

Partnership Life Assurance Company Limited

Annual PRA Insurance Returns for the year ended

31 December 2014

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

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

Global business

Financial year ended **31 December 2014**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	5465261	GL	31	12	2014	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	194354	191453
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	254715	221718
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	449069	413171

Guarantee fund

Guarantee fund requirement	21	59582	49510
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	389488	363661

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	178745	148530
Resilience capital requirement	32	45282	42887
Base capital resources requirement	33	2902	3146
Individual minimum capital requirement	34	224027	191416
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	224027	191416
Excess (deficiency) of available capital resources to cover 50% of MCR	37	337056	317463
Excess (deficiency) of available capital resources to cover 75% of MCR	38	281049	269609

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	224027	191416

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	224027	191416
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	225043	221755

Contingent liabilities

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

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

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/UK/CM	day	month	year	Units	
	R3	5465261	GL	31	12	2014	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Core tier one capital

Permanent share capital	11		137190	137190	137190
Profit and loss account and other reserves	12		314211	314211	278313
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		451401	451401	415503

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		451401	451401	415503
Investments in own shares	32				
Intangible assets	33		2332	2332	2332
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		2332	2332	2332
Total tier one capital after deductions (31-37)	39		449069	449069	413171

Components of capital resources

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

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/UK/CM	day month year			Units
R3	5465261	GL	31	12	2014	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Tier two capital

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

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

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

Components of capital resources

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

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	5465261	GL	31	12	2014	£000
		General insurance business			Total as at the end of this financial year	Total as at the end of the previous year
		1			3	4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		449069	449069	413171
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		449069	449069	413171

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		449069	449069	413171
Available capital resources for 50% MCR requirement	82		449069	449069	413171
Available capital resources for 75% MCR requirement	83		449069	449069	413171

Financial engineering adjustments

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

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 2014**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	5465261	GL	31	12	2014	£000
				This financial year		Previous year	
				1		2	
Gross premiums written			11		123	125	
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13		123	125	
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16		123	125	
Gross premiums earned			21		123	125	
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23		123	125	
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26		123	125	
Sub-total I (higher of sub-total A and sub-total H)			30		123	125	
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32		22	23	
	Excess (if any) over 61.3M EURO x 0.02		33				
Sub-total J (32-33)			34		22	23	
Claims paid in period of 3 financial years			41		2		
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				
Sub-total C (41+42+43-44-45)			46		2		
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47		1		
Sub-total D (46-47)			48		1		
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49		0.50		
Premiums amount (Sub-total J x reinsurance ratio)			50		11		
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				
Brought forward amount (See instruction 4)			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 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	5465261	GL	31	12	2014	£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			2			
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			2			
Claims incurred for classes 11, 12 or 13 (included in 26)		27						
Claims incurred for "actuarial health insurance" (included in 26)		28			2			
Sub-total E (26 +1/2 27 - 2/3 28)		29			1			
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)		31			0			
Division of sub-total F (gross adjusted claims amount)	x 0.26	32			0			
	Excess (if any) over 42.9M EURO x 0.03	33						
Sub-total G (32-33)		39			0			
Claims amount Sub-total G x reinsurance ratio (11.49)		41			0			
Higher of premiums amount and brought forward amount (11.54)		42			25		25	
General insurance capital requirement (higher of lines 41 and 42)		43			25		25	

Analysis of admissible assets

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	1635	24644
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		253	
Fixed interest securities	Approved	45	173217	129582
	Other	46	30055	7267
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50	36688		
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	5538	599
	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 2014**

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	2014	£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	892	404
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	11339	36
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		84000
Accrued interest and rent	84	4	1041
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	259368	247826
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Analysis of admissible assets

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	259368	247826
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	3	(404)
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	259371	247422
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 2014**

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	2014	£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	11275	25803	
Fixed interest securities	Approved	45	450362	325569
	Other	46	2649861	2544554
Variable interest securities	Approved	47		
	Other	48	11827	
Participation in investment pools	49			
Loans secured by mortgages	50	1213502	840066	
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	36005	63773
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	321038	66590
	Property linked	59		

Analysis of admissible assets

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

Global business

Financial year ended **31 December 2014**

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	2014	£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	7344	51140
	Intermediaries	72	20	5
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	22523	9039
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	14239	25367
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	17912	13
Cash in hand	82	12765	
Other assets (particulars to be specified by way of supplementary note)	83		(84000)
Accrued interest and rent	84	22	56813
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	4768696	3924732
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Analysis of admissible assets

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

Global business

Financial year ended **31 December 2014**

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	2014	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	4768696	3924732
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	2332	2332
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	3246008	2840750
Other asset adjustments (may be negative)	101	(2049)	1504
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	8014987	6769318
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 marginsName of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2014**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	11	1991110	1506839
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	173942	171041
Long term insurance business fund carried forward (11 to 13)	14	2165052	1677880
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	3085
	Reinsurance accepted	32	
	Reinsurance ceded	33	2494956
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	2849
	Other	38	82342
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	2583232	2226440
Excess of the value of net admissible assets	51	20412	20412
Total liabilities and margins	59	4768696	3924732

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

Total liabilities (11+12+49)	71	4574342	3733279
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	3246008	2840749
Other adjustments to liabilities (may be negative)	74	(2049)	1504
Capital and reserves and fund for future appropriations	75	196686	193786
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	8014987	6769318

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

Global business

Financial year ended **31 December 2014**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	5465261	GL	31	12	2014	£000
				As at end of this financial year	As at end of the previous year	
				1	2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	4495	1399
	Foreseeable dividend	48		
	Other	49	158	24709
Accruals and deferred income		51		
Total (19 to 51)		59	4653	26108
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	4653	26108

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83		3	(404)
Capital and reserves	84		254715	221718
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85		259371	247422

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

Global business

Financial year ended **31 December 2014**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	5465261	GL	31	12	2014	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13				84000	
Investment income	Income		14			6634	4913	
	Value re-adjustments on investments		15			8826		
	Gains on the realisation of investments		16				645	
Investment charges	Investment management charges, including interest		17			312	181	
	Value re-adjustments on investments		18			2054	6019	
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			13094	83358	
Tax on profit or loss on ordinary activities			31			3097	278	
Profit or loss on ordinary activities after tax (29-31)			39			9997	83080	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			9997	83080	
Dividends (paid or foreseeable)			51				25000	
Profit or loss retained for the financial year (49-51)			59			9997	58080	

Analysis of derivative contractsName of insurer **Partnership Life Assurance Company Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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	60035		56180		492693		521132
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	1450						38104
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	7335		1506		548960		4146
	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	68820		57686		1041653		563382
Adjustment for variation margin		52	(57545)		(53685)				
Total (51 + 52)		53	11275		4001				

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 2014**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	452679	425712
Investment income receivable before deduction of tax	12	65263	62338
Increase (decrease) in the value of non-linked assets brought into account	13	218821	74330
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	736763	562380

Expenditure

Claims incurred	21	134613	115849
Expenses payable	22	114897	115413
Interest payable before the deduction of tax	23		
Taxation	24	81	22723
Other expenditure	25		
Transfer to (from) non technical account	26		84000
Total expenditure	29	249591	337985

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	487172	224395
Fund brought forward	49	1677880	1453485
Fund carried forward (39+49)	59	2165052	1677880

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 2014**
 Units **£000**

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

Gross

Regular premiums	11	3219			3219	3382
Single premiums	12	84513	672906		757419	1156178

Reinsurance - external

Regular premiums	13	1718			1718	1796
Single premiums	14	31439	274802		306241	732052

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	1501			1501	1586
Single premiums	18	53074	398104		451178	424126

Total

Gross	19	87732	672906		760638	1159560
Reinsurance	20	33157	274802		307959	733848
Net	21	54575	398104		452679	425712

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 2014**
 Units **£000**

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

Gross

Death or disability lump sums	11	2476			2476	2102
Disability periodic payments	12					
Surrender or partial surrender	13					
Annuity payments	14	66503	321591		388094	339023
Lump sums on maturity	15					
Total	16	68979	321591		390570	341125

Reinsurance - external

Death or disability lump sums	21	513			513	743
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	27649	227795		255444	224533
Lump sums on maturity	25					
Total	26	28162	227795		255957	225276

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	1963			1963	1359
Disability periodic payments	42					
Surrender or partial surrender	43					
Annuity payments	44	38854	93796		132650	114490
Lump sums on maturity	45					
Total	46	40817	93796		134613	115849

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 2014**
 Units **£000**

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

Gross

Commission - acquisition	11	828	3157		3985	11367
Commission - other	12					
Management - acquisition	13	4668	70902		75570	81717
Management - maintenance	14	550	8069		8619	8832
Management - other	15	2195	24528		26723	13497
Total	16	8241	106656		114897	115413

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	828	3157		3985	11367
Commission - other	42					
Management - acquisition	43	4668	70902		75570	81717
Management - maintenance	44	550	8069		8619	8832
Management - other	45	2195	24528		26723	13497
Total	46	8241	106656		114897	115413

Long-term insurance business : Summary of new businessName of insurer **Partnership Life Assurance Company Limited**

Total business

Financial year ended **31 December 2014**Units **£000**

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

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

Regular premium business	11	290			290	251
Single premium business	12	642	8915		9557	22466
Total	13	932	8915		9847	22717

**Amount of new regular
premiums**

Direct insurance business	21	305			305	304
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	305			305	304

**Amount of new single
premiums**

Direct insurance business	25	68503	704646		773150	1225694
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	68503	704646		773150	1225694

Long-term insurance business : Analysis of new business

Name of insurer

Partnership Life Assurance Company Limited

Total business

Financial year ended

31 December 2014

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
325	Level term assurance	1	1		
330	Decreasing term assurance	149	180		
370	Long-term care policy	140	124	1	2
395	Annuity non-profit (PLA)			539	60226
910	Miscellaneous index linked			102	8275

Long-term insurance business : Analysis of new business

Name of insurer **Partnership Life Assurance Company Limited**
 Total business
 Financial year ended **31 December 2014**
 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
401	Annuity non-profit (bulk transfer)			74	21228
405	Annuity non-profit (CPA impaired life)			7999	437915
905	Index linked annuity(CPA)			318	20831
906	Index linked annuity (bulk transfer)			524	224672

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 2014**
 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	450362	450362	15902	2.10	
Other fixed interest securities	13	2649861	2649861	146471	3.81	
Variable interest securities	14	11827	11827	631	1.34	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1335607	1335607	48959	4.48	
Total	19	4447658	4447658	211963	3.83	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Partnership Life Assurance Company Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2014**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11				
Other approved fixed interest securities	21	450362	7.65	2.10	2.21
Other fixed interest securities					
AAA/Aaa	31	155130	7.91	2.73	2.50
AA/Aa	32	212629	7.04	3.32	2.87
A/A	33	1122173	6.93	3.55	2.87
BBB/Baa	34	1159174	7.02	4.30	3.18
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	755			
Total other fixed interest securities	39	2649861	7.03	3.81	2.99
Approved variable interest securities	41	11827	2.02	1.34	0.71
Other variable interest securities	51				
Total (11+21+39+41+51)	61	3112051	7.10	3.55	2.87

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 2014**
 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	254167	4554148	18	4808334	4177642
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16	42701	386084		428784	169946
Form 54 - non-linked	17					
Total	18	296868	4940232	18	5237118	4347588

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	118836	3005827		3124663	2737394
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	19333	102012		121345	103355
Form 54 - non-linked	27					
Total	28	138169	3107839		3246008	2840749

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	135332	1548321	18	1683671	1440248
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46	23368	284072		307440	66590
Form 54 - non-linked	47					
Total	48	158700	1832393	18	1991110	1506839

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 2014**
 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	202	5236	140				1996
305	Single premium non-profit WL/EA OB	20	1332					937
325	Level term assurance	2073	238870	1939				447
330	Decreasing term assurance	2165	197694	1154				(163)
365	Income protection non-profit (reviewable premiums)	63	106	123				107
370	Long-term care policy	2343	53681					192027
395	Annuity non-profit (PLA)	980	5120					58401
435	Miscellaneous non-profit	33	2533					415

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 2014**
 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		4182	100				1753
305	Single premium non-profit WL/EA OB		319					271
325	Level term assurance		188284	971				1383
330	Decreasing term assurance		154516	570				410
365	Income protection non-profit (reviewable premiums)		51	55				229
370	Long-term care policy		35933					76128
395	Annuity non-profit (PLA)		3959					38661

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 2014**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
405	Annuity non-profit (CPA impaired life)	110314	324529					4554148

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 2014**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
405	Annuity non-profit (CPA impaired life)		234012					3005827

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 2014**
 Units **£000**
 Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
370	Long-term care policy	1	4					18

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

Name of insurer **Partnership Life Assurance Company Limited**
 Total business / subfund **Ordinary Long term Business Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
910	Miscellaneous index linked	501	9840		42701	42701		42701

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

Name of insurer **Partnership Life Assurance Company Limited**
 Total business / subfund **Ordinary Long term Business Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
910	Miscellaneous index linked		6810		19333	19333		19333

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

Name of insurer **Partnership Life Assurance Company Limited**
 Total business / subfund **Ordinary Long term Business Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / 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
905	Index linked annuity(CPA)	2699	15659		386084	386084		386084

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

Name of insurer **Partnership Life Assurance Company Limited**
 Total business / subfund **Ordinary Long term Business Fund**
 Financial year ended **31 December 2014**
 Units **£000**
 UK Pension / 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
905	Index linked annuity(CPA)		5379		102012	102012		102012

Long-term insurance business : Index linked businessName of insurer **Partnership Life Assurance Company Limited**

Total business

Financial year ended **31 December 2014**Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11		
Other variable interest securities	12	1232	2.02
Approved fixed interest securities	13	41816	7.39
Other fixed interest securities	14	275725	7.03
Cash and deposits	15	3771	
Equity index derivatives	16		
Inflation swaps	17	(16175)	
Other assets	18		
Variation margin	19	14669	
Total (11 to 19)	20	321038	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	15936	7.91
AA/Aa	32	22142	7.04
A/A	33	117996	6.88
BBB/Baa	34	120804	7.01
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	79	
Total other fixed interest and other variable interest securities	39	276957	7.01

Long-term insurance business: Analysis of valuation interest rateName of insurer **Partnership Life Assurance Company Limited**Total business **Ordinary Long term Business Fund**Financial year ended **31 December 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Life Form 51 Product code numbers 300, 305, 325, 330	1223	1.00	1.00	1.14
UK Life Form 51 Product code numbers 300, 305, 325, 330.	(1822)	3.74	3.74	3.76
UK Life Form 51 Product code number 370	115898	1.35	1.35	1.48
Overseas Life Form 51 Product code number 370	18	1.35	1.35	1.48
UK Life Form 51 Product code number 365	(122)	1.35	1.35	1.48
UK Life Form 51 Product code number 395	19740	3.53	3.53	3.76
UK Pension Form 51 Product code number 405	1533312	3.53	3.53	3.76
UK Pension Form 51 Product code number 405.	9003	3.49	3.49	3.71
UK Life Form 51 Product code number 435	415	3.53	3.53	3.76
UK Pension Form 54 Product code number 905	284072	3.53	3.53	3.76
UK Life Form 54 Product code number 910	1693	3.53	3.53	3.76
UK Life Form 54 Product code number 910.	21675	1.35	1.35	1.48
Total	1985104			

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 2014**
 Units **£000**

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

Valuation result

Fund carried forward	11	2165052	1677880
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		84000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2165052	1761880
Mathematical reserves	21	1991110	1506839
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	173942	255041

Composition of surplus

Balance brought forward	31	171041	142739
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	2901	112302
Total	39	173942	255041

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		84000
Total distributed surplus (46+47)	48		84000
Surplus carried forward	49	173942	171041
Total (48+49)	59	173942	255041

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

Global business

Financial year ended **31 December 2014**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	50	18	0	1
Classes I (other), II and IX	13	0.15%	12451	2276	9	21
Classes I (other), II and IX	14	0.3%	431979	97893	648	669
Classes III, VII and VIII	15	0.3%				
Total	16		444480	100187	657	691

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%	4808227	1683793	0.85	40870
Classes III, VII and VIII (investment risk)	33	1%	428784	307440	0.85	3645
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%	107	(122)	0.85	1
Class V	37	1%				
Class VI	38	1%				
Total	39					44516

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	4808227	1683793	0.85	122610
Classes III, VII and VIII (investment risk)	43	3%	428784	307440	0.85	10934
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%	107	(122)	0.85	3
Class V	47	0%				
Class VI	48	3%				
Total	49		5237118	1991110		133547

Long term insurance capital requirement	51					178745
						148530

PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED

Return for the year ended 31 December 2014

Supplementary notes to the returns

Form 2

***0201* Waiver 1681111**

The PRA, on the application of the firm, made a direction under section 138A of the Financial Services and Markets Act 2000 in November 2013. 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**

	2014 £'000	2013 £'000
Net Admissible Assets as per Form 13 L89 other than long term insurance business assets	259,368	247,826
Net Admissible Assets as per Form 13 L89 long term insurance business assets	4,768,696	3,924,732
Less: Form 14 Lines 11,12,49	(4,574,342)	(3,733,279)
Less: Form 15 Line 69	(4,653)	(26,108)
Total Capital Resources after deductions Form 3 Line 79	449,069	413,171

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

	2014 £'000	2013 £'000
Opening Profit & Loss Account and other reserves as per Form 3 Line 12, Column 4	278,313	91,931
Profit in period from non-technical account as per Form 16 Line 59	9,997	58,080
Increase in long-term insurance fund during year as per Form 40 Line 39	487,172	224,395
Increase in net mathematical reserves during the period	(484,271)	(196,093)
Increase in other reserves during the period	23,000	
Closing Profit & Loss Account and other reserves as per Form 3 Line 12, Column 3	314,211	278,313

***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 2014, 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	£513,101,418
HM Government Cabinet Office	£162,521,284

***1315* Line 83 details**

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

	2014	2013
Other than long term business assets	£'000	£'000
Transfer from the long term fund	-	84,000
	<hr/>	<hr/>
	-	84,000

***1317* Line 83 details**

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

	2014	2013
Long term business assets	£'000	£'000
Transfer to other than long term fund	-	(84,000)
	<hr/>	<hr/>
	-	(84,000)

1318

Line 101 details

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

	2014	2013
	£'000	£'000
Other than long term business assets		
Reclassification of balance with parent undertaking (see note 1507)	3	(404)
	<u>3</u>	<u>(404)</u>

	2014	2013
	£'000	£'000
Long term business assets		
Index linked swap liability on Form 56 line 17 and Form 13 line 58	21,698	1,504
Collateral Gross up F17 for assets received against derivative assets	(20,801)	-
Reclassification of tax balances to long term business and other that long term business	(4,496)	-
Additional provisions included in PRA but not in IFRS	1,550	-
	<u>(2,049)</u>	<u>1,504</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:

	2014 £'000	2013 £'000
Long term business assets		
Index linked swap liability net assets on Form 13 line 58 and Form 56 line 17	21,698	1,504
Collateral Gross up F17 for assets pledged against derivative liabilities	(20,801)	-
Reclassification of tax balances to long term business and other that long term business	(4,496)	
Additional provisions included in PRA but not in IFRS	1,550	
	<u>(2,049)</u>	<u>1,504</u>

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:

	2014 £'000	2013 £'000
Reclassification of balance with parent undertaking (see note 1318)	3	(404)
	<u>3</u>	<u>(404)</u>

Form 17

***1701* Derivatives**

There is no liability to repay the variation margin. A variation margin of (£57,545m) is included in line 44, £48,811m is included in line 45, £2,101m is included in line 45 and £14,699m is included in line 58 of form 13. No variation margin is included in respect of other than long term business.

Form 40

***4008* Management services**

The group undertaking which paid the staff costs, accommodation costs and administrative expenses is Partnership Services Limited. A management charge of £94,929,581 (2013: £89,503,029) 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

***4702* Approximations premium for Defined Benefit split by product**

Given that there is not a specific premium for each policy the premium has been allocated between index and non-index relative to the gross premium reserves held.

***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 £636.3m (2013: £652.3m).

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 £415k (2013: £439k).

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 £42,701k (2013: £38,428k).

Form 57

***5701* Breakdown of negative reserves**

Product code number	Product description	Net mathematical reserves in £000
300	Regular premium non-profit WL/EA OB	(1)
305	Single premium non-profit WL/EA OB	1
325	Level term assurance	(1,128)
330	Decreasing term assurance	(695)
365	Income protection non-profit (reviewable premiums)	(122)
UK Life Form 51 Product code numbers 300, 305, 325, 330, 365		(1,945)

These negative reserves have been used to partially offset against:

Product code number	Product description	Net mathematical reserves in £000
395	Annuity non-profit (PLA)	19,740

***5702* Risk adjustment to yields**

Product Group	Risk adjusted yield on matching assets %	Yield on matching assets before risk adjustment %
UK Life form 51 product code numbers 300, 305, 325, 330	1.14	1.52
UK Life form 51 product code numbers 365, 370	1.48	2.04
UK Pension form 51 product code numbers 405	3.76	3.98
UK Life form 51 product code numbers 300, 305, 325, 330	3.76	3.98
UK Life form 51 product code numbers 395	3.76	3.98
Miscellaneous	3.76	3.98

PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED

Returns for the year ended 31 December 2014

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 PRA 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 2014

Rule 9.30 For the period to 31 December 2014, the controlling company of Partnership Life Assurance Company Limited was Partnership Assurance Group plc. The controlling company of Partnership Life Assurance Group plc is Cinven Limited. Private equity funds managed by Cinven Limited hold 51.9% of the shares issued and voting power by Partnership Assurance Group plc.

PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED

Valuation statements as at 31 December 2014 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 2014

1 Introduction

(1) Date of investigation

The investigation relates to 31 December 2014.

(2) Date of previous investigation

The previous investigation related to 31 December 2013.

(3) Interim valuations

There have been no interim valuations (for the purposes of rule 9.4) since the date of the previous investigation.

2 Product range

Since the last investigation Partnership has introduced the Enhanced Choice Annuity. This product was launched in May 2014 as a non-profit enhanced immediate annuity with a 1-year cash-in option. This allows the customer the option to either continue with the annuity after one year or cash-in their policy. The cash-in option value (surrender value) and the surrender date are fixed and known at outset.

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 (including those arising from Defined Benefit schemes)

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.

(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 regular or single premium pre-funded long-term care policies where the benefit is a regular income to assist with the cost of long term care should the policyholder need this in the future.

(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 2014	Interest rate as at 31 December 2013
Annuities in payment	3.53%	4.31%
Policies with pending premiums	3.49%	4.28%
Care annuities	1.35%	1.70%
Deferred annuities	1.35%	1.70%
Whole life assurance negative reserves	3.74%	4.59%
Whole life assurance positive reserves	1.00%	1.44%
Term assurance negative reserves	3.74%	4.59%
Term assurance positive reserves	1.00%	1.44%
Family income benefit negative reserves	3.74%	4.59%
Family income benefit positive reserves	1.00%	1.44%
Permanent health insurance	1.35%	1.70%

(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 at least as good as for gilts.

For loans secured by mortgages on residential property, 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.

For loans secured by mortgages on commercial property, the yield has been determined using the asset value and risk adjusted cash flows. The risk adjusted yield take into account the anticipated non repayment arising from the borrower being unable to service the debt. The expected mortgage payments are based on the average cash flows across all simulations for each future time period from a stochastic model. These cash flows depend on assumptions for future property values, future property rentals, tenancy behaviour, void periods and new tenancy terms, and are adjusted for the risks to cash flows and a margin for adverse deviations.

(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 2014	Mortality Table as at 31 December 2013	Life Expectancy	Note
Individual Annuities in payment	Medically	Modified E&W Population Mortality with CMI 2013 M (1.25%) and CMI 2013 F (1.00%)	Modified E&W Population Mortality with CMI 2012 M (1.75%) and CMI 2012 F (1.50%)	M65 = 25.0 M75 = 15.9 F65 = 26.9 F75 = 17.6	1
Bulk Annuities in payment	Medically	Modified E&W Population Mortality with CMI 2012 M (1.75%) and CMI 2012 F (1.50%)	Modified E&W Population Mortality with CMI 2012 M (1.75%) and CMI 2012 F (1.50%)	M65 = 25.2 M75 = 16.1 F65 = 27.1 F75 = 17.8	1
Annuities in payment	Rules based	Modified PNM00/PNF00 modified ave MC& LC floor 1.5%	Modified PNM00/PNF00 modified ave MC& LC floor 1.5%	M65 = 25.1 M75 = 16.2 F65 = 26.9 F75 = 17.4	1
Care annuities	Rules based	Modified PCMA/PCFA00 bespoke	Modified PCMA/PCFA00 bespoke	M65 = 25.5 M75 = 16.1 F65 = 27.1 F75 = 17.3	1
Deferred Care annuities	Rules based	Modified PCMA/PCFA00 bespoke	Modified PCMA/PCFA00 bespoke	M45 = n/a M55 = 35.5 F45 = n/a F55 = 37.4	1
B&CE annuities	Rules based	Modified E&W Population Mortality with CMI 2013 M (1.25%) and CMI 2013 F (1.00%)	Modified PCMA/PCFA00 LC floor 1.5%	M65 = 23.5 M75 = 14.4 F65 = 26.0 F75 = 16.3	1
Whole life assurance / Term assurance	Medically	86.25% TMN00/ 86.25%TMS00 86.25% TFN00/ 86.25%TFS00	86.25% TMN00/ 86.25%TMS00 86.25% TFN00/ 86.25%TFS00	-	2
Family income benefit	Medically	86.25% TMN00/ 86.25%TMS00 86.25% TFN00/ 86.25%TFS00	86.25% TMN00/ 86.25%TMS00 86.25% TFN00/ 86.25%TFS00	-	2
Permanent health insurance	Medically	44% AM92 44% AF92	44% AM92 44% AF92	-	3

Note 1

For medically underwritten individual annuity products, the rates of mortality used in the valuation are based on Modified E&W Population Mortality with CMI 2013 M (1.25%) and CMI 2013 F (1.00%), with adjustments made to allow for the impact of premium size, joint-life status, spouse percentage, postcode and future mortality improvement. Additional mortality loadings are made depending on the type and severity of medical impairment. For bulk annuities the rate of mortality used in the valuation are very similar with different long-term improvement rate.

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 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, the rates of mortality used in the valuation are based on the Modified E&W Population Mortality with CMI 2013 M (1.25%) and CMI 2013 F (1.00%).

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 2014	Expense assumption as at 31 December 2013	Expense assumption as at 31 December 2014	Expense assumption as at 31 December 2013
	On-going		Claim	
Annuities in payment	£37.60 pa Inflating at 4.70%	£38.80 pa Inflating at 5.00%	-	-
Care annuities	£37.60 pa Inflating at 4.70%	£38.80 pa Inflating at 5.00%	-	-
PA Lite annuities	£18.90 pa Inflating at 4.70%	£19.30 pa Inflating at 5.00%	-	-
B&CE annuities inwards reinsurance	-	-		
B&CE annuities	£18.90 pa Inflating at 4.70%	£19.30 pa Inflating at 5.00%		
Deferred annuities	£37.60 pa Inflating at 4.70%	£38.80 pa Inflating at 5.00%	-	-
Whole life assurance	£27.00 pa Inflating at 4.70%	£30.80 pa Inflating at 5.00%	£47.00 Inflating at 4.70%	£45.00 Inflating at 5.00%
Term assurance	£27.00 pa Inflating at 4.70%	£30.80 pa Inflating at 5.00%	£47.00 Inflating at 4.70%	£45.00 Inflating at 5.00%
Family income benefit	£27.00 pa Inflating at 4.70%	£30.80 pa Inflating at 5.00%	£47.00 Inflating at 4.70%	£45.00 Inflating at 5.00%
Permanent health insurance	£37.60 pa Inflating at 4.70%	£38.80 pa Inflating at 5.00%	£47.00 Inflating at 4.70%	£45.00 Inflating at 5.00%
Equity Release Reversion	£9.40 pa Inflating at 4.70%	£30.00 pa Inflating at 5.00%	£168.00 Inflating at 4.70%	£160.00 Inflating at 5.00%

Equity Release roll up mortgages (Hodge)	£91.80pa Inflating at 4.70%	£91.50pa Inflating at 5.00%	-	-
Equity Release roll up mortgages	£28.10pa Inflating at 4.70% Certain contracts incur an administration fee, with prudent assumptions ranging from 0.105% to 0.1575% pa of loan	£29.10pa Inflating at 5.00% Certain contracts incur an administration fee, with prudent assumptions ranging from 0.105% to 0.1575% pa of loan	-	-
Equity Release roll up mortgages (Own-brand)	£117.40pa Inflating at 4.70%	£116.60pa Inflating at 5.00%	-	-
Equity Release corporate loans	£28.10pa Inflating at 4.70%	£29.10pa Inflating at 5.00%	-	-
Equity Release fixed repayment	£117.20pa Inflating at 4.70%	£118.10pa Inflating at 5.00%	-	-

(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	8.04%	5.00%	5.00%	5.00%
Level Term - Impaired lives	Lapse	8.21%	8.00%	8.00%	8.00%
Decreasing Term - Healthy lives	Lapse	8.04%	5.00%	5.00%	5.00%
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	13.28%	9.00%	9.00%	9.00%
Level Term - Impaired lives	Lapse	13.63%	13.00%	13.00%	13.00%
Decreasing Term - Healthy lives	Lapse	13.28%	9.00%	9.00%	9.00%
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 2014 from reserves to meet expenses in fulfilling contracts in-force, as 31 December 2014 is £ 8.6m.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non - attributable expenses	Total
Annuities in payment		£ 2.9m	£ 1.5m	£ 2.3m	£ 6.7m
Care annuities		£ 0.2m	£ 0.0m	£ 0.1m	£ 0.3m
Whole life assurance / Term assurance		£ 0.0m	£ 0.1m	£ 0.0m	£ 0.1m
Equity Release	£ 1.5m				£ 1.5m
Total	£ 1.5m	£ 3.1m	£ 1.6m	£ 2.4m	£ 8.6m

(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 £ 8.6m 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 approximately the same as the corresponding figure on line 14 of Form 43 of £ 8.6m which includes investment expenses of £ 4.5m.

(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 (as part of the business planning process) involving different levels of new business, the Company's likely expenditure in the coming year and margins arising from new business. On these business plan basis that new business in respect of existing products would be not less than allowed for in these scenarios no additional reserve for new business expense overrun 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 £18.9m. This was derived after consideration for:

- Redundancy costs on closure
- Property costs

After allowing for the margins expected to arise on new business and the return on surplus assets prior to closure as well as the Company's fixed operating costs, a closed fund reserve of £6.0m is required.

(6) Non-attributable 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	£ 38.6m	£ 60.4m
Care annuities	£ 0.2m	£ 0.2m
Whole life assurance / Term assurance	£ 0.6m	£ 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 £0.65m. 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 44 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 £181.4m with a corresponding change in the value of assets allocated to match the liabilities of £ 140.3m. The total resilience capital requirement was £ 45.3m
- (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.

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 £8.1m. 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 impaired annuities written on or after 1 April 2008. Closed 30 June 2011.	Yes	Closed	£ 740.2m	£ 0.0m	15%	(a), (c)
2	Hannover Ruck	The reinsurer is liable to meet 70% of all medically underwritten impaired annuities written on or after 1 July 2011. Closed 31 March 2012	Yes	Closed	£ 289.0m	£ 0.0m	30%	(a), (c)
3	Hannover Ruck	The reinsurer is liable to meet 21.25% of all medically underwritten care 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 2009 onwards. Closed 30 June 2009.	Yes	Closed	£ 3.7m	Nil	57.5%	(a), (c)
4	Hannover Ruck	The reinsurer is liable to meet 42.5% of all medically underwritten care annuities priced using a rules based automated underwritten system on or after 1 July 2009.	Yes	Open	£ 84.2m	£ 26.3m	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 July 2002, 85% of impaired annuities underwritten between 1 August 2002 and 31 December 2003, and 85% of impaired annuities written between 1 November 2006 and 31 March 2008.	Yes	Closed	£ 196.2m	Nil	5% to 15%	(a), (c)
6	Hannover Ruck	The reinsurer is liable to meet 95% of care annuities underwritten between 1 January 2000 and 31 July 2002, 75% of care annuities underwritten between 1 January 2003 and 31 December 2003 and 42.5% of care annuities underwritten between 1 January 2007 and 31 March 2008.	Yes	Closed	£ 3.0m	Nil	5% to 25%	(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	£ 28.1m	Nil	5%	(a), (c)
8	Pacific Life Re	The reinsurer is liable to meet 85% of all medically underwritten smoker annuities written on or after 3 February 2008	Yes (Held in trust)	Open	£ 247.1m	£ 16.9m	15%	(b), (c)
9	Pacific Life Re	The reinsurer is liable to meet 80% of all medically underwritten lifestyle annuities written between 1 December 2008 and 31 December 2012	Yes	Closed	£ 504.1m	£ 0.0m	20%	(b), (c)
10	Pacific Life Re	The reinsurer is liable to meet 70% of all medically underwritten impaired annuities between 1 April 2012 and 20 May 2014.	Yes	Closed	£1134.0m	£ 191.8m	30%	(a), (c)

	Reinsurer	Description	Deposit back	Treaty status	Total mathematical reserves ceded	Premiums payable during report period	Retention	Notes
11	Pacific Life Re	The reinsurer is liable to meet 50% of all medically underwritten impaired annuities written on or after 21 May 2014	Yes	Open	£ 69.8m	£ 71.4m	50%	(a), (c)
12	Pacific Life Re	The reinsurer is liable to meet 70% of liabilities, from a number of defined benefit schemes, written up to 31 December 2013.	Yes	Closed	£ 39.8m	£ -0.2m	30%	(a), (c)
13	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 2009.	No	Open	£ 1.8m	£ 0.7m	35%	(a), (c)
14	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)
15	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 st January 2010	£ 1.8m	£ 0.8m	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, 11 and 12 are gross of the management fee reserves. The total management fee reserve at 31 December 2014 in respect of treaties 1, 2 and 4 is £ 28.2m, and in respect of treaties 9, 10, 11 and 12 is £ 69.1m.

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 2014

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 Officer

D L Richardson, Chief Financial Officer

A J M Chamberlain, Actuarial Function Holder

Date of Signature 2 March 2015

PARTNERSHIP LIFE ASSURANCE COMPANY LIMITED

Global business

Financial year ended 31 December 2014

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 Prudential Regulation 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;
- the statement required by IPRU(INS) rule 9.29 ("the Statement"); and
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report");

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

- Forms 46, 47, 50, 51, 54 and 57 including the supplementary notes;
- the statement required by IPRU(INS) rule 9.30; and
- the directors' certificate required by IPRU (INS) rule 9.34 ("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 PRA for the use of the PRA solely for the purposes set down by statute and the PRA'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 PRA 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 PRA, 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 138 of the Financial Services and Markets Act 2000 on 19 November 2013. 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

2 March 2015