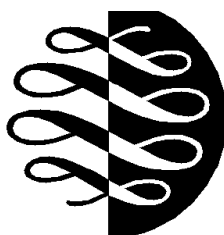




# **Aviva Annuity UK Limited**

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

**Annual FSA Insurance Returns for the year ended  
31 December 2011**



**Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)**Name of insurer **Aviva Annuity UK Limited**

Global Business

Financial year ended **31st December 2011****Contents**

<i>Forms</i>	<i>Page</i>
<b>IPRU (INS) Appendix 9.1</b>	
2 Statement of solvency – long-term insurance business	1
3 Components of capital resources	3
13 Analysis of admissible assets	6
14 Long-term insurance business liabilities and margins	12
15 Liabilities (other than long term insurance business)	13
16 Profit and loss account (non-technical account)	14
17 Analysis of derivative contracts	15
<b>IPRU (INS) Appendix 9.3</b>	
40 Revenue account	16
41 Analysis of premiums	17
42 Analysis of claims	18
43 Analysis of expenses	19
46 Summary of new business	20
47 Analysis of new business	21
48 Non-linked assets	26
49 Fixed and variable interest assets	27
50 Summary of mathematical reserves	28
51 Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	29
54 Valuation summary of index linked contracts	36
56 Index linked business	41
57 Analysis of valuation interest rates	42
58 Distribution of surplus	43
60 Long-term insurance capital requirement	44
<b>Supplementary notes</b>	45
<b>IPRU (INS) Appendix 9.4</b>	
Valuation report	50
<b>IPRU (INS) 9.29 and 9.30</b>	
Statement on derivatives required by IPRU (INS) 9.29	60
Statement on controllers required by IPRU (INS) 9.30	61
<b>Certificate by the directors and report of the auditors – IPRU (INS) Appendix 9.6</b>	
Certificate by the directors required by IPRU (INS) 9.34(1)	62
Independent auditor's report to the directors pursuant to IPRU (INS) 9.35	63

**Statement of solvency - long-term insurance business**
**Form 2**

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2011**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
	<b>3253948</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>
			As at end of this financial year		As at end of the previous year	
			<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	800000	800042
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	815919	777615
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	1615919	1577657

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	371236	298019
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	1244683	1279638

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	1113709	894056
Resilience capital requirement	<b>32</b>	17300	22600
Base capital resources requirement	<b>33</b>	3056	3040
Individual minimum capital requirement	<b>34</b>	1131009	916656
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	1131009	916656
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	953995	1031277
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	767662	890165

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	1131009	916656

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	1131009	916656
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	484910	661001

**Contingent liabilities**

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

**Covering page to Form 2**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

..... **D B BARRAL**  
Chief Executive

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

..... **P WILLCOCK**  
Director

March 2012

**Components of capital resources**
**Form 3  
(Sheet 1)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

	R3	Company registration number <b>3253948</b>	GL/UK/CM <b>GL</b>	Period ended			units <b>£000</b>
				day	month	year	
				<b>31</b>	<b>12</b>	<b>2011</b>	
		General insurance business <b>1</b>	Long-term insurance business <b>2</b>	Total as at the end of this financial year <b>3</b>		Total as at the end of the previous year <b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		50000	50000	50000
Profit and loss account and other reserves	<b>12</b>		1728126	1728126	1459145
Share premium account	<b>13</b>		750	750	750
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		1778876	1778876	1509895

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions</b> (19+24+25+26+27+28)	<b>31</b>		1778876	1778876	1509895
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		259376	259376	20290
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		259376	259376	20290
<b>Total tier one capital after deductions</b> (31-37)	<b>39</b>		1519500	1519500	1489605

**Components of capital resources**
**Form 3  
(Sheet 2)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	3253948	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)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>	200000	200000	200000	
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>	200000	200000	200000	

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

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

**Components of capital resources**
**Form 3  
(Sheet 3)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	3253948	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		

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		1719500	1719500	1689605
Inadmissible assets other than intangibles and own shares	<b>73</b>		103581	103581	111948
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		1615919	1615919	1577657

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

Available capital resources for guarantee fund requirement	<b>81</b>		1615919	1615919	1577657
Available capital resources for 50% MCR requirement	<b>82</b>		1519500	1519500	1489605
Available capital resources for 75% MCR requirement	<b>83</b>		1615919	1615919	1577657

**Financial engineering adjustments**

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

**Analysis of admissible assets**
**Form 13**  
**(Sheet 1)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

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

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3253948	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					

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	100045	97719
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	335029	344783
	Other	46		
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55	54012	87703
Other financial investments		56		



**Analysis of admissible assets**
**Form 13**  
**(Sheet 2)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

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

			Company registration number	GL/UK/CM	Period ended			units	Category of assets	
					day	month	year			
			R13	3253948	GL	31	12	2011	£000	1
						As at end of this financial year			As at end of the previous year	
						1			2	
Deposits with ceding undertakings						57				
Assets held to match linked liabilities	Index linked					58				
	Property linked					59				

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	1226	(2700)
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	337681	256931
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	5070	4861
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

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

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	833063	789297
---	-----------	--------	--------

**Analysis of admissible assets**
**Form 13  
(Sheet 3)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

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

	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
<b>R13</b>	<b>3253948</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2011</b>	<b>£000</b>	<b>1</b>
				As at end of this financial year		As at end of the previous year	
				<b>1</b>		<b>2</b>	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	833063	789297
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	833063	789297
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**
**Form 13**  
**(Sheet 1)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

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

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3253948	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	3165		3964		

**Investments in group undertakings and participating interests**

UK insurance dependants	shares	<b>21</b>		
	debts and loans	<b>22</b>		
Other insurance dependants	shares	<b>23</b>		
	debts and loans	<b>24</b>		
Non-insurance dependants	shares	<b>25</b>		2
	debts and loans	<b>26</b>		
Other group undertakings	shares	<b>27</b>		
	debts and loans	<b>28</b>	170887	188014
Participating interests	shares	<b>29</b>		
	debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		10452
Fixed interest securities	Approved	45	1312084	1044125
	Other	46	8147368	6372411
Variable interest securities	Approved	47	29116	261404
	Other	48	433631	506448
Participation in investment pools		49		
Loans secured by mortgages		50	14164730	11571585
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		306
Other financial investments		56		

**Analysis of admissible assets**
**Form 13  
(Sheet 2)**

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2011**

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

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
	R13	3253948	GL	31 day	12 month	2011 year	£000	10
				As at end of this financial year			As at end of the previous year	
				1			2	
Deposits with ceding undertakings				57				
Assets held to match linked liabilities	Index linked			58	3767811			2819594
	Property linked			59				

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	71314	9944
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	1134	
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	123945	59512
	due in more than 12 months	<b>79</b>	168604	127620

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	485250	382608
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	260277	273081
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

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

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	29139316	23631070
---	-----------	----------	----------

**Analysis of admissible assets**
**Form 13  
(Sheet 3)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

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

	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
R13	3253948	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)	<b>91</b>	29139316	23631070
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	6072	17619
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>	97509	94329
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	382344	371390
Other asset adjustments (may be negative)	<b>101</b>	5996	146
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	29631237	24114554

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		9142
---	------------	--	------

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

Name of insurer **Aviva Annuity UK Limited**  
 Global business  
 Financial year ended **31st December 2011**  
 Fund **Total Long-term insurance business**  
 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		<b>1</b>	<b>2</b>
Mathematical reserves, after distribution of surplus	<b>11</b>	27842742	22351389
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus / (valuation deficit)	<b>13</b>	800000	349520
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	28642742	22700909
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	159375
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	17949
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	14130
	Other	<b>38</b>	269420
Accruals and deferred income	<b>39</b>		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	496574	479639
Excess of the value of net admissible assets	<b>51</b>		450522
Total liabilities and margins	<b>59</b>	29139316	23631070
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	74383	136938
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		
Total liabilities (11+12+49)	<b>71</b>	28339316	22831028
Increase to liabilities – DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	382344	371390
Other adjustments to liabilities (may be negative)	<b>74</b>	(253380)	(20144)
Capital and reserves and fund for future appropriations	<b>75</b>	1162957	932280
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	29631237	24114554

**Liabilities (other than long-term insurance business)**
**Form 15**

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2011**

R15	Company registration number 3253948	GL/UK/CM GL	Period ended			units £000
			day	month	year	
			31	12	2011	
			As at the end of this financial year			As at the end of the previous year
			1			2

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	170	(67)
	Foreseeable dividend	48		
	Other	49	16974	11749
Accruals and deferred income		51		
Total (19 to 51)		59	17144	11682
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	200000	200000
Total (59 to 63)		69	217144	211682

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

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	615919	577615
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	833063	789297

**Profit and loss account (non-technical account)**
**Form 16**

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2011**

			Company registration number	GL/UK/CM	Period ended			units	
			R16	3253948	GL	31 day	12 month	2011 year	£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	35299		107645		
Investment income	Income			14	14121		10886		
	Value re-adjustments on investments			15	2418		4791		
	Gains on the realisation of investments			16					
Investment charges	Investment management charges, including interest			17	13296		13325		
	Value re-adjustments on investments			18					
	Loss on the realisation of investments			19	1		1		
Allocated investment return transferred to the general insurance business technical account				20					
Other income and charges (particulars to be specified by way of supplementary note)				21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)				29	38541		109996		
Tax on profit or loss on ordinary activities				31	237		(362)		
Profit or loss on ordinary activities after tax (29-31)				39	38304		110358		
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	38304		110358		
Dividends (paid or foreseeable)				51					
Profit or loss retained for the financial year (49-51)				59	38304		110358		



## Analysis of derivative contracts

Form 17

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**Category of assets **Total Long-term insurance business assets**

			Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			R17	3253948	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	2898			147370				
	Interest rates	12	237149	108108		965655		410000		
	Inflation	13	156	63388		75000		45429		
	Credit index / basket	14								
	Credit single name	15	3507	734		25652		35709		
	Equity index	16								
	Equity stock	17								
	Land	18								
	Currencies	19	11975	90470				601048		
	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	255685	262700		1213677		1092186		
Adjustment for variation margin		52	(255685)	(255178)						
Total (51 + 52)		53		7522						

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

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

 Name of insurer **Aviva Annuity UK Limited**

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

 Financial year ended **31st December 2011**

 Units **£000**

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

**Income**

Earned premiums	<b>11</b>	3703832	3090930
Investment income receivable before deduction of tax	<b>12</b>	1387712	1286058
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	2625503	543253
Increase (decrease) in the value of linked assets	<b>14</b>		
Other income	<b>15</b>		
<b>Total income</b>	<b>19</b>	7717047	4920241

**Expenditure**

Claims incurred	<b>21</b>	1583691	1421456
Expenses payable	<b>22</b>	140286	137003
Interest payable before deduction of tax	<b>23</b>	1808	2344
Taxation	<b>24</b>	14130	78792
Other expenditure	<b>25</b>		
Transfer to (from) non technical account	<b>26</b>	35299	107645
<b>Total expenditure</b>	<b>29</b>	1775214	1747240

Business transfers-in	<b>31</b>		
Business transfers-out	<b>32</b>		
Increase (decrease) in fund in financial year (19-29+31-32)	<b>39</b>	5941833	3173001
Fund brought forward	<b>49</b>	22700909	19527908
Fund carried forward (39+49)	<b>59</b>	28642742	22700909

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

Name of insurer **Aviva Annuity UK Limited**  
 Total business / subfund **Total Long-term insurance business**  
 Financial year ended **31st December 2011**  
 Units **£000**

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

**Gross**

Regular premiums	11					
Single premiums	12	75448	3747870	22351	3845669	3224501

**Reinsurance - external**

Regular premiums	13					
Single premiums	14	41	141796		141837	133571

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17					
Single premiums	18	75407	3606074	22351	3703832	3090930

**Total**

Gross	19	75448	3747870	22351	3845669	3224501
Reinsurance	20	41	141796		141837	133571
Net	21	75407	3606074	22351	3703832	3090930

**Long-term insurance business: Analysis of claims**
**Form 42**

Name of insurer **Aviva Annuity UK Limited**  
 Total business / subfund **Total Long-term insurance business**  
 Financial year ended **31st December 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	3199		3199	214
Disability periodic payments	12				
Surrender or partial surrender	13	1050	3781	4842	7116
Annuity payments	14	30338	1671994	1734574	1567906
Lump sums on maturity	15				
<b>Total</b>	<b>16</b>	<b>31388</b>	<b>1678974</b>	<b>1742615</b>	<b>1575236</b>

**Reinsurance - external**

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24	2816	140690	143506	137805
Lump sums on maturity	25				
<b>Total</b>	<b>26</b>	<b>2816</b>	<b>140690</b>	<b>143506</b>	<b>137805</b>

**Reinsurance - intra-group**

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		15418	15418	15975
Lump sums on maturity	35				
<b>Total</b>	<b>36</b>		<b>15418</b>	<b>15418</b>	<b>15975</b>

**Net of reinsurance**

Death or disability lump sums	41	3199		3199	214
Disability periodic payments	42				
Surrender or partial surrender	43	1050	3781	4842	7116
Annuity payments	44	27522	1515886	1575650	1414126
Lump sums on maturity	45				
<b>Total</b>	<b>46</b>	<b>28572</b>	<b>1522866</b>	<b>1583691</b>	<b>1421456</b>

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

Name of insurer **Aviva Annuity UK Limited**  
 Total business / subfund **Total Long-term insurance business**  
 Financial year ended **31st December 2011**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	1068	35411	40	36519	29061
Commission - other	12					
Management - acquisition	13	93	72719		72812	69509
Management - maintenance	14	799	19847	2	20648	24828
Management - other	15	227	10080		10307	13605
<b>Total</b>	<b>16</b>	<b>2187</b>	<b>138057</b>	<b>42</b>	<b>140286</b>	<b>137003</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41	1068	35411	40	36519	29061
Commission - other	42					
Management - acquisition	43	93	72719		72812	69509
Management - maintenance	44	799	19847	2	20648	24828
Management - other	45	227	10080		10307	13605
<b>Total</b>	<b>46</b>	<b>2187</b>	<b>138057</b>	<b>42</b>	<b>140286</b>	<b>137003</b>

**Long-term insurance business: Summary of new business**
**Form 46**

 Name of insurer **Aviva Annuity UK Limited**

Total business

 Financial year ended **31st 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					
Single premium business	12	712	72559	578	73849	61976
<b>Total</b>	<b>13</b>	<b>712</b>	<b>72559</b>	<b>578</b>	<b>73849</b>	<b>61976</b>

**Amount of new regular premiums**

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

**Amount of new single premiums**

Direct insurance business	25	41958	3747870	15751	3805579	3121198
External reinsurance	26					
Intra-group reinsurance	27	33490		6600	40090	103303
<b>Total</b>	<b>28</b>	<b>75448</b>	<b>3747870</b>	<b>22351</b>	<b>3845669</b>	<b>3224501</b>

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

Total business

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

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			712	41958

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

Total business

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

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				33490



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

Total business

Financial year ended **31st December 2011**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
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
390	Deferred annuity non-profit			82	15328
400	Annuity non-profit (CPA)			58692	2559693
401	Annuity non-profit (bulk transfer)			4292	562584
905	Index linked annuity			1521	112963
906	Index linked annuity (bulk transfer)			6465	419948
907	Index linked deferred annuity			1507	77354

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

Total business

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

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			577	15478
905	Index linked annuity			1	273

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

Total business

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

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				6600

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

Name of insurer **Aviva Annuity UK Limited**  
 Financial year ended **31st December 2011**  
 Category of assets **Total Long-term insurance business assets**  
 Units **£000**

	Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
	1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11	3165	3165	330	9.61	
Approved fixed interest securities	12	1323674	1323674	34979	3.88	
Other fixed interest securities	13	8309586	8309586	530523	5.53	
Variable interest securities	14	466156	466156	10599	2.77	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	15268924	15268924	998379	4.90	
<b>Total</b>	<b>19</b>	<b>25371505</b>	<b>25371505</b>	<b>1574810</b>	<b>5.01</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer **Aviva Annuity UK Limited**  
 Financial year ended **31st December 2011**  
 Category of assets **Total Long-term insurance business assets**  
 Units **£000**

		Value of assets <b>1</b>	Mean term <b>2</b>	Yield before adjustment <b>3</b>	Yield after adjustment <b>4</b>
<b>UK government approved fixed interest securities</b>	<b>11</b>	254357	14.18	2.70	2.70
<b>Other approved fixed interest securities</b>	<b>21</b>	1069317	14.88	4.21	3.99
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	858763	11.94	3.70	3.56
AA/Aa	<b>32</b>	1507508	12.03	4.53	4.22
A/A	<b>33</b>	3199694	11.80	5.02	4.48
BBB/Baa	<b>34</b>	2526459	7.73	5.07	4.09
BB/Ba	<b>35</b>	167306	5.98	9.01	6.04
B/B	<b>36</b>	8259	3.96	9.04	2.95
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	41597	5.45	132.70	5.26
<b>Total other fixed interest securities</b>	<b>39</b>	8309586	10.46	5.53	4.25
<b>Approved variable interest securities</b>	<b>41</b>	29220	18.45	3.01	3.01
<b>Other variable interest securities</b>	<b>51</b>	436936	9.98	2.75	2.54
<b>Total (11+21+39+41+51)</b>	<b>61</b>	10099416	11.02	5.19	4.11

**Long-term insurance business: Summary of mathematical reserves**
**Form 50**

Name of insurer **Aviva Annuity UK Limited**  
 Total business / subfund **Total Long-term insurance business**  
 Financial year ended **31st December 2011**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	<b>11</b>				
Form 51 - non-profit	<b>12</b>	403853	23511688	509210	24424751
Form 52	<b>13</b>				
Form 53 - linked	<b>14</b>				
Form 53 - non-linked	<b>15</b>				
Form 54 - linked	<b>16</b>				
Form 54 - non-linked	<b>17</b>	8872	3799971	8553	3817396
<b>Total</b>	<b>18</b>	412725	27311659	517763	28242147

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>				
Form 51 - non-profit	<b>22</b>	5734	83980	1991	91705
Form 52	<b>23</b>				
Form 53 - linked	<b>24</b>				
Form 53 - non-linked	<b>25</b>				
Form 54 - linked	<b>26</b>				
Form 54 - non-linked	<b>27</b>	3919	45666		49585
<b>Total</b>	<b>28</b>	9653	129646	1991	141290

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>				
Form 51 - non-profit	<b>32</b>		258115		258115
Form 52	<b>33</b>				
Form 53 - linked	<b>34</b>				
Form 53 - non-linked	<b>35</b>				
Form 54 - linked	<b>36</b>				
Form 54 - non-linked	<b>37</b>				
<b>Total</b>	<b>38</b>		258115		258115

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>				
Form 51 - non-profit	<b>42</b>	398119	23169593	507219	24074931
Form 52	<b>43</b>				
Form 53 - linked	<b>44</b>				
Form 53 - non-linked	<b>45</b>				
Form 54 - linked	<b>46</b>				
Form 54 - non-linked	<b>47</b>	4953	3754305	8553	3767811
<b>Total</b>	<b>48</b>	403072	26923898	515772	27842742

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Life / Gross**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
395	Annuity non-profit (PLA)	6309	28859		n/a	n/a	n/a	395131
400	Annuity non-profit (CPA)	2701	1064		n/a	n/a	n/a	8402
440	Additional reserves non-profit OB				n/a	n/a	n/a	320

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Life / Reinsurance ceded external**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
395	Annuity non-profit (PLA)		1085		n/a	n/a	n/a	5733
400	Annuity non-profit (CPA)				n/a	n/a	n/a	1



**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 3)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Pension / Gross**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
395	Annuity non-profit (PLA)	618	2999		n/a	n/a	n/a	89393
400	Annuity non-profit (CPA)	690253	1571099		n/a	n/a	n/a	21705323
405	Annuity non-profit (CPA impaired life)	16846	60449		n/a	n/a	n/a	910238
440	Additional reserves non-profit OB				n/a	n/a	n/a	806734

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 4)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Pension / Reinsurance ceded external**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
400	Annuity non-profit (CPA)		76873		n/a	n/a	n/a	55491
405	Annuity non-profit (CPA impaired life)		36141		n/a	n/a	n/a	28489

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 5)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
400	Annuity non-profit (CPA)		19653		n/a	n/a	n/a	258115

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

**Form 51**  
**(Sheet 6)**

Name of insurer **Aviva Annuity UK Limited**

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

Financial year ended **31st December 2011**

Units **£000**

**Overseas / Gross**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
395	Annuity non-profit (PLA)	3364	14260		n/a	n/a	n/a	224380
400	Annuity non-profit (CPA)	6728	19062		n/a	n/a	n/a	283573
405	Annuity non-profit (CPA impaired life)	4	24		n/a	n/a	n/a	404
440	Additional reserves non-profit OB				n/a	n/a	n/a	853

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 7)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****Overseas / Reinsurance ceded external**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
395	Annuity non-profit (PLA)		123		n/a	n/a	n/a	1709
405	Annuity non-profit (CPA impaired life)		17		n/a	n/a	n/a	282

**Long-term insurance business: Valuation summary of index linked contracts****Form 54  
(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Life / Gross**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
905	Index linked annuity	49	1304				8865	8865
915	Additional reserves index linked						7	7

**Long-term insurance business: Valuation summary of index linked contracts****Form 54  
(Sheet 2)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Life / Reinsurance ceded external**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
905	Index linked annuity		985				3919	3919

**Long-term insurance business: Valuation summary of index linked contracts**

**Form 54  
(Sheet 3)**

Name of insurer **Aviva Annuity UK Limited**

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

Financial year ended **31st December 2011**

Units **£000**

**UK Pension / Gross**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
905	Index linked annuity	47608	158483				3532617	3532617
907	Index linked deferred annuity	4378	10758				258946	258946
915	Additional reserves index linked						8408	8408



**Long-term insurance business: Valuation summary of index linked contracts****Form 54  
(Sheet 4)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****UK Pension / Reinsurance ceded external**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
905	Index linked annuity		2331				45666	45666

**Long-term insurance business: Valuation summary of index linked contracts****Form 54  
(Sheet 5)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000****Overseas / Gross**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
905	Index linked annuity	145	356				8540	8540
915	Additional reserves index linked						13	13

Long-term insurance business: index linked business

Form 56

Name of insurer **Aviva Annuity UK Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

		Value of assets	Mean term
		1	2
<b>Analysis of assets</b>			
Approved variable interest securities	11	989146	18.45
Other variable interest securities	12	809609	12.97
Approved fixed interest securities	13	96651	13.70
Other fixed interest securities	14	1704983	10.04
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17	(69569)	
Other assets	18	175836	
Variation margin	19	61155	
<b>Total (11 to 19)</b>	<b>20</b>	<b>3767811</b>	
<b>Credit rating of other fixed interest and other variable interest securities</b>			
AAA/Aaa	31	211198	11.82
AA/Aa	32	590529	11.57
A/A	33	1331676	12.00
BBB/Baa	34	306073	6.70
BB/Ba	35	52654	1.23
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	22462	8.28
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>	<b>2514592</b>	<b>10.98</b>

**Long-term insurance business - analysis of valuation interest rate****Form 57  
(Sheet 1)**Name of insurer **Aviva Annuity UK Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2011**Units **£000**

Product Group <b>1</b>	Net mathematical reserves <b>2</b>	Net valuation interest rate <b>3</b>	Gross valuation interest rate <b>4</b>	Risk adjusted yield on matching assets <b>5</b>
UK L&GA NP Form 51	397799	4.29	4.29	4.49
UK Pens NP Form 51	22362859		4.29	4.49
OS L&GA NP Form 51	506366	4.29	4.29	4.49
UK L&GA NP Form 54	4947	0.51	0.51	0.68
UK Pens NP Form 54	3745897		0.51	0.68
OS L&GA NP Form 54	8540	0.51	0.51	0.68
Miscellaneous	816334			
<b>TOTAL</b>	<b>27842742</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

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

Name of insurer **Aviva Annuity UK Limited**  
 Total business / subfund **Total Long-term insurance business**  
 Financial year ended **31st December 2011**  
 Units **£000**

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

**Valuation result**

Fund carried forward	<b>11</b>	28642742	22700909
Bonus payments in anticipation of a surplus	<b>12</b>		
Transfer to non-technical account	<b>13</b>	35299	107645
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	28678041	22808554
Mathematical reserves	<b>21</b>	27842742	22351389
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	835299	457165

**Composition of surplus**

Balance brought forward	<b>31</b>	349520	457165
Transfer from non-technical account	<b>32</b>		
Transfer from other funds / parts of fund	<b>33</b>		
Surplus arising since the last valuation	<b>34</b>	485779	
Total	<b>39</b>	835299	457165

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>		
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>		
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>		
Net transfer out of fund / part of fund	<b>47</b>	35299	107645
Total distributed surplus (46+47)	<b>48</b>	35299	107645
Surplus carried forward	<b>49</b>	800000	349520
Total (48+49)	<b>59</b>	835299	457165

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance capital requirement**
**Form 60**

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st 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%					
Classes III, VII and VIII	15	0.3%					
<b>Total</b>	<b>16</b>						

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

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

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	24424751	24074931	0.99	240749	195318
Classes III, VII and VIII (investment risk)	33	1%	3817396	3767811	0.99	37678	28196
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					278427	223514

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	24424751	24074931	0.99	722248	585954
Classes III, VII and VIII (investment risk)	43	3%	3817396	3767811	0.99	113034	84588
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		28242147	27842742		835282	670542

<b>Long term insurance capital requirement</b>	<b>51</b>					1113709	894056
--	-----------	--	--	--	--	---------	--------

**Supplementary notes**

Name of insurer **Aviva Annuity UK Limited**  
Global business  
Financial year ended **31st December 2011**

**Code****0204 Section 148 Waivers****Rate of interest 648787**

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2009. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest will be used for assets taken in combination.

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

	<b>£'000</b>
i) Net admissible assets	
Form 13 Line 89 (Long term business)	29,139,316
Form 13 Line 89 (Other than long term business)	833,063
Form 14 Lines 11, 12 and 49	(28,339,316)
Form 15 Line 69	(217,144)
	<b>1,415,919</b>
ii) Components of Capital resources that are treated as a liability	200,000
<b>Total i) to ii) above</b>	<b>1,615,919</b>
<b>Form 3, line 79</b>	<b>1,615,919</b>

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

	<b>£'000</b>
a) Positive valuation differences in respect of assets where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	-
b) Positive valuation differences in respect of liabilities where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	
- Deferred tax provision	114,310
c) Negative valuation differences in respect of assets where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	-
d) Negative valuation differences in respect of liabilities where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	
- Mathematical reserves	(373,686)
<b>Net negative valuation difference included in line 35</b>	<b>(259,376)</b>

**Supplementary notes**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011****Code****0313 Reconciliation of profit and loss account and other reserves**

	<b>£'000</b>
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	1,459,145
Profit retained for the financial year	38,304
Profit arising in the long-term insurance fund that has not been transferred to the shareholder fund	230,678
Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	1,728,127

**1301 Aggregate values of assets****1308**

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

	<b>Category 1 £m</b>	<b>Category 10 £m</b>
Unlisted investments on line 46 and 48	-	2,487
Listed investments on lines 41, 46 and 48 which are not readily realisable	-	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act	100	-
Reversionary interests or remainders in property other than land or buildings	-	-

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

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

**1305 Counterparty limits****1319**

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

**Deposits**

The maximum permitted exposure to counterparties is set out in the Investment Management Agreement with Aviva Investors Global Services Limited and approved by the Aviva Life Investment Committee. Each fund cannot hold more than 2% of funds under management (but subject to minimum of £20m and a maximum of £150m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £100m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £75m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

**Fixed income securities**

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



**Supplementary notes**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011****Code**

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

**1306 Counterparty exposure****1312**

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

**1302 Hybrid securities**

The aggregate value of hybrid securities is £188m

**1318 Other asset adjustments**

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

	<b>Category 10</b>
	<b>£'000</b>
Gross up of derivative balances	5,996
<b>Total</b>	<b>5,996</b>

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

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

**1402 Contingent liabilities****1502**

There are no provisions for deferred tax liabilities and no potential liabilities for corporation tax on unrealised gains.

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

There are no charges over any assets of the Company.

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

There are no other fundamental uncertainties.

**1404 Implicit provision required by INSPRU 3.2.17R(3)**

The amount of implicit provision required by INSPRU 3.2.17R(3) included in line 38 is £262,700k.

**Supplementary notes**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011****Code****1405 Other adjustments to liabilities**

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

	<b>Total £'000</b>
Adjustment to mathematical reserves	(373,686)
Adjustment to deferred tax provision	114,310
Gross up of derivatives	5,996
<b>Total</b>	<b>(253,380)</b>

**1601 Rates of exchange****4005**

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

**1700 Form omitted**

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

**1701 Variation margin**

The aggregate amount of any excess variation margin which has been received by the Company is £507k.

The variation margin is allocated as follows:

	<b>£'000</b>
Form 13 line 44	(255,685)
Form 14 line 38	255,178

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

**4008 Management services**

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

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

**4009 Related party transactions**

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

**4702 UK and overseas annuities**

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

**Supplementary notes**Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011****Code****4703 Apportionment between product codes**

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

**4802 Expected interest**

Expected interest from eight debentures currently in default is not included in column 3 of Form 48. The total expected interest is £4,468k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

**4803 Redemption of securities**

Where securities may be redeemed over a period at the option of the guarantor or the issuer, it has been assumed within the yield calculation that they will be redeemed at the earliest callable date. The value of the assets that contain this option is £348.0m.

**4804 Yield for assets line 18**

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

	<u>Yield</u>
Deposits not subject to time restriction (Form 13 Line 81)	1.08% pa
Shares in non-insurance dependants (Form 13 Line 25)	Nil
Other debtors (Form 13 line 78)	Nil

**4901 Credit rating****5601**

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

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

**5102 Number of policyholders****5402**

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

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

Global business

Financial year ended **31 December 2011****1. Introduction**

- (1) The **valuation date** is 31 December 2011.
- (2) The previous valuation was completed with an effective date of 31 December 2010.
- (3) No interim valuations have been carried out.

**2. Product Range**

There have been no significant changes to the product range during 2011.

**3. Discretionary charges and benefits**

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

**4. Valuation basis**

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

The mathematical reserve for RPI-linked annuities is determined with a market-consistent inflation assumption (3.40% pa at 31 December 2011) as the allowance for future increases in annuity payments. This is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and minimum percentage annual increases is described in 5 (4) below.

- (2) The following table gives the valuation interest rates at the end of 2011 compared with those at the end of 2010. Non-linked and index-linked liabilities are backed by different assets and hence have different valuation interest rates. Index-linked yields are real yields.

Product Group	Valuation interest rates	
	31/12/2011 %	31/12/2010 %
Non-linked pensions annuities	4.294	5.266
Non-linked life and general annuities	4.294	5.266
Index-linked pensions annuities	0.509	0.980
Index-linked life and general annuities	0.509	0.980
Bulk Purchase Annuities – Non-linked	4.294	5.266
Bulk Purchase Annuities – Index-linked	0.509	0.980

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

Global business

Financial year ended **31 December 2011**

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

This adjustment took account of:

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

The deductions for bad debts were:

<b>Asset Category</b>	<b>31/12/2011</b>	<b>31/12/2010</b>
Commercial mortgages	0.50%	0.50%
Healthcare mortgages (GPFC)	0.10%	0.10%
Non-linked equity release mortgages	1.35%	1.35%
RPI linked equity release mortgages pre-2007	2.25%	2.25%
RPI linked equity release mortgages 2007 onwards	3.60%	3.60%
Index-linked property	0.69%	0.69%
Corporate Bonds – AAA	0.14%	0.13%
Corporate Bonds – AA	0.30%	0.31%
Corporate Bonds – A	0.53%	0.38%
Corporate Bonds – BBB	0.96%	0.84%
Corporate Bonds – BB	3.00%	2.86%
Corporate Bonds – B	6.09%	5.28%
Corporate Bonds – C	9.72%	8.43%
Corporate Bonds – unrated	0.96%	0.84%
Private placements	<i>See Note</i>	<i>See Note</i>
Swaps	0.00%	0.00%

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

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

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

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

The 2011 mortality basis is unchanged from the 2010 mortality basis for all Aviva Annuity UK Limited business except for strengthening of the basis for the block of business originating in Provident Mutual.

Details are provided in the tables overleaf.

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

Global business

Financial year ended **31 December 2011**

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

	Base table	31/12/2011		31/12/2010	
		Male %	Female %	Male %	Female %
Pension Annuity (pre 2001)	PCMA00/PCFA00	88.5	83.0	88.5	83.0
Pension Annuity (2001-2009)	PCMA00/PCFA00	78.0	73.5	78.0	73.5
Pension Annuity (post-2009)	PCMA00/PCFA00	75.0	70.5	75.0	70.5
General Annuity	IML00/IFL00	69.0	72.0	69.0	72.0
Structured Settlements	ONS Interim Life Tables UK 2006-2008 adjusted	95.0	95.0	95.0	95.0
Improvement rates applied to both Pension and General Annuities	Medium cohort applicable from 2005	100.0	75.0	100.0	75.0
	Minimum rate pa	2.0	1.5	2.0	1.5
Improvement rates applied to Structured Settlements	ONS improvement table	100% plus additional 0.5% pa		100% plus additional 0.5% pa	

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

The mortality basis for the non-profit pension immediate annuity business that originated in Provident Mutual and was transferred into Aviva Annuity UK Limited has been strengthened further. The 2011 and 2010 mortality bases and improvement rates for this business are as follows:

	PM – originated business					
	31/12/2011			31/12/2010		
	Base table	Male %	Female %	Base table	Male %	Female %
Individual business	IML00/IFL00	75.0	75.0	IML00/IFL00	80.0	80.0
Group business	PCMA00/PCFA00	85.0	95.0	PCMA00/PCFA00	90.0	100.0
Improvement rates applied to both Individual and Group business	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate pa	2.0	1.5	Minimum rate pa	2.0	1.5

	Bulk Purchase Annuity mortality in deferment					
	31/12/2011			31/12/2010		
	Base table	Male %	Female %	Base table	Male %	Female %
Bulk Purchase Annuities	AM00 (ultimate)/ AF00 (ultimate)	83.6	86.0	AM00 (ultimate)/ AF00 (ultimate)	83.6	86.0
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate pa	2.0	1.5	Minimum rate pa	2.0	1.5

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

Global business

Financial year ended **31 December 2011**

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

	<b>Bulk Purchase Annuity Mortality in Payment:</b>					
	<b>31/12/2011</b>			<b>31/12/2010</b>		
	<b>Base table</b>	<b>Male %</b>	<b>Female %</b>	<b>Base table</b>	<b>Male %</b>	<b>Female %</b>
*Bulk Purchase Annuities	Model C	84.15 to 109.395	84.15 to 107.525	Model C	93.5 to 100.98	93.5 to 107.525
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate pa	2.0	1.5	Minimum rate pa	2.0	1.5

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

Changes since 2010 are as a result of new business written on scheme-specific terms.

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

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

<b>Expectations of life (years)</b>	<b>31/12/2011</b>			
	<b>Male</b>		<b>Female</b>	
	<b>65</b>	<b>75</b>	<b>65</b>	<b>75</b>
Pension Annuity (pre 2001)	24.4	15.0	26.2	16.7
Pension Annuity (2001-2009)	25.8	16.1	27.4	17.8
Pension Annuity (post-2009)	26.2	16.5	27.9	18.1
General Annuity	27.0	17.0	28.3	18.1
Provident Mutual originated individual annuity	26.1	16.3	27.9	17.7
Provident Mutual originated group annuity	24.8	15.4	24.9	15.6
Bulk Purchase Annuities	24.6	15.2	26.4	17.0
Structured Settlements	23.4	14.7	26.1	16.6

<b>Expectations of life (years)</b>	<b>31/12/2010</b>			
	<b>Male</b>		<b>Female</b>	
	<b>65</b>	<b>75</b>	<b>65</b>	<b>75</b>
Pension Annuity (pre 2001)	24.2	14.8	26.1	16.6
Pension Annuity (2001-2009)	25.6	16.0	27.3	17.6
Pension Annuity (post-2009)	26.0	16.3	27.7	18.0
General Annuity	26.8	16.8	28.1	18.0
Provident Mutual originated individual annuity	25.2	15.6	27.1	17.1
Provident Mutual originated group annuity	24.0	14.7	24.3	15.1
Bulk Purchase Annuities	24.3	15.0	26.2	16.8
Structured Settlements	23.2	14.5	25.9	16.4

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

Global business

Financial year ended **31 December 2011**

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

Expectations of life (years)	At Age 65			
	Male		Female	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Bulk Purchase Annuities:				
Current Age 45	29.2	29.0	29.6	29.4
Current Age 55	26.8	26.6	28.0	27.8

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

	Per policy expense £ per annum	
	2011	2010
Annuity non-profit CPA (400)	15.41	15.87
Annuity non-profit (bulk transfer) (401)	29.51	28.16

Per-policy expenses on CPA business have decreased since 2010 because of a larger number of policies over which the maintenance costs are spread.

An additional reserve of £11.9m has been established in respect of project cost overruns.

The assumed future inflation rate applying to maintenance expenses is 2.84% pa.

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

One interest rate swap provides fixed interest cash flows in exchange for variable interest cashflows from certain mortgage assets used to back long-term fixed interest liabilities. Five interest rate swaps are held in respect of matching asset and liability cashflows for fixed interest business, and provide long-term fixed interest cash flows in exchange for short and medium term cashflows.

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

Seventeen credit default swaps are held to hedge the risk of default on certain assets backing the liabilities – one fixed interest and sixteen index-linked.

The Company holds thirty five currency swaps to hedge the risk of currency movements on corporate bonds denominated in US dollars (thirty two) and Euros (three) backing liabilities denominated in Sterling.

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

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

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



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

Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2011**

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

**5. Options and Guarantees**

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

The reserve held is 2.5% of the outstanding limit in respect of this guarantee. This outstanding limit was £65m on the first scheme and £53m on the second scheme at end December 2011, which resulted in the reserve of £3m.

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

There are no other guarantees with any value.

**6. Expense Reserves**

- (1) Based on the non-linked business in force at 31 December 2011, the explicit allowance for maintenance expenses during 2012 is £12.6m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2012 is £16.3m. All expenses have been treated as attributable.
- (2) The implicit allowance for investment expenses was estimated by applying the investment expense deductions by asset class assumed in the valuation interest rate calculation to the assets allocated to the valuation liabilities.
- (3) The maintenance expenses in line 14 of Form 43 are £20.6m. This figure compares directly with the sum of the expenses above in 6(1) of £28.9m. The difference at 31 December 2011 is mainly driven by changes to accounting provisions since 31 December 2010.
- (4) The costs of acquiring new business assumed in the next twelve months would have little impact on the Company and would be charged to the new business written.
- (5) An assessment was made of the cost of closure of the Company to new business at the end of 2011 and a reserve for £33.9m, corresponding to the full cost, was included on Form 51.
- (6) There are no expenses which have been treated as non-attributable.

**7. Mismatching Reserves**

- (1) Mathematical reserves for overseas business as reported in Forms 51 and 54 are all in respect of sterling liabilities. These are matched by sterling assets, except for £752m of US dollar bonds and £38m of Euro bonds whose cashflows are converted into sterling using currency swaps.
- (2) There are no liabilities in non-sterling currencies.
- (3) No reserves are held for currency mismatching because there are no significant liabilities in currencies different from the matching assets.
- (4) Two tests were applied at December 2011, in line with INSPRU 3.1.16R:
- (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%
  - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%

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

The most onerous scenario as at 31 December 2011 was test (a).

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

Global business

Financial year ended **31 December 2011**

- (5) Two tests were applied at December 2011, in line with INSPRU 3.1.23R, for the assets invested outside of the UK. For Aviva Annuity UK Limited the only significant territory is the US, in which the holding of fixed interest corporate bonds makes up approximately 2.7% of the overall portfolio of assets backing liabilities.

- (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term US risk free yield accompanied by a fall in UK property values of 20%
- (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term US risk free yield accompanied by a fall in UK property values of 20%

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

The most onerous scenario as at 31 December 2011 was test (a).

- (6) The assets and liabilities have been revalued on this interest basis as set out in (4) and (5) above.
- (a) The calculations have led to a resilience capital requirement of £17.3m.
- (b) The aggregate value of liabilities decreased by £1,377.9m.
- (c) The aggregate value of assets decreased by £1,395.2m.
- (7) The valuation liabilities include an allowance of a 0.08% pa deduction from the valuation interest rate for duration mismatch as mentioned in section 4(3). No further reserve is required to satisfy INSPRU 1.1.34R.

**8. Additional Special Reserves**

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

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

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

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

A reserve of £21m covers Aviva Annuity UK Limited's share of funding costs for the Aviva staff pension scheme deficit.

**9. Reinsurance**

- (1) The Company has no facultative reinsurance with a reinsurer who is not authorised to carry out business in the United Kingdom.
- (2) There were 9 reinsurance treaties with external reinsurers where the Company was the ceding insurer and under which business was in force at the valuation date.

	<b>Treaties 1 to 3</b>
Reinsurer	Munich Re (Treaty 1 and 2) and Hannover Re (Treaty 3)
Nature of cover	50% (Treaty 1) or 90% (Treaties 2 and 3) Quota share on UK Long Term Care (Immediate Care) business
Premiums payable in 2011	£0.041m
Deposit back arrangements	Not applicable
Open/closed to new business	Treaty 1 was closed to new business in March 2001. New business is placed with either Munich Re under Treaty 2 or Hannover Re under Treaty 3.
Undischarged liabilities	None
Mathematical reserves ceded	Total reserves ceded under the 3 treaties are £9.782m
Retention limit for new policies	10% retained of each new annuity

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

Global business

Financial year ended **31 December 2011**

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

	<b>Treaty 4</b>
Reinsurer	Hannover Re
Nature of cover	75% longevity swap on UK Impaired Life Annuity business
Premiums payable in 2011	£4.538m
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£9.394m
Retention limit for new policies	Not applicable

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

	<b>Treaty 5</b>	<b>Treaty 6</b>
Reinsurer	XL Re	Partner Re
Nature of cover	Longevity swap in respect of 7% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.	Longevity swap in respect of 3% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.
Premiums payable in 2011	£40.900m	£17.528m
Deposit back arrangements	Not applicable	Not applicable
Open/closed to new business	Closed to new business	Closed to new business
Undischarged liabilities	None	None
Mathematical reserves ceded	£27.857m	£11.939m
Retention limit for new policies	Not applicable	Not applicable

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

	<b>Treaty 7</b>	
Reinsurer	RGA Reinsurance UK Limited	RGA Reinsurance US Limited
Nature of cover	Longevity swap in respect of varying proportions of new enhanced pension annuities written from the treaty commencement date. The UK arm takes 10% of the total business reinsured whilst the US arm takes 90% of the total business reinsured.	
Premiums payable in 2011	£2.771m	£24.936m
Deposit back arrangements	Not applicable	
Open/closed to new business	Closed to new business on 18 <sup>th</sup> May 2011	
Undischarged liabilities	None	
Mathematical reserves ceded	£2.011m	£18.107m
Retention limit for new policies	If the Purchase Price is not more than £20,000, 90% is retained if automatically underwritten and 80% is retained if manually underwritten. Otherwise, policies with a Purchase Price up to and including £1m have 60% retained if automatically underwritten and 40% retained if manually underwritten. Policies with a Purchase Price in excess of £1m but not more than £2m have 75% retained if automatically underwritten and 60% retained if manually underwritten. 100% is retained of any Purchase Price in excess of £2m.	

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

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

Global business

Financial year ended **31 December 2011**

	<b>Treaty 8</b>
Reinsurer	Maturin UK 2008-01 (M/F 80-100) IC Limited
Nature of cover	Longevity swap in respect of a defined block of in-force UK pension business agreed at the treaty commencement date. Payments are subject to a cap and floor.
Premiums payable in 2011	£55.454m
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£8.235m
Retention limit for new policies	Not applicable

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

	<b>Treaty 9</b>	
Reinsurer	RGA Reinsurance International Company Limited	RGA Global Reinsurance Company Limited
Nature of cover	Longevity swap subject to a deductible. The longevity swap is in respect of varying proportions of new enhanced pension annuities written from the treaty commencement date. The International arm takes 5% of the total business reinsured whilst the Global arm takes 95% of the total business reinsured.	
Premiums payable in 2011	£0.011m	£0.218m
Deposit back arrangements	Not applicable	
Open/closed to new business	Open to new business from 18 <sup>th</sup> May 2011	
Undischarged liabilities	None	
Mathematical reserves ceded	£1.552m	£29.495m
Retention limit for new policies	If the Purchase Price is not more than £20,000, 90% is retained if automatically underwritten and 80% is retained if manually underwritten. Otherwise, policies with a Purchase Price up to and including £1m have 60% retained if automatically underwritten and 40% retained if manually underwritten. Policies with a Purchase Price in excess of £1m but not more than £2m have 75% retained if automatically underwritten and 60% retained if manually underwritten. 100% is retained of any Purchase Price in excess of £2m.	

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

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

Global business

Financial year ended **31 December 2011**

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

<b>Internal Reinsurance Treaty 34</b>	
Reinsurer	Aviva Life & Pensions UK Limited (Non Profit Sub-Fund 2)
Nature of cover	100% reinsurance of non-profit immediate pension annuities which were originally written in Aviva Life & Pensions UK Limited and were transferred to Aviva Annuity UK Limited as at 1 January 2005. The effect of the treaty is to transfer all the liabilities to Aviva Life & Pensions UK Limited as if the business had not been transferred.
Premiums payable in 2011	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£258.115m
Retention limit for new policies	Not applicable

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

**10. Reversionary bonus**

Not relevant. The Company has no with profits business.

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

Name of Company      **Aviva Annuity UK Limited**

Global business

Financial year ended      **31st December 2011**

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

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

The speculative use of derivative contracts is prohibited.

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

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

Returns under the Accounts and Statements Rules

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

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

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

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

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

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

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

All shares are voting shares.

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

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2011**

We certify that:

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

..... **D B BARRAL**  
Chief Executive

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

..... **P WILLCOCK**  
Director

March 2012



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

**Aviva Annuity UK Limited**

**Global business**

**Financial year ended 31 December 2011**

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

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

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

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

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

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are required to reflect appropriately the requirements of INSPRU 1.2.

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

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

## **Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 28 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 report.

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

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

## **Opinion**

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP  
Statutory Auditor  
London  
28 March 2011