

Hodge Life Assurance Company Limited

**Annual PRA Insurance Returns for the year ended
31st October 2013**



**BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY**

(Appendices 9.1, 9.3, 9.4, 9.6)

Hodge Life Assurance Company Limited

Year ended 31st October 2013

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Statement of solvency - long-term insurance business

Form 2

Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R2	837457	UK	31	10	2013	£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	64602	52607
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	5073	5000
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	69675	57607

Guarantee fund

Guarantee fund requirement	21	3130	3056
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	66545	54551

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	9389	7839
Resilience capital requirement	32	11477	18071
Base capital resources requirement	33	2984	3056
Individual minimum capital requirement	34	20866	25910
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	20866	25910
Excess (deficiency) of available capital resources to cover 50% of MCR	37	59242	44652
Excess (deficiency) of available capital resources to cover 75% of MCR	38	54026	38174

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	20866	25910

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	20866	25910
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	48809	31697

Contingent liabilities

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

Form 2

Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

..... **Deian Jones** **Director**

..... **David Austin** **Director**

..... **Rhian Yates** **Secretary**

Cardiff

Components of capital resources

Form 3
(Sheet 1)Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	837457	UK	31	10	2013	£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			

Core tier one capital

Permanent share capital	11		6800	6800	6800
Profit and loss account and other reserves	12		73885	73885	60847
Share premium account	13				
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		80685	80685	67647

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		80685	80685	67647
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		10950	10950	9930
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		10950	10950	9930
Total tier one capital after deductions (31-37)	39		69735	69735	57717

Components of capital resources

Form 3
(Sheet 2)Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	837457	UK	31	10	2013	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

Components of capital resources**Form 3
(Sheet 3)**Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	837457	UK	31	10	2013	£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		69735	69735	57717
Inadmissible assets other than intangibles and own shares	73		60	60	49
Assets in excess of market risk and counterparty limits	74				61
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		69675	69675	57607

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		69675	69675	57607
Available capital resources for 50% MCR requirement	82		69675	69675	57607
Available capital resources for 75% MCR requirement	83		69675	69675	57607

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 **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**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	837457	UK	31	10	2013	£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		
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		5000
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	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	5073
	More than one month withdrawal	55	
Other financial investments	56		

Analysis of admissible assets**Form 13
(Sheet 2)**Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**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	837457	UK	31	10	2013	£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		
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		
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		5073	5000
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Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**Category of assets **Total other than Long-term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
	837457	UK	31	10	2013	£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	5073	5000
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
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	5073	5000
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 **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**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	837457	UK	31	10	2013	£000	10
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings				11		79393		82324

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		4500
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50	197980	131560
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	24316
	More than one month withdrawal	55	
Other financial investments	56		

Analysis of admissible assets**Form 13
(Sheet 2)**Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**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	837457	UK	31	10	2013	£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				
		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	760	1500
	due in more than 12 months	79		

Other assets

Tangible assets	80	45	
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		
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	302494	252810
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Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**Category of assets **Total Long-term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
	837457	UK	31	10	2013	£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	302494	252810
Admissible assets in excess of market and counterparty limits	92		61
Inadmissible assets directly held	93	60	48
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		(157)
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	302554	252762
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 **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**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	234744	195970
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13	64602	52607
Long term insurance business fund carried forward (11 to 13)	14	299346	248577
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	142
	Other risks and charges	22	500
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	498
	Other	38	2508
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	3148	4233
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	302494	252810
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	237892	200203
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(10950)	(10088)
Capital and reserves and fund for future appropriations	75	75612	62647
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	302554	252762

Liabilities (other than long-term insurance business)**Form 15**Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R15	837457	UK	31	10	2013	£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		
	Foreseeable dividend	48		
	Other	49		
Accruals and deferred income		51		
Total (19 to 51)		59		
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69		

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	5073	5000
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	5073	5000

Profit and loss account (non-technical account)

Form 16

Name of insurer **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**

		Company registration number	GL/UK/CM	Period ended			units
		R16	837457	UK	day	month	year
					31	10	2013
					This financial year		Previous year
					1	2	
							£000
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					5000
Investment income	Income	14			73		
	Value re-adjustments on investments	15					
	Gains on the realisation of investments	16					
Investment charges	Investment management charges, including interest	17					
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					
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			73		5000
Tax on profit or loss on ordinary activities		31					
Profit or loss on ordinary activities after tax (29-31)		39			73		5000
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			73		5000
Dividends (paid or foreseeable)		51					
Profit or loss retained for the financial year (49-51)		59			73		5000

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

Name of insurer **Hodge Life Assurance Company Limited**

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

Financial year ended **31st October 2013**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	51566	54331
Investment income receivable before deduction of tax	12	691	801
Increase (decrease) in the value of non-linked assets brought into account	13	15720	20985
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	67977	76117

Expenditure

Claims incurred	21	15008	13578
Expenses payable	22	3705	2757
Interest payable before deduction of tax	23		
Taxation	24	(1505)	(1320)
Other expenditure	25		
Transfer to (from) non technical account	26		5000
Total expenditure	29	17208	20015

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	50769	56102
Fund brought forward	49	248577	192475
Fund carried forward (39+49)	59	299346	248577

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**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		51566	51566	54331

Reinsurance - external

Regular premiums	13				
Single premiums	14				

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17				
Single premiums	18		51566	51566	54331

Total

Gross	19		51566	51566	54331
Reinsurance	20				
Net	21		51566	51566	54331

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**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	66		66	463
Disability periodic payments	12				
Surrender or partial surrender	13				
Annuity payments	14	7687	7255	14942	13115
Lump sums on maturity	15				
Total	16	7753	7255	15008	13578

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	66		66	463
Disability periodic payments	42				
Surrender or partial surrender	43				
Annuity payments	44	7687	7255	14942	13115
Lump sums on maturity	45				
Total	46	7753	7255	15008	13578

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**Units **£000**

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

Gross

Commission - acquisition	11		841	841	818
Commission - other	12				
Management - acquisition	13		1706	1706	1013
Management - maintenance	14	330	828	1158	926
Management - other	15				
Total	16	330	3375	3705	2757

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		841	841	818
Commission - other	42				
Management - acquisition	43		1706	1706	1013
Management - maintenance	44	330	828	1158	926
Management - other	45				
Total	46	330	3375	3705	2757

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

Total business

Financial year ended **31st October 2013**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		2096	2096	1894
Total	13		2096	2096	1894

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		51566	51566	54331
External reinsurance	26				
Intra-group reinsurance	27				
Total	28		51566	51566	54331

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

Total business

Financial year ended **31st October 2013**Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			2096	51566

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

Name of insurer **Hodge Life Assurance Company Limited**

Financial year ended **31st October 2013**

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	79393	79393	1		
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	223101	223101	390	0.17	
Total	19	302494	302494	391	0.13	

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: Summary of mathematical reserves

Form 50

Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**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	59190	175554	234744	195970
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	59190	175554	234744	195970

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	59190	175554	234744	195970
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	59190	175554	234744	195970

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 1)Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**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) Immediate annuities	1326	4889		n/a	n/a	n/a	46327
395	Annuity non-profit (PLA) Reversionary schemes	463	1761		n/a	n/a	n/a	10156
395	Annuity non-profit (PLA) Renewable Reversionary schemes	1	3		n/a	n/a	n/a	12
395	Annuity non-profit (PLA) Mortgage scheme	157	651		n/a	n/a	n/a	2695

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 2)Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**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
395	Annuity non-profit (CLA)	5536	8771		n/a	n/a	n/a	175554

Long-term insurance business - analysis of valuation interest rate**Form 57
(Sheet 1)**Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Long term business fund**Financial year ended **31st October 2013**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
Annuity non-profit (CPA)	175554	3.27	3.27	3.57
Immediate Annuities	46327	4.34	4.51	4.55
Mortgage Schemes	2695	1.41	1.41	1.46
Renewable Reversionary Schemes	12	4.34	4.51	4.55
Reversionary Schemes	10156	4.34	4.51	4.55
TOTAL	234744	n/a	n/a	n/a

Long-term insurance business: distribution of surplus**Form 58**Name of insurer **Hodge Life Assurance Company Limited**Total business / subfund **Total Long-term insurance business**Financial year ended **31st October 2013**Units **£000**

	Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	299346	248577
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		5000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	299346	253577
Mathematical reserves	21	234744	195970
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	64602	57607

Composition of surplus

Balance brought forward	31	52607	49497
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	11995	8110
Total	39	64602	57607

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		5000
Total distributed surplus (46+47)	48		5000
Surplus carried forward	49	64602	52607
Total (48+49)	59	64602	57607

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 **Hodge Life Assurance Company Limited**

UK Branch business

Financial year ended **31st October 2013**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%	234744	234744	1.00	2347
Classes III, VII and VIII (investment risk)	33	1%				
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					2347

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	234744	234744	1.00	7042
Classes III, VII and VIII (investment risk)	43	3%				
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		234744	234744		7042

Long term insurance capital requirement	51					9389
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Returns under the Accounts and Statements Rules

Supplementary NotesName of Insurer **Hodge Life Assurance Company Limited**

Global business

Financial year ended **31st October 2013****Form 2** **Statement of Solvency – Long term insurance business*****0201*** ***Details of Section 148 modification***

"The FSA, on the application of the firm, made a direction in September 2012 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to take into account 'reversionary interests in land' for the purposes of determining the yield and internal rate of return on assets in accordance with INSPRU 3.1.34R.

Form 3 **Components of capital resources*****0301*** ***Net admissible asset reconciliation***

	Long Term Business	Other than Long Term Business	Total
	2013 (£ 000)	2013 (£ 000)	2013 (£ 000)
Form 13, Line 89	302,494	5,073	307,567
Less:			
Form 14, Line 11	234,744	-	234,744
Form 14, Line 12	-	-	-
Form 14 Line 49	3,148	-	3,148
Form 15 Line 69	-	-	-
Net admissible assets	64,602	5,073	69,675
Form 3, Line 79	64,602	5,073	69,675

0310 ***Line 35 is calculated as follows:***

	2013 (£ 000)
Provision for deferred tax in financial statements	119
Provision for deferred tax in PRA return	(142)
Higher mathematical reserves under INSPRU than the technical provisions in the financial statements	(10,927)
TOTAL	(10,950)

Returns under the Accounts and Statements Rules

Supplementary NotesName of Insurer **Hodge Life Assurance Company Limited**

Global business

Financial year ended **31st October 2013*****0313* Reconciliation of profit and loss and other reserves**

	2013 (£ 000)
Form 3 Line 12 at year end	73,885
Less Form 3 Line 12 at end of Previous year	60,847
Difference	13,038
Surplus arising in Long Term Fund (Form 58 Line 34)	11,995
Year on year movement in valuation differences of assets and liabilities between financial statements and FSA returns (Form 3, Lines 35, 73 and 74 at year end and previous year end)	970
Interest on shareholders' funds	73
TOTAL	13,038

Form 13 Analysis of admissible assets***1304* Set-off (other than long-term business)**

There is no set-off of any amounts owed to or by the company.

***1306* Year end exposures to Counterparties (other than long-term business)**

There were no exposures greater than 5% of the sum of its base capital resources requirement and its long term insurance liabilities.

***1310* Set-off (long-term business)**

There is no set-off of any amounts owed to or by the company.

***1312* Year end exposures to Counterparties (long-term business)**

There were no exposures greater than 5% of the sum of its base capital resources requirement and its long term insurance liabilities.

***1318* Other adjustments in line 101 (long-term business)**

The mortgages referred to in the statement under rule 9.29 as having a redemption amount dependent on the increases in value of mortgaged property are not valued for the purposes of the solvency calculations by reason of being non-approved quasi-derivatives. But for this, they would have been included at a value of £60,000. This is shown in line 93 of the form.

Returns under the Accounts and Statements Rules

Supplementary NotesName of Insurer **Hodge Life Assurance Company Limited**

Global business

Financial year ended **31st October 2013*****1319* Counterparty limits (other than long-term business)**

The maximum counterparty limit permitted by the company's investment guidelines is the greater of £10.5m or 5% of the long term business fund. These limits were not exceeded in the year.

Form 14 Long term business liabilities and margins***1401* Assumptions re provision for adverse changes**

The company does not enter into any derivatives contracts or contracts of a derivative character that would lead to the company having a liability.

***1402* Charges and contingent liabilities**

During the current financial year there were no (a) charges over assets, (b) contingent liabilities, (c) guarantees, indemnities or other contractual commitments, effected other than in the ordinary course of insurance business, in respect of related companies, or (d) any other fundamental uncertainties.

***1405* Line 74 analysis**

	(£ 000)
Lower technical provisions in the financial statements than mathematical reserves under INSPRU	(10,927)
Provisions for deferred tax in financial statements	119
Provision for deferred tax in PRA return	(142)
Total	(10,950)

Form 15 Liabilities (other than long-term business)***1501* Assumptions re provision for adverse changes**

The company does not enter into any derivatives contracts or contracts of a derivative character that would lead to the company having a liability.

***1502* Charges and contingent liabilities**

During the current financial year there were no (a) charges over assets, (b) contingent liabilities, (c) guarantees, indemnities or other contractual commitments, in respect of related companies, (d) any other fundamental uncertainties, or e) Capital Gains Tax liabilities.

Returns under the Accounts and Statements Rules

Supplementary Notes

Name of Insurer **Hodge Life Assurance Company Limited**

Global business

Financial year ended **31st October 2013**

Form 17 **Analysis of derivative contracts**

Forms not included because all entries are zero

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

4003 ***Investment income or net capital gain included at line 26***

Not Applicable

4008 ***Provision of management services to or by the company***

The company receives accounting, IT and marketing support from the central Group services.

4009 ***Material connected-party transactions***

The Company held £5.565m on deposit with Julian Hodge Bank Ltd as at the year end. The Company also paid Julian Hodge Bank £65.538 million over the year to purchase mortgage assets.

Form 48 **Long term insurance business: Non linked assets**

4804 The yields shown in column 4 of lines 11 and 18 are significantly different from the weighted average of the yields of each asset of that type determined in accordance with INSPRU 3.1.34R(2).

The yields applicable in accordance with INSPRU 3.1.34R(2) are as follows:

Line 11 4.47% per annum

Line 18 4.11% per annum

Additional Statements

Rule *9.29* The policy of the company is not to use derivatives. No derivatives were held at any time during the financial year ending 31 October 2013. As at 31 October 2013, the company held mortgages with a face value of around £60,000, whose redemption amount will depend upon increases in the value of the mortgaged property.

Rule *9.30* Details of the company's Shareholder controllers are listed on the attached schedule. The Carlyle Trust owns 100% of the shares of Julian Hodge Bank, which in turn, owns 100% of the shares of Hodge Life Assurance Company Limited.

Name	Address	Share Class	Nominal Value £	Nominal Value % of Total	Voting Rights % of Total
The Carlyle Trust (Jersey) Limited	Jersey	Founders Ordinary	2 40,601	- 3.69	50.00 1.84
Trustees of the Jane Hodge Foundation	United Kingdom	Ordinary	779,291	70.84	35.42
Trustees of the Sir Julian S Hodge Charitable Trust	United Kingdom	Ordinary	90,000	8.18	4.09
Trustees of The White Lodge Trust	Jersey	Ordinary	114,000	10.36	5.18
Trustees of Ty Gwyn Settlement	United Kingdom	Ordinary	6,667	0.61	0.31
Julian Jonathan Hodge	United Kingdom	Ordinary	45,274	4.12	2.06
Rebecca Jones	Jersey	Ordinary	24,167	2.20	1.10
			<u>1,100,002</u>	<u>100.00</u>	<u>100.00</u>

Returns under the Accounts and Statements Rules

Abstract of valuation report – IPRU (INS) Appendix 9.4

Name of Insurer Hodge Life Assurance Company Limited

Global business

Financial year ended **31st October 2013****1. Introduction**

- 1.1. The date to which the investigation relates (the "valuation date") is 31 October 2013.
- 1.2. The previous investigation under Rule 9.4 of IPRU (INS) of the FSA Handbook of Rules and Guidance related to 31 October 2012.
- 1.3. No interim valuations for the purposes of Rule 9.4 of IPRU (INS) of the FSA Handbook of Rules and Guidance have been carried out between 31 October 2012 and 31 October 2013.

2. Product Range

There have not been any significant changes to the Company's product range during the financial year.

3. Discretionary charges and benefits

- 3.1. Not applicable as the Company has not written any contracts on which a market value reduction (or equivalent) can be applied.
- 3.2. Not applicable as the Company has not written any reviewable premium protection contracts.
- 3.3. Not applicable as the Company has not written any deposit administration contracts.
- 3.4.-3.5. Not applicable as the Company has not written any linked contracts.
- 3.6. Not applicable as the Company has not written any accumulating with-profits contracts.
- 3.7.-3.10. Not applicable as the Company has not written any linked contracts.

4. Valuation basis (other than for special reserves)**4.1. Valuation methodology**

For both Category 395 and 400, the method used in the valuation of the liabilities was to determine:

- the present value of the annuities payable; plus
- the present value of an expense loading on the annuity payments.

4.2. Valuation interest rates

A table of all valuation interest rates is given below.

Product group (FSA category followed by description)	Valuation interest rate at 31 October 2013 (%)	Valuation interest rate at 31 October 2012 (%)
395 – Reversionary Scheme / Renewable Reversionary Scheme	4.34	4.25
395 – Immediate purchased life annuities	4.34	4.25
395 – Mortgage Scheme	1.41	0.80
400 – Immediate pensions annuities	3.27	2.80

The Reversionary Scheme, Renewable Reversionary Scheme and immediate purchased life annuities are backed primarily with reversionary interests in property. The immediate pension annuities are entirely backed with mortgage and cash assets

Returns under the Accounts and Statements Rules

Abstract of valuation report – IPRU (INS) Appendix 9.4

Name of Insurer Hodge Life Assurance Company Limited

Global business

Financial year ended **31st October 2013**

4.3. Risk-adjusted yield

(a) The lifetime mortgages forming the assets backing the Mortgage Scheme have been valued at the lesser of:

- The value of the mortgage if the mortgagor chose to redeem the mortgage, being the face value of the mortgage plus a penalty of three months interest.
- The value of the mortgage if the mortgage was only redeemed on death, being the discounted value of 100% of the interest payments and 99.5% of the capital repayment (to allow for credit risk) on a discount rate of 2.50% per annum interest and allowing for termination and repayment of the mortgage on a basis of 100% of PCMA/PCFA 00 (with mortality improvements on CMI_2011 with a long-term rate of improvement of 1.75% per annum).

In practice, due to the relatively high fixed rate of interest on these mortgages, all of the relevant mortgages are valued on the former basis. To reflect this, the corresponding Mortgage Scheme annuity liabilities are calculated as if the mortgages were redeemed immediately and the proceeds reinvested in gilts.

(b) The lifetime mortgages with interest roll-up have been limited to a yield of 75 basis points over the swap rates at a corresponding duration. This reflects the relative illiquidity of the mortgages. Termination of the mortgages has been allowed for using a basis of 115% of PCMA/PCFA 00 (with mortality improvements on CMI_2011 with a long-term rate of improvement of 1.25% per annum). Voluntary early redemption of the mortgage is assessed through the use of explicit voluntary early redemption assumptions. In valuing the mortgages, the cashflows from the mortgage assets are reduced by:

- The effect of credit losses on the lifetime mortgages, through a Black Scholes option pricing technique.
- An allowance for the likely compensation an investor would require accepting uncertain cash flows in comparison to fixed cash flows.

The value of the mortgage has been assessed allowing explicitly for risks to give a yield of 75 basis points above swaps, net of credit risks and expenses.

(c) The yield on reversionary interests in property has been taken to be 5% per annum. This reflects the gross redemption yield on those assets on prudent assumptions that include:

- No future increases in house prices
- A future rate of mortality combined with the effect of early redemption of the property that is prudent relative to recent experience, namely 95% of PCMA/PCFA 00 (with mortality improvements on CMI_2011 with a long-term rate of mortality improvement of 1.75% per annum).
- A prudent allowance for expenses of administration and eventual sale of the property
- A prudent allowance for the delays between death of the occupier(s) and eventual sale of the property.

Returns under the Accounts and Statements Rules

Abstract of valuation report – IPRU (INS) Appendix 9.4

Name of Insurer Hodge Life Assurance Company Limited

Global business

Financial year ended **31st October 2013****4.4. Valuation mortality bases**

The mortality bases used at the valuation date and at the previous valuation date were as follows:

Product group (FSA category followed by description)	Mortality basis at 31 October 2013	Mortality basis at 31 October 2012
395 – Reversionary Scheme/ Renewable Reversionary Scheme	100% PCMA 00 (males) 100% PCFA 00 (females)	100% PCMA 00 (males) 100% PCFA 00 (females)
395 – Immediate purchased life annuities	67% PCMA 00 (males) 67% PCFA 00 (females)	67% PCMA 00 (males) 67% PCFA 00 (females)
395 – Mortgage Scheme	100% PCMA 00 (males) 100% PCFA 00 (females)	100% PCMA 00 (males) 100% PCFA 00 (females)
400 – Immediate pensions annuities	67% PCMA 00 (males) 67% PCFA 00 (females)	67% PCMA 00 (males) 67% PCFA 00 (females)

A year of birth basis has been used in applying the PCMA/PCFA 00 table and this includes explicit allowance for future increases in the longevity of annuitants on CMI_2011 with a long-term rate of mortality improvement of 1.75% per annum (2011: CMI_2011 with a long-term rate of mortality improvement of 1.75% per annum).

Expectation of Life

The expectations of life at ages 65 and 75 for annuity product groups using the mortality basis used at the valuation date (*and as at the previous valuation date*) were as follows:

Product group (FSA category followed by description)	Year	Expectation of life at age 65 – male	Expectation of life at age 65 – female	Expectation of life at age 75 – male	Expectation of life at age 75 – female
395 – Reversionary Scheme/ Renewable Reversionary Scheme	2013 (2012)	24.12 (23.98)	26.05 (25.91)	14.82 (14.68)	16.33 (16.19)
395 – Immediate purchased life annuities	2013 (2012)	27.84 (27.69)	29.56 (29.42)	18.04 (17.89)	19.44 (19.30)
395 – Mortgage Scheme	2013 (2012)	24.12 (23.98)	26.05 (25.91)	14.82 (14.68)	16.33 (16.19)
400 – Immediate pensions annuities	2013 (2012)	27.84 (27.69)	29.56 (29.42)	18.04 (17.89)	19.44 (19.30)

Note: The expectations of life as at ages 65 and 75 are shown as these are required by Appendix 9.4 of IPRU (INS). However, in interpreting the table it should be noted that:

- No lives for the Mortgage Scheme are aged 75 or less
- Less than 1% of the lives for the Reversionary Scheme/Renewable Reversionary Scheme are aged less than 75.

4.5. Not applicable as the Company has not written any contracts requiring a morbidity basis.

Returns under the Accounts and Statements Rules

Abstract of valuation report – IPRU (INS) Appendix 9.4

Name of Insurer Hodge Life Assurance Company Limited

Global business

Financial year ended **31st October 2013****4.6. Expense assumptions**

The expense bases used at the valuation date and at the previous valuation date were as follows:

Product group (FSA category followed by description)	Expense basis at 31 Oct. 2013 (£ per annuity policy)	Expense basis at 31 Oct. 2012 (% of annuity payments)
395 – Reversionary Scheme/ Renewable Scheme	81	6.50
395 – Immediate purchased life annuities	81	6.50
395 – Mortgage Scheme	81	6.50
400 – Immediate pensions annuities	64	6.50

Expenses are shown gross of tax relief. The extent to which expenses and the interest content of annuities attracts tax relief is reflected within the choice of valuation rate of interest.

Allowance is made within the valuation of reversionary interests in property for expenses arising from the administration of these reversionary interests, at the level of £210 per property per annum (inflating at 4.36% per annum) (2012: £199.57 inflating at 3.67% per annum) and 3.14% of the value of the interest in the property on sale.

Allowance is made within the valuation of the lifetime mortgages with rolled-up interest for expenses of £157 per policy per annum.

- 4.7. Not applicable, as the Company has not written any linked contracts.
- 4.8. Not applicable, as the Company has not written any with-profits contracts.
- 4.9. Not applicable, as no contract can lapse.
- 4.10. Not applicable.
- 4.11. No derivatives or quasi-derivatives are held other than a small volume of mortgage assets where the capital redemption payment received by the Company may include part of any increase in the associated property value. Such mortgages have been deemed to be quasi-derivatives that do not fall within the scope of approved quasi-derivatives in Annex 7R of GENPRU 2 and are consequently not admissible assets.
- 4.12. The changes in INSPRU had no effect.

5. Options & Guarantees

- 5.1. Not applicable as the Company has not written any contracts with guaranteed annuity rate options.
- 5.2. Not applicable as the Company has not written any contracts with guaranteed surrender values or unit-linked maturity values.
- 5.3. Not applicable as the Company has not written any contracts with guaranteed insurability options.
- 5.4. Not applicable as the Company does not offer any other guarantees or options.

Returns under the Accounts and Statements Rules

Abstract of valuation report – IPRU (INS) Appendix 9.4

Name of Insurer Hodge Life Assurance Company Limited

Global business

Financial year ended **31st October 2013**

6. Expense Reserves

6.1. The explicit expense provisions described above give rise to around £1,137,000 in the year following the valuation date to meet the expenses in fulfilling the contracts in force at the valuation date. This excludes any contribution from the expense loadings on the sale of property.

These are formed from £528,000 in respect of expense loadings on annuities, £195,000 from the expense loadings on reversionary interests in property and £415,000 from the expense loadings on lifetime mortgages with rolled-up interest.

6.2. Not applicable as no implicit allowances have been calculated.

6.3. The maintenance expenses in the financial year ending at the valuation date shown in line 14 of Form 43 are £1,158,000. This includes an amount of £188,000 in respect of non-recurring fees incurred in the year.

6.4. No explicit reserve is considered necessary in respect of the expenses of continuing to transact new business during the twelve months following the valuation date. The margins arising from the existing business is expected to exceed any new business strain for the 12 months following the valuation date.

6.5. No maintenance expense overrun reserve is considered necessary, on the basis of a comparison of the Company's projected future maintenance costs and costs of closure to new business against the projected margins arising from the existing business.

6.6. Expenses have been treated as attributable.

7. Mismatching Reserves

7.1.-7.3. Not applicable as all assets and long term liabilities are denominated in sterling, therefore no reserve for currency mismatching is held.

7.4. The most onerous scenario for the purposes of calculating the resilience capital requirement assets invested in the United Kingdom was:

- A 20% fall in the value of all reversionary interests in property backing mathematical reserves.
- A fall of 0.61% per annum in the yield on fixed interest securities.

There were no investments in equities.

7.5. Not applicable as all assets and long term liabilities are denominated in sterling.

7.6. The resilience capital requirement arising from the scenario outlined in 7(4) above was £11.477 million.

(b) The change in the aggregate amount of the long-term insurance liabilities was an increase of £6.902 million.

(c) The aggregate amount by which the assets allocated to match such liabilities in the scenario have changed in value from the amount of those assets shown in Form 13 was a fall in value of £4.575 million.

7.7. No further reserve was found necessary on consideration of projections of cashflows from the assets held.

Returns under the Accounts and Statements Rules

Abstract of valuation report – IPRU (INS) Appendix 9.4

Name of Insurer Hodge Life Assurance Company Limited

Global business

Financial year ended **31st October 2013**

8. Other special reserves

Not applicable as no other special reserves are held.

9. Reinsurance

9.1. Not applicable as no business is ceded on a facultative basis.

9.2.-9.3. Not applicable as no business is ceded under a financing arrangement.

10. Reversionary (or annual) bonus

10.1-10.4. Not applicable as the Company has not written any with-profits contracts.

Directors' certificate required by Rule 9.34(1) and appendix 9.6 of IPRU (INS)

Name of Insurer **Hodge Life Assurance Company Limited**

Global Business

Financial year ended **31st October 2013**

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver dated 28 September 2012 issued under section 148 of the Financial Services and Markets Act 2000; and
(b) that the directors are satisfied that:
 - (i) throughout the financial period 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) that 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) that 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 business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year).
(c) -
(d) that the directors have, in preparing the return, taken and paid due regard to:
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R;
 - (ii) -
3. that the statements in 2. (c) and 2. (d)(ii) have been omitted as the insurer does not have a with-profit fund nor (consequently) an actuary appointed to perform the with-profits actuary function and that these statements are therefore not applicable to the insurer.

Director

Director

Secretary

30th January 2014

KPMG Audit Plc

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

United Kingdom

Independent auditor's report to the Directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers ("IPRU(INS)")

We have examined 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 Insurance Prudential Sourcebook, ("the Rules") made by the Financial Services Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13, 14, 15, 16, 17, 40, 41, 42, 43, 48, 58 and 60, (including the supplementary notes) on pages 1 to 18, 21, 26 and 27 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 31 ('the Statement'); and
- the valuation report required by rule IPRU(INS) 9.31(a)(i) on pages 33 to 38 ("the valuation report").

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

- Forms 46, 47, 50, 51 and 57 (including the supplementary notes) on pages 19 to 20 and 22 to 25;
- the statements required by IPRU(INS) rules 9.30 on page 31; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 39 ('the certificate').

This report is made solely to the insurer's directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the insurer's directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the PRA of its regulatory functions in respect of the insurer, conferred on the PRA by or under the Financial Services and Markets Act 2000. Our work (including our examination) has been undertaken so that we might state to the insurer's directors, as a body, those matters we are required to state to them in an auditor's report issued pursuant to IPRU(INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer and the insurer's directors as a body, for our work (including our examination), for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by a direction issued under section 138a of the Financial Services and Markets Act 2000 on 28th September 2012. 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, the valuation report meet these requirements, and to report our opinions 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 examination.

Independent auditor's report to the Directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers ("IPRU(INS)") *(continued)*

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the Statement, 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, 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 rule IPRU(INS) 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

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

Simon Clark
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

30th January 2014