

Friends Life Assurance Society Limited

**Annual FSA Insurance Returns for the year ended
28th December 2012**



(Appendices 9.1, 9.3, 9.6)

Friends Life Assurance Society Limited

Year ended 28th December 2012

Contents

	Page
Appendix 9.3	
Form 40 Long-term insurance business: Revenue account	1
Form 41 Long-term insurance business: Analysis of premiums	2
Form 42 Long-term insurance business: Analysis of claims	3
Form 43 Long-term insurance business: Analysis of expenses	4
Form 46 Long-term insurance business: Summary of new business	5
Form 47 Long-term insurance business: Analysis of new business	6
Notes to the Return	10
Appendix 9.6	
Certificate by Directors	12
Report of the Auditors	14

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

Name of insurer **Friends Life Assurance Society Limited**

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

Financial year ended **28th December 2012**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	(2081)	3713
Investment income receivable before deduction of tax	12	321016	422471
Increase (decrease) in the value of non-linked assets brought into account	13	284418	394902
Increase (decrease) in the value of linked assets	14	706	(189)
Other income	15	231	450
Total income	19	604290	821347

Expenditure

Claims incurred	21	614950	590407
Expenses payable	22	38970	27201
Interest payable before deduction of tax	23	202	1493
Taxation	24	14697	20414
Other expenditure	25		
Transfer to (from) non technical account	26	19442	17238
Total expenditure	29	688261	656753

Business transfers-in	31		
Business transfers-out	32	6811818	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(6895789)	164594
Fund brought forward	49	6895789	6731195
Fund carried forward (39+49)	59		6895789

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **Friends Life Assurance Society Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **28th December 2012**Units **£000**

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

Gross

Regular premiums	11	70677	94468	1151	166296	193182
Single premiums	12	9487	125866		135353	122387

Reinsurance - external

Regular premiums	13	3393	133448		136841	143613
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	6265	73761		80026	90390
Single premiums	16	12510	74353		86863	77853

Net of reinsurance

Regular premiums	17	61019	(112741)	1151	(50571)	(40821)
Single premiums	18	(3023)	51513		48490	44534

Total

Gross	19	80164	220334	1151	301649	315569
Reinsurance	20	22168	281562		303730	311856
Net	21	57996	(61228)	1151	(2081)	3713

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Friends Life Assurance Society Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **28th December 2012**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	136855	14693		151548	151608
Disability periodic payments	12	1121			1121	1170
Surrender or partial surrender	13	285740	608139	10911	904790	990148
Annuity payments	14	7042	335504		342546	341424
Lump sums on maturity	15	143632	105623		249255	210680
Total	16	574390	1063959	10911	1649260	1695030

Reinsurance - external

Death or disability lump sums	21	765			765	613
Disability periodic payments	22	48			48	59
Surrender or partial surrender	23					
Annuity payments	24		134655		134655	137544
Lump sums on maturity	25					
Total	26	813	134655		135468	138216

Reinsurance - intra-group

Death or disability lump sums	31	72809	9184		81993	80303
Disability periodic payments	32					
Surrender or partial surrender	33	226562	370163		596725	666103
Annuity payments	34	7291	143088		150379	153662
Lump sums on maturity	35		69745		69745	66339
Total	36	306662	592180		898842	966407

Net of reinsurance

Death or disability lump sums	41	63281	5509		68790	70692
Disability periodic payments	42	1073			1073	1111
Surrender or partial surrender	43	59178	237976	10911	308065	324045
Annuity payments	44	(249)	57761		57512	50218
Lump sums on maturity	45	143632	35878		179510	144341
Total	46	266915	337124	10911	614950	590407

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **Friends Life Assurance Society Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **28th December 2012**Units **£000**

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

Gross

Commission - acquisition	11	1235	1379	324	2938	4011
Commission - other	12	5008	3412	2	8422	9337
Management - acquisition	13	686	3754	4	4444	5700
Management - maintenance	14	26498	46390	721	73609	58261
Management - other	15					
Total	16	33427	54935	1051	89413	77309

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					3
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					3

Reinsurance - intra-group

Commission - acquisition	31	1337	750		2087	3234
Commission - other	32	4146	3252		7398	8162
Management - acquisition	33	437	3071		3508	4886
Management - maintenance	34	14633	22372	445	37450	33823
Management - other	35					
Total	36	20553	29445	445	50443	50105

Net of reinsurance

Commission - acquisition	41	(102)	629	324	851	777
Commission - other	42	862	160	2	1024	1172
Management - acquisition	43	249	683	4	936	814
Management - maintenance	44	11865	24018	276	36159	24438
Management - other	45					
Total	46	12874	25490	606	38970	27201

Long-term insurance business: Summary of new business**Form 46**Name of insurer **Friends Life Assurance Society Limited**

Total business

Financial year ended **28th December 2012**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	240	696	936	1195
Single premium business	12		1521	1521	1158
Total	13	240	2217	2457	2353

Amount of new regular premiums

Direct insurance business	21	449	4440	4889	6941
External reinsurance	22	3		3	2
Intra-group reinsurance	23				
Total	24	452	4440	4892	6943

Amount of new single premiums

Direct insurance business	25	9387	125406	134793	121607
External reinsurance	26	100	460	560	780
Intra-group reinsurance	27				
Total	28	9487	125866	135353	122387

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Friends Life Assurance Society Limited**

Total business

Financial year ended **28th December 2012**Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
420	Group income protection	6	6		
500	Life UWP single premium				4365
505	Life UWP whole life regular premium	43	81		
515	Life UWP endowment regular premium - target cash	59	74		
700	Life property linked single premium				5022
710	Life property linked whole life regular premium	132	288		

Long-term insurance business: Analysis of new business**Form 47
(Sheet 2)**Name of insurer **Friends Life Assurance Society Limited**

Total business

Financial year ended **28th December 2012**Units **£000**

UK Life / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				100
505	Life UWP whole life regular premium		1		
710	Life property linked whole life regular premium		2		

Long-term insurance business: Analysis of new business

Form 47
(Sheet 3)Name of insurer **Friends Life Assurance Society Limited**

Total business

Financial year ended **28th December 2012**Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			1483	18749
410	Group Life	43	5		
411	Group death in service dependants' annuities	2			
525	Individual pensions UWP	1	5	3	25
530	Individual pensions UWP - increments		74		11375
535	Group money purchase pensions UWP	108	290		
540	Group money purchase pensions UWP - increments		234		10210
565	DWP National Insurance rebates UWP				10805
575	Miscellaneous UWP		2		259
725	Individual pensions property linked	2	7	26	138
730	Individual pensions property linked - increments		449		27802
735	Group money purchase pensions property linked	540	1260	8	77
740	Group money purchase pensions property linked - increments		2095		11288
745	DWP National Insurance rebates property linked				33820
750	Income drawdown property linked			1	104
760	Small self administered schemes		19		754

Long-term insurance business: Analysis of new business**Form 47
(Sheet 4)**Name of insurer **Friends Life Assurance Society Limited**

Total business

Financial year ended **28th December 2012**Units **£000**

UK Pension / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Individual pensions UWP - increments				27
565	DWP National Insurance rebates UWP				91
745	DWP National Insurance rebates property linked				342

Name of Insurer **Friends Life Assurance Society Limited**

Financial year ended **28 December 2012**

NOTES TO THE RETURN

4002 - Particulars of other income

	2012	2011
	£000	£000
Interest received on late premiums	112	308
Other	119	142
	231	450

4004 - Business transfers-out

On 28 December 2012 the company transferred the long-term fund along with majority of the shareholders fund assets to Friends Life Limited (“FLL”), in accordance with a Court Scheme under Part VII of the Financial Services and Markets Act 2000 (“FSMA”). The policies transferred consisted of immediate pension annuities, conventional life business and pension protection business. The total amount of net assets transferred out of the long term fund was £6,812m, which is equal to the net of reinsurance mathematical reserves transferred.

4005 - Basis of foreign currency conversion

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

4008 - Management services

During the financial year ended 28 December 2012, investment management services have been provided to the Company by subsidiaries of AXA Investment Managers UK Limited. Various other management services have been provided by Friends Life Services Limited, a fellow subsidiary company.

4009 - Material connected party transactions

Prior to the transfer out on 28 December 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, prior to the transfer out on 28 December 2012..

Transacting Party	Relationship	Type of Transaction	Amount
			£000
Friends Life Company Limited	Group Undertaking	Reassurance claims received	898,842

4010 - Investment income relating to linked assets

The amount of investment income relating to linked assets in Line 12 of Form 40 is £25.7m (2011: £33.5m).

Name of Insurer **Friends Life Assurance Society Limited**

Financial year ended **28 December 2012**

NOTES TO THE RETURN

***4201* - Analysis of claims**

The intra-group reinsurance claims reported in Form 42 are reclaimed under reinsurance arrangements with Friends Life Company Limited which is another insurance company. The analysis of claims shown reflects the nature of the claim from the perspective of the initial insurer.

***4500* - Form 45**

Form 45 has been omitted as all entries would be blank for both current and prior years.

Name of Insurer **Friends Life Assurance Society Limited**

IPRU (INS) 9.3(5) - DIRECTORS' CERTIFICATE

Financial year ended 28 December 2012

We certify that:

- (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) we are satisfied that throughout the financial year in question, the Society has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU.

Signed on behalf of Friends Life Assurance Society Limited

J. S. Moss Director

L. C. J' Afari-Pak Director

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

25 March 2013

Name of Insurer **Friends Life Assurance Society Limited**

STATEMENTS REQUIRED BY IPRU (INS) 9.3(5)

Financial year ended 28 December 2012

No long-term insurance business has been carried on by the Society since 28 December 2012 and there is no intention to carry on furthers any such business.

The Society is not carrying on general insurance business.

Name of Insurer **Friends Life Assurance Society Limited**

INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF FRIENDS LIFE ASSURANCE SOCIETY LIMITED PURSUANT TO THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Global business

Period ended 28 December 2012

We have been engaged to provide an independent assurance report on the FSA return for Friends Life Assurance Society Limited ("the Insurer") for the purposes of IPRU(INS) Rule 9.3(5).

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

- Forms 40 to 43 (including the supplementary notes) for the period 1 January 2012 to 28 December 2012 ('the Forms');

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

- Forms 46 and 47 (including the supplementary notes) and;
- The certificate signed in accordance with IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors. Our 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 assurance 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 and the insurer's directors for our examination, for this report, or for the conclusion we have formed.

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of the Forms under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms 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.

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

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

Name of Insurer **Friends Life Assurance Society Limited**

INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE DIRECTORS OF FRIENDS LIFE ASSURANCE SOCIETY LIMITED PURSUANT TO THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Global business

Period ended 28 December 2012

Scope of examination

We conducted our examination in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information* issued by the International Federation of Accountants (IFAC). Whilst our examination includes procedures such as tests of controls and verification of assets, liabilities and transactions, it is less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) due to the scope of our work being limited to the Forms referred to above.

We planned and performed our examination 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 are free, in all material respects, from misstatement whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11; and
- Reasonable assurance about whether the Forms have been properly prepared, in all material respects and in accordance with the provisions of the Rules.

Conclusion

Based on our examination, in our opinion, in all material respects, the Forms fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules.

Ernst & Young LLP

Statutory Auditor

London

25 March 2013