taxes and levies (included in line 11)	12						
Premiums written net of taxes and levies (11-12)	13			393		434	
Premiums for classes 11, 12 or 13 (included in line 13)	14						
Premiums for "actuarial health insurance" (included in line 13)	15						
<b>Sub-total A</b> (13 + 1/2 14 - 2/3 15)	16			393		434	
Gross premiums earned	21			393		434	
Premium taxes and levies (included in line 21)	22						
Premiums earned net of taxes and levies (21-22)	23			393		434	
Premiums for classes 11, 12 or 13 (included in line 23)	24						
Premiums for "actuarial health insurance" (included in line 23)	25						
<b>Sub-total H</b> (23 + 1/2 24 - 2/3 25)	26			393		434	
<b>Sub-total I</b> (higher of sub-total A and sub-total H)	30			393		434	
<b>Adjusted sub-total I</b> if financial year is not a 12 month period to produce an annual figure	31						
Division of gross adjusted premiums amount: sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32		71		78	
	Excess (if any) over 57.5M EURO x 0.02	33					
<b>Sub-total J</b> (32-33)	34			71		78	
Claims paid in period of 3 financial years	41			800		1041	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42		792		939	
	For insurance business accounted for on an accident year basis	43					
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44		810		1129	
	For insurance business accounted for on an accident year basis	45					
<b>Sub-total C</b> (41+42+43-44-45)	46			782		851	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47			462		623	
<b>Sub-total D</b> (46-47)	48			320		228	
<b>Reinsurance ratio</b> (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)	49			0.50		0.50	
<b>Premiums amount</b> (Sub-total J x reinsurance ratio)	50			36		39	
Provisions for claims outstanding (before discounting and net of reinsurance)	51			181		219	
Provisions for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero	52						
Brought forward amount (see instruction 4)	53			194		235	
Greater of lines 50 and 53	54			194		235	

## Calculation of general insurance capital requirement - claims amount and result

Form 12

Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

Long-term insurance business

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R12	119820	GL	31	12	2010	£000
				This financial year		Previous year		
				1		2		
Reference period (No. of months) See <i>INSPRU</i> 1.1.63R		11		36		36		
Claims paid in reference period		21		800		1041		
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22		792		939		
	For insurance business accounted for on an accident year basis	23						
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24		810		1129		
	For insurance business accounted for on an accident year basis	25						
Claims incurred in reference period (21+22+23-24-25)		26		782		851		
Claims incurred for classes 11, 12 or 13 (included in 26)		27						
Claims incurred for "actuarial health insurance" (included in 26)		28						
<b>Sub-total E</b> (26 + 1/2 27 - 2/3 28)		29		782		851		
<b>Sub-total F</b> - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)		31		261		284		
Division of sub-total F (gross adjusted claims amount)	X 0.26	32		68		74		
	Excess (if any) over 40.3M EURO x 0.03	33						
<b>Sub-total G</b> (32 - 33)		39		68		74		
<b>Claims amount</b> Sub-total G x <b>reinsurance ratio</b> (11.49)		41		34		37		
Higher of <b>premiums amount</b> and <b>brought forward amount</b> (11.54)		42		194		235		
<b>General insurance capital requirement</b> (higher of lines 41 and 42)		43		194		235		

**Analysis of admissible assets****Form 13  
(Sheet 1)**Name of insurer **Royal Scottish Assurance Plc**

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	
	<b>R13</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>1</b>
						As at end of this financial year	As at end of the previous year	
						<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>					

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>		
Rights under derivative contracts	<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	56003 48215
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	42702 56906
	More than one month withdrawal	<b>55</b>	35500
Other financial investments	<b>56</b>		

**Analysis of admissible assets****Form 13  
(Sheet 2)**Name of insurer **Royal Scottish Assurance Plc**

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	
	<b>R13</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>1</b>
						As at end of this financial year	As at end of the previous year	
						<b>1</b>	<b>2</b>	
Deposits with ceding undertakings						<b>57</b>		
Assets held to match linked liabilities	Index linked					<b>58</b>		
	Property linked					<b>59</b>		

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>		7
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	17491	18794
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	108	62
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
---	-----------	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	151804	123984
---	-----------	--------	--------

**Analysis of admissible assets****Form 13  
(Sheet 3)**Name of insurer **Royal Scottish Assurance Plc**

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
<b>R13</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>1</b>
						As at end of this financial year	As at end of the previous year
						<b>1</b>	<b>2</b>

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	151804	123984
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>		(1333)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	151804	122651
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets****Form 13  
(Sheet 1)**Name of insurer **Royal Scottish Assurance Plc**

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
	<b>R13</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
						As at end of this financial year	As at end of the previous year
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	19277	17908
Rights under derivative contracts	<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	72003 94587
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	5000
	More than one month withdrawal	<b>55</b>	23274 54663
Other financial investments	<b>56</b>	18	17

**Analysis of admissible assets****Form 13  
(Sheet 2)**Name of insurer **Royal Scottish Assurance Plc**

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	
	<b>R13</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>10</b>
						As at end of this financial year	As at end of the previous year	
						<b>1</b>	<b>2</b>	
Deposits with ceding undertakings			<b>57</b>					
Assets held to match linked liabilities	Index linked		<b>58</b>		251075			321036
	Property linked		<b>59</b>		648990			621120

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		2652		7293
	Intermediaries	<b>72</b>				
Salvage and subrogation recoveries	<b>73</b>					
Reinsurance	Accepted	<b>74</b>				
	Ceded	<b>75</b>		2394		2596
Dependants	due in 12 months or less	<b>76</b>				
	due in more than 12 months	<b>77</b>				
Other	due in 12 months or less	<b>78</b>		12458		17921
	due in more than 12 months	<b>79</b>				

**Other assets**

Tangible assets	<b>80</b>					
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>			20392		10830
Cash in hand	<b>82</b>					
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>					
Accrued interest and rent	<b>84</b>			255		274
Deferred acquisition costs (general business only)	<b>85</b>					
Other prepayments and accrued income	<b>86</b>					

Deductions from the aggregate value of assets	<b>87</b>					
---	-----------	--	--	--	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>			1052788		1153245
---	-----------	--	--	---------	--	---------

**Analysis of admissible assets****Form 13  
(Sheet 3)**Name of insurer **Royal Scottish Assurance Plc**

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	
	<b>R13</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>	<b>10</b>
						As at end of this financial year	As at end of the previous year	
						<b>1</b>	<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	1052788	1153245
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	1747	1988
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	17099	17808
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	124676	111074
Other asset adjustments (may be negative)	<b>101</b>	1716	3439
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	1198026	1287554
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		



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

Name of insurer **Royal Scottish Assurance Plc**

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
		<b>1</b>	<b>2</b>
Mathematical reserves, after distribution of surplus	<b>11</b>	979267	1036307
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus / (valuation deficit)	<b>13</b>	33753	44204
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	1013020	1080511
Claims outstanding	Gross	14528	22258
	Reinsurers' share	3271	2187
	Net (15-16)	11257	20071
Provisions	Taxation		
	Other risks and charges		
Deposits received from reinsurers	<b>23</b>	359	385
Creditors	Direct insurance business	6608	5637
	Reinsurance accepted		
	Reinsurance ceded	1243	1153
Debenture loans	Secured		
	Unsecured		
Amounts owed to credit institutions	<b>36</b>	1568	5928
Creditors	Taxation	334	
	Other	17310	31289
Accruals and deferred income	<b>39</b>	1089	8271
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	39768	72734
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	1052788	1153245
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	9160	10973
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	648989	621120
Total liabilities (11+12+49)	<b>71</b>	1019035	1109041
Increase to liabilities – DAC related	<b>72</b>	3184	3321
Reinsurers' share of technical provisions	<b>73</b>	124676	111074
Other adjustments to liabilities (may be negative)	<b>74</b>	(41315)	(44370)
Capital and reserves and fund for future appropriations	<b>75</b>	92446	108488
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	1198026	1287554

**Liabilities (other than long-term insurance business)****Form 15**Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	<b>R15</b>	<b>119820</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2010</b>	<b>£000</b>
						As at the end of this financial year	As at the end of the previous year
						<b>1</b>	<b>2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>				
	Other risks and charges	<b>22</b>				
Deposits received from reinsurers		<b>31</b>				
Creditors	Direct insurance business	<b>41</b>				
	Reinsurance accepted	<b>42</b>				
	Reinsurance ceded	<b>43</b>				
Debenture loans	Secured	<b>44</b>				
	Unsecured	<b>45</b>				
Amounts owed to credit institutions		<b>46</b>				
Creditors	Taxation	<b>47</b>		409		640
	Foreseeable dividend	<b>48</b>				
	Other	<b>49</b>				
Accruals and deferred income		<b>51</b>				
Total (19 to 51)		<b>59</b>		409		640
Provision for "reasonably foreseeable adverse variations"		<b>61</b>				
Cumulative preference share capital		<b>62</b>				
Subordinated loan capital		<b>63</b>				
Total (59 to 63)		<b>69</b>		409		640

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

Amounts deducted from technical provisions for discounting	<b>82</b>					
Other adjustments (may be negative)	<b>83</b>					(1333)
Capital and reserves	<b>84</b>			151395		123344
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>			151804		122651

**Profit and loss account (non-technical account)****Form 16**Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	119820	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			36000		18000	
Investment income	Income	14			923		1173	
	Value re-adjustments on investments	15			488		2354	
	Gains on the realisation of investments	16			61			
Investment charges	Investment management charges, including interest	17			12		6	
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19					1235	
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			37460		20286	
Tax on profit or loss on ordinary activities		31			409		640	
Profit or loss on ordinary activities after tax (29-31)		39			37051		19646	
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			37051		19646	
Dividends (paid or foreseeable)		51			9000		14500	
Profit or loss retained for the financial year (49-51)		59			28051		5146	

**Long-term insurance business: Revenue account****Form 40**Name of insurer **Royal Scottish Assurance Plc**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	46096	61276
Investment income receivable before deduction of tax	12	24884	30738
Increase (decrease) in the value of non-linked assets brought into account	13	14199	31152
Increase (decrease) in the value of linked assets	14	62128	109167
Other income	15	791	
<b>Total income</b>	<b>19</b>	<b>148098</b>	<b>232333</b>

**Expenditure**

Claims incurred	21	147253	184700
Expenses payable	22	23469	29586
Interest payable before deduction of tax	23	1842	5868
Taxation	24	7025	5319
Other expenditure	25		174
Transfer to (from) non technical account	26	36000	18000
<b>Total expenditure</b>	<b>29</b>	<b>215589</b>	<b>243647</b>

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(67491)	(11314)
Fund brought forward	49	1080511	1091825
Fund carried forward (39+49)	59	1013020	1080511

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

Name of insurer **Royal Scottish Assurance Plc**

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	58326	8469		66795	66893
Single premiums	12	(1598)	5194		3596	18409

**Reinsurance - external**

Regular premiums	13	19418	17		19435	19044
Single premiums	14		4860		4860	4982

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	38908	8452		47360	47849
Single premiums	18	(1598)	334		(1264)	13427

**Total**

Gross	19	56728	13663		70391	85302
Reinsurance	20	19418	4877		24295	24026
Net	21	37310	8786		46096	61276

## Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Royal Scottish Assurance Plc**

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	26402	952	27354	30498
Disability periodic payments	12				
Surrender or partial surrender	13	37811	18627	56438	63390
Annuity payments	14	5		5	5
Lump sums on maturity	15	67830	7352	75182	104386
<b>Total</b>	<b>16</b>	<b>132048</b>	<b>26931</b>	<b>158979</b>	<b>198279</b>

**Reinsurance - external**

Death or disability lump sums	21	11339	3	11342	11667
Disability periodic payments	22				
Surrender or partial surrender	23	258	101	359	1897
Annuity payments	24	5		5	5
Lump sums on maturity	25		20	20	10
<b>Total</b>	<b>26</b>	<b>11602</b>	<b>124</b>	<b>11726</b>	<b>13579</b>

**Reinsurance - intra-group**

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

**Net of reinsurance**

Death or disability lump sums	41	15063	949	16012	18831
Disability periodic payments	42				
Surrender or partial surrender	43	37553	18526	56079	61493
Annuity payments	44				
Lump sums on maturity	45	67830	7332	75162	104376
<b>Total</b>	<b>46</b>	<b>120446</b>	<b>26807</b>	<b>147253</b>	<b>184700</b>

**Long-term insurance business: Analysis of expenses****Form 43**

Name of insurer **Royal Scottish Assurance Plc**

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	1710	35	1745	1254
Commission - other	12	407	8	415	784
Management - acquisition	13	12504	210	12714	15827
Management - maintenance	14	3440	3686	7126	9156
Management - other	15	1445	24	1469	2565
<b>Total</b>	<b>16</b>	<b>19506</b>	<b>3963</b>	<b>23469</b>	<b>29586</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41	1710	35	1745	1254
Commission - other	42	407	8	415	784
Management - acquisition	43	12504	210	12714	15827
Management - maintenance	44	3440	3686	7126	9156
Management - other	45	1445	24	1469	2565
<b>Total</b>	<b>46</b>	<b>19506</b>	<b>3963</b>	<b>23469</b>	<b>29586</b>

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

Form 44

Name of insurer **Royal Scottish Assurance Plc**

Total business

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

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

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

Directly held assets (excluding collective investment schemes)	<b>11</b>	607345	580074
Directly held assets in collective investment schemes of connected companies	<b>12</b>	46358	45915
Directly held assets in other collective investment schemes	<b>13</b>	5778	6016
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	659481	632005
Provision for tax on unrealised capital gains	<b>15</b>	3324	2915
Secured and unsecured loans	<b>16</b>		
Other liabilities	<b>17</b>	7150	7953
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	649007	621137

**Directly held linked assets**

Value of directly held linked assets	<b>21</b>		
--------------------------------------	-----------	--	--

**Total**

Value of directly held linked assets and units held (18+21)	<b>31</b>	649007	621137
Surplus units	<b>32</b>		
Deficit units	<b>33</b>	22666	20458
<b>Net unit liability (31-32+33)</b>	<b>34</b>	671673	641595



**Long-term insurance business: revenue account for internal linked funds****Form 45**Name of insurer **Royal Scottish Assurance Plc**

Total business

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

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

**Income**

Value of total creation of units	<b>11</b>	19433	32011
Investment income attributable to the funds before deduction of tax	<b>12</b>	21097	20664
Increase (decrease) in the value of investments in the financial year	<b>13</b>	62195	111504
Other income	<b>14</b>	436	431
<b>Total income</b>	<b>19</b>	103161	164610

**Expenditure**

Value of total cancellation of units	<b>21</b>	64858	76812
Charges for management	<b>22</b>	6412	5688
Charges in respect of tax on investment income	<b>23</b>	729	1590
Taxation on realised capital gains	<b>24</b>	2273	(3746)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	<b>25</b>	649	4881
Other expenditure	<b>26</b>	370	371
<b>Total expenditure</b>	<b>29</b>	75291	85596
Increase (decrease) in funds in financial year (19-29)	<b>39</b>	27870	79014
Internal linked fund brought forward	<b>49</b>	621137	542123
Internal linked funds carried forward (39+49)	<b>59</b>	649007	621137

**Long-term insurance business: Summary of new business****Form 46**Name of insurer **Royal Scottish Assurance Plc**

Total business

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

	UK Life <b>1</b>	UK Pension <b>2</b>	Overseas <b>3</b>	Total Financial year <b>4</b>	Total Previous year <b>5</b>
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

**Number of new policyholders / scheme members for direct insurance business**

Regular premium business	<b>11</b>	34078		34078	43366
Single premium business	<b>12</b>		572	572	1437
<b>Total</b>	<b>13</b>	34078	572	34650	44803

**Amount of new regular premiums**

Direct insurance business	<b>21</b>	9650		9650	11168
External reinsurance	<b>22</b>				
Intra-group reinsurance	<b>23</b>				
<b>Total</b>	<b>24</b>	9650		9650	11168

**Amount of new single premiums**

Direct insurance business	<b>25</b>	(1598)	5194	3596	18409
External reinsurance	<b>26</b>				
Intra-group reinsurance	<b>27</b>				
<b>Total</b>	<b>28</b>	(1598)	5194	3596	18409

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 1)**Name of insurer **Royal Scottish Assurance Plc**

Total business

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

UK Life / Direct insurance business

Product code number <b>1</b>	Product description <b>2</b>	Regular premium business		Single premium business	
		Number of policyholders / scheme members <b>3</b>	Amount of premiums <b>4</b>	Number of policyholders / scheme members <b>5</b>	Amount of premiums <b>6</b>
300	Regular premium non-profit WL/EA OB	14194	2494		
305	Single premium non-profit WL/EA OB				(210)
325	Level term assurance	10474	2646		
330	Decreasing term assurance	4118	1312		(1566)
345	Accelerated critical illness (reviewable premiums)	5292	3198		
700	Life property linked single premium				178

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 2)**Name of insurer **Royal Scottish Assurance Plc**

Total business

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

UK Pension / 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
400	Annuity non-profit (CPA)			572	4907
725	Individual pensions property linked				287

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

Name of insurer **Royal Scottish Assurance Plc**

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				
Approved fixed interest securities	12				
Other fixed interest securities	13				
Variable interest securities	14	72075	72075	829	1.11
UK listed equity shares	15				
Non-UK listed equity shares	16				
Unlisted equity shares	17				
Other assets	18	80648	80648	397	0.30
<b>Total</b>	<b>19</b>	<b>152723</b>	<b>152723</b>	<b>1226</b>	<b>0.68</b>

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

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

**Overall return on with-profits assets**

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

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

Form 50

Name of insurer **Royal Scottish Assurance Plc**

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

Financial year ended **31st December 2010**

Units **£000**

	UK Life <b>1</b>	UK Pension <b>2</b>	Overseas <b>3</b>	Total Financial Year <b>4</b>	Total Previous Year <b>5</b>
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

**Gross**

Form 51 - with-profits	<b>11</b>				
Form 51 - non-profit	<b>12</b>	72042	86151	158193	161361
Form 52	<b>13</b>	5282	3070	8352	8976
Form 53 - linked	<b>14</b>	321118	327872	648990	621121
Form 53 - non-linked	<b>15</b>	31672	5254	36926	38017
Form 54 - linked	<b>16</b>	240397		240397	309689
Form 54 - non-linked	<b>17</b>	7813		7813	6030
<b>Total</b>	<b>18</b>	678324	422347	1100671	1145194

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>				
Form 51 - non-profit	<b>22</b>	44890	69380	114270	101645
Form 52	<b>23</b>	4068	2439	6507	6491
Form 53 - linked	<b>24</b>				
Form 53 - non-linked	<b>25</b>	627		627	751
Form 54 - linked	<b>26</b>				
Form 54 - non-linked	<b>27</b>				
<b>Total</b>	<b>28</b>	49585	71819	121404	108887

**Reinsurance - intra-group**

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

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>				
Form 51 - non-profit	<b>42</b>	27152	16771	43923	59716
Form 52	<b>43</b>	1214	631	1845	2485
Form 53 - linked	<b>44</b>	321118	327872	648990	621121
Form 53 - non-linked	<b>45</b>	31045	5254	36299	37266
Form 54 - linked	<b>46</b>	240397		240397	309689
Form 54 - non-linked	<b>47</b>	7813		7813	6030
<b>Total</b>	<b>48</b>	628739	350528	979267	1036307

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 1)**Name of insurer **Royal Scottish Assurance Plc**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
300	Regular premium non-profit WL/EA OB	106146	332378	18597	n/a	n/a	n/a	29298
305	Single premium non-profit WL/EA OB	629	20545		n/a	n/a	n/a	20194
325	Level term assurance	57727	4706548	13553	n/a	n/a	n/a	1637
330	Decreasing term assurance	70035	2476754	8056	n/a	n/a	n/a	(1342)
340	Accelerated critical illness (guaranteed premiums)	4809	265653	1815	n/a	n/a	n/a	7550
345	Accelerated critical illness (reviewable premiums)	18578	1502863	10666	n/a	n/a	n/a	(7174)
350	Stand-alone critical illness (guaranteed premiums)	340	23015	135	n/a	n/a	n/a	810
355	Stand-alone critical illness (reviewable premiums)	153	10310	85	n/a	n/a	n/a	188
440	Additional reserves non-profit OB				n/a	n/a	n/a	20881

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 2)**Name of insurer **Royal Scottish Assurance Plc**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
300	Regular premium non-profit WL/EA OB		134026	6683	n/a	n/a	n/a	25808
325	Level term assurance		3742821	4564	n/a	n/a	n/a	13048
330	Decreasing term assurance		1760383	2757	n/a	n/a	n/a	4578
340	Accelerated critical illness (guaranteed premiums)		180190	1038	n/a	n/a	n/a	699
345	Accelerated critical illness (reviewable premiums)		1185191	3991	n/a	n/a	n/a	(473)
350	Stand-alone critical illness (guaranteed premiums)		18083	110	n/a	n/a	n/a	494
355	Stand-alone critical illness (reviewable premiums)		7777	32	n/a	n/a	n/a	188
440	Additional reserves non-profit OB				n/a	n/a	n/a	548



**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51  
(Sheet 3)**Name of insurer **Royal Scottish Assurance Plc**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
325	Level term assurance	834	107433	388	n/a	n/a	n/a	63
330	Decreasing term assurance	274	31726	123	n/a	n/a	n/a	(87)
400	Annuity non-profit (CPA)	5903	3676		n/a	n/a	n/a	69019
440	Additional reserves non-profit OB				n/a	n/a	n/a	17156

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51  
(Sheet 4)**Name of insurer **Royal Scottish Assurance Plc**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
325	Level term assurance		73713	107	n/a	n/a	n/a	309
330	Decreasing term assurance		25084	49	n/a	n/a	n/a	56
400	Annuity non-profit (CPA)		3676		n/a	n/a	n/a	69019
440	Additional reserves non-profit OB				n/a	n/a	n/a	(4)

**Long-term insurance business: Valuation summary of accumulating with-profits contracts**Name of insurer **Royal Scottish Assurance Plc**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
515	Life UWP endowment regular premium – target cash	195	8539	170	3666	3666	603	4269
610	Additional reserves UWP						1013	1013

**Long-term insurance business: Valuation summary of accumulating with-profits contracts**Name of insurer **Royal Scottish Assurance Plc**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
515	Life UWP endowment regular premium – target cash		8539	170	3666	3666	402	4068

**Long-term insurance business: Valuation summary of accumulating with-profits contracts****Form 52  
(Sheet 3)**Name of insurer **Royal Scottish Assurance Plc**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
525	Individual pensions UWP	89	2137		2137	2109	340	2449
610	Additional reserves UWP						621	621

**Long-term insurance business: Valuation summary of accumulating with-profits contracts****Form 52  
(Sheet 4)**Name of insurer **Royal Scottish Assurance Plc**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
525	Individual pensions UWP		2137		2137	2109	315	2423
610	Additional reserves UWP						16	16

**Long-term insurance business: Valuation summary of property linked contracts**Name of insurer **Royal Scottish Assurance Plc**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
700	Life property linked single premium	6748	204347		204347	204347	226	204573
710	Life property linked whole life regular premium	1947	135726	1349	10975	10975	11707	22682
715	Life property linked endowment regular premium - savings	24	317	13	317	317		317
720	Life property linked endowment regular premium – target cash	8754	261305	5898	104794	104794	490	105283
795	Miscellaneous property linked	388	685	158	685	685	593	1278
800	Additional reserves property linked						18656	18656

**Long-term insurance business: Valuation summary of property linked contracts****Form 53  
(Sheet 2)**Name of insurer **Royal Scottish Assurance Plc**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
720	Life property linked endowment regular premium – target cash		12950	88			111	111
795	Miscellaneous property linked						478	478
800	Additional reserves property linked						38	38



**Long-term insurance business: Valuation summary of property linked contracts**Name of insurer **Royal Scottish Assurance Plc**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
725	Individual pensions property linked	23315	329162	8141	329162	325893	4950	330843
755	Trustee investment plan	7	1979		1979	1979		1979
800	Additional reserves property linked						304	304

**Long-term insurance business: Valuation summary of property linked contracts**Name of insurer **Royal Scottish Assurance Plc**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
725	Individual pensions property linked			10				

**Long-term insurance business: Valuation summary of index linked contracts****Form 54  
(Sheet 1)**Name of insurer **Royal Scottish Assurance Plc**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
900	Life index linked single premium	11517	240338		240397	240397	870	241267
915	Additional reserves index linked						6943	6943

**Long-term insurance business: Unit prices for internal linked funds****Form 55**Name of insurer **Royal Scottish Assurance Plc**

Total business

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

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit mgmt charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Aviva RSA Life Growth Managed - U011YA	04 - life - other managed fund	277890149	Aviva RSA Life Growth Managed Accumulation RSA - F346YL	1.00	3.0323	3.4021	12.20
Aviva RSA Pensions Growth Managed - V062YA	14 - individual pension - other managed fund	301507932	Aviva RSA Pensions Growth Managed Accumulation RSA - F861YP	1.00	3.7670	4.2790	13.59

**Long-term insurance business: index linked business****Form 56**Name of insurer **Royal Scottish Assurance Plc**

Total business

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

		<b>Value of assets</b>	<b>Mean term</b>
		<b>1</b>	<b>2</b>
<b>Analysis of assets</b>			
Approved variable interest securities	<b>11</b>		
Other variable interest securities	<b>12</b>	186032	1.94
Approved fixed interest securities	<b>13</b>		
Other fixed interest securities	<b>14</b>		
Cash and deposits	<b>15</b>	65043	
Equity index derivatives	<b>16</b>		
Inflation swaps	<b>17</b>		
Other assets	<b>18</b>		
Variation margin	<b>19</b>		
<b>Total (11 to 19)</b>	<b>20</b>	251075	
<b>Credit rating of other fixed interest and other variable interest securities</b>			
AAA/Aaa	<b>31</b>	29267	
AA/Aa	<b>32</b>	146783	
A/A	<b>33</b>	9982	
BBB/Baa	<b>34</b>		
BB/Ba	<b>35</b>		
B/B	<b>36</b>		
CCC/Caa	<b>37</b>		
Other (including unrated)	<b>38</b>		
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>	186032	

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

Name of insurer **Royal Scottish Assurance Plc**

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 assurances	(13694)	2.70	3.50	3.99
UK L&GA NP Form 51 bonds	17144	1.28	1.65	1.69
UK L&GA NP Form 51 stand-alone critical illness	315	3.50	3.50	3.99
UK L&GA NP Form 51 waiver of premium reserves	2	3.80	3.80	3.99
UK L&GA NP Form 51 additional reserves (assurances)	14341	2.70	3.50	3.99
UK L&GA NP Form 51 additional reserves (stand-alone critical illness)	20	3.50	3.50	3.99
UK L&GA NP Form 51 additional reserves	9024			
UK Pens NP Form 51 assurances	(388)	3.50	3.50	3.99
UK Pens NP Form 51 annuities		3.80	3.80	3.99
UK Pens NP Form 51 additional reserves (assurances)	42	3.50	3.50	3.99
UK Pens NP Form 51 additional reserves (annuities)	17117	3.80	3.80	3.99
UK L&GA NP Form 52 mortality and expense reserves	201	2.70	3.50	3.99
UK L&GA NP Form 52 additional reserves	1013	2.70	3.50	3.99
UK Pens NP Form 52 mortality and expense reserves	25	3.50	3.50	3.99
UK Pens NP Form 52 additional reserves	606	3.50	3.50	3.99
UK L&GA NP Form 53 mortality and expense reserves	12261	2.70	3.50	3.99
UK L&GA NP Form 53 waiver of premium reserves	166	3.80	3.80	3.99
UK L&GA NP Form 53 additional reserves (assurances)	11589	2.70	3.50	3.99
UK L&GA NP Form 53 additional reserves (stand-alone critical illness)	9	3.80	3.80	3.99
UK L&GA NP Form 53 additional reserves	7020			
UK Pens NP Form 53 mortality and expense reserves	4938	3.50	3.50	3.99
UK Pens NP Form 53 waiver of premium reserves	13	3.80	3.80	3.99
UK Pens NP Form 53 additional reserves	303	3.50	3.50	3.99
UK L&GA NP Form 54 mortality and expense reserves	870	2.70	3.50	3.99
UK L&GA NP Form 54 additional reserves	4428	2.70	3.50	3.99
UK L&GA NP Form 54 additional reserves	2515			
TOTAL	89880	n/a	n/a	n/a

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

Name of insurer **Royal Scottish Assurance Plc**

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

Financial year ended **31st December 2010**

Units **£000**

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

**Valuation result**

Fund carried forward	<b>11</b>	1013020	1080511
Bonus payments in anticipation of a surplus	<b>12</b>		
Transfer to non-technical account	<b>13</b>	36000	18000
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	1049020	1098511
Mathematical reserves	<b>21</b>	979267	1036307
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	69753	62204

**Composition of surplus**

Balance brought forward	<b>31</b>	44204	44576
Transfer from non-technical account	<b>32</b>		
Transfer from other funds / parts of fund	<b>33</b>		
Surplus arising since the last valuation	<b>34</b>	25549	17628
Total	<b>39</b>	69753	62204

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>		
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>		
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>		
Net transfer out of fund / part of fund	<b>47</b>	36000	18000
Total distributed surplus (46+47)	<b>48</b>	36000	18000
Surplus carried forward	<b>49</b>	33753	44204
Total (48+49)	<b>59</b>	69753	62204

**Percentage of distributed surplus allocated to policyholders**

Current year	<b>61</b>		
Current year - 1	<b>62</b>		
Current year - 2	<b>63</b>		
Current year - 3	<b>64</b>		

## Long-term insurance capital requirement

Form 60

Name of insurer **Royal Scottish Assurance Plc**

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%	115	115	0.50	2	
Classes I (other), II and IX	13	0.15%	77107	77107		58	127
Classes I (other), II and IX	14	0.3%	9329153	2403094		13994	13790
Classes III, VII and VIII	15	0.3%	277717	264407	0.95	793	908
<b>Total</b>	<b>16</b>		9684092	2744723		14845	14827

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

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					194	235
---	----	--	--	--	--	-----	-----

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	153803	33692	0.85	1307	1330
Classes III, VII and VIII (investment risk)	33	1%	278773	278773	1.00	2788	3477
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				526	708
Class IV (other)	36	1%	2534	1241	0.85	22	23
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					4643	5538

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	153803	33692	0.85	3922	3989
Classes III, VII and VIII (investment risk)	43	3%	278773	278773	1.00	8363	10430
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	665561	665561			
Class IV (other)	46	3%	2534	1241	0.85	65	70
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		1100671	979267		12350	14489

<b>Long term insurance capital requirement</b>	<b>51</b>					32032	35089
--	-----------	--	--	--	--	-------	-------



Returns under the Accounts and Statements Rules

**Supplementary notes**

Name of insurer **Royal Scottish Assurance Plc**  
 Global business  
 Financial year ended **31st December 2010**

**Appendix 9.1**

**0201 Modification to the return**

This return has been prepared in accordance with the Accounts and Statements Rules as modified by the following written concession:

Rule INSPRU 2.1.22R is amended by the addition of the following subparagraph (7): “(7) For the purpose of this rule, a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R (1) if control is exercised by, or on behalf of, HM Treasury.”

This direction is given by the FSA under section 148 of the Financial Services and Markets Act 2000 (“the Act”). The direction takes effect from 16 June 2009 and ends on 31 March 2012.

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

	<b>2010</b>
	<b>£'000</b>
Net admissible assets:	
Other than long term business assets (F13:89)	151,804
Long term business assets (F13:89)	1,052,788
Mathematical reserves (F14:11)	(979,267)
Other liabilities long term business (F14:49)	(39,768)
Total liabilities other than long term business (F15:69)	(409)
	<hr/>
	185,148
	<hr/>
Total capital resources after deductions (F3:79)	185,148
	<hr/>

**0310 Valuation differences**

The negative valuation differences included within line 35 comprises the following:

	<b>2010</b>
	<b>£'000</b>
Investment contract deferred income reserve	5,306
Extra FSA Reserves	(63,448)
Deferred tax on deferred acquisition costs, deferred income reserve and extra FSA reserves	18,295
	<hr/>
	(39,847)
	<hr/>

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

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Profit and loss account and other reserves at the end of the previous financial year (F3: 12 Col 4)	83,632	76,051
Reduction in share capital	90,000	-
Profit retained for the financial year (F16: 59)	28,051	5,146
(Loss) / profit arising in long-term insurance funds that has not been transferred to the shareholder fund	(16,042)	2,435
	<hr/>	<hr/>
Profit and loss account and other reserves at the end of this financial year (F3: 12 Col 3)	185,641	83,632
	<hr/>	<hr/>

**1301 Aggregate value of assets****1308**

The aggregate values of types of assets specified in instruction 5 to Form 13 are: Listed and unlisted investments on lines 41, 42, 46 and 48 of £nil (Long term business) and £nil (Other than long term business).

**1304 Amounts set off****1310**

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

**1305 Counterparty limit - other than long term business****1319 Counterparty limit - long term business**

For counterparties outside of Aviva plc, the maximum counterparty limit permitted by the company's investment guidelines is £50m for AAA/Aaa credit rated financial institutions. The limit decreases as an institution's rating decreases. The only breaches that occurred in the year were inadvertent, caused by credit rating downgrades.

For counterparties within Aviva plc, the maximum counterparty limit permitted by the company's investment guidelines is 8% of the long term business amount. There were no breaches during the year.

For counterparties outside The Royal Bank of Scotland Group, the maximum counterparty limit permitted by the company's investment guidelines is £15m for AAA/Aaa credit rated financial institutions. The limit decreases as an institution's rating decreases. The only breaches that occurred in the year were inadvertent, caused by credit rating downgrades.

For counterparties within the Royal Bank of Scotland Group, the maximum counterparty limit permitted by the company's investment guidelines is 8% of the long term business amount. There were no breaches during the year.

**1306 Counterparty exposure at the year end****1312**

Approved counterparty exposure exceeding 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 were as follows:

	<b>2010</b>
	<b>£'000</b>
Lloyds Banking Group Plc	41,959
Barclays Plc	30,441
HSBC Holdings Plc	28,002
Banco Santander Sa	25,927

**1318 Other Asset Adjustments**

The other asset adjustments included in form 13 line 101 comprise the following:  
Long term business

	<b>2010</b>
	<b>£'000</b>
Gross up of assets held to cover linked liabilities	1,716
Total other adjustments	<u>1,716</u>

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

No provision has been made for reasonably foreseeable adverse variations. The only derivative contracts entered into are in respect of linked business.

**1402 Contingent liabilities and charges**

**1502**

There are no charges over any of the assets of the Company.

There is no potential liability to taxation on capital gains as at 31 December 2010.

There are no contingent liabilities for which specific provision has not been made within this return.

There are no guarantees, indemnities or other contractual commitments, effected other than in the ordinary course of insurance business, in respect of the existing or future liabilities of related companies.

There are no other fundamental uncertainties at 31 December 2010.

**1405 Other adjustments to liabilities**

The other adjustments to liabilities detailed in form 14 line 74 comprise the following:

	<b>2010</b>
	<b>£'000</b>
Gross up assets held to cover linked liabilities	1,716
Extra FSA liabilities	(63,448)
Deferred Income Reserve	5,306
Non-DAC related deferred tax	15,111
Total Other Adjustments	<u>(41,315)</u>

**1601 Basis of conversion of foreign currency**

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Revenue transactions and those relating to the acquisition and realisation of investments have been translated at rates of exchange ruling at the time of the respective transactions.

**1700 Analysis of derivative contracts**

No form 17 has been prepared as, with the exception of assets backing either index linked or property linked liabilities, no derivatives contracts were held at the end of the current and previous year.

**Supplementary notes**

Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

**Appendix 9.3**

**4002 Other income**

In 2010 there was commission income from the sale of the RBS Retail Structured Deposit product of £791,391.

**4008 Provision of management services**

During the year, management services were provided on an arm's length basis to the company by other business units of The Royal Bank of Scotland Group plc.

In addition, management services were also provided, on an arm's length basis, by Aviva UK Life Services Ltd, Scottish Widows Services Ltd and OPAL Ltd.

Investment management services have been provided to the company by Aviva Investors Global Services Limited and Royal Bank of Scotland Global Banking Markets.

**4009 Material connected party transactions**

On 14 December 2010 the Company approved (which took effect from 31 December 2010) the termination of the joint venture (JV) agreements with Royal Bank of Scotland Group plc and associated services, resources, administration and other ancillary documents. As a result of its acquisition by Aviva Life UK Limited ("Aviva Life UK"), formerly Aviva Life RBS JV UK Limited, the Company's parent, Aviva Life Investments UK Limited, formerly RBS Life Investments Limited, became a 100% owned subsidiary of Aviva plc.

During the year, the Company was a related party of The Royal Bank of Scotland Group plc ("RBSG"), its former ultimate holding company. In the course of its business as a provider of finance RBSG and its subsidiaries undertook transactions with the Company. The Royal Bank of Scotland plc also provided services in relation to the company's business, primarily the company's sales force and some of its head office personnel.

There were no related party transactions exceeding 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.

**4401 Basis of valuation in internal linked funds**

Investments are stated at current value, listed investments are stated at Bid market value.

**4402 Aggregate value of rights under derivative contracts**

The aggregate values of rights and liabilities under derivative contracts (gross of variation margin) as at 31 December 2010 are £392k and £45k respectively. There is no variation margin payable.

**4502 Other income and expenditure**

Other Income comprises the following balances:

	<b>2010</b>
	<b>£'000</b>
Management Fee Rebates	436
	<hr/> 436

Other Expenditure comprises the following balances:

	<b>2010</b>
	<b>£'000</b>
Custody and Other Management Fees	356
Interest Paid	14
	<hr/>
	370

**4703      Approximations made**

No approximations were used in determining numbers of new policies.

**4900      Fixed and variable interest assets**

No form 49 has been prepared as non-linked fixed interest securities (which are not approved securities) for the long-term insurance fund do not exceed £100m.

**5104      Approximations made**

Approximations have been made to split the re-insurance element of annual office premium and the benefit amount (gross amount and ceded amount) between the different product classes. The approximations only impact on the split between classes, with no impact on the total amounts. The impact of the approximations is negligible.

**5601      Rating agency**

The rating agency used to provide the split by credit rating on Form 56 was Standard and Poor's.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

**ABSTRACT OF VALUATION REPORT**

1. **INTRODUCTION**

- (1) The date to which the investigation relates is 31 December 2010.
- (2) The previous investigation was completed under Rule 5.6 of IPRU (INS) and was dated 31 December 2009.
- (3) No interim valuation (for the purposes of rule 9.4) was carried out between the above two dates.

2. **PRODUCT RANGE**

The only significant change to the product range (i.e. excluding updating of policy fees) was that the Guaranteed Investment Bond (GIB) was withdrawn from sale.

All with profits sub funds are closed to new business except by increment.

3. **DISCRETIONARY CHARGES AND BENEFITS**

- (1) The company has the option to apply a market value adjustment on the encashment of unitised with profits units held in Flexible Mortgage Plans, Endowment Savings Plans, Personal Pension Plans, Executive Pension Plans and Free Standing AVC/Pension Plans. However, no such market value adjustments were applied during 2010.
- (2) Accelerated Critical Illness policies were issued on reviewable terms from June 2003 with reviews taking place 5-yearly from the commencement of the plan. The first such review took place in 2008. During 2010, level and decreasing term assurance policies with accelerated critical illness cover were reviewed and premium changes were made in the range -2.5% to 3%.  
  
For two of the legacy term assurance products, Mortgage Protection Plan and Lifestyle Protection Plan, premiums are reviewed every 5 years for these policies which include optional critical illness cover. However, no changes to premiums were made on these policies during 2010.
- (3) Not applicable (RSA does not have any Deposit Administration business).
- (4) Service charges on all unit linked policies (deducted monthly via cancellation of units) were increased by between 1.85% and 2.70%, depending on policy type, in April 2010. The cumulative increase in price since the policy was first written can not exceed the cumulative increase in the National Average Earnings Index over the same period.
- (5) There were no changes to benefit charges (mortality, morbidity, etc.) on unit linked business during the year.
- (6) There were no changes to unit management charges on unitised with-profits business during the year.

(7) **Allocation and creation of units**

The Company operates one pool of assets for each internal linked fund.

Asset units are created and cancelled at either the asset offer price or the asset bid price depending upon the prevailing basis of the fund and using the most recently available price. The pricing basis is set depending upon the short and medium term expectation of whether the associated internal linked fund will be in a net inflow or outflow position. This includes sales and purchases by Managed funds.

Where an instruction, payment and all our requirements are received for a transaction before 8:00am on a business day, then units are allocated at the unit price based upon market movements up to 11:00pm on the previous business day. Where the instruction, payment and all our requirements are received

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

after 8:00am then units are allocated at the next available unit price. The Company reserves the right to defer any transaction to a subsequent valuation point.

The value of each fund is derived from the values of the investments of that fund calculated as indicated below. In establishing these fund values appropriate allowance is made for:

- (a) taxes, duties and other charges related to the acquisition or disposal of assets of the fund;
  - (b) uninvested cash;
  - (c) accrued income;
  - (d) sums recoverable in respect of taxation; and
  - (e) all liabilities of the fund including money borrowed for the account of the fund, actual or prospective liability for taxes or levies not previously taken into account, and charges accrued but not deducted.
- (8) When a capital gain is realised on the sale of an asset in a unit-linked fund, and this gain cannot be offset by past capital losses, then the capital gains tax due would be retained in the fund until the next periodic settlement of tax due.

This applies in respect of tax on notional realisations under the Finance Acts as well as tax on realised capital gains. The tax rates used in calculating these deductions are as specified in section 3 (9) below.

- (9) The internal linked funds are taxed on investment gains as if they were stand-alone funds within the Long Term Business Fund and are charged tax at the rate that would apply to the Long Term Business Fund. Allowance is made for indexation where applicable. Credit is given for the expected timing of policyholder tax payment in calculating unit prices. The intention is to adopt smoothed neutrality, looking at rates on a yearly basis and adjusting the rates charged to repay any accumulated excesses or reimburse any accumulated deficit over an appropriate period.

For funds with an excess of realised/unrealised gains over losses the percentage used for realised gains was 20% during 2010. For unrealised gains the rate used was 19% during 2010.

Credit is also applied to unit prices for accumulated realised losses and unrealised losses. For funds with an excess of realised/unrealised losses over gains the percentage used for gains and losses varied by fund in the range 2% to 11% during the year to 31 December 2010.

(10) **Benefits from discounts, commission and other allowance**

The Company derives no financial benefit in respect of collective investment fund units held by the internal linked funds. The Company's policy on receiving discount, commission or other allowance when purchasing, selling or holding units in collective investment funds is to pass the full benefit onto the fund.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010****4. VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)**

The table below sets out the product codes which are used in various parts of Section 4 which follows.

Product Code	Product Name
300	Regular Premium Non-Profit WL/EA OB
305	Single Premium Non-Profit WL/EA OB
325	Level Term Assurance
330	Decreasing Term Assurance
340	Accelerated Critical Illness (guaranteed premiums)
345	Accelerated Critical Illness (reviewable premiums)
400	Annuity Non-Profit (CPA)
515	Life UWP Endowment Regular Premium – Target Cash
525	Individual Pensions UWP
700	Life Property Linked Single Premium
710	Life Property Linked Whole Life Regular Premium
720	Life Property Linked Endowment Regular Premium – Target Cash
725	Individual Pensions Property Linked
755	Trustee Investment Plan
900	Life Index Linked Single Premium

**(1) Non-linked contracts (excluding annuities)**

A gross premium valuation was used with an explicit allowance for future expenses.

Separate tables of mortality were used for males and females and the mortality was calculated separately for each life in respect of policies issued on two lives. For policies where the office premium was calculated using a rated age, the same rating was used in the valuation calculations.

For policies which have accelerated critical illness benefit, the method used has been modified so that the experience assumed in each policy year is taken to be the greater of (i) the assumed mortality experience, and (ii) the assumed critical illness experience plus a proportion of the assumed mortality experience being an estimate of death claims from causes other than those which would be expected to give rise to a critical illness claim. The uncertainty of future critical illness experience rates is recognised in the valuation by the use of a parameter which causes the assumed critical illness experience rates to increase at a compound rate in each future year.

For certain small blocks of business, negative reserves arising on individual contracts are set to zero and there is no allowance for future policy lapses on these contracts.

For a large block of protection business, negative reserves have been allowed and prudent lapse assumptions have been included. The lapse rates assumed are higher than expected for contracts where the reserve is negative and lower than expected where the reserve is positive.

For certain small blocks of business the net reserve was taken as the gross reserve. For a large block of business where policies are written under level or risk premium reinsurance arrangements, the net reserve was calculated on the retained benefits and premium.

For policies under which waiver of premium benefit is an option and has been chosen, an additional reserve has been set up in respect of this benefit. This has been calculated as a multiple of the waiver premium. A separate reserve has been set up for waiver claims in payment.

For Decreasing Term Assurance the sum assured is assumed to decrease at the interest rate specified under the policy terms.

**Guaranteed Capital Bond**

The liability for policyholder benefits and tax was taken as the market value of the backing assets allowing for the timing difference on the loan relationship tax. An additional expense reserve was calculated as an amount



**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

per policy per annum increasing each year by an assumed rate of inflation. Additional reserves were set up to meet death benefits and allow for the risk of default on the asset proceeds.

**Guaranteed Income Bond**

A gross premium valuation method was used to set up a reserve to cover the projected income payments during the term of the policy, the maturity benefit and expected death benefits and projected tax payable. The valuation interest rate used was determined by examining the return on the underlying asset tranches and was reduced by the required valuation margin.

An explicit expense reserve and a reserve to cover the risk of default on the asset proceeds have also been established.

The reserve per policy will be at least as large as the surrender value per policy.

For bonds which have continued beyond the option date the reserve has been taken as the face value of the benefit available.

**Pension Annuity**

Future annuity benefits including, where appropriate, contingent spouse's benefits were valued using a valuation interest rate derived by reference to the yields on suitable gilts, reduced by the required valuation margin. An additional reserve was set up to provide for future maintenance expenses that were assumed to increase annually in line with an assumed rate of inflation.

The policies are fully reassured. The net reserve was taken as zero. Note that the net expense reserve is zero as there is no reinsurer administration charge and therefore no compensation on recapture.

**Unit Linked & Unitised With-Profits Contracts (Life & Pensions)**

For Non-Profit Unit Linked contracts, the unit reserve was taken as the sum of the values of the units for each policy calculated using the valuation unit price ruling at the valuation date.

For Unitised With-Profits contracts, the unit liabilities were taken as the greater of:

- a) the bid value of the units
- b) the prospective liability that would arise assuming the units increase in future at the guaranteed bonus rates and are then discounted at the respective valuation discount rates.

For regular premium linked pensions contracts the unit reserve is based on the "actuarially funded" units which are the units deemed allocated to the contracts reduced by the value of future renewal fund charges under the contract. This process is subject to the value of the actuarially funded units always being at least equal to the surrender or transfer value of the contract. For most pensions contracts there are surrender penalties which cease prior to the maturity date and so the normal actuarial funding factors have been modified to anticipate the required increase in unit value at the point at which surrender penalties cease.

In addition, a non-unit reserve was calculated by projecting cashflows on a monthly basis for each month that the policy was expected to remain in force. Where the cashflow in any future month was found to be negative, the negative was offset where possible by positive cashflows in previous months. For any future month where this was not possible, then a positive sterling reserve has been set up at the valuation date.

In projecting cashflows, allowance was made for future expenses associated with each contract on a per policy basis, as well as for mortality and morbidity costs (where applicable) at the levels of cover appropriate at the valuation date. All per-policy expenses and service charges were assumed to increase annually in line with an assumed rate of inflation.

No allowance was made for any future increases in premiums or benefits. Likewise, for policies where withdrawals have been taken on ad hoc basis, no allowance has been made for any future withdrawals.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

For the Lifetime Security Plan (LSP) compensation payments began during 2002 following completion of individual policy calculations. An additional reserve has been established to cover the cost of these as set out in Section (8).

**(2) Valuation interest rates**

The interest rates used at the end of the financial year and at the end of the previous financial year are set out below:

Product codes	Product	31 Dec 2010	31 Dec 2009
300, 305 325, 330 340, 345	Non-linked life	2.57%	2.87%
515, 700 710, 720	Life sterling reserves	2.57%	2.87%
400	Pension Annuity	3.80%	4.30%
525, 725 755	Pensions sterling reserves	3.33%	3.63%
900	Guaranteed Capital Bond (sterling reserve)	2.57%	2.87%
305	Guaranteed Income Bond (sterling reserve)	2.57%	2.87%

All valuation interest rates shown above are net of investment expenses. The investment expenses are 0.13% for life products and 0.17% for pension products.

At 31 December 2010 yields on short term assets held were not sufficient to support the interest rates shown above. In accordance with INSPRU 3.1.45 the valuation interest rate has been restricted in the first three years to reflect yields on the assets held. A special reserve has been set up (the "Additional Valuation Interest Rate Provision") to allow for this restriction. This is described in Section 8.

The interest rates used for the early years are shown below:

Product codes	Product	2011	2012	2013	2014+
305, 325, 330, 340, 345 345, 515, 700, 710, 720 900	Life products	0.24%	0.93%	1.62%	2.57%
525, 725, 755	Pensions sterling reserves	0.31%	1.21%	2.10%	3.33%

The impact of a higher discount rate on negative reserves is also allowed for in the Additional Valuation Interest Rate Provision. The rate used is shown below:

Product codes	Product	31 Dec 2010	31 Dec 2009
305, 325 330, 340, 345	Non-linked life	4.09%	4.56%

**(3) Adjustment to yield for credit risk**

For assets matching liabilities under index-linked bonds, no explicit reduction in the yield is made in respect of default risk. Margin loans are in place to provide additional security and an additional default risk reserve has been set up.

For other assets backing non-unit valuation liabilities, a margin exists between the assumed yield on the asset and the valuation interest rate used. This provides for a prudent adjustment to the yield on the assets for the risk of default.

The adjustment for prudence is 0.1% for short term deposits. The adjustment for floating rate notes was based on the credit rating of the underlying institution.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010****(4) Assurance mortality assumptions**

The mortality bases used at the end of the financial year and at the end of the previous financial year are as follows:

Product codes	Product	31-Dec-10	31-Dec-09
	<b>Non-linked life</b>		
300	<b>Over 50s plan</b> Male (**) Female (**)	Adjusted AMC00 (2) Adjusted AFC00 (2)	Adjusted AMC00 (2) Adjusted AFC00 (2)
325, 330 340, 345	<b>Term assurances post June 2001</b> Male non-smoker Male smoker Female non-smoker Female smoker	76.38% TMC00 (5) 164.50% TMC00 (5) 82.25% TFC00 (5) 170.38% TFC00 (5)	82.25% TMC00 (5) 188.00% TMC00 (5) 82.25% TFC00 (5) 188.00% TFC00 (5)
325, 330	<b>Term assurances post June 2001 (limited underwriting)</b> Male non-smoker Male smoker Female non-smoker Female smoker	94.00% TMC00 (5) 205.63% TMC00 (5) 99.88% TFC00 (5) 211.50% TFC00 (5)	99.88% TMC00 (5) 217.38% TMC00 (5) 99.88% TFC00 (5) 217.38% TFC00 (5)
	<b>Unit-linked life</b>		
700	<b>Capital Investment Bond</b> Male Female	105.75% AMC00 (2) 105.75% AFC00 (2)	111.63% AMC00 (2) 111.63% AFC00 (2)
710	<b>Lifetime Security Plan</b> Male non-smoker Male smoker Female non-smoker Female smoker	56.00% AM80 (2) 111.50% AM80 (2) 72.50% AF80 (2) 145.00% AF80 (2)	56.00% AM80 (2) 111.50% AM80 (2) 60.30% AF80 (2) 120.40% AF80 (2)
515, 720	<b>Mortgage Savings Plan</b> <b>Flexible Mortgage Plan</b> Male non-smoker Male smoker Female non-smoker Female smoker	76.38% AMC00 (2) 152.75% AMC00 (2) 76.38% AFC00 (2) 152.75% AFC00 (2)	82.25% AMC00 (2) 199.75% AMC00 (2) 82.25% AFC00 (2) 164.50% AFC00 (2)
	<b>Unit-linked pensions</b>		
525, 725 755	Male Female	94.00% AMC00 (2) 94.00% AFC00 (2)	94.00% AMC00 (2) 94.00% AFC00 (2)
	<b>Bonds</b>		
305, 900	<b>Guaranteed Capital Bond</b> <b>Guaranteed Income Bond</b> Male Female	111.63% AMC00 (2) 111.63% AFC00 (2)	205.63% AMC00 (2) 205.63% AFC00 (2)

The assumptions for future mortality experience contain margins over and above current best estimates for such experience. This provides a margin to anticipate significant, adverse change in mortality experience as a result of changing disease incidence.

(\*\*) The mortality percentages shown for the Over 50s Plan are age dependent as shown below:

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

2010 Multiplier			2009 Multiplier		
Age	Males %	Females %	Age	Males %	Females %
1-55	470.00	352.50	1-55	434.75	352.50
56-60	305.50	235.00	56-60	293.75	235.00
61-65	246.75	176.25	61-65	246.75	176.25
66-70	188.00	176.25	66-70	188.00	176.25
71-75	158.63	146.88	71-75	152.75	146.88
75+	141.00	129.25	75+	129.25	129.25

For 2009, a factor of 1.4 is applied to these rates in the first 12 months of the policy and a factor of 1.3 in the second 12 months of the policy. For 2010, these factors were reduced to 1.25 in both cases.

**Annuitant mortality assumptions**

For the immediate annuity product the tables used were 97% of PCMA00 with 100% CMI long cohort improvement subject to a minimum of 1.5% p.a. improvement for males and 78% of PCFA00 with 75% CMI medium cohort improvement, subject to a minimum of 1.5% p.a. improvement for females. The assumptions were the same as those used in 2009. A summary of expectation of life at age 65 and 75 is shown below:

Product codes	Product	31-Dec-10	31-Dec-09
	<b>Pension Annuity</b>		
400	Expectation of Life at age 65		
	Male	24.65	24.49
	Female	29.80	29.65
	Expectation of Life at age 75		
	Male	15.64	15.48
	Female	19.68	19.54

**(5) Morbidity assumptions**

The morbidity bases used at the end of the financial year and at the end of the previous financial year are as follows:

Product codes	Product	31-Dec-10	31-Dec-09
	<b>Non-linked life</b>		
340, 345	<b>Term assurances post June 2001</b>		
	Accelerated CI		
	Male	104.13% GE Adj acc	98.00% GE Adj acc
	Female	122.50% GE Adj acc	116.38% GE Adj acc
	<b>Unit-linked life</b>		
710	<b>Lifetime Security Plan</b>		
	Stand alone CI	122.50% GE_Adj s/a	122.50% GE_Adj s/a
720	<b>Flexible Protection Plan</b>		
	Accelerated CI	122.50% IC94 Adj acc	122.50% IC94 Adj acc

IC94 Adj acc is the IC94 Table loaded for Total and Permanent Disability (TPD) benefit and covers accelerated CI benefits. It does not allow for smoker status. The following rates are prior to the percentage factors given in the above table.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

<b>IC94 Adj acc</b>	<b>25</b>	<b>35</b>	<b>45</b>	<b>55</b>
Male	0.000425	0.001007	0.003189	0.007855
Female	0.000653	0.001353	0.00312	0.006605

GE Adj s/a is a series of tables split by sex and smoker status provided by GE Frankona. They cover stand alone CI benefits. The following rates taken from these tables are prior to the percentage factors given in the above table.

<b>GE Adj s/a</b>	<b>25</b>	<b>35</b>	<b>45</b>	<b>55</b>
Male Non Smoker	0.000413	0.000847	0.002299	0.006423
Male Smoker	0.000655	0.001331	0.004427	0.013886
Female Non Smoker	0.000464	0.001109	0.002703	0.005960
Female Smoker	0.000726	0.001936	0.004850	0.011829

GE Adj acc is a series of tables split by sex and smoker status provided by GE Frankona. They cover accelerated CI benefits. The following rates taken from these tables are prior to the percentage factors given in the above table.

<b>GE Adj acc</b>	<b>25</b>	<b>35</b>	<b>45</b>	<b>55</b>
Male Non Smoker	0.000432	0.000839	0.002264	0.005461
Male Smoker	0.000688	0.001328	0.004402	0.011905
Female Non Smoker	0.000499	0.001155	0.002609	0.005129
Female Smoker	0.000794	0.002016	0.004624	0.010110

Greater uncertainty surrounds the impact of changing disease incidence and medical advancements on future critical illness claims experience. This uncertainty is recognised in the valuation by assuming that the experience for term assurances deteriorates compound in each future year by 2.00% for males and 2.75% for females. For unit-linked products, critical illness deterioration is ignored in the base reserve as it is assumed that any experience deterioration will be met by increasing charges to policyholders. A special reserve is, however, set up to cover the risk of not being able to pass on the increasing cost to policyholders as described in Section 8.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010****(6) Expense assumptions**

The expense assumptions used in the valuation are as follows:

Product codes	Product	31 Dec 2010	31 Dec 2009
	<b>Non-linked life</b>		
300	Over 50s plan	28.41	27.98
325, 330 340, 345	Term assurances post June 2001	17.60	20.70
	<b>Unit-linked life</b>		
700	Capital Investment Bond pre Oct 1997	34.39	34.04
700	Capital Investment Bond post Sep 1997	32.89	32.55
710	Lifetime Security Plan	89.70	88.55
515, 720	Mortgage Savings Plan	60.26	59.80
515, 720	Flexible Mortgage Plan	69.58	69.00
	<b>Unit-linked pensions</b>		
525, 725	Executive Pension Plan (regular premium) pre Oct 1997	116.84	116.04
525, 725	Executive Pension Plan (single premium/paid up) pre Oct 1997	87.63	88.07
525, 725	Executive Pension Plan (regular premium) post Sep 1997	108.68	107.87
525, 725	Executive Pension Plan (single premium/paid up) post Sep 1997	81.51	80.90
525, 725 755	Personal Pension Plan (regular premium) pre Oct 1997	75.67	75.10
525, 725 755	Personal Pension Plan (single premium/paid up) pre Oct 1997	56.75	56.35
525, 725	Personal Pension Plan (regular premium) post Sep 1997	67.97	68.77
525, 725	Personal Pension Plan (single premium/paid up) post Sep 1997	51.23	61.64
525, 725	Top Up Pension Plan (regular premium) pre Oct 1997	75.67	75.10
525, 725	Top Up Pension Plan (single premium/paid up) pre Oct 1997	56.75	56.35
525, 725	Top Up Pension Plan (regular premium) post Sep 1997	67.97	68.77
525, 725	Top Up Pension Plan (single premium/paid up) post Sep 1997	51.23	61.64
	<b>Pension Annuity</b>		
400	Pension Annuity*	18.25	14.70
	<b>Bonds</b>		
900	Guaranteed Capital Bond	19.78	23.23
305	Guaranteed Income Bond	19.55	23.00

\* These figures are shown gross of reinsurance. These products are 100% reinsured. The net expense reserve for 2010 and 2009 is zero as there is no reinsurer charge for payment service and therefore no compensation on a recapture.

The assumed rate of tax relief for life business is 22% (2009: 22%) for consistency with the assumption used for investment returns. The expenses shown above are before the assumed rate of tax relief has been applied.

**(7) Unit growth assumptions**

The expense inflation assumptions, unit growth rates and fund management charges used in the valuation are as follows:

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Product codes	Assumption	31 Dec 2010	31 Dec 2009
All	Expense inflation	4.30%	4.40%
	<b>Unit-linked life</b>		
515, 700	Unit growth rate	3.57%	3.76%
710, 720	Fund management charge	1.00% pa	1.00% pa
	<b>Unit-linked pensions</b>		
525, 725	Unit growth rate	4.58%	4.82%
755	Fund management charge	1.00% pa	1.00% pa

**(8) Future bonus rates**

The future assumed bonus rates for UWP contracts in the valuation are the guaranteed bonus rates.

Product codes	Product	31 Dec 2010	31 Dec 2009
	<b>Linked life</b>		
515	UWP life	3.92%	3.92%
	<b>Linked pensions</b>		
525	UWP pensions	5.70%	5.70%

**(9) Persistency assumptions**

The persistency assumptions used in the valuation are shown below. The value given is the average lapse/surrender rate for the policy years.

Product codes	Product	Average lapse/surrender rate for the policy years			
		1-5	6-10	11-15	16-20
	<b>Non-linked life</b>				
	<b>Level term (post June 2001)</b>				
325, 340 345	Lapse 1	21.60%	10.64%	10.64%	10.64%
	Lapse 2	10.88%	5.36%	5.36%	5.36%
	<b>Decreasing term (post June 2001)</b>				
330, 340 345	Lapse 1	18.64%	14.63%	14.63%	14.63%
	Lapse 2	9.39%	7.37%	7.37%	7.37%

The 'Lapse 1' rates in the table are used for contracts where the reserve is negative, and the 'Lapse 2' rates are used for contracts where the reserve is positive.

For unit-linked pensions business, the valuation will take the higher of the reserve assuming premiums continue and the reserve if the policy is made paid up.

For unit-linked life business, it is assumed that premiums continue. This produces more prudent reserves than applying explicit PUP assumptions.

For Unitised With-Profits contracts, the unit liabilities are taken as the greater of:

- the bid value of the units
- the prospective liability that would arise assuming the units increase in future at the guaranteed bonus rates (shown in the above table in 4(7)) and then discounted at the respective valuation discount rates

**(10) Other material basis assumptions**

There are no other material basis assumptions.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

(11) **Derivatives**

Derivative contracts are used to back Guaranteed Bond liabilities.

These derivatives move in and out of the money depending on the level of the stock market. The company retains no market risk from these derivatives because they are used to match the index-linked policyholder maturity guarantees as explained in section 5 (2).

Where derivative contracts are included amongst the property linked assets relating to property linked contracts they have been valued at their fair market value.

(12) **Changes to INSPRU valuation rules effective from 31 December 2006**

There was no change to the valuation methodology at the valuation date arising from changes in INSPRU valuation rules effective 31 December 2006.

5. **OPTIONS AND GUARANTEES**

(1) Not applicable (RSA does not have any business with Guaranteed Annuity Rate options).

(2) There are no surrender value guarantees on any of the company's products.

There are no maturity value guarantees on any of the company's unit linked products (i.e. for benefits arising from internal linked fund investments).

On unitised with-profits business, the company can apply a market value adjustment to any encashment of unitised with-profits units; there are no guaranteed "MVA-free" withdrawals.

There are guaranteed minimum bonus rates on some UWP contracts. To ensure this is adequately reserved for, the unit liabilities are taken as the greater of:

- a) the bid value of the units;
- b) the prospective liability that would arise assuming the units increase in future at the guaranteed bonus rates (shown in the above table) and then discounted at the respective valuation discount rates.

No additional investment performance guarantee reserve was considered necessary in respect of index-linked bonds since the underlying investments deliver returns which are matched to the policyholder liabilities. Derivatives contracts are used to hedge the investment guarantees provided to holders of single premium bonds.

(3) Ancillary options exist under certain classes of contract to extend the term of cover and/or increase the sum assured without underwriting. However, these are not of sufficient significance on the valuation mortality basis stated to require specific additional provision.

(4) There are no other guarantees or options on RSA products for which a reserve is needed.

6. **EXPENSE RESERVES**

(1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £7,338,555.

For traditional non-profit business, the amounts arise from expense margins assumed in the gross premium reserve. For unitised business, the reserves arise from charges made on the funds and other explicit allowances described in paragraph 4(6) above.

No expenses have been treated as non-attributable.

(2) Not applicable.

(3) Not applicable.



**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

- (4) In determining the requirement for a new business expense overrun reserve, a prudent assessment of the projected value of 2011 new business is calculated, and compared against the projected new business expense overrun. A reserve is held if the latter exceeds the former. No new business expense overrun reserve is required in respect of 2011 new business.
- (5) A cost of closure reserve of £4,926,735 has been established by assuming that closure will result in the redundancy of all staff working in new business and sales. It is assumed that the process of redundancy will take three months during which salary, NI, pension contributions and other staff costs will continue to be paid. A redundancy pay-off based on six months salary is also included. In addition it has been assumed that the company would move towards a Life Assurance Trade Profit basis meaning that the company would only benefit from 5% tax relief on expenses.

(6) Not applicable

**7. MISMATCHING RESERVES**

(1) Excluding property linked benefits, all the company's liabilities shown in Form 14 are expressed in terms of sterling, and are matched by sterling denominated assets.

(2) Not applicable – see (1).

(3) Not applicable – see (1).

(4) The following scenarios of future changes in the value of assets have been tested in order to take account of the nature (including currency) and terms of the assets held in determining the amount of the long-term liabilities in accordance with INSPRU 3.1.16R:

- (i) Firstly, fixed interest yields were assumed to rise at all durations by 20% of the long term gilt yield at the valuation date, in conjunction with a reduction of 10% in the value of equities and a fall in property of 20% less the real estate market adjustment ratio.
- (ii) Secondly, fixed interest yields were assumed to fall at all durations by 20% of the long term gilt yield at the valuation date, in conjunction with a reduction of 10% in the value of equities and a fall in property of 20% less the real estate market adjustment ratio.

Scenario (ii) above gives rise to the most onerous requirement.

(5) No additional capital requirement was determined for assets invested outside the UK.

(6) (a) An additional resilience capital requirement of £2,400,000 was calculated in accordance with INSPRU 3.1.10R.

(b) The decrease in the aggregate amount of the long term liabilities resulting from the application of such changed conditions in the most onerous scenario is £39,279,024 (of which £37,542,550 is in respect of a fall in unit linked liabilities).

(c) The assets allocated to match such liabilities in the scenario have decreased in value from the amount of those assets shown in Form 13 by an aggregate amount of £41,678,051 (of which £39,024,477 is in respect of a fall in unit linked assets).

(7) No other reserves have been set up in relation to asset-liability mismatching.

**8. OTHER SPECIAL RESERVES**

Reinsurance Credit Risk Reserve

RSA has significant credit exposure to reinsurance life companies and a special reserve has been established to cover this risk. The calculation is based on ICA methodology where the risk is calibrated at the 98.0% confidence level instead of the 99.5% confidence level. There is an implicit Loss Given Default (LGD) assumption of 40%. The following factors based on credit rating are applied to the

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

exposure to each reinsurance counterparty. The factors for writers of direct life assurance are adjusted by increasing the assumed LGD because the company would rank lower than policyholders on wind up of the reinsurer.

AAA = 4.0%

AA = 8.6%

A = 9.9%

BBB = 15.5%

BB = 27.2%

B = 27.2%

Scottish Widows 24.8% (LGD = 100%)

Scottish Equitable 24.8% (LGD = 100%)

A reserve of £22,748,008 has been set up against this contingency.

Unit-linked loss Reserve

The RSA unit pricing policy is to give policyholders credit for potential tax relief on any realised or unrealised capital losses arising on the assets of the linked funds. This credit is given using a discounted tax rate derived from a best estimate calculation of the value of future potential tax relief arising on the current realised or unrealised capital losses of the linked funds. For solvency purposes calculation of the value of future potential tax relief should be carried out on a prudent basis. An extra reserve has been established to represent the additional value of these credits on the more prudent valuation basis.

The reserve is calculated by projecting forward the market value and the book value of the unit funds, on an individual fund basis, on a suitably prudent basis (including assumptions for asset turnover) to model the emergence of future taxable gains and thus the utilisation of the current realised and unrealised losses to obtain tax relief. The extra reserve for solvency is the present value of the projected future tax relief obtained in respect of the current realised and unrealised losses less the credits carried in unit pricing, less the value of unrealised gains.

The reserve moves over the course of the year as investment performance affects the value of realised and unrealised losses and the value of the credit held in unit pricing. The reserve is also been impacted by changes to the tax credit rates made at periodic reviews during the course of the year.

Changes to the tax credit rates impact the unit-linked loss reserves but the total of the unit-linked loss reserve, the tax credit carried in unit pricing and the value of the unrealised gains does not change with movements in the tax credit rates.

A reserve of £11,101,557 has been set up against this contingency.

Conventional CI Deterioration Reserve

From 2003, RSA has written non-linked reviewable critical illness cover where the premium rates are reviewed on each 5th anniversary of the policy according to criteria set out in the policy. A reserve of £7,641,247 has been set up against the risk that increases in the policyholder premiums may be limited in certain circumstances.

The additional reserve has been calculated by assuming the re-insurance premiums will increase by the assumed female critical illness deterioration rate in the valuation tables (the model does not distinguish between first and second lives for this deterioration so the more onerous deterioration rate is assumed). Mathematical reserves are then calculated with this new assumption in place and the additional reserve is the difference between this new calculated reserve and the base reserve.

Note that critical illness deterioration on the retained risk is allowed for in the base reserve. This is because an expected level of deterioration has been allowed for within the premium rates charged and so would not be expected to be passed on to policyholders.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Ex-Gratia Reserve

RSA is liable for past sales compensation costs (excluding those relating to mortgage endowment reviews). The reserve is estimated as 5 times the compensation payable in 2010, rounded up for prudence

The additional liability is valued at £7,000,000.

Product Governance Reserve

This reserve has been set up to cover the risk of any undiagnosed customer detriment issues in the third party administration book. A reserve of £5,400,000 has been established and this represents a prudent allowance for the costs of both the investigation and any rectification process.

Lifetime Security Plan

Compensation payments on Lifetime Security Plan began during 2002 following completion of individual policy calculations. The level of provision required to meet all future costs including ongoing policy maintenance is valued at £5,292,570.

Additional Valuation Interest Rate Provision

The valuation interest rate used to cover the next three years must be supported by the risk adjusted yields on the assets backing the liabilities. This is not so for the current assets. This provision includes the additional liabilities generated by recalculating the liabilities using adjusted reduced valuation interest rates for the next three years. Where a reserve is negative it is prudent to use a higher valuation interest rate. This provision includes the additional liabilities generated by recalculating the liabilities using a higher valuation interest rate for those periods when the reserve is negative.

This additional liability is valued at £4,508,564.

Lifetime Security Plan CI Deterioration Reserve

A provision of £3,560,000 has been established against the potential cost of reassurance rate increases for critical illness benefits under LSP policies.

Tax Relief Reduction Provision

The life business is valued assuming an "I-E" tax basis. Various factors are combining to move the company towards a Life Assurance Trade Profit basis unless mitigating actions are taken. A tax provision of £2,738,274 has been set to cover the additional liability generated by recalculating the liabilities assuming a 10% future tax rate. This provision allows for the risk that RSA does not return to an "I-E" position.

Margin Loan Risk Reserve

This reserve covers the risk from a migration in credit ratings for the stocks in the margin fund. A reserve of £2,184,610 has been established. It is calculated by assuming a drop of one credit rating for all securities at the valuation date. The loss caused by increase in credit spreads is taken as the reserve.

Post maturity IBNR Reserve

This reserve covers CI claims which might be incurred during the policy term but reported after the maturity date of the policy. A reserve of £2,141,522 has been established against this contingency.

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

9. **REINSURANCE**

(1) The company has no policies that are ceded on a facultative basis to a reinsurer who is not authorised to carry on insurance business in the United Kingdom.

(2)	Treaty A	<p>(a) <b>Scottish Equitable plc</b></p> <p>(b) The treaty covers all accumulating with-profits benefits under the Flexible Mortgage Plan and Endowment Savings Plan.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £190,189.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £4,083,322.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
-----	----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty B	<p>(a) <b>Munich Re</b></p> <p>(b) The treaty covers all death benefits in excess of £100,000 on the following products: term assurances, flexible mortgage plans, lifetime security plans, pension plans, endowment savings plans and mortgage protection plans.</p> <p>Where the death benefit is subject to accelerated payment on critical illness the treaty covers</p> <ul style="list-style-type: none"> <li>(i) 50% of any accelerated death benefit plus</li> <li>(ii) the excess over £100,000 of the sum of: <ul style="list-style-type: none"> <li>I 50% of any accelerated death benefits</li> <li>II any other unaccelerated death benefits</li> </ul> </li> </ul> <p>Where a policy provides a benefit on critical illness only the treaty covers 50% of any critical illness cover up to £200,000 and all of the excess, if any.</p> <p>The treaty also covers disability benefits under Mortgage Savings Plan. The benefits are reassured on a 50% quota share basis where initial benefits do not exceed £5,000 p.a. on any one policy. Where initial benefits exceed £5,000 p.a. on any one policy the excess over £5,000 p.a. is also fully reassured.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £718,902.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, there were no mathematical reserves ceded under the treaty.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty C	<p>(a) <b>Kolnische Ruckversicherungs-Gesellschafts AG (KR AG)</b></p> <p>(b) The treaty covered 50% of the life assurance risk under the Over 50 Plan until July 2003. From July 2003 until 3rd February 2005, 100% of the life assurance risk is reinsured.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £5,140,303.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £23,372,494.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
Treaty D	<p>(a) <b>Scottish Widows plc</b></p> <p>(b) The treaty covers all accumulating with-profits benefits under the Personal Pension Plan (old version) and Executive Pension Plan (old version) and Free Standing AVC Plan.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was -£150,390.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £2,439,253.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty E	<p>(a) <b>Scottish Widows plc</b></p> <p>(b) The treaty covers annuities arising under pension policies issued by the Company.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £4,907,156.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is open to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £69,019,223.</p> <p>(h) The company retains 0% of the risk.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
Treaty F	<p>(a) <b>Munich Re</b></p> <p>(b) The treaty covers 100% of the life assurance and investment risk under the Lifetime Assurance Plan.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £75,952.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £2,462,896.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty G	<p>(a) <b>GE Frankona Reassurance</b></p> <p>(b) For business written before 9th December 2002, the treaty covers term assurances and Family Income Plans on a level premium quota share basis, subject to a maximum retention of £75,000. The reinsurer, Munich Re and Hannover Life Reassurance (UK) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across all three Reassurers is 90%. The proportion of the risk ceded to the Reassurer varies between 0% and 90%, dependent on the gender, smoker status and type of benefits. For total sums assured in excess of £750,000, 100% of the risk will be ceded among the Reassurer, Munich Re and Hannover Life Reassurance (UK) Ltd.</p> <p>The reinsurance premiums are level guaranteed premiums, with no premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>For business written between 9th December 2002 and 1st June 2003, the treaty covers accelerated term assurances only. The reinsurance premium rates were revised, and the proportion of the risk ceded to the reinsurer was changed to 75%.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £863,808.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £973,732.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	---



**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty H	<p>(a) <b>Munich Re</b></p> <p>(b) The treaty covers term assurances on a level premium quota share basis, subject to a maximum retention of £75,000.</p> <p>For business written before 9th December 2002, the reinsurer, GE Frankona and Hannover Life Reassurance (UK) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across all three reinsurers is 90%. The proportion of the risk ceded to the reinsurer varies between 0% and 90%, dependent on the gender, smoker status and type of benefits. For total sums assured in excess of £750,000, 100% of the risk will be ceded among the reinsurer, GE Frankona and Hannover Life Reassurance (UK) Ltd.</p> <p>For this business, the reinsurance premiums are level guaranteed premiums, with no premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>For business written between 9th December 2002 and 1st September 2003, the reinsurer and Hannover Life Reassurance (UK) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across both reinsurers is 90%. The reinsurance premium rates and the proportion of the risk ceded to the reinsurer were revised.</p> <p>For this business, the reinsurance premiums are level guaranteed premiums, with no premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>For level term assurance business written between 2nd September 2003 and 5th April 2005, the reinsurer and Hannover Life Reassurance (UK) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across both reinsurers is 90%. The reinsurance premium rates were revised.</p> <p>For this business, the reinsurance premiums are level guaranteed premiums, with 30% of premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £1,011,605.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,034,091.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty I	<p>(a) <b>Hannover Life Reassurance (UK) Ltd</b></p> <p>(b) The treaty covers term assurances on a level premium quota share basis subject to a maximum retention of £75,000.</p> <p>For business written before 9th December 2002, the reinsurer, GE Frankona and Munich Re are involved in sharing the risks and the proportion of the risk ceded, in total, across all three reinsurers is 90%. The proportion of the risk ceded to the reinsurer varies between 0% and 90%, dependent on the gender, smoker status and type of benefits. For total sums assured in excess of £750,000, 100% of the risk will be ceded among the reinsurer, GE Frankona and Munich Re.</p> <p>For business written between 9th December 2002 and 2nd September 2003, the reinsurer and Munich Re are involved in sharing the risks and the proportion of the risk ceded, in total, across both reinsurers is 90%. The reinsurance premium rates and the proportion of the risk ceded to the reinsurer were revised.</p> <p>For level term assurance business written between 2nd September 2003 and 5th April 2005, the reinsurer and Munich Re are involved in sharing the risks and the proportion of the risk ceded, in total, across both reinsurers is 90%. The reinsurance premium rates and the proportion of the risk ceded to the reinsurer were revised.</p> <p>For decreasing term assurance business written between 2nd September 2003 and 3rd May 2004, the reinsurer, RGA UK and RGA Americas are involved in sharing the risks and the proportion of the risk ceded, in total, across the three reinsurers is 90%. The reinsurance premium rates and the proportion of the risk ceded to the reinsurer were revised.</p> <p>For all business written prior to 3rd May 2004, and level term assurance business written between 4th April 2004 and 5th April 2005, the reinsurance premiums are level guaranteed premiums, with no premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>For decreasing term assurance business written between 4th May 2004 and 5th April 2005, the reinsurer, Hannover Life Reassurance (Ireland) Ltd and Swiss Re are involved in sharing the risks for sums assured below £75,000. The proportion of the risk ceded, in total, across the three reinsurers is 80%, and the proportion ceded to the reinsurer is 2%. The reinsurance premium rates and the proportion of the risk ceded to the reinsurer were revised.</p> <p>For decreasing term assurance business written between 4th May 2004 and 5th April 2005, the reinsurance premiums are level guaranteed premiums, with 50% of the premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £933,701.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,026,441.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p>
----------	---

Returns under the Accounts and Statements Rules

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

- |  |   |
|--|---|
|  | (i) The reinsurer is authorised to carry on insurance business in the United Kingdom.             |
|  | (j) The company and the reinsurer are not connected.  |
|  | (k) There is credit risk in respect of the treaty for which an explicit reserve is held.          |
|  | (l) There is no liability to refund commission paid by the reinsurer in the case of early lapses. |

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty J	<p>(a) <b>RGA Americas</b></p> <p>(b) The treaty covers term assurances (no critical illness rider) that are subject to reduced underwriting questions on a level premium, quota share basis.</p> <p>For business written before 9th December 2002, the reinsurer, Hannover Life Reassurance (UK) Ltd and GE Frankona are involved in sharing the risks and the proportion of the risk ceded, in total, across all three reinsurers is 90%. The proportion of the risk ceded to the reinsurer varies between 0% and 90%, dependent on the gender, smoker status, type of benefits and level of sum assured.</p> <p>For business written between 9th December 2002 and 6th April 2003, the reinsurer and Hannover Life Reassurance (UK) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across the two reinsurers is 90%. The proportion of the risk ceded to the reinsurer varies between 0% and 90%, dependent on the gender, smoker status, type of benefits and level of sum assured.</p> <p>The reinsurance premiums are level guaranteed premiums, with no premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>For business written between 7th April 2003 and 3rd May 2004, the reinsurer, Hannover Life Reassurance (UK) Ltd and Hannover Life Reassurance (Ireland) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across the three reinsurers is 90%. The proportion of the risk ceded to the reinsurer varies between 0% and 90%, dependent on the gender, smoker status, type of benefits and level of sum assured.</p> <p>The reinsurance premiums are level guaranteed premiums, with 50% premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>For business written between 4th May 2004 and 5th April 2005, the reinsurer, RGA(UK), Hannover Life Reassurance (UK) Ltd and Hannover Life Reassurance (Ireland) Ltd are involved in sharing the risks and the proportion of the risk ceded, in total, across the four reinsurers is 90%. The proportion of the risk ceded to the reinsurer varies between 65% and 90% dependent on the level of sum assured and whether the sum assured reduces. The reinsurance premium rates have been revised.</p> <p>For this business, the reinsurance premiums are level guaranteed premiums, with 50% of the premium payable in respect of the LAUTRO Initial period of a policy. The LAUTRO Initial period is defined as the maximum of 48 months or, the product of the policy term in years and the value of 4.3.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £747,427.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,972,202.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is not authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

	<p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
--	--

Treaty K	<p>(a) <b>RGA Americas</b></p> <p>(b) The treaty covers reviewable accelerated level term assurances on a risk premium, quota share basis, for sums assured below £175,000.</p> <p>For level business written between 2nd June 2003 and 3rd May 2004, the reinsurer and RGA (UK) are involved in sharing the risks. The proportion of the risk ceded, in total, across the two reinsurers is 90%, and the proportion ceded to the reinsurer is 81%. For total sums assured in excess of £750,000, 100% of the risk will be ceded among the reinsurer, GE Frankona and RGA (UK).</p> <p>For level and decreasing business written between 4th May 2004 and 24th September 2006, the proportion of the risk ceded to the reinsurer is still 81% but the reinsurance premium rates have been revised.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £759,873.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £19,364.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is not authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty L	<p>(a) Kolnische Ruckversicherungs-Gesellschafts AG (KR AG)</p> <p>(b) The treaty covers term assurances (including some pensions term assurance) on a risk premium quota share basis, subject to a RBS maximum retention of £75,000. It covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For level term assurance business written between 6th April 2005 and 24th September 2006, the reinsurer, Gen Re and Munich Re are involved in sharing the risks. The proportion of the risk ceded, in total, across the three reinsurers is 75% of sums assured below £175,000 (see Treaties 30 and 32), and the proportion of the risk ceded to the reinsurer is 35.625%.</p> <p>For decreasing term assurance business written between 6th April 2005 and 24th September 2006, the reinsurer and Gen RE are involved in sharing the risks. The proportion of the risk ceded, in total, across the two reinsurers is 75% of sums assured below £175,000 (see Treaty 30), and the proportion of the risk ceded to the reinsurer is 71.25%.</p> <p>For pensions term assurance business (decreasing and level) written between 10th July 2006 and 24th September 2006, the reinsurer, Gen Re and Munich Re share the risks in the same ways as above.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £513,869.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,073,879.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	---

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty M	<p>(a) <b>Munich Re</b></p> <p>(b) The treaty covers term assurances (including some pensions term assurances) for sums assured on a risk premium quota share basis subject to a maximum retention of £75,000. It covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For level term assurance business written between 6th April 2005 and 24th September 2006, the reinsurer, Kolnische Ruckversicherungs-Gesellschafts AG (KR AG) and Gen Re are involved in sharing the risks. The proportion of the risk ceded, in total, across the three reinsurers is 75% of all risks below £175,000 sum assured, and the proportion of the risk ceded to the reinsurer is 37.5%.</p> <p>For level term assurance business subject to reduced underwriting only, and with sums assured greater than or equal to £175,000, written between 3rd April 2006 and 24th September 2006, the proportion of the risk ceded to the reinsurer is 75%.</p> <p>For decreasing term assurance business written between 6th April 2005 and 24th September 2006, the proportion of the risk ceded is 75% of all risks greater than or equal to £175,000 sum assured.</p> <p>For pensions term assurance business (decreasing and level) written between 10th July 2006 and 24th September 2006, the reinsurer, Gen Re and Kolnische Ruckversicherungs-Gesellschafts AG (KR AG) share the risks in the same ways as above.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £323,076.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £975,859.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty N	<p>(a) <b>Swiss Re</b></p> <p>(b) The treaty covered 100% of the life assurance risk under the Over 50 Plan from 4th February 2005 to August 2005.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £1,526,925.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,373,274.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
Treaty O	<p>(a) <b>Gen Re</b></p> <p>(b) The treaty covers level term assurances that are subject to varying levels of underwriting questions, on a risk premium quota share basis subject to a maximum retention of £75,000.</p> <p>For level term assurance business written since 1st May 2007, the reinsurer, Gen Re and XL Re are involved in sharing the risks. The proportion of the risk ceded, in total, across the three reinsurers is 80% of all risks, and the proportion ceded to the reinsurer is 40%.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £273,604.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £913,697.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>



**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty P	<p>(a) <b>XL Re</b></p> <p>(b) The treaty covers level and decreasing term assurances that are subject to varying levels of underwriting questions, on a risk premium quota share basis subject to a maximum retention of £75,000</p> <p>For level term assurance business written since 1st May 2007, the reinsurer, Gen Re and Kolnische Ruckversicherungs-Gesellschafts AG (KR AG) are involved in sharing the risks. The proportion of the risk ceded, in total, across the three reinsurers is 80% of all risks, and the proportion ceded to the reinsurer is 30%.</p> <p>For decreasing term assurance written since 1st May 2007 the proportion of the risk ceded to the reinsurer is 80%</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £658,917.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,803,237.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	---

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty Q	<p>(a) <b>Swiss Re</b></p> <p>(b) The treaty covers reviewable accelerated level term assurances with sums assured below £100,000 and reviewable accelerated decreasing term assurance for all sums assured on a risk premium quota share basis, subject to a maximum retention of £75,000. This covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For term assurance written since 1st May 2007 the proportion of the risk ceded to the reinsurer is 75%.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £684,711.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was - £179,638.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty R	<p>(a) <b>XL Re</b></p> <p>(b) The treaty covers level term assurances with sums assured greater than £100,000 and decreasing term assurance for all sums assured on a risk premium quota share basis, subject to a maximum retention of £75,000. This covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For term assurance written since 1st September 2008 the proportion of risk ceded to the reinsurer is 90%</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £471,175.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £1,594,135.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	---

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty S	<p>(a) <b>Swiss Re</b></p> <p>(b) The treaty covers level term assurances and reviewable accelerated level and decreasing term assurances with sums assured less than £100,000 on a risk premium quota share basis, subject to a RBS maximum retention of £75,000. This covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For term assurances written since 1st September 2008 the proportion ceded to the reinsurer is 90%. For accelerated term assurances written since 1st September 2008 the proportion ceded to the reinsurer is 75%</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £833,583.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is closed to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £590,430.</p> <p>(h) Levels of retention are covered in (b) above. However, no new business is being reinsured to this treaty.</p> <p>(i) The reinsurer is authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty T	<p>(a) <b>Partner Re</b></p> <p>(b) The treaty covers level term assurances with a sum assured greater than or equal to £100,000 on a risk premium quota share, subject to a maximum retention of £75,000. This covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For term assurances written since 10th August 2009 the proportion ceded to the reinsurer is 90%.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £203,080.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is open to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £2,048,630.</p> <p>(h) Levels of retention are covered in (b) above.</p> <p>(i) The reinsurer is not authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

Treaty U	<p>(a) <b>RGA Americas</b></p> <p>(b) The treaty covers decreasing term assurances on a risk premium quota share basis, subject to a maximum retention of £75,000. This covers all such term assurances that are subject to varying levels of underwriting questions.</p> <p>For term assurances written since 10th August 2009 the reinsurer and RGA UK are involved in sharing the risks. The proportion of the risk ceded, in total, across the two reinsurers is 90%, and the proportion ceded to the reinsurer is 81%.</p> <p>(c) The total amount of reinsurance premium payable by the company under the treaty during the period since the last valuation was £251,650.</p> <p>(d) There were no deposit back arrangements.</p> <p>(e) The treaty is open to new business.</p> <p>(f) There is no undischarged obligation to the insurer.</p> <p>(g) As at the valuation date, the amount of mathematical reserves ceded under the treaty was £908,675.</p> <p>(h) Levels of retention are covered in (b) above.</p> <p>(i) The reinsurer is not authorised to carry on insurance business in the United Kingdom.</p> <p>(j) The company and the reinsurer are not connected.</p> <p>(k) There is credit risk in respect of the treaty for which an explicit reserve is held.</p> <p>(l) There is no liability to refund commission paid by the reinsurer in the case of early lapses.</p>
----------	--

(3) The Company has no “financing arrangements” with any reinsurance companies.

10. (1), (2) and (4), (3) is not applicable.

Returns under the Accounts and Statements Rules

**Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4 (Rule 9.31)**

Name of Insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31 December 2010**

**REVERSIONARY (OR ANNUAL) BONUS**

RSA does not have sufficient with-profits liabilities to require disclosure for section 10. The following table is included for information.

<b>Unitised With-Profits</b>	<b>Life</b>	<b>Pensions</b>
Mathematical Reserves (gross)	£3,666,182	£2,108,876
Annual Bonus for 2010	3.92%	5.75%
Annual Bonus for 2009	3.92%	5.75%
Guaranteed Minimum Bonus Rate (included in the above)	3.92% p.a.	5.70% p.a.

Unitised With-Profits reversionary bonus rates are those declared by Scottish Equitable plc for Life business and by Scottish Widows plc for Pensions business, as the UWP business is wholly reinsured to these two companies.

Rates of bonus do not depend on the original term of the contract, the age of the life assured or the dates of previous premium payment. Rates of bonus are expressed as the rate of increase in the price of unitised with-profits fund units, accrued on a daily basis.

Returns under the Accounts and Statements Rules

**Statement on derivatives required by IPRU (INS) 9.29**

Name of Company **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

In respect of derivative contracts :-

- (a) the company's investment guidelines state that derivative contracts are used only for the purposes of reduction of investment risks or efficient portfolio management. The guidelines state that the company will at all times comply with relevant legislation and prudential guidance notes and specifies that derivative contracts entered into will be capable of being readily closed out. Each fund management agreement specifies limits upon the use of derivatives within that fund. Derivatives used are listed on a regulated market or transacted with an approved counterparty.
- (b) it is contrary to those guidelines to make use of contracts as defined in part (b) of Rule 9.29(1).
- (c) at no time during the year was the company party to any such contracts as referred to in sub-paragraph (b) above.
- (d) during the year, the company did not grant any rights on any derivative contract which required a significant provision to be made for it under INSPRU 3.2.17 or any contract which did not fall within the definition of a permitted derivative.
- (e) during the year, the company did not grant any rights on any derivative contract or quasi derivative.



Returns under the Accounts and Statements Rules

**Statement on controllers required by IPRU (INS) 9.30**

Name of insurer **ROYAL SCOTTISH ASSURANCE plc**

Global business

Financial year ended **31st December 2010**

For the period from 31<sup>st</sup> December 2010:

100% of the issued Share Capital of the Company is held by Aviva Life Investments UK Limited (formerly RBS Life Investments Limited).

100% of the issued Share Capital of Aviva Life Investments UK Limited is held by Aviva Life UK Limited (formerly Aviva Life RBS JV UK Limited).

100% of the issued Share Capital of Aviva Life UK Limited 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.

For the period up to 31<sup>st</sup> December 2010:

100% of the issued Share Capital of the Company was held by Aviva Life Investments UK Limited (formerly RBS Life Investments Limited).

50.01% of the issued Share Capital of Aviva Life Investments UK Limited (formerly RBS Life Investments Limited) was held by RBS Life Holdings Limited.

100% of the issued Share Capital of RBS Life Holdings Limited was held by The Royal Bank of Scotland plc.

On 1 December 2008, the UK government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited, a company wholly-owned by the UK Government.

100% of the issued Share Capital of The Royal Bank of Scotland plc was held by the Ultimate Parent Undertaking, The Royal Bank of Scotland Group plc.

49.99% of the issued Share Capital of RBS Life Investments Limited was held by Aviva Life UK Limited (formerly Aviva Life RBS JV UK Limited)

100% of the issued Share Capital of Aviva Life UK Limited 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.

All shares are voting shares.

Returns under the Accounts and Statements Rules

**Certificate by the directors required by IPRU (INS) 9.34**

Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

We certify that:

1. the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
2. 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;
3. 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;
4. the sum of the mathematical reserves and the deposits received from reinsurers as shown on Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all other 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 the actuarial investigation as at the date into the financial condition of the long-term insurance business;
5. the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3;
6. the directors have, in preparing the return, taken and paid due regard to:
  - (i) advice in preparing the return from every actuary appointed by the company to perform the actuarial function in accordance with SUP4.3.1R; and
  - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP4.3.16R.

..... **T E Strauss**  
Chief Executive

..... **J R Lister**  
Director

..... **D B Barral**  
Director

March 2011

Returns under the Accounts and Statements Rules

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

Name of insurer **Royal Scottish Assurance Plc**

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 of 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, 11 to 16, 40 to 45, 48, 56, 58 and 60, (including the supplementary notes thereon and supplementary notes 1700 and 4900) on pages 1 to 22, page 26, page 42, pages 44 to 45 and pages 46 to 50 ("the Forms");
- the statement required by IPRU(INS) rule 9.29 on page 85 ("the Statement");
- the valuation report required by IPRU(INS) rule 9.31(a) on pages 51 to 84 ("the valuation report"); and

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

- Forms 46, 47, 50 to 55, and 57, (including the supplementary notes thereon) on pages 23, pages 24 to 25, pages 27 to 41 and page 43;
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 86 and 90; and
- the directors' certificate required by IPRU(INS) rule 9.34 on page 87 ("the directors' certificate").

Our report is provided to the directors of Royal Scottish Assurance plc in accordance with rule 9.35 of the Interim Prudential Sourcebook for Insurers. We acknowledge that our report will be provided to the FSA for the use of the FSA solely for the purposes set down by statute and the FSA's rules. Our work has been undertaken so that we might state to the insurer's directors those matters we are required to state to them in an auditor's report on an annual FSA return for an insurer and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the FSA, and the insurer, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of the insurer and its auditor**

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the forms and statements not examined by us and the directors' certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a direction issued under section 148 of the Financial Services and Markets Act 2000 on 15 July 2009. Under IPRU(INS) rule 9.11 the Forms, the Statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are 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 these requirements, and to report our opinion to you.

We also report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the Statements 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.

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

Name of insurer **Royal Scottish Assurance Plc**  
Global Business  
Financial year ended **31st December 2010**

**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. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the Statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

**Opinion**

In our opinion:

- (i) 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
  
- (ii) 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.

Deloitte LLP

Chartered Accountants and Statutory Auditors  
London, United Kingdom  
March 2011

Returns under the Accounts and Statements Rules

**Statement of information on the with-profits actuary required by IPRU (INS) 9.36**

Name of insurer **Royal Scottish Assurance Plc**

Global business

Financial year ended **31st December 2010**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, Angela Darlington, was requested to furnish and has provided the following information:

**Angela Darlington**

- (a) The actuary held an interest in 63,124 ordinary shares of Aviva Plc at the beginning of the year and acquired an interest in a further 17,360 ordinary shares during the year.
- (b) The actuary has a level term assurance policy with Aviva UK Life & Pensions Limited. The actuary had no other pecuniary interest in any transaction between the actuary and the Company subsisting at any time during the year.
- (c) The aggregate amount of remuneration, bonuses and the value of other benefits (excluding pension rights) under the actuary's contract of employment with Aviva Employment Services Limited for the year to 31 December 2010 was £214,615 (2009: £150,232). Under the contract she was:

With-profits actuary of:-  
National Westminster Life Assurance Ltd  
Royal Scottish Assurance Plc

- (d) The actuary is a member of the Defined Benefit Section of the Aviva Staff Pension Scheme.

The particulars of this statement were furnished to the company by Angela Darlington at the Company's request.