

Hodge Life Assurance Company Limited

**Annual PRA Insurance Returns for the year ended
31st October 2014**



**BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY**

(Appendices 9.1, 9.3, 9.4, 9.6)

Hodge Life Assurance Company Limited

Year ended 31st October 2014

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Statement of solvency - long-term insurance business

Form 2

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

Global business

Financial year ended **31st October 2014**

Solo solvency calculation

| | Company registration number | GL/UK/CM | Period ended | | | units | |
|--|-----------------------------|---------------|--------------|----------------------------------|-----------|--------------------------------|-------------|
| | | | day | month | year | | |
| | R2 | 837457 | GL | 31 | 10 | 2014 | £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 | 67603 | 64602 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 5000 | 5073 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 72603 | 69675 |

Guarantee fund

| | | | |
|--|-----------|-------|-------|
| Guarantee fund requirement | 21 | 3812 | 3130 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 68791 | 66687 |

Minimum capital requirement (MCR)

| | | | |
|--|-----------|-------|-------|
| Long-term insurance capital requirement | 31 | 11437 | 9389 |
| Resilience capital requirement | 32 | 14338 | 11477 |
| Base capital resources requirement | 33 | 2902 | 2984 |
| Individual minimum capital requirement | 34 | 25775 | 20866 |
| Capital requirements of regulated related undertakings | 35 | | |
| Minimum capital requirement (34+35) | 36 | 25775 | 20866 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 59715 | 59242 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 53272 | 54026 |

Enhanced capital requirement

| | | | |
|--|-----------|-------|-------|
| With-profits insurance capital component | 39 | | |
| Enhanced capital requirement | 40 | 25775 | 20866 |

Capital resources requirement (CRR)

| | | | |
|--|-----------|-------|-------|
| Capital resources requirement (greater of 36 and 40) | 41 | 25775 | 20866 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 46828 | 48809 |

Contingent liabilities

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

Components of capital resources

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

Global business

Financial year ended **31st October 2014**

| | Company registration number | GL/UK/CM | Period ended | | | units | |
|--|-----------------------------|------------------------------|--|--|-----------|-------------|-------------|
| | | | day | month | year | | |
| | R3 | 837457 | GL | 31 | 10 | 2014 | £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 | | 79318 | 79318 | 73885 |
| 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 | | 86118 | 86118 | 80685 |

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 | | 86118 | 86118 | 80685 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | | | |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | 13456 | 13456 | 10950 |
| Deductions in related undertakings | 36 | | | | |
| Deductions from tier one (32 to 36) | 37 | | 13456 | 13456 | 10950 |
| Total tier one capital after deductions (31-37) | 39 | | 72662 | 72662 | 69735 |

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

Global business

Financial year ended **31st October 2014**

| | Company registration number | GL/UK/CM | Period ended | | | units | |
|--|-----------------------------------|---------------------------------|--|--|-----------|-------------|-------------|
| | | | day | month | year | | |
| | R3 | 837457 | GL | 31 | 10 | 2014 | £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**

Global business

Financial year ended **31st October 2014**

| | Company registration number | GL/UK/CM | Period ended | | | units | |
|--|-----------------------------|------------------------------|--|--|-----------|-------------|-------------|
| | | | day | month | year | | |
| | R3 | 837457 | GL | 31 | 10 | 2014 | £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 | | 72662 | 72662 | 69735 |
| Inadmissible assets other than intangibles and own shares | 73 | | 59 | 59 | 60 |
| 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 | | 72603 | 72603 | 69675 |

Available capital resources for GENPRU/INSRU tests

| | | | | | |
|--|----|--|-------|-------|-------|
| Available capital resources for guarantee fund requirement | 81 | | 72603 | 72603 | 69675 |
| Available capital resources for 50% MCR requirement | 82 | | 72603 | 72603 | 69675 |
| Available capital resources for 75% MCR requirement | 83 | | 72603 | 72603 | 69675 |

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**

Global business

Financial year ended **31st October 2014**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 | GL | 31 | 10 | 2014 | £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 | | |
| 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 | 5000 | 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**

Global business

Financial year ended **31st October 2014**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 | GL | 31 | 10 | 2014 | £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 | | |
|---|-----------|--|--|

| | | | |
|---|-----------|------|------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 5000 | 5073 |
|---|-----------|------|------|

Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Hodge Life Assurance Company Limited**

Global business

Financial year ended **31st October 2014**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 | GL | 31 | 10 | 2014 | £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 | 5000 | 5073 |
| 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 | 5000 | 5073 |
| 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**

Global business

Financial year ended **31st October 2014**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 | GL | 31 | 10 | 2014 | £000 | 10 |
| | | | | | | | As at end of this financial year | As at end of the previous year |
| | | | | | | | 1 | 2 |
| Land and buildings | | | | 11 | | 80935 | | 79393 |

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 | 14000 | |
| Rights under derivative contracts | 44 | | |
| Fixed interest securities | Approved | 45 | |
| | Other | 46 | |
| Variable interest securities | Approved | 47 | |
| | Other | 48 | 2149 |
| Participation in investment pools | 49 | | |
| Loans secured by mortgages | 50 | 246045 | 197980 |
| 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 | 10403 |
| | 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**

Global business

Financial year ended **31st October 2014**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 | GL | 31 | 10 | 2014 | £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 | 1626 | 760 |
| | due in more than 12 months | 79 | | |

Other assets

| | | | |
|---|-----------|----|----|
| Tangible assets | 80 | 55 | 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 | | |
|---|-----------|--|--|

| | | | |
|---|-----------|--------|--------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | 89 | 355213 | 302494 |
|---|-----------|--------|--------|

Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Hodge Life Assurance Company Limited**

Global business

Financial year ended **31st October 2014**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 | GL | 31 | 10 | 2014 | £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 | 355213 | 302494 |
| Admissible assets in excess of market and counterparty limits | 92 | | |
| Inadmissible assets directly held | 93 | 59 | 60 |
| 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 | 355272 | 302554 |
| 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**

Global business

Financial year ended **31st October 2014**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 | 285926 | 234744 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | 12 | | |
| Balance of surplus / (valuation deficit) | 13 | 67603 | 64602 |
| Long term insurance business fund carried forward (11 to 13) | 14 | 353529 | 299346 |
| Claims outstanding | Gross | 15 | |
| | Reinsurers' share | 16 | |
| | Net (15-16) | 17 | |
| Provisions | Taxation | 21 | 142 |
| | Other risks and charges | 22 | |
| Deposits received from reinsurers | 23 | | |
| Creditors | Direct insurance business | 31 | |
| | Reinsurance accepted | 32 | |
| | Reinsurance ceded | 33 | |
| Debenture loans | Secured | 34 | |
| | Unsecured | 35 | |
| Amounts owed to credit institutions | 36 | | |
| 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 | 1684 | 3148 |
| Excess of the value of net admissible assets | 51 | | |
| Total liabilities and margins | 59 | 355213 | 302494 |
| 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 | 287610 | 237892 |
| Increase to liabilities – DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | | |
| Other adjustments to liabilities (may be negative) | 74 | (13456) | (10950) |
| Capital and reserves and fund for future appropriations | 75 | 81118 | 75612 |
| 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 | 355272 | 302554 |

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

Global business

Financial year ended **31st October 2014**

| | Company registration number | GL/UK/CM | Period ended | | | units |
|------------|-----------------------------|-----------|--------------------------------------|-----------|------------------------------------|-------------|
| | | | day | month | year | |
| R15 | 837457 | GL | 31 | 10 | 2014 | £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 | | |
|---|-----------|--|--|

| | | | |
|--|-----------|------|------|
| Amounts deducted from technical provisions for discounting | 82 | | |
| Other adjustments (may be negative) | 83 | | |
| Capital and reserves | 84 | 5000 | 5073 |
| 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 | 5000 | 5073 |

Profit and loss account (non-technical account)

Form 16

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

Global business

Financial year ended **31st October 2014**

| | | Company registration number | GL/UK/CM | Period ended | | | units | |
|---|---|-----------------------------|----------|---------------------|-------|---------------|-------|------|
| | | R16 | 837457 | GL | 31 | 10 | 2014 | £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 | | | (155) | | | |
| Investment income | Income | 14 | | | 82 | | 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) | | 73 | |
| Tax on profit or loss on ordinary activities | | 31 | | | | | | |
| Profit or loss on ordinary activities after tax (29-31) | | 39 | | | (73) | | 73 | |
| 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) | | 73 | |
| Dividends (paid or foreseeable) | | 51 | | | | | | |
| Profit or loss retained for the financial year (49-51) | | 59 | | | (73) | | 73 | |

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 2014**

Units **£000**

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

Income

| | | | |
|--|-----------|-------|-------|
| Earned premiums | 11 | 70865 | 51566 |
| Investment income receivable before deduction of tax | 12 | 446 | 691 |
| Increase (decrease) in the value of non-linked assets brought into account | 13 | 2988 | 15720 |
| Increase (decrease) in the value of linked assets | 14 | | |
| Other income | 15 | | |
| Total income | 19 | 74299 | 67977 |

Expenditure

| | | | |
|--|-----------|--------|--------|
| Claims incurred | 21 | 17706 | 15008 |
| Expenses payable | 22 | 3917 | 3705 |
| Interest payable before deduction of tax | 23 | | |
| Taxation | 24 | (1352) | (1505) |
| Other expenditure | 25 | | |
| Transfer to (from) non technical account | 26 | (155) | |
| Total expenditure | 29 | 20116 | 17208 |

| | | | |
|---|-----------|--------|--------|
| Business transfers-in | 31 | | |
| Business transfers-out | 32 | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | 54183 | 50769 |
| Fund brought forward | 49 | 299346 | 248577 |
| Fund carried forward (39+49) | 59 | 353529 | 299346 |

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 2014**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 | | 70865 | 70865 | 51566 |

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 | | 70865 | 70865 | 51566 |

Total

| | | | | | |
|-------------|----|--|-------|-------|-------|
| Gross | 19 | | 70865 | 70865 | 51566 |
| Reinsurance | 20 | | | | |
| Net | 21 | | 70865 | 70865 | 51566 |

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 2014**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 | 40 | | 40 | 66 |
| Disability periodic payments | 12 | | | | |
| Surrender or partial surrender | 13 | | | | |
| Annuity payments | 14 | 6873 | 10793 | 17666 | 14942 |
| Lump sums on maturity | 15 | | | | |
| Total | 16 | 6913 | 10793 | 17706 | 15008 |

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 | 40 | | 40 | 66 |
| Disability periodic payments | 42 | | | | |
| Surrender or partial surrender | 43 | | | | |
| Annuity payments | 44 | 6873 | 10793 | 17666 | 14942 |
| Lump sums on maturity | 45 | | | | |
| Total | 46 | 6913 | 10793 | 17706 | 15008 |

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 2014**Units **£000**

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

Gross

| | | | | | | |
|--------------------------|-----------|------------|-------------|--|-------------|-------------|
| Commission - acquisition | 11 | | 1217 | | 1217 | 841 |
| Commission - other | 12 | | | | | |
| Management - acquisition | 13 | | 1633 | | 1633 | 1706 |
| Management - maintenance | 14 | 238 | 829 | | 1067 | 1158 |
| Management - other | 15 | | | | | |
| Total | 16 | 238 | 3679 | | 3917 | 3705 |

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 | | 1217 | | 1217 | 841 |
| Commission - other | 42 | | | | | |
| Management - acquisition | 43 | | 1633 | | 1633 | 1706 |
| Management - maintenance | 44 | 238 | 829 | | 1067 | 1158 |
| Management - other | 45 | | | | | |
| Total | 46 | 238 | 3679 | | 3917 | 3705 |

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 2014**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 | | 2887 | 2887 | 2096 |
| Total | 13 | | 2887 | 2887 | 2096 |

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 | | 70865 | 70865 | 51566 |
| External reinsurance | 26 | | | | |
| Intra-group reinsurance | 27 | | | | |
| Total | 28 | | 70865 | 70865 | 51566 |

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 2014**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) | | | 2887 | 70865 |

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 2014**

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 | 80935 | 80935 | 1 | | |
| Approved fixed interest securities | 12 | | | | | |
| Other fixed interest securities | 13 | | | | | |
| Variable interest securities | 14 | 2149 | 2149 | 15 | 0.70 | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 272129 | 272129 | 351 | 0.13 | |
| Total | 19 | 355213 | 355213 | 367 | 0.10 | |

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 2014**Units **£000**

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

Gross

| | | | | | |
|------------------------|-----------|-------|--------|--------|--------|
| Form 51 - with-profits | 11 | | | | |
| Form 51 - non-profit | 12 | 54089 | 231837 | 285926 | 234744 |
| Form 52 | 13 | | | | |
| Form 53 - linked | 14 | | | | |
| Form 53 - non-linked | 15 | | | | |
| Form 54 - linked | 16 | | | | |
| Form 54 - non-linked | 17 | | | | |
| Total | 18 | 54089 | 231837 | 285926 | 234744 |

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 | 54089 | 231837 | 285926 | 234744 |
| Form 52 | 43 | | | | |
| Form 53 - linked | 44 | | | | |
| Form 53 - non-linked | 45 | | | | |
| Form 54 - linked | 46 | | | | |
| Form 54 - non-linked | 47 | | | | |
| Total | 48 | 54089 | 231837 | 285926 | 234744 |

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 2014**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 | 1379 | 4548 | | n/a | n/a | n/a | 42672 |
| 395 | Annuity non-profit (PLA) Reversionary schemes | 449 | 1571 | | n/a | n/a | n/a | 9292 |
| 395 | Annuity non-profit (PLA) Renewable reversionary schemes | 1 | 3 | | n/a | n/a | n/a | 13 |
| 395 | Annuity non-profit (PLA) Mortgage scheme | 119 | 483 | | n/a | n/a | n/a | 2112 |

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 2014**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 |
|---------------------------------|---------------------------------|--|-------------------------------|--|------------------------------------|---------------------------------------|-------------------------------|---|
| 400 | Annuity non-profit (CPA) | 10002 | 12757 | | n/a | n/a | n/a | 231837 |

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 2014**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) | 231837 | 3.92 | 3.92 | 4.22 |
| Immediate annuities | 42672 | 4.40 | 4.63 | 4.58 |
| Mortgage schemes | 2112 | 1.53 | 1.53 | 1.58 |
| Renewable reversionary schemes | 13 | 4.40 | 4.63 | 4.58 |
| Reversionary schemes | 9292 | 4.40 | 4.63 | 4.58 |
| TOTAL | 285926 | 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 2014**Units **£000**

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

Valuation result

| | | | |
|---|-----------|--------|--------|
| Fund carried forward | 11 | 353529 | 299346 |
| Bonus payments in anticipation of a surplus | 12 | | |
| Transfer to non-technical account | 13 | | |
| Transfer to other funds / parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 353529 | 299346 |
| Mathematical reserves | 21 | 285926 | 234744 |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 | 67603 | 64602 |

Composition of surplus

| | | | |
|---|-----------|-------|-------|
| Balance brought forward | 31 | 64602 | 52607 |
| Transfer from non-technical account | 32 | 155 | |
| Transfer from other funds / parts of fund | 33 | | |
| Surplus arising since the last valuation | 34 | 2846 | 11995 |
| Total | 39 | 67603 | 64602 |

Distribution of surplus

| | | | |
|---|-----------|-------|-------|
| Bonus paid in anticipation of a surplus | 41 | | |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | | |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | | |
| Net transfer out of fund / part of fund | 47 | | |
| Total distributed surplus (46+47) | 48 | | |
| Surplus carried forward | 49 | 67603 | 64602 |
| Total (48+49) | 59 | 67603 | 64602 |

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**

Global business

Financial year ended **31st October 2014**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 | | | | | |
|---|----|--|--|--|--|--|

Insurance expense risk capital component

| | | | | | | |
|--|-----------|-----|--------|--------|------|------|
| Life protection and permanent health reinsurance | 31 | 0% | | | | |
| Classes I (other), II and IX | 32 | 1% | 285926 | 285926 | 1.00 | 2859 |
| 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 | | | | | 2859 |

Insurance market risk capital component

| | | | | | | |
|--|-----------|----|--------|--------|------|------|
| Life protection and permanent health reinsurance | 41 | 0% | | | | |
| Classes I (other), II and IX | 42 | 3% | 285926 | 285926 | 1.00 | 8578 |
| 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 | | 285926 | 285926 | | 8578 |

| | | | | | | |
|--|-----------|--|--|--|--|-------|
| Long term insurance capital requirement | 51 | | | | | 11437 |
|--|-----------|--|--|--|--|-------|

Returns under the Accounts and Statements Rules

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

Global business

Financial year ended **31st October 2014****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 |
|--------------------------|-------------------------------|--|-------------------------|
| | 2014 (£ 000) | 2014 (£ 000) | 2014 (£ 000) |
| Form 13, Line 89 | 355,213 | 5,000 | 360,213 |
| Less: | | | |
| Form 14, Line 11 | 285,926 | - | 285,926 |
| Form 14, Line 12 | - | - | - |
| Form 14 Line 49 | 1,684 | - | 1,684 |
| Form 15 Line 69 | - | - | - |
| Net admissible assets | 67,603 | 5,000 | 72,603 |
| Form 3, Line 79 | 67,603 | 5,000 | 72,603 |

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

| | 2014 (£ 000) |
|---|-------------------------|
| Provision for deferred tax in financial statements | 325 |
| Provision for deferred tax in PRA return | (-) |
| Higher mathematical reserves under INSPRU than the technical provisions in the financial statements | (13,781) |
| TOTAL | (13,456) |

Returns under the Accounts and Statements Rules

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

Global business

Financial year ended **31st October 2014*****0313* Reconciliation of profit and loss and other reserves**

| | 2014 (£ 000) |
|---|-------------------------|
| Form 3 Line 12 at year end | 79,318 |
| Less Form 3 Line 12 at end of Previous year | 73,885 |
| Difference | 5,433 |
| Surplus arising in Long Term Fund (Form 58 Line 34) | 2,846 |
| 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) | 2,505 |
| Interest on shareholders' funds | 82 |
| TOTAL | 5,433 |

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.

***1316* Tangible assets**

There were no tangible lease assets held by the company.

Returns under the Accounts and Statements Rules

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

Global business

Financial year ended **31st October 2014*****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 £59,000. This is shown in line 93 of the form.

***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 | (13,781) |
| Provisions for deferred tax in financial statements | 325 |
| Provision for deferred tax in PRA return | (-) |
| Total | (13,456) |

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.

Returns under the Accounts and Statements Rules

Supplementary Notes

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

Global business

Financial year ended **31st October 2014**

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.

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 £5.096m on deposit with Julian Hodge Bank Ltd as at the year end. The Company also paid Julian Hodge Bank £61.872 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 4.40% per annum

Line 18 4.37% 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 2014. As at 31 October 2014, the company held mortgages with a face value of around £60,000, whose redemption amount will depend upon increases in the value of the mortgage 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 | 869,291 | 79.02 | 39.51 |
| 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 2014****1. Introduction**

- 1.1. The date to which the investigation relates (the "valuation date") is 31 October 2014.
- 1.2. The previous investigation under Rule 9.4 of IPRU (INS) of the FSA Handbook of Rules and Guidance related to 31 October 2013.
- 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 2013 and 31 October 2014.

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 2014 (%) | Valuation interest rate at 31 October 2013 (%) |
|---|---|---|
| 395 – Reversionary Scheme / Renewable Reversionary Scheme | 4.40 | 4.34 |
| 395 – Immediate purchased life annuities | 4.40 | 4.34 |
| 395 – Mortgage Scheme | 1.53 | 1.41 |
| 400 – Immediate pensions annuities | 3.92 | 3.27 |

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 2014**

4.3. Risk-adjusted yield

The lifetime mortgages forming the legacy mortgage assets are held at face value. The corresponding Mortgage Scheme annuity liabilities are calculated as if the mortgages were redeemed immediately and the proceeds reinvested in gilts.

- (a) The lifetime mortgages with interest roll-up have an assumed yield of 200 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 to allow explicitly for risks 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.
- (b) 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 105% 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 2014****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 2014 | Mortality basis at 31 October 2013 |
|---|--|--|
| 395 – Reversionary Scheme/ Renewable Reversionary Scheme | 90 % PCMA 00 (males) 90 % 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 | 90 % PCMA 00 (males) 90 % 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 (2013: 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 | 2014 (2013) | 25.19 (24.12) | 27.10 (26.05) | 15.76 (14.82) | 17.26 (16.33) |
| 395 – Immediate purchased life annuities | 2014 (2013) | 27.96 (27.84) | 29.70 (29.56) | 18.18 (18.04) | 19.59 (19.44) |
| 395 – Mortgage Scheme | 2014 (2013) | 25.19 (24.12) | 27.10 (26.05) | 15.50 (14.82) | 17.26 (16.33) |
| 400 – Immediate pensions annuities | 2014 (2013) | 27.96 (27.84) | 29.70 (29.56) | 18.18 (18.04) | 19.59 (19.44) |

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 2014****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. 2014 (£ per annuity policy) | Expense basis at 31 Oct. 2013 (£ per annuity policy) |
|--|---|---|
| 395 – Reversionary Scheme/ Renewable Scheme | 81 | 81 |
| 395 – Immediate purchased life annuities | 81 | 81 |
| 395 – Mortgage Scheme | 81 | 81 |
| 400 – Immediate pensions annuities | 64 | 64 |

Except in relation to the costs of managing reversionary interests, no explicit allowance is made for future inflation of expenses; however account has been taken of this in the setting of the percentages in the table above such that the overall allowance for expenses is prudent. 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 (inflating at 4.20% per annum) (2013: £210 inflating at 4.36% 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.

- 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 2014****6. Expense Reserves**

6.1. The explicit expense provisions described above give rise to around £1,391,000 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 £659,000 in respect of expense loadings on annuities, £179,000 from the expense loadings on reversionary interests in property and £552,000 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 £1,066,000.

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 property, impacting the value of reversions and lifetime mortgages backing mathematical reserves.
- A fall of 0.53% 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 £14.338 million.

(b) The change in the aggregate amount of the long-term insurance liabilities was an increase of £7.622 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 £6.716 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 2014**

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 2014**

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

18th December 2014

KPMG LLP
 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, 40, 41, 42, 43, 48, 58 and 60, (including the supplementary notes) on pages 1 to 17, 20, 25 and 26 (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on page 30 (‘the Statement’); and
- the valuation report required by rule IPRU(INS) 9.31(a)(i) on pages 32 to 37 (‘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 18 to 19 and 21 to 24;
- the statements required by IPRU(INS) rules 9.30 on page 30; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 38 (‘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 insurer 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 LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
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CF10 4AX