

Winterthur Life UK Limited

Annual FSA Insurance Returns for the year ended

31 December 2011

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

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

Global business

Financial year ended **31 December 2011**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3116645	GL	31	12	2011	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	114202	104402
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	76828	68132
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	191030	172534

Guarantee fund

Guarantee fund requirement	21	27818	29725
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	163212	142809

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	83455	89175
Resilience capital requirement	32		
Base capital resources requirement	33	3056	3040
Individual minimum capital requirement	34	83455	89175
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	83455	89175
Excess (deficiency) of available capital resources to cover 50% of MCR	37	149303	127946
Excess (deficiency) of available capital resources to cover 75% of MCR	38	128439	105653

Enhanced capital requirement

With-profits insurance capital component	39	58040	22129
Enhanced capital requirement	40	141495	111304

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	141495	111304
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	49535	61230

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2

Name of insurer **Winterthur Life UK Limited**
Global business
Financial year ended **31 December 2011**

E.B. Bourke
(Director)

A.M. Parsons
(Director)

V. Hames
Signed on behalf of Friends Life
Secretarial Services Limited
(Secretary)

Date **20 March 2012**

Components of capital resources

Name of insurer

Winterthur Life UK Limited

Global business

Financial year ended

31 December 2011

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3116645	GL	31	12	2011	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Core tier one capital

Permanent share capital	11		27400	27400	27400
Profit and loss account and other reserves	12		91162	91162	118690
Share premium account	13				
Positive valuation differences	14		89869	89869	211371
Fund for future appropriations	15		32911	32911	34881
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		241342	241342	392342

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		241342	241342	392342
Investments in own shares	32				
Intangible assets	33		19859	19859	
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		19859	19859	
Total tier one capital after deductions (31-37)	39		221483	221483	392342

Components of capital resourcesName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3116645	GL	31	12	2011	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

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

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

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

Components of capital resources

Name of insurer

Winterthur Life UK Limited

Global business

Financial year ended

31 December 2011

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3116645	GL	31	12	2011	£000
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		1			3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		221483	221483	392342
Inadmissible assets other than intangibles and own shares	73		30453	30453	219808
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		191030	191030	172534

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		191030	191030	172534
Available capital resources for 50% MCR requirement	82		191030	191030	172534
Available capital resources for 75% MCR requirement	83		191030	191030	172534

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				33304
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				33304

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11			5900	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	1397	882
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	60097	24188
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	14639	36144
	Other	46	3454	2555
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	40	
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
R13	3116645	GL	31	12	2011	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	42	
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2774	2250
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	205	353
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	82648	72272
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Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
R13	3116645	GL	31	12	2011	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	82648	72272
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		243
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		23304
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(708)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	81940	95819
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2011	£000	10
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11		4275		4775

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	2838	5509
Other group undertakings	Shares	27		
	Debts and loans	28		26737
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	194648	234295
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	113913	142256
Rights under derivative contracts		44	56415	47028
Fixed interest securities	Approved	45	671063	624589
	Other	46	429887	398183
Variable interest securities	Approved	47	10226	8622
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50	26543	
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	5037	5447
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	13621	13046
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	2946	2329
	Property linked	59	3370614	8448471

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	9	136
	Intermediaries	72	16	51
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	587	590
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	10894	21866
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	13626	3472
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	16225	17671
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1274	5190

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	4944657	10010264
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Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2011	£000	10
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4944657	10010264
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	50312	31457
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		188109
Reinsurers' share of technical provisions excluded from line 89	100	410993	392925
Other asset adjustments (may be negative)	101	2031003	4172212
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7436965	14794966
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	11
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11	4275		4775	

Investments in group undertakings and participating interests

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

Other financial investments

Other financial investments				
Equity shares		41	194648	234295
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	68038	87358
Rights under derivative contracts		44	56415	47028
Fixed interest securities	Approved	45	414129	393151
	Other	46	162709	185118
Variable interest securities	Approved	47	53	57
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	4958	5340
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	12188	8597
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	160	134
	Property linked	59		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	11
						As at end of this financial year	As at end of the previous year	
						1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	3	8
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	795	945
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	9041	1900
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	7834	9897
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	935246	978604
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Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **With-Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	3116645	GL	31	12	2011	£000	11
						As at end of this financial year	As at end of the previous year
						1	2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	935246	978604
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	50312	48386
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	594	448
Other asset adjustments (may be negative)	101	(1)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	986151	1027438
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	12
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	2838	5509
Other group undertakings	Shares	27		
	Debts and loans	28		26737
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	45227	54718
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	253107	226652
	Other	46	249962	194433
Variable interest securities	Approved	47	10173	8565
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50	26543	
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	79	107
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1411	4409
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	2786	2195
	Property linked	59	3370614	8448471

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit Fund**

Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
R13	3116645	GL	31	12	2011	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	6	128
	Intermediaries	72	16	51
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	587	590
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	10099	20920
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4538	1572
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	7878	7238
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1274	5190

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	3987138	9007486
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Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	12
					As at end of this financial year		As at end of the previous year	
					1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3987138	9007486
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		(16929)
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		188109
Reinsurers' share of technical provisions excluded from line 89	100	410399	392477
Other asset adjustments (may be negative)	101	2031761	4172212
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	6429298	13743355
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Segregated Sub Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	3116645	GL	31	12	2011	£000	13
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	648	180
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	3827	4787
	Other	46	17216	18632
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	22	39
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Segregated Sub Fund**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2011	£000	13
					As at end of this financial year		As at end of the previous year
					1		2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

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

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	47	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	513	536
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	22273	24174
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Analysis of admissible assetsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Segregated Sub Fund**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	3116645	GL	31	12	2011	£000	13
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	22273	24174
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(757)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	21516	24174
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and margins

Name of insurer **Winterthur Life UK Limited**
Global business
Financial year ended **31 December 2011**
Total business/Sub fund **Total long term insurance business assets**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	4744841	9827206
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	32839	46288
Long term insurance business fund carried forward (11 to 13)		14	4777680	9873494
Claims outstanding	Gross	15	32356	37451
	Reinsurers' share	16	4776	2879
	Net (15-16)	17	27580	34572
Provisions	Taxation	21	8333	13355
	Other risks and charges	22	6017	3043
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	580	2307
	Reinsurance accepted	32	1454	1936
	Reinsurance ceded	33		68
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	13656	1847
Creditors	Taxation	37	13030	4223
	Other	38	11685	15088
Accruals and deferred income		39	3279	2218
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	85614	78656
Excess of the value of net admissible assets		51	81363	58114
Total liabilities and margins		59	4944657	10010264

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1454	1851
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3370614	8448471

Total liabilities (11+12+49)	71	4830455	9905862
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	410993	392925
Other adjustments to liabilities (may be negative)	74	2120872	4406888
Capital and reserves and fund for future appropriations	75	74645	89292
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	7436965	14794967

Long term insurance business liabilities and margins

Name of insurer **Winterthur Life UK Limited**
Global business
Financial year ended **31 December 2011**
Total business/Sub fund **With-Profit Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	818131	895798
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	818131	895798
Claims outstanding	Gross	15	15558	14636
	Reinsurers' share	16	268	230
	Net (15-16)	17	15290	14406
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	24	9
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	11090	2593
	Other	38	9348	7684
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	35752	24692
Excess of the value of net admissible assets		51	81363	58114
Total liabilities and margins		59	935246	978604

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

Total liabilities (11+12+49)	71	853883	920490
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2011**Total business/Sub fund **Non Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	3926710	8931408
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	13263	24500
Long term insurance business fund carried forward (11 to 13)		14	3939973	8955909
Claims outstanding	Gross	15	16798	22815
	Reinsurers' share	16	4508	2648
	Net (15-16)	17	12290	20167
Provisions	Taxation	21	8333	13355
	Other risks and charges	22	6017	3043
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	556	2297
	Reinsurance accepted	32	1454	1936
	Reinsurance ceded	33		68
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	12899	1847
Creditors	Taxation	37		
	Other	38	2337	6648
Accruals and deferred income		39	3279	2218
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	47165	51577
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	3987138	9007486

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1454	1851
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	3370614	8448471

Total liabilities (11+12+49)	71	3973875	8982986
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and margins

Name of insurer **Winterthur Life UK Limited**
Global business
Financial year ended **31 December 2011**
Total business/Sub fund **Segregated Sub Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11		
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	19576	21787
Long term insurance business fund carried forward (11 to 13)		14	19576	21787
Claims outstanding	Gross	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	757	
Creditors	Taxation	37	1940	1630
	Other	38		757
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	2697	2387
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	22273	24174

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

Total liabilities (11+12+49)	71	2697	2387
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

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

Global business

Financial year ended **31 December 2011**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	3116645	GL	31	12	2011	£000
			As at end of this financial year 1			As at end of the previous year 2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	31			
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions	46			
Creditors	Taxation	47	5105	3425
	Foreseeable dividend	48		
	Other	49	715	715
Accruals and deferred income	51			
Total (19 to 51)	59	5820		4140
Provision for "reasonably foreseeable adverse variations"	61			
Cumulative preference share capital	62			
Subordinated loan capital	63			
Total (59 to 63)	69	5820		4140

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(708)	
Capital and reserves	84	76828	91679
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	81940	95819

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

Global business

Financial year ended **31 December 2011**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	3116645	GL	31	12	2011	£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	(62804)			(5707)	
Investment income	Income		14	2348			2461	
	Value re-adjustments on investments		15	110			1041	
	Gains on the realisation of investments		16	2628			1313	
Investment charges	Investment management charges, including interest		17	25			25	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19	900			105	
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	(58643)			(1021)	
Tax on profit or loss on ordinary activities			31	965			1351	
Profit or loss on ordinary activities after tax (29-31)			39	(59608)			(2372)	
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	(59608)			(2372)	
Dividends (paid or foreseeable)			51				9813	
Profit or loss retained for the financial year (49-51)			59	(59608)			(12185)	

Analysis of derivative contractsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		3116645	GL	31	12	2011	£000	10
Derivative contracts		Value as at the end of this financial year		Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4			
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12	36613	6383	178171	67429		
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15	2272	249		96640		
	Equity index	16		2716		95023		
	Equity stock	17						
	Land	18						
	Currencies	19		2199		18695		
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	Equity index calls	32	14490		63022			
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41	1064			109914		
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44	1976			104202		
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	56415	11547	241193	491903		
Adjustment for variation margin		52						
Total (51 + 52)		53	56415	11547				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **With-Profit Fund**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17		3116645	GL	31	12	2011	£000	11
Derivative contracts		Value as at the end of this financial year		Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4			
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12	36613	6383	178171	67429		
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15	2272	249		96640		
	Equity index	16		2716		95023		
	Equity stock	17						
	Land	18						
	Currencies	19						
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	Equity index calls	32	14490		63022			
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41	1064			109914		
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44	1976			104202		
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	56415	9348	241193	473208		
Adjustment for variation margin		52						
Total (51 + 52)		53	56415	9348				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **Winterthur Life UK Limited**

Global business

Financial year ended **31 December 2011**Category of assets **Non Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		3116645	GL	31	12	2011	£000	12
Derivative contracts				Value as at the end of this financial year			Notional amount as at the end of this financial year	
				Assets 1	Liabilities 2		Bought / Long 3	Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	11						
	Interest rates	12						
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15						
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19			2199			18695
	Mortality	20						
	Other	21						
In the money options	Swaptions	31						
	Equity index calls	32						
	Equity stock calls	33						
	Equity index puts	34						
	Equity stock puts	35						
	Other	36						
Out of the money options	Swaptions	41						
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44						
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51			2199			18695
Adjustment for variation margin		52						
Total (51 + 52)		53			2199			

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

With-profits insurance capital component for the fundName of insurer **Winterthur Life UK Limited**With-profits fund **With-Profit Fund**Financial year ended **31 December 2011**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	935246	978604
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	92838	86848
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	4849	5032
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	837559	886725
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	725292	808950
	Regulatory current liabilities of the fund	22	35752	24692
	Total (21+22)	29	761044	833642
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	29234	32640
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	790278	866282
Regulatory excess capital (19-39)		49	47281	20443

Realistic excess capital

Realistic excess capital	51	(14398)	(10561)
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	61679	31004
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	7066	8875
Present value of other future internal transfers not already taken into account	65	(3427)	
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	58040	22129

Form 19
(Sheet 1)
Realistic balance sheet

Name of insurer **Winterthur Life UK Limited**
 With-profits fund **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	837559	886725
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	23223	25765
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	860782	912490
Support arrangement assets	27	8439	6118
Assets available to the fund (26+27)	29	869221	918608

Realistic value of liabilities of fund

With-profits benefit reserve	31	673108	771169
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	87739
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	69716
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	5698
	Future costs of contractual guarantees (other than financial options)	41	137178
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	12174
	Future costs of smoothing (possibly negative)	44	(1666)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	350
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	160361
Realistic current liabilities of the fund	51	35752	24692
Realistic value of liabilities of fund (31+49+51)	59	869221	918608

Realistic balance sheetName of insurer **Winterthur Life UK Limited**With-profits fund **With-Profit Fund**Financial year ended **31 December 2011**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	875180	923051
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	875180	923051
Risk capital margin for fund (62-59)	65	5959	4443
Realistic excess capital for fund (26-(59+65))	66	(14398)	(10561)
Realistic excess available capital for fund (29-(59+65))	67	(5959)	(4443)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	46011	52355
Additional amount potentially available for inclusion in line 63	82	102240	161032

Long-term insurance business : Revenue account

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	1354036	2074977
Investment income receivable before deduction of tax	12	254550	261365
Increase (decrease) in the value of non-linked assets brought into account	13	52662	62454
Increase (decrease) in the value of linked assets	14	(575782)	776140
Other income	15	946	11503
Total income	19	1086412	3186439

Expenditure

Claims incurred	21	1641416	2168575
Expenses payable	22	128636	116452
Interest payable before the deduction of tax	23	377	748
Taxation	24	(5898)	18214
Other expenditure	25	34654	1503
Transfer to (from) non technical account	26	(62804)	(5707)
Total expenditure	29	1736381	2299785

Business transfers - in	31		
Business transfers - out	32	4445845	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(5095814)	886654
Fund brought forward	49	9873494	8986840
Fund carried forward (39+49)	59	4777680	9873494

Long-term insurance business : Revenue account

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	13929	16515
Investment income receivable before deduction of tax	12	38923	42320
Increase (decrease) in the value of non-linked assets brought into account	13	19140	47121
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	71992	105956

Expenditure

Claims incurred	21	135237	141425
Expenses payable	22	5300	5731
Interest payable before the deduction of tax	23		
Taxation	24	5877	4442
Other expenditure	25	946	1503
Transfer to (from) non technical account	26	2299	1738
Total expenditure	29	149659	154840

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(77667)	(48884)
Fund brought forward	49	895798	944682
Fund carried forward (39+49)	59	818131	895798

Long-term insurance business : Revenue account

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Income

Earned premiums	11	1340107	2058462
Investment income receivable before deduction of tax	12	214214	217540
Increase (decrease) in the value of non-linked assets brought into account	13	33381	14166
Increase (decrease) in the value of linked assets	14	(575782)	776140
Other income	15	946	11503
Total income	19	1012866	3077811

Expenditure

Claims incurred	21	1506179	2027150
Expenses payable	22	123336	110721
Interest payable before the deduction of tax	23	377	748
Taxation	24	(12086)	13237
Other expenditure	25	33708	
Transfer to (from) non technical account	26	(68557)	(10000)
Total expenditure	29	1582957	2141856

Business transfers - in	31		
Business transfers - out	32	4445845	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(5015936)	935956
Fund brought forward	49	8955909	8019953
Fund carried forward (39+49)	59	3939973	8955909

Long-term insurance business : Revenue account

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Segregated Sub Fund**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11		
Investment income receivable before deduction of tax	12	1413	1505
Increase (decrease) in the value of non-linked assets brought into account	13	141	1167
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	1554	2671

Expenditure

Claims incurred	21		
Expenses payable	22		
Interest payable before the deduction of tax	23		
Taxation	24	311	534
Other expenditure	25		
Transfer to (from) non technical account	26	3454	2555
Total expenditure	29	3765	3089

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2211)	(418)
Fund brought forward	49	21787	22205
Fund carried forward (39+49)	59	19576	21787

Long-term insurance business : Analysis of premiums

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11	44985	297099		342084	368610
Single premiums	12	61972	1135303		1197275	2007489

Reinsurance - external

Regular premiums	13	861			861	1271
Single premiums	14		184462		184462	299851

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	44124	297099		341223	367339
Single premiums	18	61972	950841		1012813	1707638

Total

Gross	19	106957	1432402		1539359	2376099
Reinsurance	20	861	184462		185323	301122
Net	21	106096	1247940		1354036	2074977

Long-term insurance business : Analysis of premiums

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11	13048	797		13845	16436
Single premiums	12		229		229	233

Reinsurance - external

Regular premiums	13	145			145	154
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	12903	797		13700	16282
Single premiums	18		229		229	233

Total

Gross	19	13048	1026		14074	16669
Reinsurance	20	145			145	154
Net	21	12903	1026		13929	16515

Long-term insurance business : Analysis of premiums

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Regular premiums	11	31937	296302		328239	352174
Single premiums	12	61972	1135074		1197046	2007256

Reinsurance - external

Regular premiums	13	716			716	1117
Single premiums	14		184462		184462	299851

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	31221	296302		327523	351057
Single premiums	18	61972	950612		1012584	1707405

Total

Gross	19	93909	1431376		1525285	2359430
Reinsurance	20	716	184462		185178	300968
Net	21	93193	1246914		1340107	2058462

Long-term insurance business : Analysis of claims

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 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	14237	22386		36623	37982
Disability periodic payments	12	1313	263		1576	1487
Surrender or partial surrender	13	74272	1259001	4814	1338087	1830329
Annuity payments	14	1267	47760		49027	47652
Lump sums on maturity	15	111870	133024		244894	281350
Total	16	202959	1462434	4814	1670207	2198800

Reinsurance - external

Death or disability lump sums	21	447			447	974
Disability periodic payments	22	2			2	124
Surrender or partial surrender	23					
Annuity payments	24		27731		27731	28465
Lump sums on maturity	25					
Total	26	449	27731		28180	29563

Reinsurance - intra-group

Death or disability lump sums	31					(84)
Disability periodic payments	32					
Surrender or partial surrender	33	611			611	747
Annuity payments	34					
Lump sums on maturity	35					
Total	36	611			611	662

Net of reinsurance

Death or disability lump sums	41	13790	22386		36176	37092
Disability periodic payments	42	1311	263		1574	1363
Surrender or partial surrender	43	73661	1259001	4814	1337476	1829582
Annuity payments	44	1267	20029		21296	19188
Lump sums on maturity	45	111870	133024		244894	281350
Total	46	201899	1434703	4814	1641416	2168575

Long-term insurance business : Analysis of claims

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 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	6434	399		6833	6438
Disability periodic payments	12	39			39	42
Surrender or partial surrender	13	6086	6529	4814	17429	23911
Annuity payments	14	73	2448		2521	2655
Lump sums on maturity	15	86462	22076		108538	108707
Total	16	99094	31452	4814	135360	141753

Reinsurance - external

Death or disability lump sums	21	126			126	328
Disability periodic payments	22	(3)			(3)	
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	123			123	328

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					
Total	36					

Net of reinsurance

Death or disability lump sums	41	6308	399		6707	6110
Disability periodic payments	42	42			42	42
Surrender or partial surrender	43	6086	6529	4814	17429	23911
Annuity payments	44	73	2448		2521	2655
Lump sums on maturity	45	86462	22076		108538	108707
Total	46	98971	31452	4814	135237	141425

Long-term insurance business : Analysis of claims

Name of insurer **Winterthur Life UK Limited**
Total business / subfund **Non Profit Fund**
Financial year ended **31 December 2011**
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	7803	21987		29790	31544
Disability periodic payments	12	1274	263		1537	1444
Surrender or partial surrender	13	68186	1252472		1320658	1806418
Annuity payments	14	1194	45312		46506	44997
Lump sums on maturity	15	25408	110948		136356	172643
Total	16	103865	1430982		1534847	2057047

Reinsurance - external

Death or disability lump sums	21	321			321	646
Disability periodic payments	22	5			5	124
Surrender or partial surrender	23					
Annuity payments	24		27731		27731	28465
Lump sums on maturity	25					
Total	26	326	27731		28057	29234

Reinsurance - intra-group

Death or disability lump sums	31					(84)
Disability periodic payments	32					
Surrender or partial surrender	33	611			611	747
Annuity payments	34					
Lump sums on maturity	35					
Total	36	611			611	662

Net of reinsurance

Death or disability lump sums	41	7482	21987		29469	30982
Disability periodic payments	42	1269	263		1532	1321
Surrender or partial surrender	43	67575	1252472		1320047	1805672
Annuity payments	44	1194	17581		18775	16533
Lump sums on maturity	45	25408	110948		136356	172643
Total	46	102928	1403251		1506179	2027150

Long-term insurance business : Analysis of expenses

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	3735	23812	155	27702	40940
Management - acquisition	13	3985	34643		38628	31546
Management - maintenance	14	28780	27103	324	56207	45134
Management - other	15	1373	4726		6099	(1167)
Total	16	37873	90284	479	128636	116453

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					1
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					1

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	3735	23812	155	27702	40940
Management - acquisition	43	3985	34643		38628	31546
Management - maintenance	44	28780	27103	324	56207	45134
Management - other	45	1373	4726		6099	(1167)
Total	46	37873	90284	479	128636	116452

Long-term insurance business : Analysis of expenses

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	259	12	155	426	522
Management - acquisition	13					
Management - maintenance	14	3533	1316	25	4874	5210
Management - other	15					
Total	16	3792	1328	180	5300	5731

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	259	12	155	426	522
Management - acquisition	43					
Management - maintenance	44	3533	1316	25	4874	5210
Management - other	45					
Total	46	3792	1328	180	5300	5731

Long-term insurance business : Analysis of expenses

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12	3476	23800		27276	40419
Management - acquisition	13	3985	34643		38628	31546
Management - maintenance	14	25247	25787	299	51333	39924
Management - other	15	1373	4726		6099	(1167)
Total	16	34081	88956	299	123336	110722

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					1
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					1

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	3476	23800		27276	40418
Management - acquisition	43	3985	34643		38628	31546
Management - maintenance	44	25247	25787	299	51333	39924
Management - other	45	1373	4726		6099	(1167)
Total	46	34081	88956	299	123336	110721

Long-term insurance business : Linked funds balance sheet

Name of insurer **Winterthur Life UK Limited**
 Total business
 Financial year ended **31 December 2011**
 Units **£000**

Financial year 1	Previous year 2
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Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	2190532	3061557
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	1188922	5411109
Total assets (excluding cross investment) (11+12+13)	14	3379454	8472667
Provision for tax on unrealised capital gains	15	1606	9236
Secured and unsecured loans	16	1948	2521
Other liabilities	17		
Total net assets (14-15-16-17)	18	3375900	8460909

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	3375900	8460909
Surplus units	32	5286	12438
Deficit units	33		
Net unit liability (31-32+33)	34	3370614	8448471

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Winterthur Life UK Limited**
 Total business
 Financial year ended **31 December 2011**
 Units **£000**

Financial year 1	Previous year 2
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Income

Value of total creation of units	11	1168530	1713420
Investment income attributable to the funds before deduction of tax	12	155358	166242
Increase (decrease) in the value of investments in the financial year	13	(575782)	776140
Other income	14		
Total income	19	748106	2655803

Expenditure

Value of total cancellation of units	21	1309701	1694448
Charges for management	22	64531	72130
Charges in respect of tax on investment income	23	16581	2711
Taxation on realised capital gains	24	(4498)	1139
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	1035	4078
Other expenditure	26	4445765	
Total expenditure	29	5833115	1774506

Increase (decrease) in funds in financial year (19-29)	39	(5085009)	881297
Internal linked fund brought forward	49	8460909	7579612
Internal linked funds carried forward (39+49)	59	3375900	8460909

Long-term insurance business : Summary of new business

Name of insurer **Winterthur Life UK Limited**
 Total business
 Financial year ended **31 December 2011**
 Units **£000**

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

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

Regular premium business	11		9206		9206	10233
Single premium business	12	788	9713		10501	12224
Total	13	788	18919		19707	22457

Amount of new regular premiums

Direct insurance business	21		76343		76343	82701
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		76343		76343	82701

Amount of new single premiums

Direct insurance business	25	61972	974360		1036332	1815625
External reinsurance	26		19403		19403	15395
Intra-group reinsurance	27		141540		141540	176469
Total	28	61972	1135303		1197275	2007489

Winterthur Life UK Limited

Total business

31 December 2011

0003

[illegible]

Winterthur Life UK Limited

Total business

Financial year ended

Units

UK Pension / Direct Insurance Business

31 December 2011

0003

[illegible]

Winterthur Life UK Limited

Total business

Financial year ended

Units

UK Pension / Reinsurance accepted external

31 December 2011

0003

[illegible]

Winterthur Life UK Limited

Total business

31 December 2011

0003

UK Pension / Reinsurance accepted intra-group

52

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

Name of insurer **Winterthur Life UK Limited**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 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	351646	351646	13360	2.90	
Other fixed interest securities	13	273386	299999	16320	4.85	
Variable interest securities	14	10200	10200	89	(0.22)	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	98206	71593	301	0.13	
Total	19	733438	733438	30070	3.38	

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

Land and buildings	21	4275	5778	389	6.73	1.71
Approved fixed interest securities	22	325505	325505	11838	2.17	15.49
Other fixed interest securities	23	166583	166583	9768	4.45	6.44
Variable interest securities	24	53	53		(1.25)	12.96
UK listed equity shares	25	177667	183790	5815	6.31	(8.36)
Non-UK listed equity shares	26	16981	8643	137	7.39	4.29
Unlisted equity shares	27					
Other assets	28	146595	147307	2214	1.51	3.51
Total	29	837659	837659	30161	3.50	6.14

Overall return on with-profits assets

Post investment costs but pre-tax	31					4.15
Return allocated to non taxable 'asset shares'	32					5.40
Return allocated to taxable 'asset shares'	33					2.04

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

Name of insurer **Winterthur Life UK Limited**
 Category of assets **With-Profit Fund**
 Financial year ended **31 December 2011**
 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	92578	92578	3367	2.17	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	4849	4849	24	0.50	
Total	19	97427	97427	3391	2.09	

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

Land and buildings	21	4275	5778	389	6.73	1.71
Approved fixed interest securities	22	325505	325505	11838	2.17	15.49
Other fixed interest securities	23	166583	166583	9768	4.45	6.44
Variable interest securities	24	53	53		(1.25)	12.96
UK listed equity shares	25	177667	183790	5815	6.31	(8.36)
Non-UK listed equity shares	26	16981	8643	137	7.39	4.29
Unlisted equity shares	27					
Other assets	28	146595	147307	2214	1.51	3.51
Total	29	837659	837659	30161	3.50	6.14

Overall return on with-profits assets

Post investment costs but pre-tax	31					4.15
Return allocated to non taxable 'asset shares'	32					5.40
Return allocated to taxable 'asset shares'	33					2.04

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

Name of insurer **Winterthur Life UK Limited**
 Category of assets **Non Profit Fund**
 Financial year ended **31 December 2011**
 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	255168	255168	9810	3.18	
Other fixed interest securities	13	255683	282296	15088	4.66	
Variable interest securities	14	10200	10200	89	(0.22)	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	92687	66074	274	0.11	
Total	19	613738	613738	25261	3.47	

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

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

Overall return on with-profits assets

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

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

Name of insurer **Winterthur Life UK Limited**
 Category of assets **Segregated Sub Fund**
 Financial year ended **31 December 2011**
 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	3900	3900	183	2.33	
Other fixed interest securities	13	17703	17703	1232	7.78	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	670	670	3	0.02	
Total	19	22273	22273	1418	6.59	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Winterthur Life UK Limited**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	385634	13.93	2.44	2.44

Other approved fixed interest securities	21	291517	9.12	2.69	2.49
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Other fixed interest securities

AAA/Aaa	31	36364	7.66	3.78	3.66
AA/Aa	32	25500	7.75	3.58	3.00
A/A	33	201107	7.03	4.72	3.47
BBB/Baa	34	186436	5.15	4.70	2.76
BB/Ba	35	15889	6.84	8.26	3.99
B/B	36				
CCC/Caa	37	1286	2.63	8.25	
Other (including unrated)	38				
Total other fixed interest securities	39	466582	6.35	4.70	3.19

Approved variable interest securities	41	10253	16.30	(0.23)	(0.23)
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	1153986	9.67	3.40	2.73
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Winterthur Life UK Limited**
 Category of assets **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	294408	12.77	2.26	2.26

Other approved fixed interest securities	21	123675	5.84	1.95	1.82
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Other fixed interest securities

AAA/Aaa	31	9226	5.72	3.56	3.45
AA/Aa	32	1515	3.74	2.85	2.15
A/A	33	37448	4.90	4.94	3.20
BBB/Baa	34	102827	4.04	3.81	1.99
BB/Ba	35	15353	6.78	8.18	3.90
B/B	36				
CCC/Caa	37	214	2.63	8.25	
Other (including unrated)	38				
Total other fixed interest securities	39	166583	4.57	4.45	2.52

Approved variable interest securities	41	53	5.75	(1.25)	(1.25)
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	584719	8.97	2.82	2.24
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Winterthur Life UK Limited**
 Category of assets **Non Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	91226	17.69	3.02	3.02

Other approved fixed interest securities	21	163942	11.70	3.26	3.00
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Other fixed interest securities

AAA/Aaa	31	25656	8.39	3.88	3.75
AA/Aa	32	22598	8.09	3.62	3.05
A/A	33	156459	7.59	4.65	3.53
BBB/Baa	34	76511	6.34	5.20	3.46
BB/Ba	35				
B/B	36				
CCC/Caa	37	1072	2.63	8.25	
Other (including unrated)	38				
Total other fixed interest securities	39	282296	7.35	4.66	3.48

Approved variable interest securities	41	10200	16.36	(0.22)	(0.22)
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	547664	10.54	3.88	3.19
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **Winterthur Life UK Limited**
 Category of assets **Segregated Sub Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Other approved fixed interest securities	21	3900	4.77	2.33	2.11
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Other fixed interest securities

AAA/Aaa	31	1482	7.13	3.50	3.38
AA/Aa	32	1387	6.65	3.72	3.10
A/A	33	7200	5.89	5.05	3.71
BBB/Baa	34	7098	8.55	12.05	6.37
BB/Ba	35	536	8.39	10.36	6.58
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	17703	7.19	7.78	4.79

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	21603	6.75	6.80	4.31
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11	313895	276440		590335	663978
Form 51 - non-profit	12	86988	892933		979921	861824
Form 52	13	15631	105935	13454	135020	145033
Form 53 - linked	14	464764	4929731		5394495	12624181
Form 53 - non-linked	15	12390	45839	66	58295	83237
Form 54 - linked	16		15190		15190	12356
Form 54 - non-linked	17					
Total	18	893668	6266068	13520	7173256	14390609

Reinsurance - external

Form 51 - with-profits	21	63			63	61
Form 51 - non-profit	22	12787	379408		392195	377564
Form 52	23					
Form 53 - linked	24	1685	2022196		2023881	4175710
Form 53 - non-linked	25	31			31	40
Form 54 - linked	26		12245		12245	10027
Form 54 - non-linked	27					
Total	28	14566	2413849		2428415	4563402

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41	313832	276440		590272	663917
Form 51 - non-profit	42	74201	513525		587726	484260
Form 52	43	15631	105935	13454	135020	145033
Form 53 - linked	44	463079	2907535		3370614	8448471
Form 53 - non-linked	45	12359	45839	66	58264	83197
Form 54 - linked	46		2945		2945	2329
Form 54 - non-linked	47					
Total	48	879102	3852219	13520	4744841	9827206

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11	313895	276440		590335	663978
Form 51 - non-profit	12	22638	69982		92620	86424
Form 52	13	15631	105935	13454	135020	145033
Form 53 - linked	14					
Form 53 - non-linked	15	217	106		323	448
Form 54 - linked	16		160		160	134
Form 54 - non-linked	17					
Total	18	352381	452623	13454	818458	896016

Reinsurance - external

Form 51 - with-profits	21	63			63	61
Form 51 - non-profit	22	263	1		264	154
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					3
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	326	1		327	218

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41	313832	276440		590272	663917
Form 51 - non-profit	42	22375	69981		92356	86270
Form 52	43	15631	105935	13454	135020	145033
Form 53 - linked	44					
Form 53 - non-linked	45	217	106		323	445
Form 54 - linked	46		160		160	134
Form 54 - non-linked	47					
Total	48	352055	452622	13454	818131	895798

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

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

Gross

Form 51 - with-profits	11					
Form 51 - non-profit	12	64350	822951		887301	775400
Form 52	13					
Form 53 - linked	14	464764	4929731		5394495	12624181
Form 53 - non-linked	15	12173	45733	66	57972	82789
Form 54 - linked	16		15030		15030	12222
Form 54 - non-linked	17					
Total	18	541287	5813445	66	6354798	13494592

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	12524	379407		391931	377410
Form 52	23					
Form 53 - linked	24	1685	2022196		2023881	4175710
Form 53 - non-linked	25	31			31	36
Form 54 - linked	26		12245		12245	10027
Form 54 - non-linked	27					
Total	28	14240	2413848		2428088	4563184

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	51826	443544		495370	397990
Form 52	43					
Form 53 - linked	44	463079	2907535		3370614	8448471
Form 53 - non-linked	45	12142	45733	66	57941	82752
Form 54 - linked	46		2785		2785	2195
Form 54 - non-linked	47					
Total	48	527047	3399597	66	3926710	8931408

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

Name of insurer
Winterthur Life UK Limited
 Total business / subfund
With-Profit Fund
 Financial year ended
31 December 2011
 Units
£000
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	15994	69909	988				42832
120	Conventional endowment with-profits OB savings	25040	134617	2319				115161
125	Conventional endowment with-profits OB target cash	14744	182810	6277				155599
165	Conventional deferred annuity with-profits	3	1					14
205	Miscellaneous conventional with-profits	25155	199181	357				279
210	Additional reserves with-profits OB							10
300	Regular premium non-profit WL/EA OB	15042	18638	59				17621
325	Level term assurance	968	34563	167				67
330	Decreasing term assurance	428	8272	98				4
335	Decreasing term assurance (rider benefits)		572	10				1
360	Income protection non-profit (guaranteed premiums)	743	3293	125				541
380	Miscellaneous protection rider		4					3
385	Income protection claims in payment	10	38					565
390	Deferred annuity non-profit	499	181					3178
395	Annuity non-profit (PLA)	167	74					558

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Gross	

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 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
155	Conventional pensions endowment with-profits	1181	30949	100				27104
165	Conventional deferred annuity with-profits	7637	10686	445				181880
175	Group conventional deferred annuity with-profits	52	14					409
185	Group conventional pensions endowment with-profits	2661	53179	51				43775
205	Miscellaneous conventional with-profits	20	567	2				21
210	Additional reserves with-profits OB							23251
300	Regular premium non-profit WL/EA OB	343	453					457
305	Single premium non-profit WL/EA OB	552	6527					6735
325	Level term assurance	260	9974	21				283
380	Miscellaneous protection rider		26	1				7
390	Deferred annuity non-profit	1476	1144					22095
400	Annuity non-profit (CPA)	1643	2597					36825
440	Additional reserves non-profit OB							3580

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer Winterthur Life UK Limited
 Total business / subfund Non Profit Fund
 Financial year ended 31 December 2011
 Units £000
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WLEA OB	4524	9704	220				8783
325	Level term assurance	9472	386292	1353				3957
330	Decreasing term assurance	1260	42162	358				82
335	Decreasing term assurance (rider benefits)	16446	203060	779				6996
340	Accelerated critical illness (guaranteed premiums)	1132	58191	404				671
345	Accelerated critical illness (reviewable premiums)	1203	49229	347				450
350	Stand-alone critical illness (guaranteed premiums)	199	13206	50				38
355	Stand-alone critical illness (reviewable premiums)	900	25885	180				181
360	Income protection non-profit (guaranteed premiums)	3319	30813	69				1593
365	Income protection non-profit (reviewable premiums)	4669	27033	690				7333
380	Miscellaneous protection rider		134422	271				221
385	Income protection claims in payment	129	847					7062
390	Deferred annuity non-profit	3746	174					5645
395	Annuity non-profit (PLA)	823	1159					11968
425	Group income protection claims in payment	20	757					9232

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

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Gross	

[illegible]

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

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Reinsurance ceded external	

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Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
Overseas / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
Overseas / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	With-Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Winterthur Life UK Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2011
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

Winterthur Life UK Limited

Total business

31 December 2011

0003

[illegible]

Long-term insurance business: Analysis of valuation interest rateName of insurer **Winterthur Life UK Limited**Subfund **With-Profit Fund**Financial year ended **31 December 2011**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 WP Form 51 - Tenflex Assurances	37549	1.95		3.00
UK L&GA WP Form 51 - Assurances	276283	2.30		3.00
UK Pens WP Form 51 - Immediate Annuities	35514		2.10	2.17
UK Pens WP Form 51 - Assurances, Deferred & Retirement Annuities	182290		2.05	2.79
UK Pens WP Form 51 - Assurances	43796		2.90	3.00
UK Pens NP Form 51 - Assurances, Deferred & Immediate Annuities	33224		2.10	2.17
UK Pens WP Form 52 - Pensions UWP	90395		2.45	3.00
OS L&GA WP Form 52 - Life UWP	12854	0.95		2.52
UK L&GA WP Form 52 - Life UWP	15631	1.95		3.00
UK Pens Form 52 - Retirement Benefit Schemes	15539		2.90	3.00
Miscellaneous	74894	n/a	n/a	0.00
Total	817969			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Winterthur Life UK Limited**Subfund **Non Profit Fund**Financial year ended **31 December 2011**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51 - PHI	7644		2.90	3.14
UK L&GA NP Form 51 - Assurances, Immediate & Deferred Annuities	38707	2.10		2.79
UK Pens NP Form 51 - Deferred & Immediate Annuities	424146		3.20	3.37
UK L&GA NP Form 53 - Non Unit Liabilities 1	9379	2.10		2.79
UK Pens NP Form 53 - Non Unit Liabilities 1	22375		2.90	3.14
Miscellaneous	51060	n/a	n/a	1.75
Total	553311			

Long-term insurance business : Distribution of surplus

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Total long term insurance business assets**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	4777680	9873494
Bonus payments in anticipation of a surplus	12	22277	17049
Transfer to non-technical account	13	5753	4293
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4805710	9894836
Mathematical reserves	21	4744841	9827206
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	60869	67630

Composition of surplus

Balance brought forward	31	46287	44555
Transfer from non-technical account	32	68557	10000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(53975)	13075
Total	39	60869	67630

Distribution of surplus

Bonus paid in anticipation of a surplus	41	22277	17049
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	22277	17049
Net transfer out of fund / part of fund	47	5753	4293
Total distributed surplus (46+47)	48	28030	21342
Surplus carried forward	49	32839	46287
Total (48+49)	59	60869	67629

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **With-Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	818131	895798
Bonus payments in anticipation of a surplus	12	22277	17049
Transfer to non-technical account	13	2299	1738
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	842707	914585
Mathematical reserves	21	818131	895798
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	24576	18787

Composition of surplus

Balance brought forward	31		11491
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	24576	7296
Total	39	24576	18787

Distribution of surplus

Bonus paid in anticipation of a surplus	41	22277	17049
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	22277	17049
Net transfer out of fund / part of fund	47	2299	1738
Total distributed surplus (46+47)	48	24576	18787
Surplus carried forward	49		
Total (48+49)	59	24576	18787

Percentage of distributed surplus allocated to policyholders

Current year	61	90.64	90.75
Current year - 1	62	90.75	90.67
Current year - 2	63	90.67	91.53
Current year - 3	64	91.53	92.09

Long-term insurance business : Distribution of surplus

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	3939973	8955909
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3939973	8955909
Mathematical reserves	21	3926710	8931408
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	13263	24500

Composition of surplus

Balance brought forward	31	24500	10859
Transfer from non-technical account	32	68557	10000
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(79794)	3642
Total	39	13263	24501

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	13263	24500
Total (48+49)	59	13263	24500

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **Winterthur Life UK Limited**
 Total business / subfund **Segregated Sub Fund**
 Financial year ended **31 December 2011**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	19576	21787
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	3454	2555
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	23030	24342
Mathematical reserves	21		
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	23030	24342

Composition of surplus

Balance brought forward	31	21787	22205
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	1243	2137
Total	39	23030	24342

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	3454	2555
Total distributed surplus (46+47)	48	3454	2555
Surplus carried forward	49	19576	21787
Total (48+49)	59	23030	24342

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer Winterthur Life UK Limited
 Original insurer Winterthur Life UK Limited
 Date of maturity value / open market option 01 March 2012

1 Category of with-profits policy	2 Original term (years)	3 Maturity value / open market option	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	10074	1890		0 UWP	N	10074
Endowment assurance	20	16171	3929		0 UWP	N	16171
Endowment assurance	25	23991	6793		0 UWP	N	23991
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	20	83028	27676		0 UWP	N	83028
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	40507	18600		0 UWP	N	40507

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

Name of insurer Winterthur Life UK Limited
Original insurer Winterthur Life UK Limited
Date of surrender value 01 March 2012

1 Category of with-profits policy	2 Duration at surrender (years)	3 Surrender value	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	9357	1706		0 UWP	Y	9357
Endowment assurance	20	15697	3760		0 UWP	Y	15697
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	13589	3176		0 UWP	N	13725
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer Winterthur Life UK Limited
 Original insurer Colonial Life (UK) Limited
 Date of maturity value / open market option 01 March 2012

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	8776	940		0 UWP	N	8776
Endowment assurance	20	14778	1343		0 CWP	N	14778
Endowment assurance	25	24602	3209		0 CWP	N	24602
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	15	41355	5395		0 UWP	N	41355
Regular premium pension	20	64540	8418		0 UWP	N	64540
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	15	15054	3011		0 UWP	N	15054
Single premium pension	20	26962	8367		0 UWP	N	26962

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

Name of insurer Winterthur Life UK Limited
Original insurer Colonial Life (UK) Limited
Date of surrender value 01 March 2012

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	8313	891		0 UWP	Y	8313
Endowment assurance	20	13359	1431		0 CWP	N	18511
With-profits bond	2	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	3	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	5	N/A	N/A	N/A	N/A	N/A	N/A
With-profits bond	10	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	2	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	3	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	N/A	N/A	N/A	N/A	N/A	N/A

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

Global business

Financial year ended **31 December 2011**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%	1013778	1012188	3037	3626
Classes III, VII and VIII	15	0.3%	872887	782398	2347	2559
Total	16		1886665	1794586	5384	6185

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				563	563
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	1701731	1309998	14465	14202
Classes III, VII and VIII (investment risk)	33	1%	5055	3339	43	51
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1601012	1601012	16010	16775
Classes III, VII and VIII (other)	35	25%			2478	7708
Class IV (other)	36	1%	29089	16321	247	233
Class V	37	1%				
Class VI	38	1%				
Total	39				33243	38969

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	1701731	1309998	43394	42606
Classes III, VII and VIII (investment risk)	43	3%	5055	3339	129	154
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1601012	1601012		
Classes III, VII and VIII (other)	45	0%	3836367	1814171		
Class IV (other)	46	3%	29089	16321	742	698
Class V	47	0%				
Class VI	48	3%				
Total	49		7173254	4744841	44265	43458

Long term insurance capital requirement	51				83455	89175
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Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

***0204* Reassurance arrangements**

Prior to 31 December 2010, AXA Wealth Limited reassured all of its traditional direct insurance business to the Company. AXA Wealth Limited commenced writing new business from 1 January 2011 which was not party to the reassurance arrangement. This arrangement was collapsed on 1 October 2011, at which time the reassured policies were transferred to the Company under the Part VII transaction.

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

	2011	2010
	£000	£000
Grand total of admissible assets after deduction of market risk and counterparty limits – other than long term business (Form 13 line 89 OLTB)	82,648	72,272
Grand total of admissible assets after deductions of market risk and counterparty limits – long term business (Form 13 line 89 LTB)	4,944,657	10,010,264
Mathematical reserves, after distribution of surplus (Form 14 line 11)	(4,744,841)	(9,827,206)
Total other insurance and non-insurance liabilities (Form 14 line 49)	(85,614)	(78,656)
Total liabilities – other than long term business (Form 15 line 69)	(5,820)	(4,140)
	191,030	172,534

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

In order to maintain the statutory solvency of the Company, Winterthur Life UK Holdings Limited (the company's holding company until 30 November 2011) had made contingent loans to the Non-Profit Fund of £33,304,000. Repayment of the loans was contingent upon the emergence of surplus. £23,304,000 was repaid during September 2011 and the remaining £10,000,000 was repaid during October 2011.

***0310* Valuation differences**

	2011	2010
	£000	£000
Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	63,110	15,369
Deferred front end fee liability	26,667	116,877
Financial liability in respect of trail commission	-	82,480
Contingent loans - liability	-	33,304
Contingent loans - asset	-	(23,304)
Deferred tax liability	92	(13,355)
	89,869	211,371

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

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

	2011	2010
	£000	£000
Profit and loss account and other reserves (Form 3 line 12)	91,162	118,690
Plus movement in revaluation reserve	-	7,314
Less disposal of subsidiaries	-	(7,314)
Less Profit and loss account and other reserves brought forward	(118,690)	(130,195)
Profit/(loss) retained for the financial year	(27,528)	(11,505)
Add loss arising in the long-term fund for the financial year	75,481	5,270
Additional capital contributions from shareholders	(45,000)	-
Less transfer from shareholder fund to long-term fund (Form 16 line 13)	(62,804)	(5,707)
Less different treatment on deferred tax movement	243	(243)
Profit or loss retained for the financial year (Form 16 line 59)	(59,608)	(12,185)

***1100* Form not applicable to WLUK**

These forms have been excluded because the current year amounts and prior year comparatives would be below de minimis levels.

***1200* Form not applicable to WLUK**

These forms have been excluded because the current year amounts and prior year comparatives would be below de minimis levels.

***1301* Aggregate value of certain investments**

&

***1308* Aggregate value of certain investments**

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

As at 31 December 2011 and 31 December 2010 the Company held no units or other beneficial interests in collective investment schemes which were not UCITS or authorised under the Financial Services and Markets Act 2000.

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

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

The aggregate value of hybrid securities included in lines 46 and 48 is £nil (2010: £nil).

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

1304 Amounts set off

&

1310 Amounts set off

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

1305 Maximum counterparty limits

&

1319 Maximum counterparty limits

Under the Insurer's Investment Guidelines, the maximum exposure of individual portfolios to a single counterparty for fixed income securities depends on the rating of the counterparty.

The maximum exposure of individual portfolios to a single counterparty for fixed income securities depends on the rating of the counterparty. The maximum exposure is calculated by multiplying the relevant rating limit expressed as a percentage by the portfolio base.

For sovereign issuers the portfolio base is the total fixed income (excluding private loans) and cash portfolio (i.e. covering all the Main Funds).

For corporate and supranational issuers the portfolio base is calculated as the greater of (a) the cash and corporate bonds portfolio (excluding Mortgage Backed Securities) or (b) 50% of the total fixed income and cash portfolio.

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

RATING	CORPORATE		GOVERNMENT RELATED		NON DOMESTIC SOVEREIGN (I)	
	Country level	Group level	Country level	Group level	Country level	Group level
AAA	4,00 %	3,00 %				
AA+	3,30 %	2,50 %				
AA	3,00 %	2,00 %				
AA-	2,50 %	1,80 %				
A+	2,00 %	1,50 %	2,0%	1,5%	2,0%	1,5%
A	1,60 %	1,20 %	1,6%	1,2%	1,6%	1,2%
A-	1,20 %	0,90 %	1,2%	0,9%	1,2%	0,9%
BBB+	1,00 %	0,70 %	1,0%	0,7%	1,0%	0,7%
BBB	0,70 %	0,50 %	0,7%	0,5%	0,7%	0,5%
BBB-	0,40 %	0,30 %	0,4%	0,3%	0,4%	0,3%
BB+	0,20 %	0,10 %				
BB	0,10 %	0,05 %				
BB-	0,05 %	0,02 %				
Below BB-	0,05 %	0,01 %				

The Investment Manager is authorised to select trading counterparties to be used on behalf of the Company subject to the following requirements:

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

- All counterparties have been formally approved by the Investment Manager's principal credit forum prior to a business relationship starting.
- No counterparty with a credit rating below A- (or equivalent) will be approved.

Limits set out in the Financial Services Authority Handbook must also be applied.

Active positions taken by the Investment Manager relative to the benchmark weight (expressed as a percentage of a fund's total equity value) will not exceed the following limits unless the limits are exceeded as a result of market movements;

Largest 250 FTSE stocks + 1.5%

Other FTSE All Share stocks + 1%

In addition, the maximum permitted aggregate holding across relevant UK equity funds will not exceed 10% of the free float market capitalisation ("free float"). For those the combined part of the 90:10 funds managed by the Investment Manager the maximum permitted exposure is 7% of the free float. The equity limits do not apply to holdings in collective investment vehicles and investment trusts.

Management of cash on behalf of the portfolios and the funds has been delegated to the Investment Manager via a mutual investment umbrella fund organised under the laws of Luxembourg. The concentration and counterparty exposure limits of this fund are set along two dimensions: (1) country limits and (2) individual name limits. Exposure to a particular country is limited depending on whether the issuer is a government related issuer of a particular country (10%) or a financial institution domiciled in a particular country (ranging from 25% in the UK to 2.5% in a number of European Countries). No maximum exposure limits apply to government and government related issuers in the UK. With regards to the individual name limits, investments in financial institutions are permitted into issuers deemed national champions (i.e. likely to be supported by their respective governments in a crisis) subject to a certain percentage.

Investment in corporate institutions are permitted subject to a minimum credit rating of A1/P1/AA-, a maximum exposure to individual corporate institutions of 2% and a maximum overall exposure to corporate institutions of nil. Investment in corporate institutions is not permitted in the variable NAV fund.

During 2011 there have been no breaches of the equity limits. Some fixed income breaches occurred as a result of a counterparty rating migration during the year. Upon review, all exposures are within risk appetite and no remedial action has taken place.

A waiver by consent (valid from 5 May 2009 to 31 March 2012) has been granted such that entities which are controlled by HM Treasury (e.g. bailed out banks) are not considered as closely related for the purposes of determining counterparty excesses.

***1306* Exposure to large counterparties**

&

***1312* Exposure to large counterparties**

At the year end, there were no exposures in excess of 5% of the sum of the Insurer's base capital resources requirement and Insurer's long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

***1308* Aggregate value of certain investments**

See Note 1301.

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

The aggregate value of hybrid securities included in lines 46 and 48 is £6,600,000 (2010: £5,400,000).

***1310* Amounts set off**

See Note 1304.

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

The Company has rights over collateral covering assets valued at £33,600,000 (2010: £10,469,000).

***1318* Other asset adjustments**

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

	2011	2010
	£000	£000
Gross up reinsurers' share of technical provisions classified as investments in Companies Act accounts	2,022,196	4,173,652
Reclassification adjustments	8,099	(1,440)
	<u>2,030,295</u>	<u>4,172,212</u>

***1319* Maximum counterparty limits**

See Note 1305.

***1322* Direction under Section 148 of the Financial Services and Markets Act 2000**

The FSA issued to the firm in February 2010 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in its realistic balance sheet (at line 27 of Form 19 for the With Profits Fund,

(a) the value of the fund support arrangement assets for a with-profits fund equal to the value of the transfers from the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29th November 2004 to that with-profits fund where:

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

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

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

(b) the value of such additional amount of the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29 November 2004, not exceeding any balance of that Sub-Fund after deducting any amount determined under (a) above, as is available, not being required for Scheme purposes, and as is required to ensure that the *realistic value of assets* and the value of the fund support arrangement assets defined in INSPRU 1.1.28 A R for each of its *with-profits funds* is at least equal to the *realistic value of liabilities* of that fund. These assets are also included in line 89 of this form.

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

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

The Company identified and reviewed all assets which are valued by marking to model, which are subject to restrictions or agreements relating to transactions or which could potentially be subject to less liquid positions. It was determined, following consultation with the investment managers, that none of these assets required an adjustment pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

The Company reviewed its investments to identify whether any provisions were required pursuant to INSPRU 3.2.17R and INSPRU 3.2.18R. It was determined that in each case, sufficient cover is held and no such provisions were required.

***1402* Long term and other than long term insurance business assets / liabilities &**

***1502* Long term and other than long term insurance business assets / liabilities**

a) Charges on assets

There were no charges on any of the assets of the Company.

b) Provision for capital gains tax

A capital gains tax liability of £nil (2010: £nil) would arise if the Company were to dispose of all of its assets.

c) Contingent liabilities

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

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

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

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

e) Fundamental uncertainties

There were none at 31 December 2011.

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

	2011	2010
	£000	£000
Reinsurers' share of technical provisions classified as investments in Companies Act accounts	2,022,196	4,173,659
Other differences in technical liabilities	63,910	15,370
Contingent loans	-	33,304
Financial liability re trail commission	-	82,480
Deferred front end fees	26,667	116,877
Negative BGI Reassurance	-	(7)
Reclassification adjustments	8,099	(14,795)
	2,120,872	4,406,888

***1406* - Increase or decrease in the value of non-linked assets**

The value of non-linked assets in the With Profits Fund increased during the year by £19.1m (2010: £47.1m increase).

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

See Note 1401.

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

See Note 1402.

***1507* - Other liability adjustments**

The amount included at line 83 of Form 15 is as follows:

	2010	2010
	£000	£000
Other gross ups	(708)	-

***1601* Basis of foreign currency conversion &**

***4005* Basis of foreign currency conversion**

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

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

***1700* Derivative contracts**

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

***1702* Quasi derivatives**

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

There were no quasi derivative liabilities at 31 December 2011.

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

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

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

The FSA issued to the firm in February 2010 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in its realistic balance sheet (at line 27),

(a) the value of the fund support arrangement assets for a with-profits fund equal to the value of the transfers from the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29th November 2004 to that with-profits fund where:

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

(b) the value of such additional amount of the Segregated Sub-Fund of the firm as defined in the Amended Scheme sanctioned by the High Court of Justice on the 29 November 2004, not exceeding any balance of that Sub-Fund after deducting any amount determined under (a) above, as is available, not being required for Scheme purposes, and as is required to ensure that the *realistic value of assets* and the value of the fund support arrangement assets defined in INSPRU 1.1.28 A R for each of its *with-profits funds* is at least equal to the *realistic value of liabilities* of that fund.

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

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

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

The Value of In-Force business in respect of non-profit business in the Non-Profit Fund is calculated on the actuarial valuation basis set for the firm's embedded value reporting. This basis is not necessarily consistent with the requirements in the Prudential Source Book. The firm's Board has taken the view that this is acceptable given that the amount disclosed in Form 19 Line 82 is not required to back the capital requirements of the With-Profit Fund.

***4002* Other income and other expenditure**

Other income of £0.946m in line 15 and other expenditure of (£0.946m) in line 25 relate to expenses which are initially borne by the non-profit fund and which are then recharged from the with-profit fund. These net to zero.

The remaining expenditure of £33.708m in line 25 includes a £23.557m settlement of the contingent loan in September 2011 and a £10.151m settlement of the remaining contingent loan in October 2011.

***4004* - Business transfers-out/in**

On 30 September 2011 the Embassy portfolio of business was transferred to AXA Wealth Limited in accordance with a Part VII scheme. The £4,446m reported in line 32 represents the admissible assets transferred.

Under the same Part VII scheme, the Company also received a transfer of insurance reserves from AXA Wealth Limited. This business was already fully reinsured into the Company, and therefore no amount has been reported line 31 for this transaction.

***4005* Basis of foreign currency conversion**

See Note 1601.

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

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

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

United Kingdom taxation has been allocated based on separate tax calculations for each sub-fund. The With-Profit Fund taxation is calculated on a stand-alone mutual company basis. The

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

Segregated Sub Fund taxation is calculated on a 100% life basis as agreed by HM Revenue & Customs. Allocation to the Non-Profit Fund is based on the balance of the total Long Term Fund taxation.

***4008* Management services**

During the financial year ended 31 December 2011, investment management services have been provided to the Company by AXA Investment Managers UK Limited.

Various other management services were provided by Winterthur Financial Services UK Limited, a wholly owned subsidiary of Winterthur Financial Services UK Holdings Limited, in accordance with a management agreement between the companies until 31 October 2011. These services have been provided by Friends Life Services Limited since 1 November 2011.

***4009* Material connected party transactions**

During the financial year ended 31 December 2011 the Company carried out the following transactions with other companies in the group, which exceed 5% of the Company's liabilities arising from its long-term insurance business, excluding property linked liabilities and net of reinsurance ceded.

Material transactions with Friends Life Company Limited (formerly AXA Sun Life Plc), a related company were:

	2011	2010
	£000	£000
Reassurance premiums received	141,540	176,469

***4100* Form not applicable to WLUK**

Form 41 for the Segregated Sub fund has been excluded because the current numbers and prior year comparatives would be nil.

***4200* Form not applicable to WLUK**

&

***4300* Form not applicable to WLUK**

Forms 41 and 42 for the Segregated Sub fund have been excluded because the current numbers and prior year comparatives would be nil.

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

4301* Other management expenses

Other management expenses in Line 15 of Form 43 are:

	2011	2010
	£000	£000
Increase / (release) of compensation provisions	1,373	(3,458)
(Release) / increase in other provisions	2,362	(139)
Expense Management Recharges	2,359	2,427
Penalty Charges	5	3
	6,099	(1,167)

***4401* Basis of valuation of assets**

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

***4402* Derivatives contracts**

There were no excess variation margins as at 31 December 2011.

***4403* Netting of variation margins**

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

***4405* Negative liquidity**

- a) There are no funds whose net asset value is greater than £10,000,000 and where there is negative liquidity ratio exceeding £50,000 in magnitude.
- b) There are no funds whose net asset value is greater than £500,000 and there is a negative liquidity ratio exceeding £500,000 in magnitude.

***4502* Other income and other expenditure**

On 30 September October 2011 the Embassy portfolio of business was transferred to AXA Wealth Limited in accordance with a Part VII scheme.

The amount at Form 45 line 26 relates to:

	2011	2010
	£000	£000
In-specie Part VII transfer (unit reserves transferred)	4,445,765	-

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

***4803* Redemption Period**

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

***4806* Assets used to calculate asset share investment returns**

The investment returns shown in column 5 are calculated using the assets backing policyholders' asset shares, which differ from the assets shown in columns 1 and 2. The returns are shown gross of tax and expenses.

***4901* Source of credit ratings**

Credit ratings from Standard & Poor's, Moody's and Fitch are used. If more than one is available the lowest rating is used. In the absence of all three a prudent internal rating is used.

***5000* Omitted Forms**

Form 50 for the Segregated Sub fund has been excluded because the current numbers and prior year comparatives would be nil.

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

There were 4 group retirement benefit schemes in force at end 2011. For these schemes the number of policyholders/scheme members has been shown as zero on Form 52.

***5203* Miscellaneous Code**

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

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

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

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

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

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

***5600* Omitted Forms**

This form has been excluded because the current numbers and prior year comparatives would be below de minimis levels.

Name of Insurer **Winterthur Life UK Limited**

Financial year ended **31 December 2011**

SUPPLEMENTARY NOTES TO THE RETURN

***5803* Fund Transfers**

The Form 58 for the Segregated Sub Fund shows a transfer to other funds of £3.454m. This is in accordance with the Scheme, which allows some reduction in the Segregated Sub Fund as the With Profits business goes off the books and also allows some investment return on the Segregated Sub-Fund to be transferred to the Shareholder Fund. The transfer has been made to the Shareholders Fund.

Fund transfers on Form 58 (Summary) are split between line 13 and line 32. The net position is a transfer to the long term fund of £62.804m which consists of £5.753m transfers out (line 13) and £68.557m transfers in (line 32). This net figure corresponds to the transfer to (from) non technical account figure on Form 40 Line 26.

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

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

The gross annual office premiums in force at 31 December 2011, in respect of Class IV business and supplementary accident and sickness insurance, amount to £1.452m. The Company is not a mixed insurer.

IPRU(INS) RULE 9.29 - STATEMENT ON DERIVATIVE CONTRACTS

Financial year ended 31 December 2011

a) Investment Guidelines

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

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

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

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

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

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

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

At the end of 2011, derivatives in the With Profit Fund consisted of interest rate swaps, swaptions, credit default swaps, futures and put and call options. Currency swaps backing a USD mortgage loan were held in the Non Profit Fund as well as futures backing certain unit-linked contracts.

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

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

c) Derivatives not likely to be exercised

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

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

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

Name of Insurer **Winterthur Life UK Limited**

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

Up to 30 November 2011

Controller	Shareholding/Voting Rights						
Winterthur Life UK Holdings Limited 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 3223752	100% shareholding Winterthur Life UK Limited						
Winterthur UK Financial Services Group Limited 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 03116678	100% shareholding Winterthur Life UK Holdings Limited						
AXA UK plc 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 2937724	100% shareholding in Winterthur UK Financial Services Group Limited						
AXA 25 avenue Matignon, 75008 Paris Incorporated in France Registered No: 572093920 R.C.S. PARIS	100% shareholding in AXA UK plc split as follows: <table> <tr> <td>AXA</td><td>53.1%</td></tr> <tr> <td>AXA Equity & Law plc (a 99.9% owned subsidiary of AXA)</td><td>46.9%</td></tr> <tr> <td></td><td><hr/>100.0%</td></tr> </table>	AXA	53.1%	AXA Equity & Law plc (a 99.9% owned subsidiary of AXA)	46.9%		<hr/> 100.0%
AXA	53.1%						
AXA Equity & Law plc (a 99.9% owned subsidiary of AXA)	46.9%						
	<hr/> 100.0%						
Mutuelles AXA: AXA Assurances Vie Mutuelle 26 rue Drouot, 75009 Paris Incorporated in France Registered No: 353457245 AXA Assurances IARD Mutuelle 26 rue Drouot, 75009 Paris Incorporated in France Registered No: 775699309	Is an association of two companies, as listed, which collectively exercise 21.88% of the voting rights of AXA up to 30 November 2011.						

Name of Insurer

Winterthur Life UK Limited

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

From 30 November 2011 to 2 December 2011

Controller	Shareholding/Voting Rights
Friends Life Group plc (formerly Friends Provident Holdings (UK) plc) Pixham End Dorking RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Winterthur Life UK Limited
Resolution Holdings (Guernsey) Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Provident Holdings (UK) plc
Resolution Holdco No.1 LP Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No:1118	100% shareholding in Resolution Holdings (Guernsey) Limited
Resolution Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 49558	99.9% shareholding in Resolution Holdco No. 1 LP which exercised 100% of the voting rights at any general meeting. No shareholder owns 10% or more of the shares or votes in Resolution Limited

Name of Insurer **Winterthur Life UK Limited**

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

From 2 December 2011 and as at 31 December 2011

Controller	Shareholding/Voting Rights
Friends Life Limited (formerly Friends Provident Life and Pensions Limited) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 4096141	100% shareholding in Winterthur Life UK Limited
Friends Life FPL Limited (formerly Friends Provident Limited) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 4113107	91.5% shareholding in Friends Life Limited (100% voting rights)
Friends Life FPG Limited (formerly Friends Provident Group Limited) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06861305	100% shareholding in Friends Life FPL Limited
Friends Life Group plc (formerly Friends Provident Holdings (UK) plc) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Friends FPG Limited
Resolution Holdings (Guernsey) Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Provident Holdings (UK) plc
Resolution Holdco No.1 LP Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No:1118	100% shareholding in Resolution Holdings (Guernsey) Limited
Resolution Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 49558	99.9% shareholding in Resolution Holdco No. 1 LP which exercised 100% of the voting rights at any general meeting. No shareholder owns 10% or more of the shares or votes in Resolution Limited

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

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

VALUATION REPORT

Throughout this report the following notation is used:

the / this Company	denotes	Winterthur Life UK Ltd
AWL	denotes	AXA Wealth Ltd
FLC	denotes	Friends Life Company Ltd

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

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

Before 31 December 2007 pension unit liabilities were reinsured to AWL. From this date onwards these liabilities were retained by the Company, and business directly written in AWL was reinsured to this Company.

On 15 September 2010 Resolution Ltd completed a transaction with AXA UK under which Resolution's subsidiary Friends Life Group plc (formerly Friends Provident Holdings (UK) Ltd) purchased the whole of FLC during 2010, and also agreed to purchase most of this company's business during 2011 at an agreed price.

In accordance with the sale agreement, on 1 October 2011 the Company transferred the business to be retained by AXA UK to AWL in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 14 September 2011. At the same time there was also a Part VII transfer of some of the business directly written in AWL into the Company, and as this business was all previously reassured to this Company, the reinsurance agreement was cancelled.

Following the completion of these two Part VII transfers, the Company, which by then only contained the legacy book of more traditional insurance products, was sold by Winterthur Life UK Holdings Ltd, its immediate holding company to Friends Life Group plc. The sale was effected on 30 November 2011 and the Company was then sold by Friends Life Group plc to a subsidiary company, Friends Life Ltd, on 2 December 2011.

1. Valuation date

- (1) The investigation relates to 31 December 2011.
- (2) The previous investigation related to 31 December 2010.
- (3) No interim investigations have been carried out.

2. Changes to product range in 2011

Following the transfer of business, some of the products previously written by the Company are now written in AWL.

There were no other changes to products during 2011.

Statement relating to with-profit business

The With-Profit Fund was closed to new business except by increment.

3. Discretionary charges and benefits

(1) Application of Market Value Reduction

During 2011 market value reductions (MVRs) applied on surrender and transfers on UWP business as follows.

Product Description	Period that MVR Applied		Policy Dates of Entry
	From	To	
Colonial Life Single Premium	01/01/2011	07/03/2011	2000, 2008
Other Colonial business	None	None	None

For the Winterthur and Irish Life UWP business, the final bonus or MVR is calculated on a policy by policy basis. An MVR might therefore have applied throughout 2011 depending on the individual circumstances of the policy.

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

There were no changes to the premiums on reviewable non-linked protection policies during 2011.

(3) Non profit deposit administration benefits

The Company has no non profit deposit administration benefits.

(4) Service charges on linked policies

The policy fees on linked policies changed in 2011 as follows

Product	Change in 2011
Colonial Rainbow and Unity Pensions	5.1%
Winterthur Pensions	3.4%

Policy fees for certain Winterthur pension products depend on the relevant group pension scheme. Increases may be affected by rounding.

(5) Benefit charges on linked policies

There were no changes to benefit charges on linked policies in 2011.

(6) Fund management charges

There were no changes to unit management charges or notional charges to accumulating with-profit policies during 2011.

(7) Unit pricing methods

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

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

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

ii)

Winterthur Portfolio

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

Colonial Portfolio

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

Specific Colonial Fund Features

Key Fund

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

Managed, Equity, Fixed Interest and Cash Funds

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

New World Funds

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

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

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

iv) Internal linked funds which invest in segregated assets such as equities and bonds are valued using close of business prices on the previous day, except property which is valued monthly. Dependent on whether an offer or bid pricing basis is being used the assets are valued after adding provision for tax and purchase charges or deducting provision for tax and sale charges as

appropriate. Internal linked funds which invest in collective investment vehicles are valued using the prevailing dealing price for that day. For OEICs, this will relate to a single swinging price depending on the cash flow in to the underlying investment. For unit trusts, the fund will be valued using the negotiated purchase price on a daily basis unless assets are sold and then the sale price received for the transaction will be utilised when valuing the internal linked fund.

b) Not applicable.

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

(8) Tax deductions from unit-linked funds

Life Funds

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

Provision is made in the unit pricing for the potential tax liability on unrealised gains (including gains on collective investment schemes that are not treated as realised gains) at a rate of 16% for funds priced on an offer basis and 20% for funds priced on a bid basis. No money is removed from the funds in respect of these provisions.

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

Tax relief for losses is given if there are sufficient gains within the same investment fund against which to offset the loss. If there are insufficient gains then the losses are carried forward within the same fund to be utilised at a later date. Credit may be given in the unit price for losses (realised and unrealised) carried forward within the funds at rates of up to 10% (dependent on the amount of losses relative to the value of the fund and the pricing basis of the fund).

Other Funds

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

(9) Tax provisions for unit-linked funds

See section 3(8).

(10) Discounts on purchases of units

The Company utilises collective investment funds managed by external managers. All investments into these funds receive a full discount on the initial charge quoted by the external manager. The full benefit of this discount is passed on to the policyholder. In respect of discount on management charges, the Company has negotiated rebates with the external managers. In some cases, part of this rebate is retained by the Company as additional margin with the policyholder benefiting from the remainder of the rebate.

4. Valuation basis (other than for special reserves)

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

(1) Valuation methods

General principles and methods used in the valuation

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

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

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

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

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

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

Conventional business

For all non-linked contracts the gross premium valuation method has been used, with an explicit expense reserve. No allowance for future bonuses has been made for conventional with-profit business. Reserves are restricted to a minimum of zero, ie there is no allowance for negative reserves.

Unit-linked business

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

Unitised With-Profit Business

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

For the With-Profit Bond, the Irish Life arrangement and Colonial business the reserve is calculated as the greater of:

- a prospective bonus reserve valuation based on a glide path of future bonus rates (for those few cases where regular bonuses are being applied currently), and
- the lower of the reasonable expectation surrender value (based on the shadow fund) and the non-discretionary surrender value (based on nominal units).

Allowance has been made for regular withdrawals where a no-MVR guarantee applies for all policies currently taking regular withdrawals, and for a prudent proportion of policies currently not taking income.

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

For all accumulating with-profit contracts an additional explicit expense reserve has been established, either in the With-Profit Fund or in the Non Profit Fund.

(2) Valuation interest rates

Product	31 December 2011	31 December 2010
Conventional WP Life:		
Whole Life & Endowment	2.30	2.30
Conventional WP Pensions:		
Deferred Annuities	2.05	2.65
Pure Endowment	2.90	2.65
Other	2.90	2.90
Conventional NP Life:		
Annuities in Payment (WP Fund)	1.70	2.55
Annuities in Payment (NP Fund)	2.10	2.40
Other (WP Fund)	1.70	2.40
Other (NP Fund)	2.10	2.40
Conventional NP Pensions and PHI:		
Annuities in Payment (WP Fund)	2.10	3.15
Annuities in Payment (NP Fund)	3.20	3.95
Other (WP Fund)	2.10	3.15
Other (NP Fund)	2.90	3.55
Unit Linked:		
Life (WP Fund)	1.70	2.40
Life (NP Fund)	2.10	2.40
Pensions (WP Fund)	2.10	3.15
Pensions (NP Fund)	2.90	3.55
Unitised With-Profit:		
Life	1.95	2.30
Pensions	2.45	2.90
Irish Life	0.95	0.75
Index Linked Annuities		
WPF	-1.35	0.00
NPF	-0.35	0.50

(3) Risk adjustments to yields

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

The dividend yield was subjected to an upper limit of 6.40%, and the overall yield was also subjected to an upper limit of 6.40%. This allows for the risk that the market has assessed the outlying high yielding stocks incorrectly and that these will reduce in future.

A small amount of commercial property is held. In determining the appropriate yield the expected income has been assessed on an individual property basis with full allowance made for expected rental income voids and is subjected to an upper limit of 6.40%.

The yields on UK gilts are taken as the gross redemption yield. No adjustment for credit risk is required. For all other fixed interest securities the following deductions have been made from gross redemption yields.

Rating	Term to redemption (years)		
	0-10 bps	10-20 bps	20+ bps
AAA	11	13	14
AA	70	52	47
A	132	83	74
BBB	254	167	150
BB	432	307	266
B	678	505	438
CCC	1,485	924	757

For bonds rated CC and below, an individual credit risk deduction is calculated. For any bonds rated D, the yield is set to zero. However, the company did not hold any bonds with these ratings at 31 December 2011.

At 31 December 2011 the company held a few small bonds that were not credit rated. These were treated in the same way as bonds with a credit rating of A.

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

The yield on each stock, net of credit risk deductions, is subject to a maximum of 30% pa.

(4) Mortality

The mortality bases used at end 2011 and end 2010 were as follows.

Product Group	31 December 2011		31 December 2010	
	Males	Females	Males	Females
Whole Life and Life Endowments	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Pure Endowments, Deferred Annuities (pre-vesting)	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Annuities in Payment (Personal and Corporate)	98.9% PCMA00 CMI 2011 [2%] improvements (1) (5)	98.9% PCFA00 CMI 2011 [2%] improvements (1) (5)	95% PCMA00 mc (2) (4)	95% PCFA00 75% mc (3) (4)
Deferred Annuities (post-vesting)	98.9% PCMA00 CMI 2011 [2%] improvements (1)	98.9% PCFA00 CMI 2011 [2%] improvements (1)	92.5% PCMA00 mc (2) (6)	92.5% PCFA00 75% mc (3) (6)
Term Assurance (7)				
- Non-Smokers	80% TM92 ult	90% TF92 ult	80% TM92 ult	90% TF92 ult
- Smokers	150% TM92 ult	165% TF92 ult	150% TM92 ult	165% TF92 ult
- Unknown	100% TM92 ult	105% TF92 ult	100% TM92 ult	105% TF92 ult
PHI	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Unit Linked (non-funding)	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Unit Linked (funding)	75% AM80 ult		75% AM80 ult	

- (1) At end 2011 the core CMI 2011 model was used with the long term improvement factor set to 2% pa.
- (2) At end 2010 a minimum improvement rate of 1.7% pa was assumed.
- (3) At end 2010 a minimum improvement rate of 1.5% pa was assumed. 75% mc was applied from 2004 onwards.
- (4) At end 2010 U = 2011 was used for all immediate annuities in payment.
- (5) At end 2011 U = 2012 was used for all immediate annuities in payment.
- (6) For Deferred Annuities post-vesting the year of use is the year of vesting.
- (7) For Term Assurances an allowance of one third of R6A is made to allow for the additional mortality due to AIDS.

The complete expectation of life for the annuities in payment is shown in the following table.

Basis	Age 65	Age 75
98.9% PCMA00 CMI 2011 [2%] Improvements	24.4	14.9
98.9% PCFA00 CMI 2011 [2%] Improvements	26.3	16.4

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

Basis	Age 45	Age 55
98.9% PCMA00 CMI 2011 [2%] Improvements	27.6	25.9
98.9% PCFA00 CMI 2011 [2%] Improvements	29.5	27.9

(5) Morbidity

The morbidity bases used at end 2011 and end 2010 were as follows.

Income protection

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

Inception rate modifications

Deferred Period (weeks)	End 2011	End 2010
4	40%	40%
13	90%	90%
26	150%	150%
52	300%	300%

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

Occupational Class	End 2011	End 2010
1	125%	125%
2	150%	150%
3	200%	200%
4	250%	250%

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

For both males and females, the rates are multiplied by a further 115% for prudence.

Recovery rate modifications

Duration of Claim (years)	End 2011	End 2010
1 - 2	65%	65%
3+	85%	85%

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

Critical illness

For Lifelink, Serious Illness Plan, LifelinkPlus policies and Serious Illness Plan with wider cover policies, the claim rates detailed below were used to determine projected benefits arising from the diagnosis of one of the specified illnesses. The rates shown are per 10,000 for male non-smokers, male smokers, female non-smokers and female smokers. The rates are the same as those as at 31 December 2010.

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	4.3	7.4	6.2	10.9
35	7.1	12.8	10.1	18.4
45	24.5	45.3	23.8	43.0
55	70.2	129.0	57.0	99.9

(6) Expenses

Gross annual per policy expense levels assumed for specified products are set out below.

With-Profit Fund

For the With-Profit Fund the expenses are determined by the 2001 Scheme. The following table shows the per policy expense assumptions for the premium paying and the non-premium paying business written by the With-Profit Fund as determined under the Scheme.

Product	End 2011		End 2010	
	Premium Paying	Non-Premium Paying	Premium Paying	Non-Premium Paying
CWP savings endowment	£21.72	£11.23	£20.65	£10.67
CWP target cash endowment	£21.72	£11.23	£20.65	£10.67
CWP pensions	£27.92	£14.33	£26.55	£13.63
Term Assurance	£14.81		£14.09	
Income protection in force	£15.70		£14.93	
Income protection claim in payment		£28.51		£27.11
Annuity		£28.51		£27.11
UWP target cash endowment	£47.12	£35.34	£44.81	£33.60
UWP regular premium pension	£55.43	£41.57	£52.71	£39.54
UWP single premium pension		£41.57		£39.54
UL savings endowment	£47.12	£35.34	£44.81	£33.60
UL target cash endowment	£47.12	£35.34	£44.81	£33.60
UL regular premium pension	£55.43	£41.57	£52.71	£39.54
UL single premium pension		£41.57		£39.54

In addition to the per policy expenses, an assumption of 0.20% pa pre VAT is made for investment expenses. An additional reserve of £1.3m is held in the Non Profit Fund to allow for VAT on these expenses.

Non Profit Fund

During 2010, a new Activity Based Costing model was introduced to apportion the Company's expenses more accurately. This model was further updated during 2011. At end 2011, the per policy expenses have been based on the actual unit costs, and were uplifted by 5% to provide a margin for prudence. For unit-linked and UWP business, the actual unit costs have been allocated as 70% attributable and 30% non-attributable, with the non-attributable expenses being covered by profits emerging from the unit-linked and UWP business.

The following assumptions have been used at 31 December 2011.

Business	Premium Paying	Non Premium Paying
Group Existing	£60.48	£30.24
Annuities	£21.46	£21.46
Individual Pensions (UWP)	£5.37	£2.68
Individual Pensions (Other)	£69.14	£34.57
Executive Pensions	£551.23	£275.61
Savings	£153.23	£76.61
Protection	£41.48	£20.74

The following assumptions were used at 31 December 2010.

Business	Premium Paying	Non Premium Paying
Group Existing	£75.91	£37.95
Annuities	£17.45	£17.45
Individual Pensions (UWP)	£5.35	£2.68
Individual Pensions (Other)	£60.08	£30.04
Executive Pensions	£488.77	£244.38
Savings	£79.97	£39.99
Protection	£27.93	£13.96

Actuarial Standards require consideration be given to the impact of selective withdrawals on the allowance for future expenses, particularly where the allowance is not assessed on a per policy basis. The unit related assumptions above are such allowances. As the expense allowance is a percentage of units, the risk here is that it is the larger than average policies that withdraw. The assumptions have been prudently set taking account of this risk.

Investment and unit related expenses

The following table shows the explicit additional per policy expense as a percentage of the unit fund used in the December 2011 valuation. These assumptions are unchanged from the December 2010 valuation.

Product	Premium Paying	Non-Premium Paying
Irish Life UWP Bond (1)	0.03%	0.03%
All other UWP (2)	0.10%	0.10%

- (1) An additional administration expense of 0.03% of the fund is allowed for in the valuation of the Irish Life arrangement.
- (2) This represents the investment expense for UWP contracts and is charged to the With-Profit Fund. This amount is allowed for within the bonus reserve valuation element of the mathematical reserve.

For unit linked policies the investment expenses are allowed for by only modelling the net charges due to the company after allowance for external fund management charges and rebates. For this purpose, a weighted average fund management charge, net of investment expenses, is calculated for each policy. The unit fund used as a basis for expense calculations includes any UWP holdings.

For conventional non profit business, an explicit expense allowance of 12bps of reserves (including 20% VAT) is made to cover investment expenses.

Tax relief

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

(7) Inflation rate and unit growth rates

The annual unit growth rates assumed for linked business are as follows.

Fund	Gross	Net
Non-deposit investments	2.90%	2.465%
Deposit investments	0.50%	0.40%

The expense inflation assumes are as follows.

RPI inflation – annuity business : 3.50% pa
RPI inflation – non-annuity business: 3.25% pa

Expense inflation is assumed at a rate of RPI + 1%.

However, expense inflation in the With-Profit Fund is fixed by the Scheme at RPI. An additional reserve of £2.1m is held in the Non Profit Fund to cover the cost of the difference between the assumed expense inflation rate and the cap imposed by the Scheme.

(8) Future bonus rates

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

For UWP business the following assumptions have been made regarding future bonus rates.

Gross rate	Business
2.00%	Irish Life business with 2% management charge
1.65%	All other Irish Life business
0.95%	With-Profit Bond (post June 2002 premiums)
2.30%	Pension Fund Link group business (post June 2002 single premiums)
0.80%	All other Pension Fund Link group business
2.20%	Pension Fund Link individual business (post June 2002 single premiums)
0.45%	All other Pension Fund Link individual business
0.00%	All other UWP business

These rates are gross of fund management charges. Net of fund management charges, the only non-zero rates are for Pensions Fund Link post July 2002 single premiums, both group and individual.

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

Except where stated below, lapse and surrender rates on all business are set at 0%. Where rates are stated, these are the same throughout the term of the policy.

	Surrender rate	
	2011	2010
Group pensions without surrender penalties	3% pa	3% pa
Personal pensions without surrender penalties	2% pa	2% pa
TIP (without surrender penalties)	4% pa	4% pa
Some unit linked whole life products	4% pa	0% pa

For pension business that is currently premium paying, the reserve is calculated twice: once assuming that premiums continue at the current level, and once assuming that premiums cease immediately. The higher of these two reserves is then taken.

(10) Other material assumptions

No other material assumptions were made.

(11) Derivative contracts

At 31 December 2011 the Company held swaptions with a net market value of £1.1m and interest rate swaps with a net market value of £30.2m to hedge the interest rate risk in connection with with-profit deferred annuities and with-profit pure endowments with GAOs. The treatment of these in the valuation is covered in section 5.

The Company held equity put and call options with a net market value of £16.5m, and short futures contracts which represented a net liability of £2.7m. The short futures contracts combining with long call options were used to replicate put options, so as to reduce the total costs of protection. In the valuation of liabilities, a reserve has been created to eliminate the time value of the options; they have not otherwise been used to back liabilities.

The Company held credit default swaps which represented a net asset of £2.0m. The valuation interest rates take into account the holdings of credit default swaps.

The Company held short current futures with a value of £2.2m. These act as a currency hedge, and have been paired with the associated asset in order to treat that asset as a sterling-denominated asset for the purpose of allocating to liabilities.

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

One change was made to the valuation methodology at end 2010 in respect of the changes to INSPRU valuation rules effective from 31 December 2006. This was the introduction of a prudent allowance for lapses in the calculation of sterling reserves on some unit-linked pensions business. This change reduced the reserves at the time by £16.4m.

Two further changes were made to the valuation methodology at end 2011 in respect of the changes to INSPRU valuation rules effective from 31 December 2006. A prudent allowances for lapses in the calculation of sterling reserves on some unit-linked life business was introduced. This change reduced the reserves by £3.2m.

The use of attributable expenses in the calculation of sterling reserves for unit linked business was also introduced. This change reduced the reserves by approximately £34m.

5. Options and guarantees

(1) Guaranteed annuity rate options

a) Description of method

For with-profit pure endowments the reserve for annuity guarantees has been calculated using an interest rate for the option, once in payment, of 2.90%. The mortality basis used was 98.9% PCMA00 or 98.9% PCFA00 for male and female rates respectively, using the core CMI model with the long term improvement factor set to 2% pa. The reserve is calculated assuming that 95% of policyholders purchase annuities at the guaranteed rates.

The total reserve is backed by a combination of payer swaption assets with a strike rate of 8.00%, interest rate swaps and gilts, which were held for the purpose of managing the interest rate risk on the pure endowments with annuity guarantees and the Colonial with-profit pension deferred annuities.

The total notional value of swaptions held is £109.9m and the market value of these swaptions was £1.1m. The total notional of interest rate swaps held is £245.6m, made up of £67.4m of shorter term payer swaps and £178.2m of longer term receiver swaps. These swaps had a total market value of £30.2m. Together these swaptions, swaps and gilts are held to hedge the interest rate sensitivity across the full profile of the liabilities.

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

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

b) Product details

Product name	Winterthur Pure Endowment
Basic reserve	£31.1m
Spread of outstanding durations	The average outstanding duration is 4.82 years. The maximum outstanding duration is 19.75 years. The distribution of outstanding duration is: 0 – 5 years 51% 5 – 10 years 40% 10 – 15 years 8% 15+ years 1%
Guarantee reserve	£22.9m
Guarantee annuity rate	10% for male aged 65, monthly in advance, guaranteed for 5 years.
Increments allowed	No
Form of annuity	All single life and payable in advance. Frequency can be monthly, quarterly, half-yearly or annual, with guarantee periods of 0, 5 or 10 years; the majority are monthly with a 5 year guarantee. A range of escalation rates applies.
Retirement ages	Retirement ages range from 55 to 75.

(2) Guaranteed surrender and unit-linked maturity values

There are no guaranteed surrender values. The number and unit value of unit-linked policies which contain a maturity guarantee is trivial and no additional reserve was deemed necessary

(3) Guaranteed insurability options

A review of the policies that could exercise these options was carried out during 2009 and showed that there were a trivial number of policies remaining. No additional reserve was deemed necessary at end 2009, and this position has been maintained since then.

(4) Other guarantees and options

The Colonial with-profit pension deferred annuities have a cash option exercisable at the vesting date. The total mathematical reserve for this business is £181.7m.

No additional reserve is held for the value of the option to take cash as it is far out of the money.

6. Expense reserves**(1) Expense loadings**

The aggregate amount, grossed up for tax 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 £36.4m, made up of £5.1m in the With-Profit Fund and £31.3m in the Non Profit Fund. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses, explicit allowances for other maintenance expenses and the non-attributable expenses are shown in the tables below.

With-Profit Fund

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Unit-linked business		£0.9m	£0.7m	£0.3m	£1.9m
All expenses attributable		£1.3m	£1.9m	n/a	£3.2m
Total		£2.2m	£2.6m	£0.3m	£5.1m

Non Profit Fund

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
Unit-linked business		£10.7m	£11.2m	£4.8m	£26.7m
All expenses attributable		£ 0.5m	£ 4.1m	n/a	£ 4.6m
Total		£11.2m	£15.3m	£4.8m	£31.3m

Renewal commissions are not included in these amounts.

(2) Implicit expense allowances

There are no implicit allowances for expenses.

(3) Comparison with Form 43

The expense allowances for the Non Profit Fund of £31.3m differ significantly from the total maintenance expenses of £51.3m shown at line 14 of Form 43.

The Form 43 Line 14 total includes £22.2m of expenses for the business that was transferred to AWL. The expenses for the business remaining in the Company are therefore £29.1m.

The remaining Form 43 Line 14 figure of £29.1m includes only £3.3m in respect of external linked investment expenses. This is because, for linked funds invested in unit trusts and OEICs, the Form 43 Line 14 total does not include any investment expenses as these are deducted in the fund managers' unit price and is not accounted for as an expense.

For the With-Profit Fund, the expense allowances of £5.1m are not significantly different from the £4.9m shown at line 14 of Form 43.

(4) New business expense overrun

Current product terms are sufficient to recover expenses in respect of new business, and no new business expense overrun reserve is required in respect of the expenses of continuing to transact new business during the 12 months following the valuation date.

(5) Maintenance expense overrun

A reserve of £2.1m is held to cover the projected expense overruns from the With-Profit Fund which will be borne by the Non Profit Fund.

(6) Non-attributable expenses

The expenses associated with the project to implement Solvency II have been treated as non-attributable expenses within the valuation and an additional expense reserve of £5.0m has been set up in the Non Profit Fund to provide for the expected future costs of completing the project.

At 31 December 2011, valuation expenses for unit-linked and UWP business were split between attributable and non-attributable expenses. The attributable expenses were allowed for in the calculation of the non-unit reserves on unit-linked business and UWP business. The non-attributable expenses were compared to future profits expected to emerge from the unit-linked and UWP business, and no additional reserve was deemed necessary.

All other expenses have been treated as attributable.

7. Mismatching reserves

(1) Analysis of reserves by currency

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

Currency	Assets	Liabilities
Sterling	£903.7m	£840.4m
Euro	£31.6m	£13.5m
Total	£935.3m	£853.9m

The Non Profit Fund reserves are all denominated in sterling. The corresponding matching assets are also all denominated in sterling.

(2) Other currency exposure

Not applicable

(3) Currency mismatching reserve

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

(4) Most onerous scenario under INSPRU 3.1.16R

No resilience capital requirement is calculated for the Company as it is a realistic basis firm.

(5) Most onerous scenario under INSPRU 3.1.23R

No resilience capital requirement is calculated for the Company as it is a realistic basis firm.

(6) Amount of resilience capital requirement

No resilience capital requirement is calculated for the Company as it is a realistic basis firm.

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

The expected incidence of asset and liability cash flows is such that a specific reserve in respect of cash flow mismatching is not required.

8. Other special reserves

A reserve of £5.0m is held to cover Solvency II costs.

A reserve of £10.0m is held as a data provision. As part of the purchase by Resolution, increased attention has been paid to the accuracy of the valuation data, and several issues have been identified as a result. Although the position has now improved, the new valuation and reporting processes have not yet been fully embedded. A prudent provision is therefore being held at 31 December 2011.

9. Reinsurance

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

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

(2) Reinsurance treaties

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

Ten of these treaties are similar in nature, and provide reinsurance in respect of liabilities that are linked to the performance of funds maintained by the Reinsurer. These have been shown together under the “Unit fund reinsurance treaties”.

The Canada Life International Re reinsurance treaty

Name of Reinsurer	Canada Life International Re Ltd
Nature and extent of cover	The treaty provides reinsurance cover for annuity business, the risks being 90% reinsured.
Premiums payable	No premium was payable by the Company under this treaty during 2011.
Amount deposited back	None.
Open / Closed to new business	The treaty is closed to new business.
Amount of any undischarged obligation of the insurer	There is no undischarged obligation.
Amount of mathematical reserves ceded	At end 2011 the total mathematical reserves ceded were £391.6m.
Retention by the insurer for new policies being reinsured	No new policies are being reinsured under this treaty. The retention for existing policies is 10%.

Notes

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

Unit fund reinsurance treaties

Names of Reinsurers	Aberdeen Asset Management Life & Pensions Ltd Aegon Investment Management UK Ltd AXA Wealth Ltd Baillie Gifford Life Ltd BlackRock Asset Management Pensions Ltd BlackRock Pensions Ltd Friends Life Company Ltd Legal & General Assurance Pensions Management Ltd Schroder Pension Management Ltd Threadneedle Pensions Ltd
Nature and extent of cover	The treaty provides reinsurance in respect of liabilities that are linked to the performance of funds maintained by the Reinsurers. A floating charge agreement is in place with all these Reinsurers to mitigate credit risk.
Premiums payable	A net premium of £186.6m was payable by the Company under these treaties during 2011. This is split as: (£ 0.3m) Aberdeen Asset Management Life & Pensions Ltd (£ 39.5m) Aegon Investment Management UK Ltd nil AXA Wealth Ltd (£ 35.2m) Baillie Gifford Life Ltd £ 78.6m BlackRock Asset Management Pensions Ltd (£ 43.3m) BlackRock Pensions Ltd £ 27.9m Friends Life Company Ltd £ 57.0m Legal & General Assurance Pensions Man Ltd £160.1m Schroder Pension Management Ltd (£ 18.8m) Threadneedle Pensions Ltd
Amount deposited back	None.
New business	The treaties are open to new business.
Amount of any undischarged obligation of the insurer	There is no undischarged obligation.
Amount of mathematical reserves ceded	At end 2011 the total mathematical reserves ceded were £2,022.2m. This is split as: £ 26.8m Aberdeen Asset Management Life & Pensions Ltd £ 2.0m Aegon Investment Management UK Ltd £ 362.4m AXA Wealth Ltd £ 0.3m Baillie Gifford Life Ltd £1,462.0m BlackRock Asset Management Pensions Ltd £ 3.3m BlackRock Pensions Ltd £ 1.6m Friends Life Company Ltd £ 7.3m Legal & General Assurance Pensions Man Ltd £ 118.2m Schroder Pension Management Ltd £ 38.3m Threadneedle Pensions Ltd
Retention for new policies being reinsured	No liability in respect of property-linked benefits invested in funds maintained by the Reinsurers is retained by the Company.

Notes

- The Reinsurers are all authorised to carry on business in the United Kingdom.
- The Company reinsures some business to Friends Life Company Ltd, which is another life company within the Friends Life Group. The Company is not connected to any of its other Reinsurers.
- There are no material contingencies to which the treaties are subject.
- No provision has been made for any liability of the Company to refund amounts of reinsurance commission in the event of lapses or surrender of the contract.
- The treaties do not give rise to an undischarged obligation for the insurer.

10. Regular bonus

Conventional With-Profit

Name of bonus series	Amount of Mathematical Reserves	Reversionary Bonus Rate for 2011	Reversionary Bonus Rate for 2010	Total Guaranteed Bonus Rate for 2011
Winterthur Life Portfolio	£11.1m	0%	0%	0%
Colonial Life Portfolio	£301.8m	0%	0%	0%
Winterthur Pension Portfolio	£46.7m	0%	0%	0%
Colonial Pension Portfolio	£227.6m	0%	0%	0%

Unitised With-Profit

Name of bonus series	Amount of Mathematical Reserves	Annual Bonus Rate for 2011	Annual Bonus Rate for 2010	Total Guaranteed Bonus Rate for 2011
Homeprovider and Plus Mortgage	£3.0m	0%	0%	0%
With-Profit Bond				
pre 30/06/02 business	£3.4m	0%	0%	0%
post 30/06/02 business	£0.2m	0%	0%	0%
Colonial Savings / Mortgage Plans	£7.8m	0%	0%	0%
Colonial Investment Bond	£1.3m	0%	0%	0%
Old Style Pensions	£4.3m	0%	0%	0%
New Style Pensions				
pre 30/06/02 business:				
Individual	£0.1m	0%	0%	0%
Group (gross)	£0.0m	0.80%	0.80%	0.80%
post 30/06/02 business:				
Individual	£0.4m	1.75%	1.75%	1.75%
Group (gross)	£0.0m	2.30%	2.30%	2.30%
Colonial Pensions	£85.5m	0%	0%	0%
Irish Life Bond (gross)				
Series 1 (2.00%)	£4.3m	2.00%	2.00%	2.00%
Series 2 (1.65%)	£7.1m	1.65%	1.65%	1.65%
Series 4 (2.00%)	£2.1m	2.00%	3.00%	2.00%

Notes

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

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

IPRU(INS) Rule 9.31(b) - Appendix 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

Introduction

1 (1) Date of Investigation

The investigation relates to a valuation date of 31st December 2011.

(2) Date of Previous Investigation

The valuation date of the previous investigation was 31st December 2010.

(3) Date of Interim valuations

An interim valuation was carried out on 30th June 2011.

Assets

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

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

This financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve, before tax
Expense inflation	Derived from an implied inflation curve based on Bank of England gilt yield data. Different assumptions are used for annuity and non-annuity products.
Discount rate	For profits emerging on non profit business: risk-free rate plus 75 basis points p.a. For release of long-term insurance capital component: risk-free rate plus 75 basis points p.a.

Preceding financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve plus 10 basis points, before tax
Expense inflation	(same as in table above)
Discount rate	(same as in table above)

Note: 1 basis point = 0.01%

(2) The With-Profit Fund does not hold any equity shares in any related insurance undertaking.

(3) No part of the present value of future profits arising from non profit insurance contracts written outside the With-Profit Fund have been included in the relevant assets for the purposes of INSPRU 1.3.43 R.

- (4) The inflation rate assumed in the valuation of PVFP varies between annuities and non-annuities.

Product Type	Inflation Rate
Annuity	3.25
Non-Annuity	2.75

- (5) Not applicable.

With Profit Benefit Reserve Liabilities

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

	\$millions	Total	Ex-Colonial Deferred Annuities	Ex-Colonial Endowments	Ex-Winterthur Endowments	Homelink	UWP Pensions	UWP Life	UWP Bonds
	Realistic value of liabilities of fund								
L31	With Profit Benefit Reserve/mathematical reserves excluding GAR reserve and resilience reserve	673.1	58.2	348.1	37.5	78.0	119.3	13.5	18.5
	Future policy related liabilities								
L32	Past miscellaneous surplus attributed to With Profit Benefit Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L33	Past miscellaneous deficit attributed to With Profit Benefit Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L34	Planned enhancements to With Profit Benefit Reserve	87.7	17.2	52.4	6.1	12.1	0.0	0.0	0.0
L35	Planned deductions for guarantees, options and smoothing from With Profit Benefit Reserve	69.7	7.4	47.6	4.5	10.1	0.0	0.2	0.0
L36	Planned deductions for other costs deemed chargeable to With Profit Benefit Reserve	5.7	(1.4)	7.1	(0.2)	0.0	0.2	0.0	0.0
L41	Future costs of contractual guarantees (other than financial options)	137.2	73.1	40.0	12.4	6.7	1.8	0.5	2.6
L42	Future costs of non-contractual commitments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L43	Future costs of financial options	12.2	0.2	0.0	12.0	0.0	0.0	0.0	0.0
L44	Future costs of smoothing	(1.7)	(2.3)	3.4	(0.3)	(2.1)	(0.2)	(0.1)	0.0
L45	Financing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L46	Any other liabilities related to regulatory duty to treat customers fairly	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L47	Any other long-term insurance liabilities	0.4	0.5	(0.1)	0.0	0.0	0.0	0.0	0.0
L49	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	160.4	82.6	41.0	25.9	6.6	1.4	0.1	2.6

- (1)(c) The business not required to be separately disclosed in accordance with 3(3) has aggregate With Profit Benefit Reserve of £10.2 million and future policy related liabilities are estimated to be £0.5 million. For this business the peak 1 reserve is taken as a proxy for WPBR.
- (2) Not applicable
- (3) De minimis
- (4) The classes shown in 3(1)(b) have appropriate regard to materially different guarantees and options.

With Profit Benefit Reserve – Retrospective method

- 4 (1) For the purposes of calculating the value reported in Form 19 line 31, the whole of the With Profit Benefit Reserve is calculated on an individual policy basis.

The WPBR calculation is consistent with the approach used to determine actual payouts on with-profit policies. For the majority of conventional and some unitised products specimen policy asset shares are used, scaled up by the ratio of surrender values of guaranteed benefits on actual policies to specimen policies when appropriate.

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

The maximum per policy maintenance expenses in respect of management services are inflated each year in line with the Retail Prices Index. The actual management expenses exceeded the maximum management expenses as at 31st December 2011.

Maintenance expenses in respect of investment services are subject to an overall cap of 0.2% divided by 12 of the With-Profit Fund assets each month. For 2011 the aggregate expenses are calculated as 0.19% of the fund.

- (3)(a) A check was made as at the 31st December 2011 that the actual per policy expenses exceeded the maximum level implied by the costs defined in Schedule 5 of the 2001 Scheme as amended.
- (3)(b) Expense investigations are performed annually.
- (3)(c)(i) No initial expenses were allocated to the With Profit Benefit Reserve in the financial year in question;
- (ii) The maintenance expense deducted from the With Profit Benefit Reserve in the financial year in question is £3.2million. This comprises £1.9 million and £1.3 million for management and investment services respectively.
- (iii) The per policy expenses deducted from the With Profit Benefit Reserve during the financial year in question are as follows.

Expenses – WLUK Products

	Policy expense charges		Investment services charge
	Premium paying £ pa	Non-premium paying £ pa	% of Fund
Whole Life / End	21.29	10.64	0.19
Deferred Annuity	49.31	24.65	0.19
Pure Endowment	49.31	24.65	0.19
UWP Bonds	0	0	0.19

Expenses – ex-Colonial Products

	Policy expense charges		Investment services charge
	Premium paying £ pa	Non-premium paying £ pa	% of Fund
Whole Life / End	21.29	11.00	0.19
Deferred Annuity	27.37	14.05	0.19
Pure Endowment	49.31	25.02	0.19
Term Assurance	14.52	0	0.19
UWP Life	0	0	0.19
UWP Pensions	0	0	0.19

- (iv) The maintenance charge in respect of the non profit business in the With-Profit Fund is £1.6 million. This comprises £1.0 million and £0.6 million for management and investment services respectively. The following table lists the per policy expenses taken from the non profit policies in the With-Profit Fund during the financial year in question.

Expenses – WLUK Products

	Policy expense charges		Investment services charge
	Premium paying £ pa	Non-premium paying £ pa	% of Fund
Whole Life / End	21.29	11.00	0.13
Term Assurance	14.52	0	0.13
Immediate Annuity	0	27.94	0.13
Deferred Annuity	49.31	24.65	0.13
Pure Endowment	49.31	24.65	0.13
Traditional PHI	0	0	0.13
Unit Linked PHI	15.39	15.39	0.18
Unit Linked Life	46.19	34.64	0.18
Unit Linked Pensions	54.34	40.75	0.18

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

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

Ex-Colonial Policy Fees		
	Amount	Escalation Rate
Rainbow Plus	£33.67 p.a.	RPI

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

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

- (6) The average ratio of claims paid on with-profit insurance contracts to the With Profit Benefit Reserve at the start of each year for those claims is:

Financial Year 2011	108.6%
Financial Year 2010	107.6%
Financial Year 2009	104.7%

- (7) The annualised investment returns allocated to the With Profit Benefit Reserve for the financial year in question is set out in the table below:

Product	Gross investment return
Irish Life Bond	-6.93%
Life-styling element of policies close to maturity	3.46%
Colonial Deferred Annuities	14.45%
All other business	3.44%

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

With Profit Benefit Reserve – Prospective method

- 5 No part of the With Profit Benefit Reserve is calculated using a prospective method with the exception of some de minimis amounts which fall under paragraph 3 (3) above.

Costs of guarantees, options and smoothing

- 6 (1) Not applicable.
- (2)(a) For all modelled business, the costs of guarantees, options and smoothing have been valued using a dynamic stochastic model based on a market consistent asset model.
- (b)(i) All of the modelled classes of with-profit insurance contracts have been valued on an individual basis.
- (b)(ii) Not applicable
- (b)(iii) Not applicable
- (2)(c) Unmodelled business represents approximately 4% of the With Profit Benefit Reserve. The unmodelled classes are allocated to the modelled product classes that have similar characteristics with regard to the cost of guarantees, options and smoothing. For the Retirement Benefit Schemes, the cost of guarantees, options and smoothing is calculated on a deterministic basis. For unitised with-profit, the cost of guarantees is estimated using the relationship of actual fund to shadow fund for similar products.
- (3) Not applicable.
- (4)(a)(i) The following costs have been valued using a full stochastic approach:
- contractual guarantees under all policy classes resulting from a basic sum assured and guaranteed regular bonuses declared on or before the valuation date;
 - contractual guarantees on unitised with-profit contracts resulting from the exercise of options on market value reduction free dates;

- contractual guarantees under ex-Colonial deferred annuities resulting from a basic annuity and guaranteed regular annuity declared on or before the valuation date;
- costs of smoothing under all policy classes resulting from payments greater or less than With Profit Benefit Reserve resulting from restrictions placed on the rate at which bonus rates can change from year-to-year; and
- where applicable, guaranteed annuity options on ex-Winterthur pure endowments.

A policy is deemed to be in-the-money if the mathematical reserve exceeds the asset share and out-of-the-money if the asset share exceeds the mathematical reserve. The extent to which a policy is in/out-of-the-money varies both across and within lines of business. On average, the ratio of the mathematical reserves to the asset shares is about 217% for policies in-the-money and 81% for policies out-of-the-money with the overall ratio for all policies being about 106%.

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

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2011. Sample rates are shown in the table in (iii) below.

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

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

The correlation between equities and medium term government bonds implied by the model and generated for the valuation is:

Correlation between:	2011
Equities and Medium Term (15 years) Fixed Interest Assets	12%

- (iii) The following tables show the simulated prices of a number of specified options based on 2,000 simulations. Note that the asset model does not model property or corporate bonds explicitly, so no option prices have been shown where the option is based on either of these asset classes. (Only £5m of property is held. Corporate bonds are more significant, representing approximately 20% of the fund, but approximately half of these are 'de-risked' using Credit Default Swaps.)

	K	1.00			
<i>n</i>	Duration (n)	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	x	x	x	x
1	Risk-Free Zero Coupon Bond	x	x	x	x
2	FTSE All Share Index (<i>p</i> =1)	£261,065	£433,146	£552,861	£640,162
3	FTSE All Share Index (<i>p</i> =0.8)	£254,606	£378,740	£440,100	£474,736
4	Property (<i>p</i> =1)	n/a	n/a	n/a	n/a
5	Property (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£82,187	£45,210	£73,522	£158,238
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£77,415	£22,565	£15,382	£54,447
8	15yr Corporate Bonds (<i>p</i> =1)	n/a	n/a	n/a	n/a
9	15yr Corporate Bonds (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
10	Portfolio 1 (<i>p</i> =1)	n/a	n/a	n/a	n/a
11	Portfolio 1 (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
12	Portfolio 2 (<i>p</i> =1)	£178,222	£289,320	£380,081	£455,807
13	Portfolio 2 (<i>p</i> =0.8)	£172,182	£240,573	£281,588	£312,325
14	Portfolio 3 (<i>p</i> =1)	n/a	n/a	n/a	n/a
15	Portfolio 3 (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
	Sterling Receiver Swaptions	L=20			
16		21.45%	15.66%	13.66%	10.60%

	K	0.75			
<i>n</i>	Duration (n)	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	1.04%	2.76%	3.29%	3.35%
1	Risk-Free Zero Coupon Bond	£949,474	£665,005	£445,246	£315,628
2	FTSE All Share Index (<i>p</i> =1)	£124,141	£264,951	£365,237	£438,115
3	FTSE All Share Index (<i>p</i> =0.8)	£120,596	£229,341	£287,847	£321,961
4	Property (<i>p</i> =1)	n/a	n/a	n/a	n/a
5	Property (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£13,961	£5,141	£2,817	£38,225
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£13,083	£3,033	£383	£7,440
8	15yr Corporate Bonds (<i>p</i> =1)	n/a	n/a	n/a	n/a
9	15yr Corporate Bonds (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
10	Portfolio 1 (<i>p</i> =1)	n/a	n/a	n/a	n/a
11	Portfolio 1 (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
12	Portfolio 2 (<i>p</i> =1)	£59,794	£145,287	£218,595	£281,542
13	Portfolio 2 (<i>p</i> =0.8)	£57,205	£117,594	£156,923	£187,401
14	Portfolio 3 (<i>p</i> =1)	n/a	n/a	n/a	n/a
15	Portfolio 3 (<i>p</i> =0.8)	n/a	n/a	n/a	n/a
	Sterling Receiver Swaptions	L=15			
16		17.93%	12.18%	10.82%	8.63%

K		1.50			
n	Duration (n)	5	15	25	35
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r)</i>	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	£630,261	£820,803	£959,175	£1,068,066
3	<i>FTSE All Share Index (p=0.8)</i>	£617,592	£725,628	£775,441	£803,766
4	<i>Property (p=1)</i>	n/a	n/a	n/a	n/a
5	<i>Property (p=0.8)</i>	n/a	n/a	n/a	n/a
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£499,981	£501,560	£503,873	£554,625
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£484,652	£385,304	£292,340	£296,054
8	<i>15yr Corporate Bonds (p=1)</i>	n/a	n/a	n/a	n/a
9	<i>15yr Corporate Bonds (p=0.8)</i>	n/a	n/a	n/a	n/a
10	<i>Portfolio 1 (p=1)</i>	n/a	n/a	n/a	n/a
11	<i>Portfolio 1 (p=0.8)</i>	n/a	n/a	n/a	n/a
12	<i>Portfolio 2 (p=1)</i>	£554,324	£662,421	£761,914	£854,040
13	<i>Portfolio 2 (p=0.8)</i>	£541,006	£568,139	£584,936	£604,610
14	<i>Portfolio 3 (p=1)</i>	n/a	n/a	n/a	n/a
15	<i>Portfolio 3 (p=0.8)</i>	n/a	n/a	n/a	n/a
	<i>Sterling Receiver Swaptions</i>	L=25			
16		24.82%	18.80%	16.06%	12.09%

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

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

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

- (iv) The UK initial equity dividend yield is set equal to the FTSE 100 yield as at 31st December 2011, giving a value of 3.59%. Property is not explicitly modelled.
- (v) No asset classes outside the UK are modelled on the grounds of materiality.
- (vi) The following table shows the distribution of outstanding maturity payments by duration and product class.

	Ex-Colonial Deferred Annuities	Ex-Winterthur Pure Endowment	Ex-Colonial Endowment	Ex-Winterthur Endowment	Homelink	Ex-Colonial Pure Endowment	UWP Life/ Pension	Total
2012-2016	49.0%	65.7%	70.5%	85.6%	80.2%	49.2%	26.1%	58.9%
2017-2021	29.5%	25.3%	21.2%	13.9%	19.2%	31.5%	22.4%	23.6%
2022-2026	16.5%	8.1%	5.6%	0.6%	0.6%	12.8%	21.6%	10.3%
2027-2031	4.7%	0.9%	1.9%	0.0%	0.0%	5.3%	18.0%	4.9%
2032-2036	0.3%	0.0%	0.7%	0.0%	0.0%	1.1%	10.2%	2.0%
2037-2040	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	1.7%	0.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%

The model was calibrated to a moneyness of 80% for all terms. The table below shows the extent of the fit of the modelled equity volatilities to the market implied volatility.

Term (years)	Strike	Market Equity Volatility	Modelled Equity Volatility
1	80%	30.7%	29.82%
2	80%	30.1%	29.82%
3	80%	29.4%	29.82%
5	80%	29.2%	29.82%
10	80%	29.8%	29.83%

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

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

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

To ensure that 2000 simulations are appropriate, calculations were performed with a different number of simulations.

(b) None of the costs of guarantees, options and smoothing have been valued using the market costs of hedging.

(c) De minimis.

(5)(a) The following management actions have been included in the stochastic model:

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

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

Equity Backing Ratio

A new investment strategy was implemented in 2009 which currently targets a 37% EBR allied to a complex equity derivative portfolio with terms up to 5 years. Therefore a fixed 37% EBR is assumed until the equity derivative portfolio expires.

For each projection period thereafter, the free asset ratio is compared to a target range following a 40% fall in equities and a switch into 100% gilts. In practice the 40% factor is adjusted according to the prevailing equity volatility. The top end of the target range is defined as 3% plus 10% of the equity backing ratio before the management action, subject to a maximum of 10%. The bottom of the target range is fixed at 3%.

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

Regular Bonus

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

Final Bonus

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

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

For deaths, the final bonus rates are set equal to those for a maturing policy of the same duration. For surrenders, the payout is set equal to a percentage of the unsmoothed asset share, typically 95% increasing to 100% at maturity.

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

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

Asset Share Recharges and Miscellaneous Surplus Distributions

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

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

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

Capital Support

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

- (b) The following table shows the equity backing ratio at the valuation date and the best estimate at two future dates for the specified scenarios

Scenario	31/12/2011	31/12/2016	31/12/2021
(i)	37%	29%	64%
(ii)	37%	33%	67%
(iii)	37%	26%	61%

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

Scenario/Product Class		31/12/2011	31/12/2016	31/12/2021
(i)	UWP Pensions	0.0%	0.0%	0.0%
	UWP Life	0.0%	0.0%	0.0%
	UWP Bonds	1.42%	0.0%	0.0%
(ii)	UWP Pensions	0.0%	0.0%	0.0%
	UWP Life	0.0%	0.0%	0.0%
	UWP Bonds	1.42%	0.0%	0.0%
(iii)	UWP Pensions	0.0%	0.0%	0.0%
	UWP Life	0.0%	0.0%	0.0%
	UWP Bonds	1.42%	0.0%	0.0%

N

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

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

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

Note:

(A) The stochastic model assumes that automatic withdrawals will continue at their current levels.

(B) The stochastic model does not separately model conversion to paid-up so, where applicable, the lapse rates have been increased to include an allowance for paid-up policies.

No allowance has been made for changes in lapse rates on conventional with-profit business in line with the degree to which guarantees are in or out-of-the-money. Allowance for this would have a minor impact given the low level of lapses currently experienced on these product lines.

For the guaranteed annuity options on the ex-Winterthur pure endowments a mortality basis of 107.5% of PCMA00 with CMI 2011 (1.25%) improvements has been assumed for males (2010: 107.5% of PCMA00 Medium Cohort before 2004 and PCMA00 Medium Cohort with 1.7% minimum improvements from 2004). A mortality basis of 107.5% of PCFA00 with CMI 2011 (1.25%) improvements has been assumed for females (2010: 107.5% of PCFA00 Medium Cohort before 2004 and PCFA00 75% Medium Cohort with 1.5% minimum improvements from 2004).

For the guaranteed annuity options on ex-Winterthur pure endowments an 80% take-up rate is assumed for in-the-money options and 0% otherwise.

For guaranteed cash options on ex-Colonial deferred annuities a 100% take-up rate is assumed for in-the-money options and 0% otherwise.

- (7) For whole-of-life UWP bonds with market value reduction free date guarantees, the options are assumed to be fully exercised when they are at least 15% in-the-money. The option is assumed not to be taken up when the guarantee is at- or out-of-the-money. Linear interpolation is used to determine the take-up rate where the option is between 0% and 15% in-the-money.

Financing costs

- 7 The 2001 Scheme as amended which governs the With-Profit Fund provides for a transfer from the Shareholders Fund to the With-Profit Fund of such amount, if any, as is necessary to ensure that the aggregate of the assets allocated to the With-Profit Fund as at a valuation date and of the amount so transferred, having had regard to any transfer to be made from the Segregated Sub-Fund to the With-Profit Fund, is not less than:

- the amount of the mathematical reserves; together with
- such amount as the Board shall consider necessary to enable all liabilities, whether actual, prospective or contingent but excluding those liabilities under any policies allocated to the With-Profit Fund, which in each case are properly attributable to the With-Profit Fund and which are not provided for in the mathematical reserves to be discharged out of the With-Profit Fund in accordance with the provisions of the 2001 Scheme as amended as and when they fall due; and
- the aggregate cost of all bonuses; and
- such amount as the Board and the Actuarial Function Holder shall consider in light of regulatory requirements is necessary to be able to meet and may be necessary to meet, on the basis of a range of normally expected outcomes for the With-Profit Fund, prior to the next valuation date the reasonable benefit expectations of policyholders, to the extent not already taken into account as at a valuation date.

Any amount so transferred to the With-Profit Fund, together with an appropriate investment return, are transferable to the Non Profit Fund should there be sufficient statutory surplus within the With-Profit Fund. The appropriate investment return will take into account the investment return used within the calculation of asset shares or other measures determined by the company.

Other long-term insurance liabilities

8 Form 19 Line 46 is nil.

The following amounts have been included in Form 19 line 47:

- An asset of £0.1 million in respect of the excess tax paid on income on asset shares over the tax due on investment income
- An asset of £0.1 million in respect of the delays in shareholder transfers on maturities, deaths and surrenders
- A liability of £0.6 million in respect of a modelling adjustment on the value of swaptions held.

Realistic current liabilities

9 The amount of the realistic current liabilities included in line 51 of Form 19 is £35.7 million. The realistic current liabilities are identical to the regulatory current liabilities. This amount includes the following:

- Net claims outstanding of £26.4 million
- Derivative assets with negative value of £9.3 million

Risk capital margin

10(a) The risk capital margin as at the valuation date is £6.0 million.

The individual stresses comprising the risk capital margin event are as follows:

- (i) A fall in the market value of equities of 20% and a fall in market value of properties of 12.5%.
- (ii) Fixed interest yields are assumed to rise by the amounts shown in the table below. The percentage change in yields is 17.5%.

Currency	Long term yield (annualised)	Nominal rise in yields
Sterling	2.48%	0.43%

(iii) A widening of credit spreads.

- a) The total fall in bond asset values (i.e. gilts and corporate) is 1.8% and the average change in spreads is 0.45%.
- b) Not applicable.

- c) De minimis
 - d) Not applicable.
 - e) Not applicable.
- (iv) A fall in termination rates in each year of the projection of 32.5%. The aggregate realistic value of liabilities changes by only 0.06% under this scenario, although the components of future policy related liabilities change significantly – the cost of planned deductions increases by 5.16% and the cost of guarantees increases by 5.83%.
- (v) The stochastic model assumes that the persistency and credit risk events are independent.
- The present value of the future profits in respect of the non profit business in the With-Profit Fund has been calculated on economic assumptions consistent with the above risk capital margin stress event.
- (b)
- (i) The management actions assumed in the risk capital margin calculation follow the same rules as those described in 6(5)(a).
 - (ii) Not applicable.
 - (iii) Not applicable.
 - (iv) Not applicable.
- (c)
- (i) The risk capital margin is covered by assets in the Segregated Sub-fund and transfers from the Shareholder fund as allowed for in the 2001 Scheme. The assets chosen to back the risk capital margin represent a proportionate share of the assets in those funds, primarily bonds.
 - (ii) In respect of support provided by the Segregated Sub-fund, assets would be transferred into the With-Profit Fund in the form of a permanent transfer.

Tax

11. The treatment of tax under the With Profit Benefit Reserve, future policy related liabilities and realistic current liabilities are detailed below.

With Profit Benefit Reserve

Prior to 2001 the life business tax rates were based on the following methods:

- For ex-Colonial business the full marginal tax rates for a mutual fund were applied to each component of investment income. The tax rate on capital gains (both realised and unrealised) was adjusted to reflect the deferral of tax on unrealised gains, and;
- For ex-Winterthur business an average tax rate was calculated for the fund as a whole.

From 2001 onwards tax is deducted from asset shares on the basis of the With-Profit Fund being treated as a standalone mutual life insurance company. Any required assumptions on rates of taxation are based on the

rates applicable at the relevant time for a UK mutual life company, and are applied to investment returns and expenses in full regardless of the actual tax paying position of the With-Profit Fund. In applying this method, any mismatch between the assumptions and the actual tax payable will accrue to the inherited estate.

However, where the With-Profit Fund has experienced significant losses an alternative method may be used provided that it comes within an acceptable degree of approximation. Tax credits are only applied to the asset shares where they are reasonable. Any difference between the actual tax liability and the assumed tax liability (taking into account the assumptions made in the calculation of asset shares) falls to the inherited estate.

There are no charges to the With-Profit Fund for liabilities to tax arising from the Firm making transfers from the With-Profit Fund to shareholders.

Future Policy Related Liabilities

The liability for tax on assets not backing the With Profit Benefit Reserve is valued in the stochastic model. Tax is only incurred on the BLAGAB proportion of the assets. The value included in Form 19 Line 47 is the difference between the tax incurred on the BLAGAB proportion of the With-Profit Fund, and the tax charged to the With Profit Benefit Reserve.

Realistic Current Liabilities

No allowance is made for tax in respect of the assets backing the realistic current liabilities.

Present Value of Future Profits of Non Profit Business in the With-Profit Fund

Allowance is made for tax on a mutual life insurance company basis i.e. taxable investment income less expenses is taxed at 20%.

Derivatives

12.

UK Sterling payer swaptions are held for the purpose of hedging interest rate risk. These have maturity dates ranging from 2012 to 2034 and tenors ranging from 20 years to 26 years. All swaptions have a strike rate of 8.0%. They have a total notional value of £109.9m and a total market value of £1.1m.

Interest rate payer and receiver swaps are held for the purpose of hedging interest rate risk. They have maturity dates ranging from 2012 to 2059 and fixed rates from 2.78% to 4.44%. The receiver swaps have a total notional of £178.2m and total market value of £36.6m. The payer swaps have a total notional of £67.4m and total market value of -£6.4m.

Equity call options and sold equity futures are held together for the purpose of hedging equity risk. The call options are on FTSE 100, have strikes between 4100 and 4650 and expiry dates ranging from 2012 to 2014. Total notional value is £63.0m and total market value is £14.5m. The short futures exposures are €10.4m (DJ Eurostoxx 50) and £86.3m (FTSE 100).

Equity put options are also held for the purpose of hedging equity risk. The put options are on FTSE 100, have strikes between 2800 and 3850, and expiry dates ranging from 2012 to 2014. They have total notional value of £104.2m and market value of £2.0m.

Single name credit default swaps are held to buy protection against the default risk of a set of matching corporate bonds held in the asset portfolio. They have a notional of £96.6m and market value of £2.0m.

Analysis of Change in Working Capital

13

	£m
As at 31 st December 2010	0.0
Opening zeroisation impact	-0.9
(a) investment return on the opening working capital	-0.2
(b) mismatched profits and losses on assets backing the future policy related liabilities (may include associated assumption changes);	-3.4
(c) assumption changes – economic	-0.3
(c) assumption changes - non-economic	0.4
(c) assumption changes - policyholder actions	0.0
(d) other variances – economic	12.8
(d) other variances – non-economic	-0.1
(e) impact of new business	0.0
(f) changes in other liabilities of lines 47 and 51 of Form 19;	-11.8
(g) modelling changes and opening adjustments	2.1
Closing zeroisation impact	1.4
As at 31 st December 2011	0.0

Overall the working capital (before zeroisation) has changed from -£0.9m to -£1.4m over the year (total change -£0.5m).

Item (f) primarily relates to an £8.5m increase in current liabilities for tax, due to investment gains on bonds during the year. A corresponding amount also appears within item (d) 'other variances – economic'.

Optional disclosure

14

Not applicable.

Name of Insurer **Winterthur Life UK Limited**

**IPRU(INS) RULE 9.36 - STATEMENT OF INFORMATION ON THE ACTUARY
APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION**

Peter Jonathan Shelley performed the With-Profits Actuary function throughout the financial year. The actuary was requested to furnish the insurer with particulars specified in Rule 9.36 of the Interim Prudential Sourcebook for Insurers and he has confirmed that the information below is correct.

1. Shares

Mr Shelley had no interest in the shares of the insurer or the insurer's group.

2. Remuneration

In respect of 2011 Mr Shelley received management remuneration and other benefits (other than pension contributions) to the value of £131,827.

3. Pension contributions

Mr Shelley is a contributing member of the defined contribution Friends Pension Plan.

Name of Insurer **Winterthur Life UK Limited**

IPRU(INS) 9.34 - DIRECTORS' CERTIFICATE

Financial year ended 31 December 2011

We certify that:

- (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 and effective from 2 February 2010; and
- (b) we are satisfied that:
 - (i) throughout the financial year in question, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the Company has continued to comply subsequently and will continue so to comply in future;
- (c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (other than liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3;
- (f) we have, in preparing the return, taken and paid due regard to:
 - (i) advice from the actuary appointed by the Company to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from the actuary appointed by the Company to perform the with-profits actuary function in accordance with SUP 4.3.16AR; and

Signed on behalf of Winterthur Life UK Limited

E.B. Bourke	Director
A. M. Parsons	Director
V. Hames	Secretary
(Signed on behalf of Friends Life Secretarial Services Limited)	

20 March 2012

REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35

Global business

Financial year ended 31 December 2011

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

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

- Forms 2, 3, 13 to 19, 40 to 45, 48, 49,, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

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

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act referred to in supplementary note 1901. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports 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 reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports 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 statement and the valuation reports are not in agreement with the accounting records and returns; or

- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 20th March 2012. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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 reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

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

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP
Statutory Auditor
London
20 March 2012