

# **Partnership Life Assurance Company Limited**

**Annual FSA Insurance Returns for the year ended**

**31 December 2012**

**IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6**

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**Statement of solvency - long-term insurance business**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R2</b>	<b>5465261</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
				<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	163151	76714
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	163638	62415
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	326789	139129

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	42445	24720
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	284344	114409

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	127334	74159
Resilience capital requirement	<b>32</b>	35779	15169
Base capital resources requirement	<b>33</b>	2984	3056
Individual minimum capital requirement	<b>34</b>	163113	89328
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	163113	89328
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	245232	81825
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	204454	59493

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	163113	89328

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	163113	89328
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	163676	49800

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
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**Covering Sheet to Form 2**

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

Global business

Financial year ended **31 December 2012**

.....  
**Director**

.....  
**Director**

.....  
**Director**

**Date** .....

**Components of capital resources**

Name of insurer

**Partnership Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2012**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>5465261</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		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	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		137190	137190	25390
Profit and loss account and other reserves	<b>12</b>		191931	191931	103432
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		329121	329121	128822

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		329121	329121	128822
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		2332	2332	2333
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		2332	2332	2333
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		326789	326789	126489

**Components of capital resources**

Name of insurer

**Partnership Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>5465261</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		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	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Tier two capital**

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

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				12640
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>				12640

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>				12640
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>				12640

**Components of capital resources**

Name of insurer

**Partnership Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2012**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>5465261</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
		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
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		326789	326789	139129
Inadmissible assets other than intangibles and own shares	<b>73</b>				
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		326789	326789	139129

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

Available capital resources for guarantee fund requirement	<b>81</b>		326789	326789	139129
Available capital resources for 50% MCR requirement	<b>82</b>		326789	326789	126489
Available capital resources for 75% MCR requirement	<b>83</b>		326789	326789	126489

**Financial engineering adjustments**

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



**Calculation of general insurance capital requirement - premiums amount and brought forward amount**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	5465261	GL	31	12	2012	£000
	This financial year					Previous year	
	1					2	
Gross premiums written			11		146	171	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13		146	171	
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16		146	171	
Gross premiums earned			21		146	171	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23		146	171	
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26		146	171	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30		146	171	
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32		26	31	
	Excess (if any) over 61.3M EURO x 0.02		33				
<b>Sub-total J (32-33)</b>			34		26	31	
Claims paid in period of 3 financial years			41				
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43				
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45				
<b>Sub-total C (41+42+43-44-45)</b>			46				
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
<b>Sub-total D (46-47)</b>			48				
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49				
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50				
Provision for claims outstanding (before discounting and net of reinsurance)			51				
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53		25	25	
Greater of lines 50 and 53			54		25	25	

**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	5465261	GL	31	12	2012	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21				
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23				
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26				
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				29				
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				31				
Division of sub-total F (gross adjusted claims amount)	x 0.26			32				
	Excess (if any) over 42.9M EURO x 0.03			33				
<b>Sub-total G (32-33)</b>				39				
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				41				
Higher of premiums amount and brought forward amount (11.54)				42	25			25
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				43	25			25

**Analysis of admissible assets**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5465261	GL	31	12	2012	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
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	44077	29069
	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	119628	36000
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

**Analysis of admissible assets**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5465261	GL	31	12	2012	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

**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	325	1106
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	650	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	116	73
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	164796	66248
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**Analysis of admissible assets**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5465261	GL	31	12	2012	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	164796	66248
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	(326)	(75)
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	164470	66173
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**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5465261	GL	31	12	2012	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

**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	359986	33294
Fixed interest securities	Approved	45	461169
	Other	46	2097923
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50	478097	316729
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	31644
	More than one month withdrawal	55	6512
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	39104
	Property linked	59	30160

**Analysis of admissible assets**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5465261	GL	31	12	2012	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

**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	85153	
	Intermediaries	72	10	15
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	5627	7409
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	8334	4529
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	7257	1371
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	53391	34891
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	3627695	1773511
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**Analysis of admissible assets**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	5465261	GL	31	12	2012	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3627695	1773511
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	2332	2333
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	2412552	1352887
Other asset adjustments (may be negative)	101	6355	2892
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	6048934	3131623
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**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Total business/Sub fund **Ordinary Long term Business Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	1310746	805651
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>	142739	56303
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	1453485	861954
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	36340
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	1728997
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	8495
	Other	<b>38</b>	379966
Accruals and deferred income	<b>39</b>		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	2153798	891146
Excess of the value of net admissible assets	<b>51</b>	20412	20411
Total liabilities and margins	<b>59</b>	3627695	1773511

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	3464544	1696797
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	2412552	1352887
Other adjustments to liabilities (may be negative)	<b>74</b>	6355	2892
Capital and reserves and fund for future appropriations	<b>75</b>	165483	79047
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	6048934	3131623

**Liabilities (other than long term insurance business)**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R15</b>	<b>5465261</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
				As at end of this financial year		As at end of the previous year
				1		2

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>		1121
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>		37
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>		1158
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		16000
Total (59 to 63)		<b>69</b>		1158

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>		(75)
Capital and reserves	<b>84</b>		163638
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)	<b>85</b>		164470

**Profit and loss account (non-technical account)**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>5465261</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2012</b>	<b>£000</b>
				<b>This financial year</b>			<b>Previous year</b>	
				<b>1</b>			<b>2</b>	
Transfer (to)/from the general insurance business technical account	From Form 20		<b>11</b>					
	Equalisation provisions		<b>12</b>					
Transfer from the long term insurance business revenue account			<b>13</b>				15000	
Investment income	Income		<b>14</b>			1768	1527	
	Value re-adjustments on investments		<b>15</b>					
	Gains on the realisation of investments		<b>16</b>			1212	888	
Investment charges	Investment management charges, including interest		<b>17</b>			173	670	
	Value re-adjustments on investments		<b>18</b>				32	
	Loss on the realisation of investments		<b>19</b>					
Allocated investment return transferred to the general insurance business technical account			<b>20</b>					
Other income and charges (particulars to be specified by way of supplementary note)			<b>21</b>			(75)	(10)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			<b>29</b>			2732	16703	
Tax on profit or loss on ordinary activities			<b>31</b>			669	451	
Profit or loss on ordinary activities after tax (29-31)			<b>39</b>			2063	16252	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			<b>41</b>					
Tax on extraordinary profit or loss			<b>42</b>					
Other taxes not shown under the preceding items			<b>43</b>					
Profit or loss for the financial year (39+41-(42+43))			<b>49</b>			2063	16252	
Dividends (paid or foreseeable)			<b>51</b>					
Profit or loss retained for the financial year (49-51)			<b>59</b>			2063	16252	

**Analysis of derivative contracts**Name of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2012**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	5465261	GL	31	12	2012	£000	10
Derivative contracts		Value as at the end of this financial year				Notional amount as at the end of this financial year			
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	33059		40456		361903		416987
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	327393		329490		620		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	360452		369946		362523		416987
Adjustment for variation margin		52	(466)		(13841)				
Total (51 + 52)		53	359986		356105				

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

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	913388	491460
Investment income receivable before deduction of tax	12	52771	68222
Increase (decrease) in the value of non-linked assets brought into account	13	235015	18311
Increase (decrease) in the value of linked assets	14		
Other income	15	99748	
<b>Total income</b>	<b>19</b>	<b>1300922</b>	<b>577993</b>

**Expenditure**

Claims incurred	21	85192	53607
Expenses payable	22	111554	74188
Interest payable before the deduction of tax	23	421	37060
Taxation	24	16421	10283
Other expenditure	25	495803	
Transfer to (from) non technical account	26		15000
<b>Total expenditure</b>	<b>29</b>	<b>709391</b>	<b>190138</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	591531	387855
Fund brought forward	49	861954	474099
Fund carried forward (39+49)	59	1453485	861954

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Regular premiums	11	3579			3579	3706
Single premiums	12	109638	1354791		1464429	888510

**Reinsurance - external**

Regular premiums	13	1729			1729	504
Single premiums	14	38840	514051		552891	400252

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	1850			1850	3202
Single premiums	18	70798	840740		911538	488258

**Total**

Gross	19	113217	1354791		1468008	892216
Reinsurance	20	40569	514051		554620	400756
Net	21	72648	840740		913388	491460

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	5088			5088	2201
Disability periodic payments	12					
Surrender or partial surrender	13					
Annuity payments	14	69911	198655		268566	199377
Lump sums on maturity	15					
<b>Total</b>	<b>16</b>	<b>74999</b>	<b>198655</b>		<b>273654</b>	<b>201578</b>

**Reinsurance - external**

Death or disability lump sums	21	2789			2789	167
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	32165	153508		185673	147804
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>34954</b>	<b>153508</b>		<b>188462</b>	<b>147971</b>

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	2299			2299	2034
Disability periodic payments	42					
Surrender or partial surrender	43					
Annuity payments	44	37746	45147		82893	51573
Lump sums on maturity	45					
<b>Total</b>	<b>46</b>	<b>40045</b>	<b>45147</b>		<b>85192</b>	<b>53607</b>

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	5474	28575		34049	23182
Commission - other	12					
Management - acquisition	13	9493	54106		63599	41474
Management - maintenance	14	715	5318		6033	3375
Management - other	15	1072	6801		7873	6157
<b>Total</b>	<b>16</b>	<b>16754</b>	<b>94800</b>		<b>111554</b>	<b>74188</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41	5474	28575		34049	23182
Commission - other	42					
Management - acquisition	43	9493	54106		63599	41474
Management - maintenance	44	715	5318		6033	3375
Management - other	45	1072	6801		7873	6157
<b>Total</b>	<b>46</b>	<b>16754</b>	<b>94800</b>		<b>111554</b>	<b>74188</b>



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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Number of new policyholders/  
scheme members for direct  
insurance business**

Regular premium business	11	307			307	463
Single premium business	12	1122	22146		23268	18084
<b>Total</b>	<b>13</b>	<b>1429</b>	<b>22146</b>		<b>23575</b>	<b>18547</b>

**Amount of new regular  
premiums**

Direct insurance business	21	268			268	537
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>268</b>			<b>268</b>	<b>537</b>

**Amount of new single  
premiums**

Direct insurance business	25	107639	1154443		1262081	883117
External reinsurance	26		91269		91269	
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>107639</b>	<b>1245712</b>		<b>1353351</b>	<b>883117</b>

**Long-term insurance business : Analysis of new business**

Name of insurer

**Partnership Life Assurance Company Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
300	Regular premium non-profit WL/EA OB				
305	Single premium non-profit WL/EA OB				
325	Level term assurance	173	173		
330	Decreasing term assurance	134	95	4	36
360	Income protection non-profit (guaranteed premiums)				
370	Long-term care policy			767	78182
395	Annuity non-profit (PLA)			168	11702
910	Miscellaneous index linked			183	17717

**Long-term insurance business : Analysis of new business**

Name of insurer

**Partnership Life Assurance Company Limited**

Total business

Financial year ended

**31 December 2012**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
405	Annuity non-profit (CPA impaired life)			21754	1130226
905	Index linked annuity(CPA)			392	24217



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

Name of insurer **Partnership Life Assurance Company Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2012**  
 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					
Approved fixed interest securities	12	468539	468539	17479	2.71	
Other fixed interest securities	13	2143944	2143944	118908	4.32	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	976108	976108			
<b>Total</b>	<b>19</b>	<b>3588591</b>	<b>3588591</b>	<b>136387</b>	<b>2.93</b>	

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

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

**Overall return on with-profits assets**

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

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2012**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>				
<b>Other approved fixed interest securities</b>	<b>21</b>	468539	7.07	2.71	2.70
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	119972	8.36	3.26	3.00
AA/Aa	<b>32</b>	211468	10.38	3.80	3.35
A/A	<b>33</b>	1037924	7.47	4.04	3.32
BBB/Baa	<b>34</b>	766110	6.16	4.98	3.65
BB/Ba	<b>35</b>	8470	3.58	5.15	2.30
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	0			
<b>Total other fixed interest securities</b>	<b>39</b>	2143944	7.32	4.32	3.42
<b>Approved variable interest securities</b>	<b>41</b>				
<b>Other variable interest securities</b>	<b>51</b>				
<b>Total (11+21+39+41+51)</b>	<b>61</b>	2612483	7.28	4.03	3.29

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11					
Form 51 - non-profit	12	251804	3362843	47	3614694	2088155
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16	34062	74542		108604	70383
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>285866</b>	<b>3437385</b>	<b>47</b>	<b>3723298</b>	<b>2158537</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	110212	2232840		2343052	1312664
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	15261	54239		69500	40223
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>125473</b>	<b>2287079</b>		<b>2412552</b>	<b>1352887</b>

**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				
<b>Total</b>	<b>38</b>				

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	141592	1130003	47	1271642	775491
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46	18801	20303		39104	30160
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>160393</b>	<b>1150306</b>	<b>47</b>	<b>1310746</b>	<b>805651</b>

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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	217	5153	159				1832
305	Single premium non-profit WL/EA OB	25	1123					1015
325	Level term assurance	2157	269608	2097				(380)
330	Decreasing term assurance	2238	218841	1172				(164)
360	Income protection non-profit (guaranteed premiums)							
365	Income protection non-profit (reviewable premiums)	76	105	146				(416)
370	Long-term care policy	2644	56187					203332
395	Annuity non-profit (PLA)	778	4252					46286
435	Miscellaneous non-profit	43	3041					299



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

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		4439	108				1623
305	Single premium non-profit WL/EA OB		319					263
325	Level term assurance		221751	981				1144
330	Decreasing term assurance		176733	546				614
360	Income protection non-profit (guaranteed premiums)							
365	Income protection non-profit (reviewable premiums)		62	90				(13)
370	Long-term care policy		27449					76031
395	Annuity non-profit (PLA)		3157					30550



















**Long-term insurance business : Index linked business**

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business  
 Financial year ended **31 December 2012**  
 Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11		
Other variable interest securities	12		
Approved fixed interest securities	13	6114	8.34
Other fixed interest securities	14	38099	7.38
Cash and deposits	15	257	
Equity index derivatives	16		
Inflation swaps	17	(5366)	
Other assets	18		
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	39104	

**Credit rating of other fixed interest and other variable interest securities**

AAA/Aaa	31	2170	8.36
AA/Aa	32	3825	10.38
A/A	33	18245	7.56
BBB/Baa	34	13859	6.16
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>	38099	7.38

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Partnership Life Assurance Company Limited**Total business **Ordinary Long term Business Fund**Financial year ended **31 December 2012**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Life Form 51 Product code numbers 300, 305, 325, 330	962	1.07	1.07	1.24
UK Life Form 51 Product code numbers 300, 305, 325, 330.	(2303)	4.00	4.00	4.02
UK Life Form 51 Product code numbers 370	127302	2.26	2.26	2.46
Overseas Life Form 51 Product code number 370	47	2.26	2.26	2.46
UK Life Form 51 Product code number 365	(403)	2.26	2.26	2.46
UK Life Form 51 Product code numbers 395	15736	3.76	3.76	4.02
UK Pension Form 51 Product code number 405	1022884	3.76	3.76	4.02
UK Pension Form 51 Product code number 405.	107120	3.77	3.77	3.98
UK Life Form 51 Product code number 435	299	3.76	3.76	4.02
UK Pension Form 54 Product code number 905	20303	3.76	3.76	4.02
UK Life Form 54 Product code number 910	1097	3.76	3.76	4.02
UK Life Form 54 Product code number 910.	17703	2.26	2.26	2.46
<b>Total</b>	1310746			

**Long-term insurance business : Distribution of surplus**

Name of insurer **Partnership Life Assurance Company Limited**  
 Total business / subfund **Ordinary Long term Business Fund**  
 Financial year ended **31 December 2012**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	1453485	861954
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		15000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1453485	876954
Mathematical reserves	21	1310746	805651
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	142739	71303

**Composition of surplus**

Balance brought forward	31	56303	18894
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	86436	52409
Total	39	142739	71303

**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		15000
Total distributed surplus (46+47)	48		15000
Surplus carried forward	49	142739	56303
Total (48+49)	59	142739	71303

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

Global business

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

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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	2231	160	0.50	1
Classes I (other), II and IX	13	0.15%	33264	3848	0.50	25
Classes I (other), II and IX	14	0.3%	461634	92409	0.50	692
Classes III, VII and VIII	15	0.3%				
<b>Total</b>	<b>16</b>		<b>497129</b>	<b>96418</b>		<b>719</b>

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					25
						25

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	3615111	1272045	0.85	30728
Classes III, VII and VIII (investment risk)	33	1%	108604	39104	0.85	923
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%	(416)	(403)	0.97	(4)
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>31648</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	3615111	1272045	0.85	92185
Classes III, VII and VIII (investment risk)	43	3%	108604	39104	0.85	2769
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%	(416)	(403)	0.97	(12)
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>3723298</b>	<b>1310746</b>		<b>94943</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>127334</b>
						<b>74159</b>

**PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED**

**Return for the year ended 31 December 2012**

**Supplementary notes to the returns**

Form 2

**\*0201\* Waiver 1014096**

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

Form 3

**\*0301\* Reconciliation of Net Admissible Assets**

	2012 £'000	2011 £'000
Net Admissible Assets as per Form 13 L89 other than long term insurance business assets	164,796	66,248
Net Admissible Assets as per Form 13 L89 long term insurance business assets	3,301,162	1,773,511
Less: Form 14 Lines 11,12,49	(3,138,011)	(1,696,797)
Less: Form 15 Line 69	(1,158)	(16,473)
Add: Subordinated debt	-	16,000
Less: Deduction of tier 2 capital in accordance with GENPRU 2.2.196R	-	(3,360)
Form 3 Line 52	-	12,640
<b>Total Capital Resources after deductions Form 3 Line 79</b>	<b>326,789</b>	<b>139,129</b>

**\*0313\* Reconciliation of Profit and Loss Account and other reserves**

	2012 £'000	2011 £'000
Opening Profit & Loss Account and other reserves as per Form 3 Line 12, Column 4	103,432	49,771
Profit in period from non-technical account as per Form 16 Line 59	2,063	16,252
Increase in long-term insurance fund during year as per Form 40 Line 39	591,531	387,855
Increase in net mathematical reserves during the period	(505,095)	(350,446)
<b>Closing Profit &amp; Loss Account and other reserves as per Form 3 Line 12, Column 3</b>	<b>191,931</b>	<b>103,432</b>

**\*1305\* Maximum extent of exposure to one counterparty– other than long term insurance business exposure**

The maximum extent to which, in accordance with any such guidelines, it was permitted to be exposed to any one counterparty, other than by way of exposing to an approved counterparty, during the financial year was 5% of the Business Amount.

During the financial year this amount was not exceeded.

**\*1306\* Counterparty exposure – other than long term insurance business**

No counterparty exposure at the year end exceeded 5% of the sum of the base capital resources requirement and the long term insurance liabilities, net of reinsurance.

**\*1310\* Amounts set off**

Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

**\*1312\* Counterparty exposure – long term insurance business**

As at 31 December 2012, the exposure to corporate bonds (market value including accrued interest) to the following counterparties was as follows and therefore exceeded 5% of the sum of the base capital resources requirement and the long term insurance liabilities, net of reinsurance:

<i>Counterparty</i>	<i>Total exposure</i>
Banque europeenne d'investissement ORG	£418,149,594
HM Government Cabinet Office	£147,866,412

**\*1318\* Line 101 details**

Line 101, Other asset adjustments, includes the following entries:

	2012	2010
<b>Other than long term business assets</b>	£'000	£'000
Reclassification of balance with parent undertaking (see note 1507)	(326)	-
Prepayment balance in respect of debt issuance costs (see note 1507)	-	(75)
	<u>(326)</u>	<u>(75)</u>
	2012	2011
<b>Long term business assets</b>	£'000	£'000
Index linked swap liability on Form 56 line 17 and Form 13 line 58	6,355	2,892
	<u>6,355</u>	<u>2,892</u>

**\*1319\* Maximum extent of exposure to one counterparty-long term insurance business exposure**

The maximum extent to which, in accordance with any such guidelines, it was permitted to be exposed to any one counterparty, other than by way of exposing to an approved counterparty, during the financial year was 5% of the Business Amount.

During the financial year this amount was not exceeded other than for an approved counterparty exposure (see 1312).

Form 14

**\*1401\* Adverse variations**

The long term fund held a number of interest rate, currency and inflation-linked swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

**\*1402\* Assets and liabilities**

- (a) There are no charges over any assets of the Company;
- (b) The long term fund does not attract capital gains tax, and therefore, no provision, potential or otherwise, has been made for any liability to capital gains tax that might arise if the company disposed of its assets at the values stated in this return;
- (c) There are no other liabilities being contingent liabilities not included in Form 14;
- (d) There have been no guarantees, indemnities or other contractual commitments effected by the Company other than in the normal course of its insurance business, in respect of the existing or future liabilities of any associated bodies;
- (e) There is no other uncertainty where such a description is, in the opinion of the Directors, necessary for a proper understanding of the financial position of the Company.

**\*1405\* Other adjustments**

Line 74, Other adjustments to liabilities includes the following entries:

	2012	2011
	£'000	£'000
<b>Long term business assets</b>		
Transfer from the long term insurance business revenue accounting non-technical account	-	-
Index linked swap liability net assets on Form 13 line 58 and Form 56 line 17	6,355	2,892
	<hr/>	<hr/>
	6,355	2,892

Form 15

**\*1501\* Adverse variations**

No provision for reasonably foreseeable adverse variations is required as no assets are held, nor transactions entered into, which would give rise to a future liability which would not be covered by appropriate assets.



**\*1502\* Assets and liabilities**

- (a) There are no charges over any assets of the Company included in Form 13.
- (b) There is no potential liability to taxation on chargeable gains which may arise if the company disposes of its assets.
- (c) There are no other liabilities being contingent liabilities not included in Form 15.
- (d) There have been no guarantees, indemnities or other contractual commitments affected other than in the course of insurance business, in respect of related companies.
- (e) There is no other uncertainty where such a description is, in the opinion of the Directors, necessary for a proper description of the financial position of the company.

**\*1507\* Other adjustments to liabilities**

Line 83, Other adjustment to liabilities, includes the following entries:

	2012 £'000	2011 £'000
Reclassification of balance with parent undertaking (see note 1318)	(326)	-
Prepayment balance in respect of debt issuance costs (see note 1318)	-	(75)
	<u>(326)</u>	<u>(75)</u>

Form 16

**\*1603\* Income / (charges)**

The charges included in Form 16 Line 21 are as follows:

	2012 £'000	2011 £'000
Amortisation of debt issuance costs	(75)	(10)
	<u>(75)</u>	<u>(10)</u>

Form 17

**\*1701\* Derivatives**

There is no liability to repay the variation margin. A variation margin of £466k is included in line 45 of form 13. No variation margin is included in respect of other than long term business.

Form 40

**\*4002\* Other income**

Line 15 of form 40 includes a recovery on the commutation of a reinsurance treaty of £99,541,584.

**\*4008\* Management services**

The group undertaking which paid the staff costs, accommodation costs and administrative expenses is Partnership Services Limited. A management charge of £71,244,779 (2011: £45,593,236) was made to the Company for services provided.

**\*4009\***      **Connected party transactions**

Other than the transaction shown in Note 4008, there were no material connected party transactions.

Form 47

**\*4703\***      **Approximations determining number of policyholders**

For policies with more than once tranche, the policy count was allocated to the tranche with the highest premium

Form 48

**\*4802\***      **Assets in default**

The Company holds no assets that are in default and so no estimated income on assets in default has been assumed.

**\*4803\***      **Callable bonds**

A number of bonds held have the feature that the issuer is able to repay those bonds at a date earlier than the maturity date. For the purposes of determining the yield on those bonds, we have calculated the implied yield at both the earliest call date, and at the maturity date, and taken the lower of those two yields. The value of these “callable” bonds is £700.6m (2011: £469.8m).

Form 49

**\*4901\***      **Rating agency**

The split by credit rating is derived from the Standard & Poor’s, Moody and Fitch ratings for each stock. If two or more ratings are available the second highest rating is used otherwise the single available rating is used.

Form 51

**\*5102\***      **Approximations apportioning products between codes**

For policies with more than once tranche, the policy count was allocated to the tranche with the highest premium

**\*5103\***      **Miscellaneous products**

Products included within Code 435, “Miscellaneous non-profit”, are longevity insurance contracts provided to other parties in relation to Equity Release mortgage and reversion contracts which are valued at £299k (2011: £34,304k).

Form 54

**\*5403\***      **Miscellaneous products**

Products included within Code 910, “Miscellaneous index linked”, are long-term care policy index linked and PLA index linked contracts which are valued at 34,062k (2011: £25,781k).

\*5701\*

**Breakdown of negative reserves**

<b>Product code number</b>	<b>Product description</b>	<b>Net mathematical reserves in £000</b>
300	Regular premium non-profit WL/EA OB	(5)
305	Single premium non-profit WL/EA OB	0
325	Level term assurance	(1,477)
330	Decreasing term assurance	(851)
365	Income protection non-profit (reviewable premiums)	(403)
UK Life Form 51 Product code numbers 300, 305, 325, 330, 365		(2,706)

These negative reserves have been used to partially offset against:

<b>Product code number</b>	<b>Product description</b>	<b>Net mathematical reserves in £000</b>
395	Annuity non-profit (PLA)	15,736

\*5702\*

**Risk adjustment to yields**

<b>Product Group</b>	<b>Risk adjusted yield on matching assets %</b>	<b>Yield on matching assets before risk adjustment %</b>
UK Life form 51 product code numbers 300, 305, 325, 330	1.24	1.24
UK Life from 51 product code numbers 365, 370	2.46	2.71
UK Pension from 51 product code numbers 405	4.02	4.36
UK Life from 51 product code numbers 300, 305, 325, 330	4.02	4.36
UK Life from 51 product code numbers 395	4.02	4.36
Miscellaneous	4.02	4.36

## **PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED**

### **Returns for the year ended 31 December 2012**

#### Rule 9.29

- (a) As required by Rule 9.29 of the Interim Prudential Sourcebook for Insurers (IPRU (INS)), the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below. These are fully explained in the Company's Investment Management Agreement with its fund managers and are consistent with the investment strategy.
- Derivatives will only be used in accordance with FSA Guidelines for the purpose of efficient portfolio management or reduction in investment risk;
  - Derivatives must not be used for speculative purposes;
  - Derivatives must be fully covered by the assets of the fund;
  - Counterparty risk – for exchange traded contracts, the exchange must be classed as “regulated” by the investment committee;
  - Over the counter contracts transactions must only be transacted with pre-approved counterparties;
  - Counterparty limits are consistent and monitored in line with the fund's aggregate exposure guidelines;
  - Controls and Monitoring:
    - Derivative trades are ordered by portfolio by our external investment manager. Trading, pricing and settlement of the derivatives are performed by a separate team at the external investment manager. Collateral management is controlled by a third independent team at the external investment manager. Monitoring of all derivative positions and exposures is additionally performed internally.
- (b) Contracts which are not reasonably likely to be exercised are not allowable under the guidelines;
- (c) There were no such contracts as described in (b) above during the year;
- (h) At no stage during the year did we use a derivative or quasi-derivative which required a significant provision under INSPRU 3.2.17R or did not fall within the definition of a permitted derivative contract under the permitted links rules;
- (i) The total value of any fixed consideration received by the insurance company during the year for granting rights under derivatives and quasi derivatives was zero and there were no such contracts under which such rights were granted since the Company does not grant rights under derivative and quasi derivatives.

## **PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED**

### **Returns for the year ended 31 December 2012**

Rule 9.30 For the period to 31 December 2012, the controlling company of Partnership Life Assurance Company Limited was PAG Holdings Limited. The controlling company of PAG Holdings Limited is Cinven Limited. Private equity funds managed by Cinven Limited hold 71.3% of the shares issued by PAG Holdings Limited, and had 100% of the voting power.

## **PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED**

**Valuation statements as at 31 December 2012 in the form prescribed under rule 9.31 of the Interim Prudential Sourcebook for Insurers.**

**Valuation Report on Partnership Life Assurance Company Limited as at 31 December 2012**

### **1 Introduction**

#### **(1) Date of investigation**

The investigation relates to 31 December 2012.

#### **(2) Date of previous investigation**

The previous investigation related to 31 December 2011.

#### **(3) Interim valuations**

There have been no interim valuations since the date of the previous investigation.

### **2 Product range**

There have been no changes to the Partnership products since the last investigation.

### **3 Discretionary charges and benefits**

(1) The Company does not have the option to apply a market value reduction on any of its products.

(2) There has been no change in premium for the Company's reviewable protection policies.

(3) The Company does not offer any non-profit deposit administration contracts.

(4) – (10) The Company does not have any policies to which these paragraphs apply.

### **4 Valuation basis (other than for special reserves)**

(1) A prospective valuation method has been used for all product types, with minor exceptions described below.

#### **(i) Annuities in payment**

These are non-profit annuities arising from premiums in respect of occupational or personal pension funds, written on either a single life or joint life last survivor basis, which provide a level series of payments throughout the life of the annuitant(s), reducing where appropriate on the death of the first life, or incorporate a provision for payments to increase annually at a guaranteed rate. The annuity may incorporate a guaranteed period of payment.

For policies where the contract has started but premium has not yet been received, the mathematical reserve has been set to be the value of the premium expected to be received less expected initial commission payments.

For annuities arising from Defined Benefit schemes the mathematical reserve has been set to be the value of the premium received.

(ii) Care annuities

These are non-profit annuities written for the sole purpose of providing an income to cover the cost of care, written on a single life basis. The benefit may be a level series of payments throughout the life of the annuitant or incorporate a provision for payments to increase annually at a guaranteed rate.

(iii) Deferred annuities

These are non-profit deferred annuities, written on a single life basis. The benefit may be a level series of payments throughout the life of the annuitant or incorporate a provision for payments to increase annually at a guaranteed rate.

(iv) Whole life assurance

These are non-profit whole life assurances, written on a single life or joint life last survivor basis. The benefit is a level lump sum payment on death.

(v) Term assurance

These are non-profit term assurances, written on a single life or joint life first death basis. The benefit is either a level or decreasing lump sum payment on death.

(vi) Family income benefit

These are non-profit term assurances, written on a single life or joint life first death basis. The benefit is an annual income payable on death until the end of the term.

(vii) Permanent health insurance

These are either (a) regular premium income protection policies where the benefit is a lump sum payable upon loss of flying license or earlier death. Premiums are reviewable on policy anniversaries. Or (b) single premium pre-funded long-term care policies where the benefit is a lump sum payable upon entry to a nursing home.

(2) Table 1 below sets out the interest rates used for each product group (net of investment expenses as per 6 (1)):

*Table 1*

Product Group	Interest rate as at 31 December 2012	Interest rate as at 31 December 2011
Annuities in payment	3.76%	5.36%
Policies with pending premiums	3.77%	
Care annuities	2.26%	3.22%
Deferred annuities	2.26%	3.22%
Whole life assurance negative reserves	4.00%	5.80%
Whole life assurance positive reserves	1.07%	2.41%
Term assurance negative reserves	4.00%	5.80%
Term assurance positive reserves	1.07%	2.41%
Family income benefit negative reserves	4.00%	5.80%
Family income benefit positive reserves	1.07%	2.41%
Permanent health insurance	2.26%	3.18%

(3) For corporate bonds the allowance for credit risk has been calculated for each bond individually. The allowance has been calculated as sum of two components: a minimum component and a varying component. The minimum component has been set to equal twice the historic default industry experience for each rating class, allowing for recovery. The varying component has been set at 20% of the spread in excess of the minimum component. The spread is calculated with reference to Gilts. For foreign denominated bonds, the spread is calculated with reference to overseas government issued bonds, where the credit rating is as least as good as for gilts.

For loans secured by mortgages, the yield has been determined after deducting the cost of the No Negative Equity Guarantee from the expected mortgage repayments, where cashflows are determined using prudent assumptions. The No Negative Equity Guarantee effectively provides the customer with a put option to sell their property on repayment of the loan with an exercise price equal to the value of the loan at that point. If the house price exceeds the loan then the option is out of the money (and expires without value) while if the house value is lower than the loan balance, the difference is payable to the customer (by reduction of the amount repayable under the loan). The value of the No Negative Equity Guarantee is approximated by calculating the value of these put options at the year end. The Black-Scholes closed-form solution is used to value each of these put options.



(4) Table 2 below sets out the mortality table used for each product group:

Table 2

Product Group	Underwriting Type	Mortality Table as at 31 December 2012	Mortality Table as at 31 December 2011	Life Expectancy	Note
Annuities in payment	Medically	Modified PML/PFL92(U=2013) modified ave MC& LC floor 1.5%	Modified PML/PFL92(U=2012) ave MC& LC floor 1.5%	M65 = 24.5 M75 = 15.8 F65 = 27.6 F75 = 18.2	1
Annuities in payment	Rules based	Modified PML/PFL92(U=2013) modified ave MC& LC floor 1.5%	Modified PML/PFL92(U=2012) ave MC& LC floor 1.5%	M65 = 25.0 M75 = 16.0 F65 = 26.8 F75 = 17.2	1
Care annuities	Rules based	Modified PCMA/PCFA00(U=2013) p-spline	Modified PCMA/PCFA00(U=2012) p-spline	M65 = 25.6 M75 = 16.1 F65 = 27.2 F75 = 17.3	1
Care annuities	Medically	Modified PML/PFL92(U=2013) modified ave MC& LC floor 1.5%	Modified PML/PFL92(U=2012) ave MC& LC floor 1.5%	M65 = 24.5 M75 = 15.8 F65 = 27.6 F75 = 18.2	1
Deferred Care annuities	Rules based	Modified PCMA/PCFA00(U=2013) p-spline	Modified PCMA/PCFA00(U=2012) p-spline	M45 = n/a M55 = 35.5 F45 = n/a F55 = 37.4	1
B&CE annuities inwards reinsurance	Rules based	Modified PCMA/PCFA00 (U=2013) LC floor 1.5%	N/A	M65 = 24.9 M75 = 14.8 F65 = 28.2 F75 = 17.5	1
Whole life assurance /	Medically	86.25% TMN00/ 86.25% TMS00	97.75% TMN00/ 97.75% TMS00	-	2
Term assurance		86.25% TFN00/ 86.25% TFS00	97.75% TFN00/ 97.75% TFS00		
Family income benefit	Medically	86.25% TMN00/ 86.25% TMS00  86.25% TFN00/ 86.25% TFS00	97.75% TMN00/ 97.75% TMS00  97.75% TFN00/ 97.75% TFS00	-	2
Permanent health insurance	Medically	44% AM92  44% AF92	115% TMN00/ 115% TMS00  115% TFN00/ 115% TFS00	-	3

#### Note 1

For medically underwritten annuity products, the rates of mortality used in the valuation are based on the PML/PFL92(U=2013) average of *mc and lc* (min 1.5% p.a.) table, with adjustments made to allow for the impact of premium size, joint-life status and future mortality improvement. Additional mortality loadings are made depending on the type and severity of medical impairment. In the case of annuities priced using a rules-based automated underwritten system, the rates of mortality used in the valuation are based on the PCMA/PCFA00(U=2013) p-spline table with suitable additional loadings depending on the state of health of the policyholder. In both cases the adjustments and loadings were derived from the results of ongoing mortality investigations. For B&CE Inwards Reinsurance, the rates of mortality used in the valuation are based on the PCMA/PCFA00(U=2013) *lc* (min 1.5% p.a) table, with a 0.5% p.a. addition to the annual improvement factors, with adjustments based on age.

Allowance for future mortality improvement has been made by applying “reduction factors” to the base mortality table. The reduction factors for medically underwritten policies depend on age and calendar year and are taken from a Working Paper published by the Continuous Mortality Investigation Bureau in November 2002. The average of “medium cohort” and “long cohort” reduction factors with a minimum improvement of 1.5% p.a. described in the Working Paper have been used. Explicit allowance for mortality improvement has also been taken into account in the additional mortality loadings. For annuities priced using rules-based automated underwritten a p-spline approach to estimating future improvement rates has been used.

For term assurances sold as decreasing term riders to annuities, the mortality basis was taken to be the same as for the annuity product.

The life expectancy figures provided are those consistent with a standard healthy life. Due to the high ages associated with the Deferred Care Annuities no equivalent standard healthy life expectancy could be provided at age 45.

#### Note 2

Additional ‘years to age’ adjustments were made for products sold through various distribution channels. Products sold to “Council House” owners had an additional plus two years to age and those sold to members of the English Bowling club plus four years to age. For products sold to members of the armed forces the basis used was 145% TM92 select.

For term assurances sold as decreasing term riders to annuities, the mortality basis was taken to be the same as for the annuity product.

#### Note 3

The rates of morbidity assumed in the valuation of pre-funded long-term care products, a mortality decrement (that does not incur a claim) is modelled at 44% of AM/AF92(Ultimate).

#### Note 4

No specific allowance has been made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the mortality experience of the Company in the tables of mortality assumed in the valuation of contracts beyond that noted above.

(5) Not applicable

(6) Table 3 below sets out the expense basis used for each product group:

*Table 3*

Product Group	Expense assumption as at 31 December 2012	Expense assumption as at 31 December 2011	Expense assumption as at 31 December 2012	Expense assumption as at 31 December 2011
	On-going		Claim	
Annuities in payment	£48.80 pa inflating at 4.50%	£39.00 pa inflating at 4.70%	-	-
Care annuities	£48.80 pa inflating at 4.50%	£39.00 pa inflating at 4.70%	-	-
PA Lite annuities	£22.80 pa inflating at 4.50%	£19.00 pa inflating at 4.70%	-	-
B&CE annuities inwards reinsurance	£19.52 pa inflating at 3.70%	-		
Deferred annuities	£48.80 pa inflating at 4.50%	£39.00 pa inflating at 4.70%	-	-
Whole life assurance	£30.20 pa inflating at 4.50%	£29.80 pa inflating at 4.70%	£43.00 Inflating at 4.50%	£41.00 Inflating at 4.70%
Term assurance	£30.20 pa inflating at 4.50%	£29.80 pa inflating at 4.70%	£43.00 Inflating at 4.50%	£41.00 Inflating at 4.70%
Family income benefit	£30.20 pa inflating at 4.50%	£29.80 pa inflating at 4.70%	£43.00 Inflating at 4.50%	£41.00 Inflating at 4.70%
Permanent health insurance	£30.20 pa inflating at 4.50%	£29.80 pa inflating at 4.70%	£43.00 Inflating at 4.50%	£41.00 Inflating at 4.70%
Equity Release Reversion	£30.00 pa inflating at 4.50%	£30.00 pa inflating at 4.70%	£153.00 Inflating at 4.50%	£146.00 Inflating at 4.70%

Equity Release roll up mortgages (bulk purchase)	£89.90pa Inflating at 4.50%	£86.00pa Inflating at 4.70%	-	-
Equity Release roll up mortgages (More 2 Life)	£27.80pa Inflating at 4.50% Plus 0.15% pa of loan	£26.50pa Inflating at 4.70% Plus 0.15% pa of loan	-	-
Equity Release roll up mortgages (Own-brand)	£113.50pa Inflating at 4.50%	£109.50pa Inflating at 4.70%	-	-
Equity Release corporate loans	£27.80pa Inflating at 4.50%  Certain contracts incur an administration fee of 0.15% pa of loan	£26.50pa Inflating at 4.70%	-	-
Equity Release fixed repayment	£116.90pa Inflating at 4.50%	-		

(7) Not applicable

(8) Not applicable

(9) Table 4i sets out the lapse assumptions used for each appropriate product group for policies with positive reserves

*Table 4i*

Product Group		Average lapse rate for the policy years			
		1-5	6-10	11-15	16-20
Level Term - Healthy lives	Lapse	8.82%	7.00%	7.00%	7.00%
Level Term - Impaired lives	Lapse	8.21%	8.00%	8.00%	8.00%
Decreasing Term - Healthy lives	Lapse	8.82%	7.00%	7.00%	7.00%
Decreasing Term - Impaired lives	Lapse	8.21%	8.00%	8.00%	8.00%
Whole of Life – all lives	Lapse	0.00%	0.00%	0.00%	0.00%

Table 4ii sets out the lapse assumptions used for each appropriate product group for policies with negative reserves

*Table 4ii*

Product Group		Average lapse rate for the policy years			
		1-5	6-10	11-15	16-20
Level Term - Healthy lives	Lapse	14.44%	12.00%	12.00%	12.00%
Level Term - Impaired lives	Lapse	13.63%	13.00%	13.00%	13.00%
Decreasing Term - Healthy lives	Lapse	14.44%	12.00%	12.00%	12.00%
Decreasing Term - Impaired lives	Lapse	13.63%	13.00%	13.00%	13.00%
Whole of Life – all lives	Lapse	0.00%	0.00%	0.00%	0.00%

An impaired life in Tables 4i and 4ii relates to an individual who has been rated as having an increase to standard mortality of at least 250%. For those lives with mortality ratings below 250% a linear interpolation between healthy and impaired has been taken for the purpose of the lapse assumption used.

(10) Not applicable

(11) Derivative contracts in the form of interest rate swaps, inflation swaps and foreign exchange forwards are held.

The foreign exchange forwards are taken to be covering specific bonds maturing at the same time as the swap with proceeds equal to the nominal of the swap.

For the calculation of the valuation interest rate, the floating leg of interest rate swaps has been replaced by an immediate receipt of the nominal and prepayment of nominal on termination of the swap. A 25 basis point prudent deduction has been allowed for to cover counterparty risk, security of deposits and risk of not earning LIBOR on those deposits. For the determination of cashflow matching requirements (INSPRU 1.1.34 R) the interest rate swap floating leg cashflows are determined from the contract and are offset by the cashflow of the nominal of the swap at the beginning and the end of the swap.

Inflation swaps have been purchased, whereby the Company pays a fixed leg and receives a floating leg, to cover all policyholder benefits linked explicitly or implicitly to price (RPI) inflation.

Excess inflation swaps above those required to match the linked benefits are used to match some of the expenses linked to price or earnings inflation. The swap proceeds have been projected using the same rate of RPI used to project the expense liability.

(12) All INSPRU rule changes with regards to lapses and negative reserves were implemented as at 31 December 2006.

## 5 Options and guarantees

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable

## 6 Expense reserves

(1) The aggregate amount of expense loadings expected to arise during 12 months from 31 December 2012 from reserves to meet expenses in fulfilling contracts in-force, as 31 December 2012 is £ 7.4m.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non - attributable expenses	Total
Annuities in payment		£ 2.7m	£ 1.0m	£ 2.1m	£ 5.8m
Care annuities		£ 0.2m	£ 0.1m	£ 0.1m	£ 0.4m
Whole life assurance / Term assurance		£ 0.0m	£ 0.1m	£ 0.0m	£ 0.1m
Equity Release	£ 0.7m				£ 0.7m
All expenses attributable		£ 0.1m	£ 0.3m	N/A	£ 0.4m
<b>Total</b>	<b>£ 0.7m</b>	<b>£ 3.0m</b>	<b>£ 1.5m</b>	<b>£ 2.2m</b>	<b>£ 7.4m</b>

(2) The Equity Release implicit allowance serves to reduce the yield on Equity Release, so does not lead to an explicit reserve

(3) The figure of £ 7.4m for expenses in 6 (1) is based on the provision for future expenses. This is a long term assumption and has been determined on the basis of fully outsourcing all maintenance functions. This amount is higher than the corresponding figure on line 14 of Form 43 of £ 6.0m which includes investment expenses of £ 2.8m.

(4) The requirement in respect of the expenses of continuing to transact new business during the 12 months following the valuation date was considered by examining a number of scenarios involving different levels of new business, the Company's likely expenditure in the coming year and margins arising from new business. On the basis that new business in respect of existing products would be not less than 56% of planned no additional reserve was required.

(5) The Company had no branch premises and its business is conducted entirely through independent financial intermediaries dealing with its small number of head

office staff. The additional costs of closure to new business 12 months after the valuation date were estimated to £13.9m. This was derived after consideration for:

- Redundancy costs on closure
- Property costs

After allowing for the margins expected to arise on new and in-force business prior to closure as well as the Company's fixed operating costs, no overall closed fund reserve is required.

(6) Nonattributable expenses have been allocated on a per policy basis and reserves calculated based on a total expense allowance per policy

Homogeneous risk group	Attributable Expense Reserves	Non Attributable Expense Reserves
Annuities in payment	£ 30.8m	£ 62.8m
Care annuities	£ 0.2m	£ 0.4m
Whole life assurance / Term assurance	£ 0.8m	£ 0.3m

## 7. Mis-matching reserves

- (1) The reserves for the non-Sterling denominated liabilities are de minimis.
- (2) Not applicable.
- (3) The total reserve set aside for currency mis-matching was £1.8m. This reserve was derived by considering the currency mis-match in question and allowing for an appropriately prudent movement in exchange rates over the expected duration of the mis-match.
- (4) The most onerous scenario under INSPRU 3.1.16R for the purpose of calculating the resilience capital requirement was a decrease in the long term gilt yield by 46.5 basis points.
- (5) The same scenario was applied to each territory.
- (6) The increase in the aggregate amount of long-term liabilities under this scenario was £ 139.4m with a corresponding change in the value of assets allocated to match the liabilities of £ 106.1m. The total resilience capital requirement was £ 35.8m
- (7) The assets were tested to ensure that the cash in-flows were sufficient to meet the corresponding liability outflows. Shortfalls were met by notionally selling assets at a yield 2% above current yield, or by rolling forward past surpluses at an earned rate of the higher of the forward rate implied by UK gilts and the forward rate implied by interest rate swaps less 25 basis points. No reserve was required to meet this test.

## **8 Other special reserves**

(1) No further additional reserves to which this paragraph applies were established.



(2)

## 9 Reinsurance

(1) In respect of facultative reinsurance arrangements the aggregate premium payments by the Company to reinsurers not authorised to carry on insurance business in the United Kingdom was £2.7m. At the valuation date all of these premiums were passed back to the Company on a deposit back arrangement.

(2) Table 5 below sets out details of the reinsurance arrangements in respect of premiums payable by the Company during the report period.

Table 5

	Reinsurer	Description	Deposit back	Treaty status	Total mathematical reserves ceded	Premiums payable during report period	Retention	Notes
1	Hannover Ruck	The reinsurer is liable to meet 85% of all medically underwritten <b>impaired</b> annuities written on or after 1 April 2008	Yes	Closed	£ 778.5m	£ 0.3m	15%	(a), (c)
2	Hannover Ruck	The reinsurer is liable to meet 70% of all medically underwritten <b>impaired</b> annuities written on or after 1 July 2011. Closed 31 March 2012	Yes	Closed	£ 300.4m	£ 95.2m	30%	(a), (c)
3	Hannover Ruck	The reinsurer is liable to meet 21.25% of all medically underwritten <b>care</b> annuities priced using a rules based automated underwritten system on or after 1 April 2008. The reinsurer's share increases to 42.5% from 1 April 2010 onwards. Closed 30 June 2010.	Yes	Closed	£ 7.4m	Nil	57.5%	(a), (c)
4	Hannover Ruck	The reinsurer is liable to meet 42.5% of all medically underwritten <b>care</b> annuities priced using a rules based automated underwritten system on or after 1 July 2010.	Yes	Open	£ 73.5m	£ 32.7m	57.5%	(a), (c)

	Reinsurer	Description	Deposit back	Treaty status	Total mathematical reserves ceded	Premiums payable during report period	Retention	Notes
5	Hannover Ruck	The reinsurer is liable to meet 47.5% of impaired annuities written up to 31 December 1999, 95% of impaired annuities written between 1 January 2000 and 31 December 2001, 85% of impaired annuities underwritten between 1 January 2002 and 31 December 2003, and 85% of impaired annuities written between 1 January 2006 and 31 March 2008.	Yes	Closed	£ 216.2m	Nil	5% to 15%	(a), (c)
6	Hannover Ruck	The reinsurer is liable to meet 95% of care annuities written between 1 January 200 to 31 July 2002, 75% of care annuities written between 1 April 2003 and 31 December 2003 and 42.5% of care annuities underwritten after 1 January 2007. Closed 31 March 2008.	Yes	Closed	£ 6.8m	Nil	5% to 57.5%	(a), (c)
7	Partner Re	The reinsurer is liable to meet 47.5% of impaired annuities underwritten on or before 31 December 1999.	Yes	Closed	£ 33.7m	Nil	5%	(a), (c)
8	Pacific Life Re	The reinsurer is liable to meet 85% of all medically underwritten <b>smoker</b> annuities written on or after 1 February 2008	Yes (Held in trust)	Open	£ 186.2m	£ 64.7m	15%	(b), (c)
9	Pacific Life Re	The reinsurer is liable to meet 80% of all medically underwritten <b>lifestyle</b> annuities written between 1 December 2008 and 31 December 2012	Yes	Closed	£ 519.5m	£ 26.6m	20%	(b), (c)

	Reinsurer	Description	Deposit back	Treaty status	Total mathematical reserves ceded	Premiums payable during report period	Retention	Notes
10	Pacific Life Re	The reinsurer is liable to meet 70% of all medically underwritten <b>impaired</b> annuities written on or after 1 April 2012	Yes	Open	£ 351.7m	£ 333.4m	30%	(a), (c)
11	Gen Re	In the event of death the reinsurer is liable to meet 65% of the sum assured on specific term and whole life policies for sums assured up to £214,286. For sums assured in excess of £214,286 the reinsurer is liable 100% of the excess over £214,286. All Term Assurance, Whole of Life, Family Income Benefit policies written since 1 February 2010.	No	Open	£ 1.7m	£ 0.5m	35%	(a), (c)
12	RGA Reinsurance UK Limited	In the event of death the reinsurer is liable to meet 9% of the sum assured on specific term and whole life policies for sums assured up to £500,000. For sums assured in excess of £500,000 the reinsurer is liable to meet 9% of the sum assured up to £500,000 plus 10% of the excess over £500,000	No	Closed	£ 0.2m	£ 0.1m	10%	(b),(c)
13	RGA Americas Reinsurance Company Ltd	In the event of death the reinsurer is liable to meet 81% of the sum assured on specific term and whole life policies for sums assured up to £500,000. For sums assured in excess of £500,000 the reinsurer is liable to meet 81% of the sum assured up to £500,000 plus 90% of the excess over £500,000	No	Closed to new business at 31 <sup>st</sup> January 2010	£ 1.8m	£ 1.0m	10%	(a),(c)

## Notes

- (a) The reinsurers Cologne Reinsurance Company United Kingdom Branch, Hannover Ruck, Partner Re, Kolnische Ruckversicherungs Gesellschaft and RGA Americas Reinsurance Company Ltd are not authorised to carry on insurance business in the United Kingdom.
- (b) The reinsurers RGA Reinsurance UK Limited and Pacific Life Re are authorised to carry on insurance business in the United Kingdom
- (c) None of the reinsurers are connected to the Company
- (d) The ceded reserves in respect of treaties 1, 2, 4, 9, 10 are gross of the management fee reserves. The total management fee reserve at 31 December 2012 in respect of treaties 1, 2 and 4 is £ 33.2m, and in respect of treaties 9 and 10 is £ 31.8m.

**10. Reversionary (or annual) bonus**

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable.

# **PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED**

## **Return for the year ended 31 December 2012**

### **Directors' Certificate required by Rule 9.34 of the Accounts and Statements Rules**

We certify that:

1. the returns, comprising Forms 2, 3, 11 to 17, 40 to 43, 46 to 51, 54, 56, 57, 58 and 60 (including the supplementary notes), the statements required by rules 9.29 and 9.30 and the statements, analyses and reports required by rule 9.31, has been properly prepared in accordance with the Accounts and Statements Rules set out in part I and part IV of chapter 9 of IPRU(INS), the Interim Prudential Sourcebook for Insurers, GENPRU, the General Prudential Sourcebook and INSPRU, the Prudential Sourcebook for Insurers; and
2. the directors are satisfied that:
  - a. throughout the financial year, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU, and INSPRU; and
  - b. it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
3. 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;
4. the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
5. the directors have, in preparing the return, taken and paid due regard to advice in preparing the return from the actuary appointed by the insurer to perform the actuarial function in accordance with SUP4.3.13R.

S J Groves, Chief Executive Office .....

A M Dearsley, Managing Director International .....

A J M Chamberlain, Chief Financial Actuary and Actuarial Function Holder .....

Date of Signature 27 March 2013

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in England and Wales governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

## **PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED**

### **Global business**

#### **Financial year ended 31 December 2012**

#### **Independent auditor's report to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers ("IPRU(INS)")**

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

- Forms 2, 3, 11 to 17, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 1 to 21, 26 to 27, 39, 41, 42 to 47 ("the Forms");
- the statement required by IPRU(INS) rule 9.29 on page 49 ("the Statement"); and
- the valuation report required by IPRU(INS) rule 9.31(a) on pages 51 to 66 ("the valuation report");

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

- Forms 46, 47, 50, 51, 54 and 57 including the supplementary notes on pages 22 to 25, 28 to 38, 40, 47 and 48;
- the statement required by IPRU(INS) rule 9.30 on page 50; and
- the directors' certificate required by IPRU (INS) rule 9.34 on page 67 ("the directors' certificate").

Our report is provided to the directors of Partnership Life Assurance Company Limited in accordance with rule 9.35 of the Interim Prudential Sourcebook for Insurers. We acknowledge that our report will be provided to the FSA for the use of the FSA solely for the purposes set down by statute and the FSA's rules. Our work has been undertaken so that we might state to the insurer's directors those matters we are required to state to them in an auditor's report on an annual FSA return for an insurer and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the FSA, and the insurer, for our work, for this report, or for the opinions we have formed.

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

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement, and the valuation report) under the provisions of the Rules. The requirements of the rules have been modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 10 March 2009. Under IPRU (INS) rule 9.11 the Forms, the Statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

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

It is our responsibility to form an independent opinion as to whether the Forms, the Statement and the valuation report meet these requirements, and to report our 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 audit.

### **Basis of opinion**

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

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

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



## **Opinion**

In our opinion:

- (i) the Forms, the Statement and the valuation report fairly state the information provided on the basis required by the Rules 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 prepared in accordance with IPRU (INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.

## **Deloitte LLP**

Chartered Accountants and Statutory Auditors  
London

27 March 2013

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in England and Wales governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.