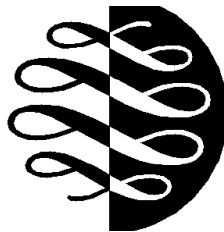




Aviva Annuity UK Limited

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

**Annual FSA Insurance Returns for the year ended
31 December 2012**



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 2012****Contents**

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Statement of solvency - long-term insurance business

Form 2

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
	3253948	GL	31	12	2012	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	670512	800000
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	814137	815919
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1484649	1615919

Guarantee fund

Guarantee fund requirement	21	407957	371236
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1076692	1244683

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	1223870	1113709
Resilience capital requirement	32	43000	17300
Base capital resources requirement	33	2984	3056
Individual minimum capital requirement	34	1266870	1131009
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	1266870	1131009
Excess (deficiency) of available capital resources to cover 50% of MCR	37	696076	953995
Excess (deficiency) of available capital resources to cover 75% of MCR	38	534496	767662

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	1266870	1131009

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1266870	1131009
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	217779	484910

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Returns under the Accounts and Statements Rules

Covering page to Form 2

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

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

..... **B A CURRAN**
Director

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

March 2013

Form 3
(Sheet 1)

Global business

Financial year ended **31st December 2012**

Core tier one capital					
Permanent share capital	11		50000	50000	50000
Profit and loss account and other reserves	12		1663489	1663489	1728126
Share premium account	13		750	750	750
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1714239	1714239	1778876

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

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		1714239	1714239	1778876
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		384728	384728	259376
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		384728	384728	259376
Total tier one capital after deductions (31-37)	39		1329511	1329511	1519500

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

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R3	3253948	GL	31	12	2012	£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		

Tier two capital

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

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

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

Components of capital resources
Form 3
(Sheet 3)

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R3	3253948	GL	31	12	2012	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
	1	2	3	4		

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		1529511	1529511	1719500
Inadmissible assets other than intangibles and own shares	73		44862	44862	103581
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		1484649	1484649	1615919

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		1484649	1484649	1615919
Available capital resources for 50% MCR requirement	82		1329511	1329511	1519500
Available capital resources for 75% MCR requirement	83		1484649	1484649	1615919

Financial engineering adjustments

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

Analysis of admissible assets
Form 13
(Sheet 1)

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

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	2012	£000	1
				As at end of this financial year		As at end of the previous year		
				1		2		
Land and buildings			11					

Investments in group undertakings and participating interests

UK insurance dependants	shares	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25		
	debts and loans	26		
Other group undertakings	shares	27		
	debts and loans	28	193300	
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	100154	100045
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	220589	335029
	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
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 2012**

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

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
	R13	3253948	GL	31 day	12 month	2012 year	£000	1
				As at end of this financial year		As at end of the previous year		
				1		2		
Deposits with ceding undertakings				57				
Assets held to match linked liabilities	Index linked			58				
	Property linked			59				

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	1347	1226
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	314357	337681
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2574	5070
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	832321	833063
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Analysis of admissible assets
**Form 13
(Sheet 3)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

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	2012	£000	1
				As at end of this financial year		As at end of the previous year	
				1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	832321	833063
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	542	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	832863	833063
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets
Form 13
(Sheet 1)

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

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	2012	£000	10
				As at end of this financial year		As at end of the previous year		
				1		2		
Land and buildings			11	6640		3165		

Investments in group undertakings and participating interests

UK insurance dependants	shares	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25		
	debts and loans	26		
Other group undertakings	shares	27		
	debts and loans	28	195115	170887
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	111003	
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	1951011	1312084
	Other	46	9079965	8147368
Variable interest securities	Approved	47	143115	29116
	Other	48	150842	433631
Participation in investment pools		49		
Loans secured by mortgages		50	15052569	14164730
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	243977	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55	14637	
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 2012**

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	2012 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	4053131		3767811	
	Property linked			59				

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	4379	71314
	Intermediaries	72	12	
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		1134
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	199716	123945
	due in more than 12 months	79	525	168604

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	318846	485250
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	221956	260277
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	29	

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	31747468	29139316
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Analysis of admissible assets
**Form 13
(Sheet 3)**

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**

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	2012	£000	10
				As at end of this financial year		As at end of the previous year	
				1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	31747468	29139316
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	12120	6072
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		97509
Reinsurers' share of technical provisions excluded from line 89	100	401609	382344
Other asset adjustments (may be negative)	101	(8324)	5996
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	32152873	29631237
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long-term insurance business liabilities and margins
Form 14

Name of insurer **Aviva Annuity UK Limited**
 Global business
 Financial year ended **31st December 2012**
 Fund **Total Long-term insurance business**
 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	30596775	27842742
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13	670512	800000
Long term insurance business fund carried forward (11 to 13)	14	31267287	28642742
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	129612
	Reinsurance accepted	32	
	Reinsurance ceded	33	2158
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	14130
	Other	38	348411
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	480181	496574
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	31747468	29139316
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	133367	74383
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	31076956	28339316
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73	401609	382344
Other adjustments to liabilities (may be negative)	74	(425252)	(253380)
Capital and reserves and fund for future appropriations	75	1099560	1162957
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	32152873	29631237

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

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2012**

R15	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
	3253948	GL	31	12	2012	£000
			As at the end of this financial year			As at the end of the previous year
			1			2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		170
	Foreseeable dividend	48		
	Other	49	18184	16974
Accruals and deferred income		51		
Total (19 to 51)		59	18184	17144
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	200000	200000
Total (59 to 63)		69	218184	217144

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	614679	615919
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	832863	833063

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

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2012**

		Company registration number	GL/UK/CM	Period ended			units	
		R16	3253948	GL	31	12	2012	£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
Investment income	Income	14			14088			14121
	Value re-adjustments on investments	15						2418
	Gains on the realisation of investments	16			11			
Investment charges	Investment management charges, including interest	17			13333			13296
	Value re-adjustments on investments	18			3012			
	Loss on the realisation of investments	19						1
Allocated investment return transferred to the general insurance business technical account		20						
Other income and charges (particulars to be specified by way of supplementary note)		21						
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29			(2246)			38541
Tax on profit or loss on ordinary activities		31			(464)			237
Profit or loss on ordinary activities after tax (29-31)		39			(1782)			38304
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			(1782)			38304
Dividends (paid or foreseeable)		51						
Profit or loss retained for the financial year (49-51)		59			(1782)			38304

Analysis of derivative contracts

Form 17

Name of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012**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	2012	£000	10
Derivative contracts			Value as at the end of this financial year			Notional amount as at the end of this financial year				
			Assets 1	Liabilities 2	Bought / Long 3		Sold / Short 4			
Futures and contracts for differences	Fixed-interest securities	11								
	Interest rates	12	256157	146092	2109551	1496059				
	Inflation	13	95	60127	75000	86889				
	Credit index / basket	14								
	Credit single name	15	17968	3413	697000	894500				
	Equity index	16								
	Equity stock	17								
	Land	18								
	Currencies	19	35115	47176		655928				
	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	309335	256808	2881551	3133376				
Adjustment for variation margin		52	(309335)	(240194)						
Total (51 + 52)		53		16614						

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 2012**

 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	3058343	3703832
Investment income receivable before deduction of tax	12	1553032	1387712
Increase (decrease) in the value of non-linked assets brought into account	13	(27276)	2625503
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	4584099	7717047

Expenditure

Claims incurred	21	1778147	1583691
Expenses payable	22	179792	140286
Interest payable before deduction of tax	23	1600	1808
Taxation	24	15	14130
Other expenditure	25		
Transfer to (from) non technical account	26		35299
Total expenditure	29	1959554	1775214

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2624545	5941833
Fund brought forward	49	28642742	22700909
Fund carried forward (39+49)	59	31267287	28642742

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 2012**
 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	71201	3106740	22992	3200933

Reinsurance - external

Regular premiums	13				
Single premiums	14	21	142569		142590

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17				
Single premiums	18	71180	2964171	22992	3058343

Total

Gross	19	71201	3106740	22992	3200933
Reinsurance	20	21	142569		142590
Net	21	71180	2964171	22992	3058343

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 2012**
 Units **£000**

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

Gross

Death or disability lump sums	11	338		338	3199
Disability periodic payments	12				
Surrender or partial surrender	13	1583	8744	10327	4842
Annuity payments	14	32022	1855770	1921312	1734574
Lump sums on maturity	15				
Total	16	33605	1864852	1931977	1742615

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24	1430	137773	139203	143506
Lump sums on maturity	25				
Total	26	1430	137773	139203	143506

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		14627	14627	15418
Lump sums on maturity	35				
Total	36		14627	14627	15418

Net of reinsurance

Death or disability lump sums	41	338		338	3199
Disability periodic payments	42				
Surrender or partial surrender	43	1583	8744	10327	4842
Annuity payments	44	30592	1703370	1767482	1575650
Lump sums on maturity	45				
Total	46	32175	1712452	1778147	1583691

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 2012**
 Units **£000**

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

Gross

Commission - acquisition	11	1875	46208	61	48144	36519
Commission - other	12					
Management - acquisition	13	705	59096		59801	72812
Management - maintenance	14	1539	53192		54731	20648
Management - other	15	3196	13920		17116	10307
Total	16	7315	172416	61	179792	140286

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	1875	46208	61	48144	36519
Commission - other	42					
Management - acquisition	43	705	59096		59801	72812
Management - maintenance	44	1539	53192		54731	20648
Management - other	45	3196	13920		17116	10307
Total	46	7315	172416	61	179792	140286

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

 Name of insurer **Aviva Annuity UK Limited**

Total business

 Financial year ended **31st December 2012**

 Units **£000**

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

Number of new policyholders / scheme members for direct insurance business

Regular premium business	11					
Single premium business	12	514	60642	502	61658	73849
Total	13	514	60642	502	61658	73849

Amount of new regular premiums

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

Amount of new single premiums

Direct insurance business	25	28449	3106740	15196	3150385	3805579
External reinsurance	26					
Intra-group reinsurance	27	42752		7796	50548	40090
Total	28	71201	3106740	22992	3200933	3845669

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 2012**Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			514	28449

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 2012**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)				42752

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 2012**

 Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
390	Deferred annuity non-profit			53	1027
400	Annuity non-profit (CPA)			46940	2312231
401	Annuity non-profit (bulk transfer)			607	39993
405	Annuity non-profit (CPA impaired life)			10165	560496
905	Index linked annuity (CPA)			927	47036
906	Index linked annuity (bulk transfer)			1453	103978
907	Index linked deferred annuity			497	41979

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 2012**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)			494	15018
905	Index linked annuity (CPA)			8	178

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 2012**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)				7796

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 2012**
 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	6640	6640	591	9.41	
Approved fixed interest securities	12	1972918	1972918	51519	3.59	
Other fixed interest securities	13	9244374	9244374	545139	4.03	
Variable interest securities	14	295257	295257	14132	4.14	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	16175148	16175148	1098175	5.38	
Total	19	27694337	27694337	1709556	4.79	

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

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

Overall return on with-profits assets

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

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

Name of insurer **Aviva Annuity UK Limited**
 Financial year ended **31st December 2012**
 Category of assets **Total Long-term insurance business assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	606881	14.53	2.94	2.94
Other approved fixed interest securities	21	1366037	13.21	3.88	3.69
Other fixed interest securities					
AAA/Aaa	31	1034823	11.67	3.18	3.04
AA/Aa	32	1368522	11.92	3.77	3.52
A/A	33	3720836	11.81	4.14	3.65
BBB/Baa	34	2846615	7.25	4.04	3.13
BB/Ba	35	189717	5.55	6.46	4.32
B/B	36	10918	6.68	9.22	3.41
CCC/Caa	37	304	4.49	21.51	11.79
Other (including unrated)	38	72639	5.25	8.31	3.29
Total other fixed interest securities	39	9244374	10.22	4.03	3.41
Approved variable interest securities	41	48222	16.34	2.69	2.69
Other variable interest securities	51	247035	14.99	4.42	3.99
Total (11+21+39+41+51)	61	11512549	10.93	3.96	3.43

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 2012**
 Units **£000**

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

Form 51 - with-profits	11				
Form 51 - non-profit	12	441340	25947287	524163	26912790
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17	8998	4091978	10002	4110978
Total	18	450338	30039265	534165	31023768

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	3532	106516	2577	112625
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27	3303	54544		57847
Total	28	6835	161060	2577	170472

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		256521		256521
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		256521		256521

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	437808	25584250	521586	26543644
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47	5695	4037434	10002	4053131
Total	48	443503	29621684	531588	30596775

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 2012**Units **£000****UK Life / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)	6412	30550		n/a	n/a	n/a	432657
400	Annuity non-profit (CPA)	2478	980		n/a	n/a	n/a	8349
440	Additional reserves non-profit OB				n/a	n/a	n/a	334

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 2012**Units **£000****UK Life / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		801		n/a	n/a	n/a	3531
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 2012**Units **£000****UK Pension / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit	564	2866		n/a	n/a	n/a	81097
400	Annuity non-profit (CPA)	744075	1681157		n/a	n/a	n/a	23736294
405	Annuity non-profit (CPA impaired life)	27989	93590		n/a	n/a	n/a	1465200
440	Additional reserves non-profit OB				n/a	n/a	n/a	664696

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 2012**Units **£000****UK Pension / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		21813		n/a	n/a	n/a	45790
405	Annuity non-profit (CPA impaired life)		53076		n/a	n/a	n/a	60726

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 2012**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		19228		n/a	n/a	n/a	256521

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 2012**Units **£000****Overseas / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)	3330	14166		n/a	n/a	n/a	217937
400	Annuity non-profit (CPA)	7150	20108		n/a	n/a	n/a	303280
405	Annuity non-profit (CPA impaired life)	52	122		n/a	n/a	n/a	2089
440	Additional reserves non-profit OB				n/a	n/a	n/a	857

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 2012**Units **£000****Overseas / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		101		n/a	n/a	n/a	1566
405	Annuity non-profit (CPA impaired life)		60		n/a	n/a	n/a	1011

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 2012**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	38	1147				8989	8989
915	Additional reserves index linked						9	9

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 2012**Units **£000****UK Life / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)		837				3303	3303

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 2012**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	39922	160094				3797797	3797797
907	Index linked deferred annuity	2961	10585				286229	286229
915	Additional reserves index linked						7952	7952

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 2012**Units **£000****UK Pension / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)		2709				54544	54544

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 2012**Units **£000****Overseas / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	156	410				9987	9987
915	Additional reserves index linked						15	15

Name of insurer **Aviva Annuity UK Limited**

Total business

Financial year ended **31st December 2012**Units **£000**

		Value of assets	Mean term
		1	2
Analysis of assets			
Approved variable interest securities	11	840303	16.34
Other variable interest securities	12	886152	13.07
Approved fixed interest securities	13	96391	13.58
Other fixed interest securities	14	2104082	11.74
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17	(123319)	
Other assets	18	127813	
Variation margin	19	121709	
Total (11 to 19)	20	4053131	
Credit rating of other fixed interest and other variable interest securities			
AAA/Aaa	31	261140	10.34
AA/Aa	32	426282	11.11
A/A	33	1845354	13.59
BBB/Baa	34	397141	8.90
BB/Ba	35	44061	2.27
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	16256	7.39
Total other fixed interest and other variable interest securities	39	2990234	12.13

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 2012**Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51	437474	4.09	4.09	4.28
UK Pens NP Form 51	24919554		4.09	4.28
OS L&GA NP Form 51	520729	4.09	4.09	4.28
UK L&GA NP Form 54	5686	0.31	0.31	0.47
UK Pens NP Form 54	4029483		0.31	0.47
OS L&GA NP Form 54	9987	0.31	0.31	0.47
Miscellaneous	673862			
TOTAL	30596775	n/a	n/a	n/a

Long-term insurance business: distribution of surplus
Form 58

Name of insurer **Aviva Annuity UK Limited**
 Total business / subfund **Total Long-term insurance business**
 Financial year ended **31st December 2012**
 Units **£000**

	Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	31267287	28642742
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		35299
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	31267287	28678041
Mathematical reserves	21	30596775	27842742
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	670512	835299

Composition of surplus

Balance brought forward	31	800000	349520
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(129488)	485779
Total	39	670512	835299

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		35299
Total distributed surplus (46+47)	48		35299
Surplus carried forward	49	670512	800000
Total (48+49)	59	670512	835299

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance capital requirement
Form 60

 Name of insurer **Aviva Annuity UK Limited**

Global business

 Financial year ended **31st December 2012**

 Units **£000**

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

Insurance death risk capital component

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

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	26912790	26543644	0.99	265436	240749
Classes III, VII and VIII (investment risk)	33	1%	4110978	4053131	0.99	40531	37678
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					305967	278427

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	26912790	26543644	0.99	796309	722248
Classes III, VII and VIII (investment risk)	43	3%	4110978	4053131	0.99	121594	113034
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		31023768	30596775		917903	835282

Long term insurance capital requirement	51					1223870	1113709
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Supplementary notesName of insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31st December 2012****Code****0204 Section 148 Waivers****Rate of interest 1066620**

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.

Counterparty Exposures 1528722

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 October 2012. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that the exposure limits to unsecured debt and unsecured loans is (i) 5% if the exposures do not include public private finance contracts; and (ii) 8% if the exposures include public private finance contracts and no more than 5% of the exposures are non-public private.

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

	£'000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	31,747,468
Form 13 Line 89 (Other than long term business)	832,321
Form 14 Lines 11, 12 and 49	(31,076,956)
Form 15 Line 69	(218,184)
	1,284,649
ii) Components of Capital resources that are treated as a liability	200,000
Total i) to ii) above	1,484,649
Form 3, line 79	1,484,649

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

	£'000
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	15,393
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	115,701
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	(515,822)
Net negative valuation difference included in line 35	(384,728)

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

Global business

Financial year ended **31st December 2012****Code****0313 Reconciliation of profit and loss account and other reserves**

	£'000
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	1,728,126
Profit retained for the financial year	-
Loss arising in the long-term insurance fund that has not been transferred to the shareholder fund	(64,637)
Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	1,663,489

1301 Aggregate values of assets**1308**

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

	Category 1 £m	Category 10 £m
Unlisted investments on line 46 and 48	-	2,169
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	111
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.

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

Global business

Financial year ended **31st December 2012****Code****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 financial management. The maximum net exposure (measured by market value and including derivatives) to a single non-Government counterparty should not exceed £300m for AAA- rated, £200m for AA- rated, £175m for A- rated, £75m for BBB- rated and £6m for sub-IG. The Manager will report passive breaches (breaches caused by market movements) of these limits to the Client's Director of Investments.

Commercial mortgages

Gross capital exposure to any one commercial mortgage borrower should not to exceed 5% for companies or 0.8% for individuals of the Long Term Business amount without Fund authority to explicitly approve alternative limit.

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.

1309 Hybrid securities

The aggregate value of hybrid securities is £135m

1318 Other asset adjustments

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

	Category 10 £'000
Gross up of derivatives	7,069
Revaluation of Aviva Loan from Amortised Cost to FV	(15,393)
Total	(8,324)

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.

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

Global business

Financial year ended **31st December 2012****Code****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 £256,808k.

1405 Other adjustments to liabilities

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

	Total £'000
Adjustment to mathematical reserves	(515,822)
Adjustment to deferred tax – inadmissible	(32,200)
Adjustment to deferred tax – valuation differences	115,701
Gross up of derivatives	7,069
Total	(425,252)

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 £69k.

The variation margin is allocated as follows:

	£'000
Form 13 line 44	(309,335)
Form 14 line 38	240,194

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.

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

Global business

Financial year ended **31st December 2012****Code****4702 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.

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 six debentures and a number of commercial mortgages (approximately 5% of the UKCF portfolio by market value) currently in default is not included in column 3 of Form 48. The total expected interest is £40,030k (£4,075k debentures in default and £35,955k impaired mortgages).

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 £324.2m.

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.

	Yield
Deposits not subject to time restriction (Form 13 Line 81)	0.515% 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.

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

Global business

Financial year ended **31st December 2012****Code****5705 Yields to which risk adjustment is applied**

Form 57 Column 5 includes yields after risk adjustment, in accordance with INSPRU 3.1.41R.

The following table shows the yields to which the risk adjustment was applied (after the deduction of investment expense allowances):

	Risk adjusted yield on matching assets (Form 57 Column 5)	Yield before risk adjustment
UK L&GA NP Form 51	4.28	4.92
UK Pens NP Form 51	4.28	4.92
OS L&GA NP Form 51	4.28	4.92
UK L&GA NP Form 54	0.47	1.08
UK Pens NP Form 54	0.47	1.08
OS L&GA NP Form 54	0.47	1.08

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 2012**

1. Introduction

- (1) The **valuation date** is 31 December 2012.
- (2) The previous valuation was completed with an effective date of 31 December 2011.
- (3) No interim valuations have been carried out.

2. Product Range

There have been no significant changes to the product range during 2012.

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 (3.14% pa at 31 December 2012) 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 2012 compared with those at the end of 2011. 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	
	31/12/2012 %	31/12/2011 %
Non-linked pensions annuities	4.089	4.294
Non-linked life and general annuities	4.089	4.294
Index-linked pensions annuities	0.306	0.509
Index-linked life and general annuities	0.306	0.509
Bulk Purchase Annuities – Non-linked	4.089	4.294
Bulk Purchase Annuities – Index-linked	0.306	0.509

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

Global business

Financial year ended **31 December 2012**

- (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:

Asset Category	31/12/2012	31/12/2011
Commercial mortgages	0.72%	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	3.00%	2.25%
RPI linked equity release mortgages 2007 onwards	3.00%	3.60%
Index-linked property	0.69%	0.69%
Corporate Bonds – AAA	0.14%	0.14%
Corporate Bonds – AA	0.25%	0.30%
Corporate Bonds – A	0.49%	0.53%
Corporate Bonds – BBB	0.91%	0.96%
Corporate Bonds – BB	2.14%	3.00%
Corporate Bonds – B	5.81%	6.09%
Corporate Bonds – C	9.28%	9.72%
Corporate Bonds – unrated	0.91%	0.96%
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) Mortality is based on UK standard published tables 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.

In 2012 the base tables and the allowances for future mortality improvements were reviewed, resulting in revised assumptions for use from 31/12/2012 onwards. (The base table assumptions now include an adjustment for anti-selection that varies by individual year of entry).

Details are provided in the tables overleaf.

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

Global business

Financial year ended **31 December 2012**

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

	Base table	31/12/2012		31/12/2011	
		Male %	Female %	Male %	Female %
Pension Annuity Pre 1997	PCMA00/PCFA00	98.5	93.5	88.5	83.0
Pension Annuity 1997/00		The base table percentages for the intervening years are in the range between those for Pre 1997 and 2012.			
Pension Annuity 2001/09				78.0	73.5
Pension Annuity 2010/11				75.0	70.5
Pension Annuity 2012		82.0	78.0		
General Annuity	IML00/IFL00	97.0	89.0	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	CMI_2011 (applicable from 2001), plus a 0.5% constant addition from 2012 onwards	_M[1.5]	_F[1.0]	100% of MC (2005) Min 2% pa	75% of MC (2005) Min 1.5% pa
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 was also reviewed in 2012.

The 2012 and 2011 mortality bases and improvement rates for ex-Provident Mutual business are set out in the tables below:

	PM – originated business					
	31/12/2012			31/12/2011		
	Base table	Male %	Female %	Base table	Male %	Female %
Individual business	PCMA00/PCFA00	86.0	92.5	IML00/IFL00	75.0	75.0
Group business	PCMA00/PCFA00	86.0	92.5	PCMA00/PCFA00	85.0	95.0
Improvement rates applied to both Individual and Group business	CMI_2011 (applicable from 2001), plus a 0.5% constant addition from 2012 onwards	_M[1.5]	_F[1.0]	Medium cohort applicable from 2005	100.0	75.0
				Minimum rate	2.0% pa	1.5% pa

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

Global business

Financial year ended **31 December 2012**

	Bulk Purchase Annuity mortality in deferment					
	31/12/2012			31/12/2011		
	Base table	Male %	Female %	Base table	Male %	Female %
Bulk Purchase Annuities	AMC00 (ultimate)/ AFC00 (ultimate)	83.6	86.0	AMC00 (ultimate)/ AFC00 (ultimate)	83.6	86.0
Improvement rates	CMI_2011 (applicable from 2001), plus a 0.5% constant addition from 2012 onwards	_M[1.5]	_F[1.0]	Medium cohort applicable from 2005	100.0	75.0
				Minimum rate	2.0% pa	1.5% pa

The mortality basis for Bulk Purchase Annuity mortality in payment is shown in the table below:

	Bulk Purchase Annuity Mortality in Payment:					
	31/12/2012			31/12/2011		
	Base table	Male %	Female %	Base table	Male %	Female %
*Bulk Purchase Annuities	PCMA00/PCFA00	74.8 to 109.395	74.8 to 107.525	Model C	84.15 to 109.395	84.15 to 107.525
Improvement rates	CMI_2011 (applicable from 2001), plus a 0.5% constant addition from 2012 onwards	_M[1.5]	_F[1.0]	Medium cohort applicable from 2005	100.0	75.0
				Minimum rate	2.0% pa	1.5% pa

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

Changes since 2011 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.

Expectations of life (years)	31/12/2012			
	Male		Female	
	65	75	65	75
Pension Annuity (Pre 1997)	24.8	15.3	26.5	16.8
Pension Annuity 1997 - 2011	The Expectations of Life for the intervening years are in the range between those for Pre 1997 and 2012.			
Pension Annuity 2012	26.6	16.7	28.1	18.2
General Annuity	25.0	15.3	27.5	17.3
Provident Mutual originated annuity	26.1	16.3	26.6	16.8
Bulk Purchase Annuities	24.8	15.3	26.5	16.9
Structured Settlements	23.7	14.9	26.7	17.0

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

Global business

Financial year ended **31 December 2012**

Expectations of life (years)	31/12/2011			
	Male		Female	
	65	75	65	75
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

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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Bulk Purchase Annuities:				
Current Age 45	28.2	29.2	29.0	29.6
Current Age 55	26.4	26.8	27.8	28.0

(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	
	2012	2011
Annuity non-profit CPA (400)	15.62	15.41
Annuity non-profit (bulk transfer) (401)	30.93	29.51

Per-policy expenses on CPA business have increased by 1.4% since 2011, because the inflationary increase is offset by a larger number of policies over which the maintenance costs are spread.

An additional reserve of £10.6m has been established in respect of project cost overruns.

The assumed future inflation rate applying to maintenance expenses is 2.76% 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.

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 2012**

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

Sixty five fixed interest credit default swaps have been bought to hedge the risk of default on certain assets backing the liabilities. A further sixty five fixed interest credit default swaps have been sold to actively manage the risk associated with certain counterparties.

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

Fifty seven 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 that 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.

- (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 £2.25m 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 £40m on the first scheme and £48m on the second scheme at end December 2012, which resulted in the reserve of £2.25m (rounded to the nearest £250,000).

- (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 2012, the explicit allowance for maintenance expenses during 2013 is £13.5m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2013 is £19.1m. 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 £54.7m. This figure compares directly with the sum of the expenses above in 6(1) of £32.6m. The difference at 31 December 2012 is mainly driven by prior year adjustments for investment fees and reorganisation charges since 31 December 2011.
- (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 2012 and a reserve for £35.1m, corresponding to the full cost, was included on Form 51.
- (6) There are no expenses which have been treated as non-attributable.

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

Name of Insurer **Aviva Annuity UK Limited**

Global business

Financial year ended **31 December 2012**

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 £918m of US dollar bonds and £75m 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 2012, 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 2012 was test (b).

- (5) Two tests were applied at December 2012, 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 3.3% 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 2012 was test (b).

- (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 £43.0m.
- (b) The aggregate value of liabilities increased by £1,577.2m.
- (c) The aggregate value of assets increased by £1,534.2m.

- (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 £160m in respect of corporate bonds is held to cover current recessionary conditions and risks from call options on bonds.

A reserve of £450m in respect of commercial mortgages is held for additional credit defaults arising due to current recessionary conditions and reduced property valuations.

A reserve of £22.2m covers Aviva Annuity UK Limited's share of funding costs for the Aviva staff pension scheme deficit.

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

Global business

Financial year ended **31 December 2012****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.

	Treaties 1 to 3
Reinsurer	Munich Re (Treaty 1 and 2) and Hannover Re (Treaty 3)
Nature of cover	50% (Treaty 1) or 90% (Treaties 2 and 3) Quota share on UK Long Term Care (Immediate Care) business
Premiums payable in 2012	£0.021m
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 £6.834m
Retention limit for new policies	10% retained of each new annuity

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

	Treaty 4
Reinsurer	Hannover Re
Nature of cover	75% longevity swap on UK Impaired Life Annuity business
Premiums payable in 2012	£4.076m
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£9.006m
Retention limit for new policies	Not applicable

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

	Treaty 5	Treaty 6
Reinsurer	XL Re	Partner Re
Nature of cover	Longevity swap 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 2012	£40.154m	£17.209m
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	£23.451m	£10.050m
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.

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

Global business

Financial year ended **31 December 2012**

	Treaty 7	
Reinsurer	RGA Reinsurance UK Limited	RGA Reinsurance US Limited
Nature of cover	Longevity swap in respect of varying proportions of new enhanced annuities written from the treaty commencement date. The UK entity takes 10% of the total business reinsured whilst the US entity takes 90% of the total business reinsured.	
Premiums payable in 2012	£2.903m	£26.129m
Deposit back arrangements	Not applicable	
Open/closed to new business	Closed to new business on 18 th May 2011	
Undischarged liabilities	None	
Mathematical reserves ceded	£2.549m	£22.898m
Retention limit for new policies	If the Purchase Price is not more than £20,000, 90% is retained if automatically underwritten and 80% is retained if manually underwritten. Otherwise, policies with a Purchase Price up to and including £1m have 60% retained if automatically underwritten and 40% retained if manually underwritten. Policies with a Purchase Price in excess of £1m but not more than £2m have 75% retained if automatically underwritten and 60% retained if manually underwritten. 100% is retained of any Purchase Price in excess of £2m.	

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

	Treaty 8	
Reinsurer	Maturin UK 2008-01 (M/F 80-100) IC Limited	
Nature of cover	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 2012	£52.390m	
Deposit back arrangements	Not applicable	
Open/closed to new business	Closed to new business	
Undischarged liabilities	None	
Mathematical reserves ceded	£4.887m	
Retention limit for new policies	Not applicable	

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

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

Global business

Financial year ended **31 December 2012**

Treaty 9		
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 annuities written from the treaty commencement date. The International entity takes 5% of the total business reinsured whilst the Global entity takes 95% of the total business reinsured.	
Premiums payable in 2012	£0.880m	£16.718m
Deposit back arrangements	Not applicable	
Open/closed to new business	Open to new business from 18 th May 2011	
Undischarged liabilities	None	
Mathematical reserves ceded	£3.404m	£64.715m
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.

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

Internal Reinsurance Treaty 34	
Reinsurer	Aviva Life & Pensions UK Limited (Non Profit Sub-Fund 2)
Nature of cover	100% reinsurance of non-profit immediate pension annuities which were originally written in Aviva Life & Pensions UK Limited and were transferred to Aviva Annuity UK Limited as at 1 January 2005. The effect of the treaty is to transfer all the liabilities to Aviva Life & Pensions UK Limited as if the business had not been transferred.
Premiums payable in 2012	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£256.521m
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 2012**

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 2012**

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 2012**

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

..... **B A CURRAN**
Director

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

March 2013

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

Name of insurer **Aviva Annuity UK Limited**

Global Business

Financial year ended **31st December 2012**

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 ('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).

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report under the provisions of the Rules. 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.

This report has been prepared for the directors of the insurer to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Basis of opinion

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

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

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

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

Name of insurer **Aviva Annuity UK Limited**

Global Business

Financial year ended **31st December 2012**

Opinion

In our opinion:

(i) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and

(ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2 .

PricewaterhouseCoopers LLP
Chartered Accountants

March 2013